

International Property Markets Scorecard

Uganda Market Conditions – Complete Survey January 2010



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Scorecard Background & Information


The Scorecard reflects the status of the six Core Elements necessary for transparent and efficient property market development. Each Core Element includes three Lead Indicators that are further divided into Sub-Indicators. Colors signify the strength of institutions that support market development – very strong, strong and weak. No color indicates that institutions are very weak. Gray indicates more information is needed for an objective determination.

Acknowledgement

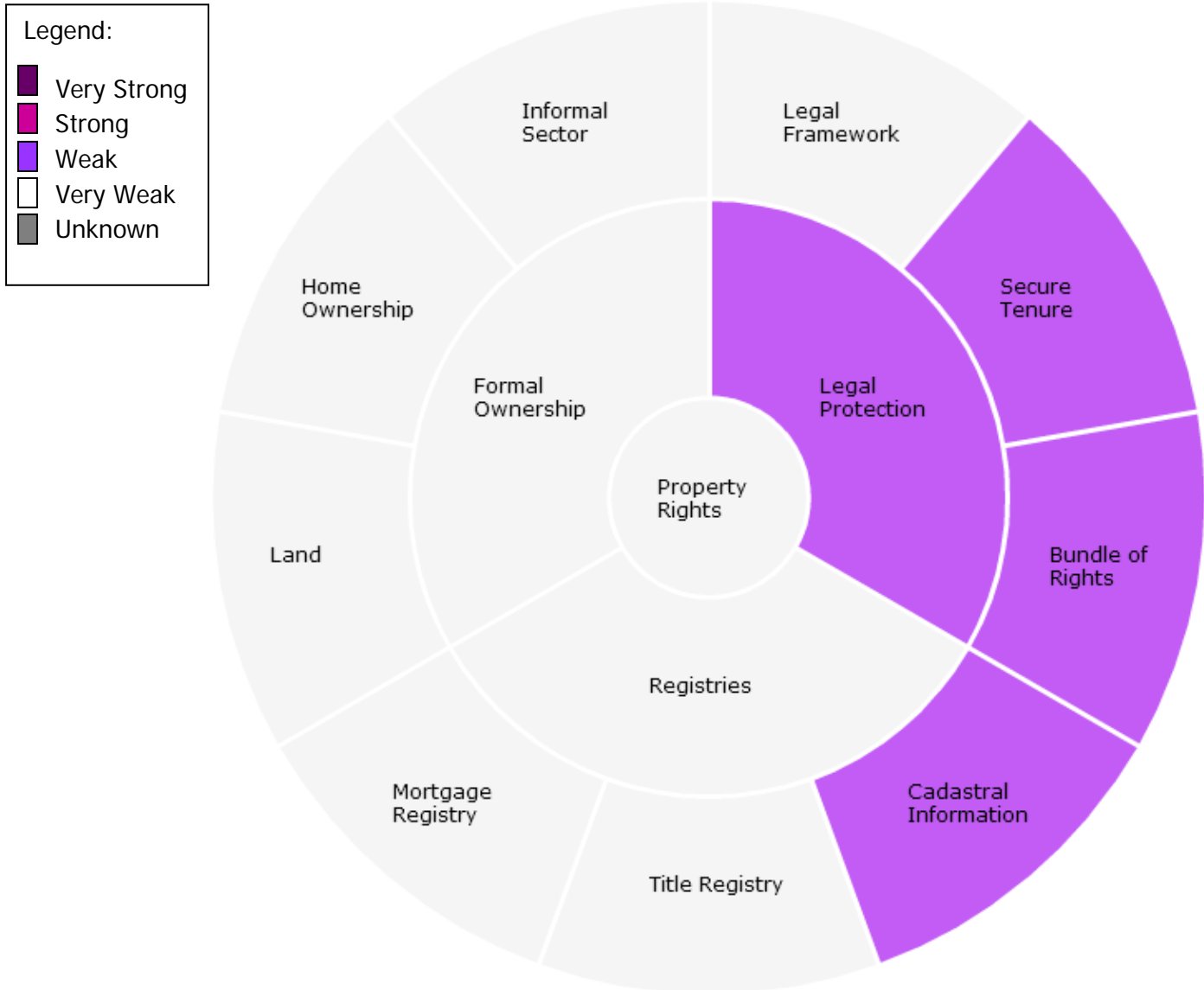
The International Property Markets Scorecard Project is the latest development in the continued cooperative work between the Center for International Private Enterprise (CIPE) and the International Real Property Foundation (IRPF). The work began in September 2002 and includes the booklet *Real Property Markets: The 'Real' Solution for Economic Development* jointly published by the Appraisal Institute, CIPE and IRPF. The Scorecard derives from the work of an academic panel led by Richard Green, PhD., Director of the University of California's Lusk Center for Real Estate and the University of Denver, Burns School of Real Estate and Construction Management's Global Real Estate Project under the direction of Dr. Mark Lee Levine.

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1. Property Rights



Goal – Property rights that are legally protected, secure, recorded in a single, accurate, widely accessible electronic registry and that lead to high levels of formal ownership for all citizens

1.1 Legal Protection

Core Question: Does an effective and sufficient legal framework exist to protect property rights for all citizens? **No – Weak, Draft #4 of the National Land Use Policy issued in Sept 2009, process to be complete by 2011.**

Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Very Weak – Ranking 105th out of 133; Score 3.5 out of 7**

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **No – Weak – 69th out of 133; Score 3.6 out of 7**

Source: *Global Competitiveness Report 2009* – World Economic Forum

www.weforum.org/documents/gcr09/index.html

Bundle of Rights

Survey Question

SQ1 What is the bundle of rights (group of rights such as occupancy, use and the right to sell or lease) associated with both residential and commercial property ownership? **Weak – freehold, leasehold, customary and *mailo* (old British feudal system never fully abolished); multiple land tenure systems lead to inconsistency and confusion.**

1.2 Registries

Core Question:	Does a reliable property registry exist including cadastral, title and mortgage lien information? No – Very Weak, most land in Uganda has never been demarcated or surveyed and has no documentary evidence to support ownership claims.
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1.2.1 Cadastral Information

Status – Weak – Land Information System is currently being converted from manual operations.

Survey Questions

SQ 2 Is cadastral information (information about the dimensions and location of land parcels) accessible to the public? **No**

SQ 3 Is zoning/permitted use information included are use regulations respected and enforced? **No**

SQ 4 Are Geographic Information Systems (GIS) including Global Positioning Satellite (GPS) information used to create and update the registry? **Yes, new GIS system launched in May 2006.**

Source: Ministry of Lands, Housing & Urban Development - www.mlhud.go.ug/

Civil Society Resource: Institution of Surveyors of Uganda

1.2.2 Title Registry

Very Weak – Ranking – 149th out of 183 Trend ↑

- 1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **13**
- 1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **77**
- 1.2.2.3 What is the total cost of the transfer including all fees, taxes, etc. expressed as a percentage of the value of the property? **3.5%**

See **Appendix** for complete procedure for registering property

Source – *Doing Business* – Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=193

1.2.3 Mortgage Registry

Status –Very Weak

Survey Questions

-
- SQ 5 The mandatory use of notaries or similar officials slows down and adds cost to the process. Does a notary need to be involved in the registration process? **Yes**
- SQ 6 Is information in the registry available electronically? **No**
- SQ 7 Title insurance is indemnity insurance against financial loss from defects in title and from the invalidity or unenforceability of mortgage liens. Is title insurance available to lenders? **No**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation
[www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

1.3 Formal Ownership

Core Question:	Do citizens understand and trust property rights institutions and avoid the informal sector? No – Very Weak – Only 18% of land owners have registered titles or certificates of ownership.
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Survey Questions

Land

SQ 8 What is the status of land ownership? **Very Weak – poor land use planning practices have led to inappropriate decisions in the allocation of land use resulting in land degradation, pollution, uncontrolled urban development, conflicts over land use and reduced land productivity.**

Source: Ministry of Lands, Housing & Urban Development - www.mlhud.go.ug/

Civil Society Resource: Institution of Surveyors of Uganda

Home Ownership

SQ 9 What is the percentage of formal home ownership? **28% – Very Weak, 70% of the population does not have access to housing finance; over 60% of Kamala's residents live in slums.**

Source: *Access to Housing Finance in Africa: Uganda*, FinMark Trust
www.finmark.org.za/documents/R_HFA_Uganda.pdf

Informal Sector

SQ 10 What is the size of the informal economy as a percentage of GDP? **43.1% - Very Weak Formal Sector (2000)**

Source: *Size and Measure of the Informal Sector*, World Bank
http://rru.worldbank.org/Documents/PapersLinks/informal_economy.pdf

In-Country Assessment Information

Field Question (FO) 1. What is the actual status of property rights and ownership for citizens?

Laws relating to land management and administration are weak and outdated. In addition, land is subject to different uses and thus its management falls under different sector institutions that have limited human and financial resources. Furthermore, decentralization has introduced new institutions aimed at improving service delivery at grassroots level, but these are beset with weak implementation due to lack of adequate professional expertise, as well as poor coordination between central and local Governments. Inadequate sector coordination has also had negative impact on land use, just as weak inter-sector and district coordination has resulted in contradictory land use patterns.

FQ 2. What is the actual experience of transferring a property?

There is lack of awareness by the majority of people both in urban and rural areas of the laws governing land use and management. In addition, there is resistance and non-adherence to existing control laws and regulations. The principal laws currently in force are the Land Act 1998 and the Town and Country Planning Act 1964, the Survey Act 1964, and the Registration of Titles Act 1964. The principle enshrined in the Act enables *bona fide* and lawful occupants to obtain legal interests in the registered land they occupy. However, this has not been implemented due to:

Resistance of the registered owners against what they consider to be expropriation of their property rights and interests

Lack of understanding by both the bona fide and lawful occupants who are not aware of the present provisions and still think they are at the mercy of the registered owners

Inadequate capacity in the relevant institutions such as the Ministry of Water, Lands and Environment, District Land Boards, District Land Offices, District land tribunals and land committees

Lack of sufficient funds under the Land Fund to enable bona fide and lawful occupants purchase reversionary interests from the registered owners

Certain aspects of the Land Act have not been implemented due to large resource implications.

FQ 3. What are the actual housing conditions for all groups including the poor, minorities and other marginalized groups?

Government will ensure that women, youth, the poor, the disabled and other disadvantaged groups will receive equal treatment as the rest of the citizens of this country. In particular, Government will ensure adequate and effective integration of gender concerns in all programs geared towards the implementation of this policy. The issues to consider will include the following:

Security of tenure especially for women, the poor and the disabled

Encourage participation of women and youth in land use decision-making, especially where they are directly or indirectly affected.

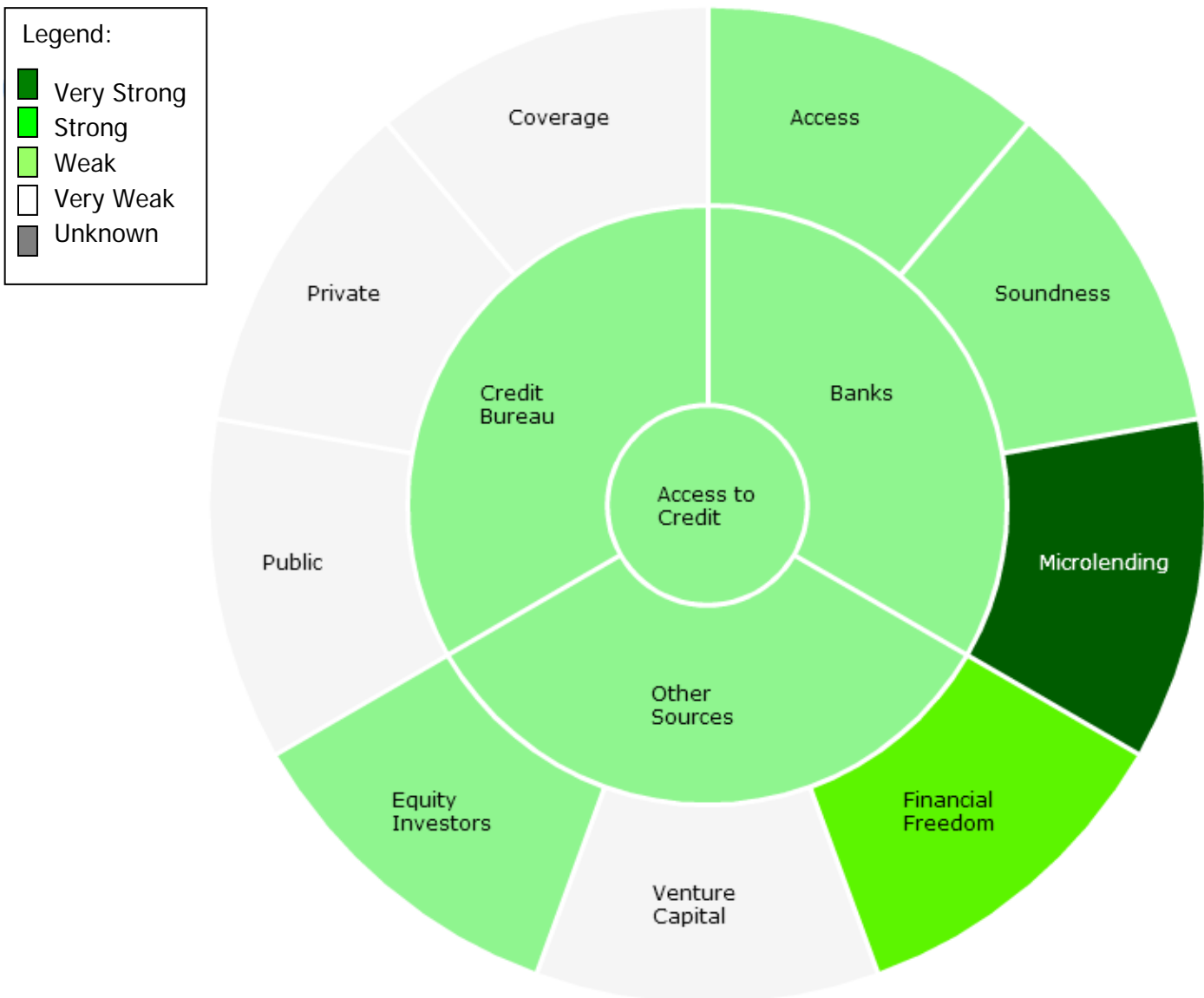
Promote positive changes in cultures and attitudes to support sustainable land use, equitable distribution and sharing of benefits.

Develop programs to improve skills of the poor so that they can make a gainful living from their land.

Marginalized groups of people are more likely to use land unsustainably and should therefore be given special attention. There will be no discrimination against people living with debilitating illnesses.

Source: *National Land Use Policy*, Ministry of Lands, Housing & Urban Development - www.mlhud.go.ug/

2. Access to Credit



Goal – An efficient, transparent financial sector that provides a broad range of citizens with access to multiple forms of competitive credit so that they can start businesses, build wealth, and purchase property

2.1 Banks

Core Question: Are traditional banking services robust and extensive enough to serve the needs of the population to help them build wealth and purchase property? **No – Weak, the authorities have introduced several reforms to strengthen public financial management and deepen financial markets but these efforts have been scattered and not always well synchronized.**

Access

2.1.1 How easy is it to obtain a bank loan? **Weak – Ranking 83rd out of 133; Score 2.7 out of 7**

Soundness

2.1.2 How sound are the country's banks? **Weak – Ranking 88th out of 133; Score 5 out of 7**

Source: *The Global Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.1.3 Microlending

Status – Very Strong

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **11**

BRAC Uganda www.brac.net/index.php?nid=97

Centenary Rural Development Bank www.centenarybank.co.ug/

Faulu Uganda

Uganda Finance Trust, Ltd. www.financetrust.co.ug/

FINCA Uganda

www.villagebanking.org/site/c.erKPI2PCIoE/b.2671211/k.BFD7/Uganda.htm

2.1.3.2 What is the number of active borrowers per institution?

BRAC Uganda **62,609**

Centenary **92,675**

Faulu **18,795**

Uganda Finance Trust **17,714**

FINCA **45,134**

Source: Microfinance Information Exchange www.mixmarket.org/mfi

2.2 Other Sources

Core Question:	Are entrepreneurs free to raise capital outside the banking system including venture capital and/or by issuing stock in a well-regulated stock exchange? No – Weak, the financial sector has become more open but credit is still not easily available in rural areas.
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Financial Freedom

2.2.1 How much control does the government exert over financial services? **Strong for entrepreneurs – Score 60 out of 100 – Limited government control**

Source: *Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Uganda

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?
Very Weak – 116th out of 133; Score 2.1 out of 7

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market? **Weak – 81st out of 133; Score 3.5 out of 7**

Source: *The Global Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

2.3 Credit Bureau

Core Question:	Is comprehensive credit information available through public and private credit bureaus? No – Weak, Central Bank just launched a credit bureau in December of 2008.
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Overall Ranking 113th out of 183

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Very Weak – Score – 0 out of 6 with a higher number indicating more information is available**

Public

2.3.2 What is the extent of public credit registry coverage? **Very Weak – not available**

Private

2.3.3 What is the extent of private credit registry coverage? **Very Weak – not available**

Source: *Doing Business* – Getting Credit, World Bank

www.doingbusiness.org/ExploreEconomies/?economyid=193

In-Country Assessment Information

FQ 4. How available are mortgage loans for purchasing property, who is the typical user and what are the prevailing trends?

Uganda's housing finance sector has substantially grown from one government owned institute to 4 commercial banks and 1 Micro-finance Deposit taking Institution. The sector is however small in relation to the housing needs of the country and it has principally been serving the middle and higher income earners. The average mortgage loan size issued by commercial banks is between UShs 60 (US \$ 34,000) and 80 million (US \$ 46,000), an amount too high for the low income earners.

Absence of adequate housing finance for the last 30 years and the weak foundations made by consecutive governments in building the country's housing industry have greatly crippled the formal private sector to such an extent that their contribution to housing delivery has been relatively insignificant. The housing finance sector is still facing a major challenge of lack of long-term funding schemes within the domestic banking system and the nascent capital markets.

Out of 5.2 million households in the country, only 0.68% can access mortgage loans through commercial banks, 19.95% can access housing micro-finance loans through Micro-finance Deposit taking Institutions, 7.2% can access loans from Micro Finance Institutions and Savings and Credit Cooperatives, 10.3% can only access loans through Savings and Credit Cooperatives only and 62.3% have no access to financial services.

Housing demand in Uganda has been constrained by inadequate financial resources for both real estate developers and end buyers. The low income levels of most Ugandans have also constrained the demand side of housing.

FQ 5. What are the interest rates, term and loan-to-value ratios for available mortgages?

All the 5 commercial banks in the housing finance sector offer the following mortgage products:

(i) house construction, (ii) house completion, (iii) home improvement, (iv) purchasing of houses, (v) equity release and (vi) refinancing mortgage.

LTVs range from 70 to 80% for 20 year loans. Interest rates range between 16 and 19%. Housing Finance Bank and DFCU Bank are the largest players in the market and they partly source their long-term funds from the National Social Security Fund. Through initiatives pioneered by Stromme Foundation and Habitat for Humanity Uganda, Micro Finance Institutions are to start a housing micro-finance product in which they will lend to low income earners up to US\$ 8 million (US \$ 4,600), payable between 2 to 5 years.

Source: *Access to Housing Finance in Africa: Uganda*, FinMark Trust

www.finmark.org.za/documents/R_HFA_Uganda.pdf & IRPF Assessment August 2008

FQ 6. Are there any informal barriers to borrowing such as for women or minorities?

Women, Youth, the Poor, persons with disabilities and other disadvantaged groups will be accorded equal opportunities. The government will ensure that women, youth, the poor, the disabled and other disadvantaged groups will receive equal treatment as the rest of the citizens of this country. In particular, Government will ensure adequate and effective integration of gender concerns in all programs geared towards the implementation of this policy. The issues to consider will include the following:

Security of tenure especially for women, the poor and the disabled

Encourage participation of women and youth in land use decision-making, especially where they are directly or indirectly affected.

Promote positive changes in cultures and attitudes to support sustainable land use, equitable distribution and sharing of benefits.

Develop programs to improve skills of the poor so that they can make a gainful living from their land.

Marginalized groups of people are more likely to use land unsustainably and should therefore be given special attention. There will be no discrimination against people living with debilitating illnesses.

Source: Ministry of Lands, Housing and Urban Development *National Land Use Policy*

3. Effective Governance



Goal – A popularly elected government free of corruption and functioning efficiently and transparently enough to guarantee economic freedom to individuals and support equitable property markets

3.1 Democratic Representation

Core Question:	Does the country have free and open elections for the leadership and can citizens engage in free enterprise? Yes – Strong, Uganda has been successful in implementing its Freedom of Information act by decreasing the time it takes for the public to access government records. Scores for government accountability and political financing have increased.
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Voice & Accountability

3.1.1 Are citizens able to elect their government and do they enjoy freedom of expression, association and a free media? **No – Weak – Percentile Rank – 33.2 Trend ↑**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

3.1.2 Are citizens free to form political and civic organizations free of state interference and surveillance? **No – Weak – Score 6.76 out of 10**

Overall Ranking – 101st out of 167

Source: *The Economist* Intelligence Unit Democracy Index
<http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>

Public Information

Overall Ranking – Strong; Score 72 out of 100

3.1.3 Are there regulations governing conflicts of interest in the executive and legislative branches of government? **No – Executive Score 57 out of 100 – Very Weak; Legislative Score 70 out of 100 – Weak**

3.1.4 Can citizens access legislative processes and documents? **Yes – Score 75 out of 100 – Strong (2008)**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Uganda/2008>

Market Intervention

Overall Ranking – Strong 76th out of 179 Trend ↓

3.1.5 To what extent does the government intervene in the private sector including state owned industries? **Score 85.5 out of 100 with a higher score indicating less intervention**

3.1.6 To what extent does the government control prices? **Score 78.1 out of 100 with a higher score indicating less control**

Source: *2009 Index of Economic Freedom* – Heritage Foundation
www.heritage.org/index/Country/Uganda

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No – Weak corruption is deeply rooted. Major causes include poor service conditions of the public sector, weak enforcement of anticorruption legislation, extensive discretionary powers of public officials and social and cultural norms that tend to glorify the corrupt.
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Transparency

3.2.1 What is the perceived level of corruption in the country? **Weak – Ranking – 130th out of 180; Score 2.5 out of 10 Trend ↓**

Source: Transparency International
www.transparency.org/policy_research/surveys_indices/cpi/2009

Integrity Mechanisms

3.2.3 A National Integrity System is a framework where the principle institutions that contribute to integrity, transparency and accountability in a society can address corruption in a systematic way. Does a National Integrity System exist? **Yes – Weak, policy in place, but implementation lacking.**

Source: Transparency International
www.transparency.org/policy_research/nis/nis_reports_by_country

Extralegal Payments

Survey Question

SQ 11 How often do companies report that officials and/or companies expect additional payments to “expedite” services or gain business? **51.7% of firms say they are expected to make unofficial payments – Weak**

Source: *Enterprise Surveys*, World Bank, 2006
www.enterprisesurveys.org/ExploreEconomies/?economyid=193&year=2006

3.3 Efficient Administration

Core Question: Are quality services and qualified civil servants available to the public through the efficient use of public money free of corruption? **Yes – Strong, Uganda has a strong legal anti-corruption framework but struggles to translate those laws into practice.**

Size of Government

3.3.1 What is the size of government relative to GDP? **22% - 25 to 30% considered optimum – Very Strong**

Source: *2010 Index of Economic Freedom*, Heritage Foundation
www.heritage.org/index/Country/Uganda

Civil Service

3.3.2 What is the quality of the civil service? **Strong – Score 77 out of 100**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Uganda/2008/scorecard>

Government Effectiveness

3.3.3 What is the overall effectiveness of the government? **Weak - Percentile Ranking – 36 Trend =**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

In-Country Assessment Information

FQ 6. What is the actual experience of practitioners in dealing with the government?

Currently, most land in Uganda has never been demarcated or surveyed and has no documentary evidence to support ownership claims. Only 18% of land owners have registered titles or certificates of ownership. The existing records in the land registry are manually managed and in very poor state. As a result, service delivery is very slow and cumbersome, and title searches and/or verification of claims is frustrating. The process is prone to mistakes and occurrences of fraud, which makes land assets unreliable and risky as collateral security for loans. The Land Registration business process fails to provide economy in handling information that the majority of rural land holders and urban market participants need to make informed decisions.

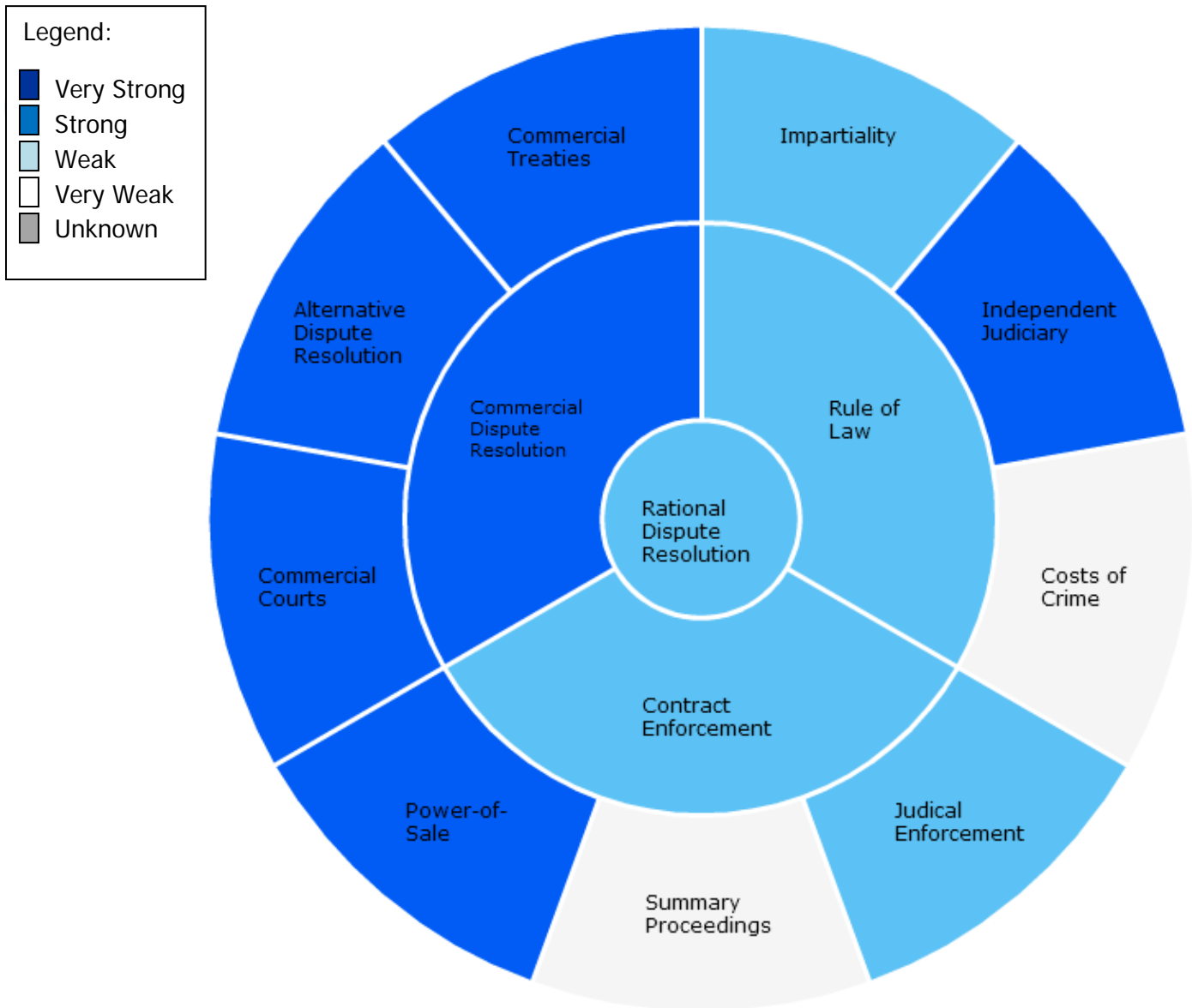
These failings of the land registration system in Uganda are a significant barrier to investment and the development. The private sector deals with substantial transaction cost due to the absence of clear and reliable information in the form of title, certificate of occupancy or ownership that can transform land into a tradable asset or capital. The high transaction costs are a function of inadequate legislative framework, archaic land information management systems, low administrative capacity and apathetic mindset of local land officials.

From the perspective of land developers and private investors, the existing land tenure restrictions and the failures of the land registration system indicate land sector reforms are needed to secure property rights. Improved procedures that introduce transparent land administration will assist developers in efficiently assessing market risk and prioritizing investment options that comply with private as well as public development aspirations.

Source: *Measures to Improve Access to Land Resources and Related Benefits in Uganda*, World Bank and Private Sector Foundation Uganda,

<http://siteresources.worldbank.org/INTIE/Resources/Ahene.doc>

4. Rational Dispute Resolution



Goal – An efficient institutional framework that balances the rights of the public, owners, lenders and borrowers in the event of a dispute or loan default

4.1 Rule of Law

Core Question:	Do all market participants abide by the rule of law and have confidence in the courts and the ability of police to control crime? No – Weak, the continued prevalence of customary law and weakness of the courts leads to disputes.
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Impartiality

4.1.1 What is the confidence level of the strength and impartiality of the police, courts and contract enforcement? **Weak – Percentile Ranking – 36.8 Trend ↑**

Source: *Governance Matters 2008*, World Bank
http://info.worldbank.org/governance/wgi/sc_chart.asp

Judiciary

4.1.2 Can members of the judiciary be held accountable for their actions? **Yes– Score 78 out of 100 – Strong**

Source: *Global Integrity Report* – <http://report.globalintegrity.org/Uganda/2008>

Costs of Crime

4.1.3 What are the business costs of crime and violence? **High costs – Ranking 105th out of 133 – Very Weak**

Source: *The Global Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? Commercial – No – Weak Residential – Yes – Strong
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4.2.1 – Judicial Enforcement

Commercial – Weak – Ranking 116th out of 183 Trend ↑

4.2.1.1 What is the number of procedures involved in resolving a commercial dispute? **38**

4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **510 days**

4.2.1.3 What is the cost of judicial enforcements as a percentage of debt value? **44.9%**

Source: *Doing Business* – www.doingbusiness.org/ExploreEconomies/?economyid=193

Residential – Strong

Survey Questions

SQ 12 What is the time between notice of intent to foreclose and loan collection in judicial enforcements? **See below for power-of-sale**

SQ 13 What is the cost of judicial enforcements as a percentage of property value? **See below for power-of-sale**

4.2.2 – Summary Proceedings

SQ 14 Summary proceedings are alternative dispute resolution processes where creditors can apply for a direct court order in property disputes. What is the time between notice of intent to foreclose and loan collection in summary proceedings if available to lenders? **See below for power-of-sale**

SQ 15 What is the cost of summary proceeding if available to lenders as a percentage of property value? **See below for power-of-sale**

4.2.3 – Power-of-Sale

SQ 16 Power-of-sale agreements give creditors to power to sell properties after notice to the borrower without court intervention. What is the time between notice of intent to sell and loan collection for power-of-sale agreements if available to lenders? **235 days - Strong**

SQ 17 What is the cost of power-of-sale agreements if available to lenders as a percentage of property value? **5.28% - Very Strong**

Source – *Financing Homes 2008*, World Bank and International Housing Finance Corporation [www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/\\$FILE/FinancingHomes.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/financinghomes/$FILE/FinancingHomes.pdf)

4.3 Commercial Dispute Resolution

Core Question:	Can commercial disputes be resolved efficiently and fairly without exorbitant expense and delay? Yes – Strong, despite a lack of funds and space, the commercial courts dispose of disputes within about seven months, as opposed to the several years it used to take litigation to wind through the Ugandan judiciary.
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Survey Questions

Commercial Courts

SQ 18 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **Yes – Strong, High Court – Commercial Division, all cases must first have a mediation session before a magistrate.**

Source: Judiciary of the Republic of Uganda www.judicature.go.ug/

Alternative Dispute Resolution

SQ 19 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community based processes? **Yes - Strong – a member of the New York Convention. 80% of commercial disputes are settled through arbitration.**

Civil Society Resource: Centre for Arbitration and Dispute Resolution

Commercial Treaties

SQ 20 What bilateral, regional and international commercial treaties exist concerning business between countries? **Strong – a member of WTO and the East Africa Community with a Trade Investment Framework with the U.S. and Economic Partnership with the E.U.**

Source: Uganda Investment Authority www.ugandainvest.com/

In-Country Assessment

FQ 7. To what extent do practitioners report contracts as enforceable?

Real estate contract enforcement is questionable and none of the practitioners interviewed had a great deal of confidence in the legal system of the country.

Source: IRPF Assessment August 2008

5. Financial Transparency



Goal – A well developed and transparent financial system that includes strong supporting institutions and highly trained and ethical professionals that contribute to effective financial intermediation and deep and broad access to capital and financial services

5.1 Market Stability

Core Question:	Are market risks sufficiently transparent and diversified so that efficient capital allocation can occur? No – Weak – Capital markets are relatively small and underdeveloped, though more private companies are being listed on the stock exchange.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Very Weak – 103rd out of 133; Score 3.9 out of 7**

Market Sophistication

5.1.2 What is the overall level of financial market sophistication in the country? **Very Weak – 116th out of 133; Score 2.9 out of 7**

Source: *The Global Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

Insolvency Process

Strong – Ranking – 53rd out of 183

5.1.3 What is the average time to complete bankruptcy proceedings? **2.2 years**

5.1.4 What is the cost of bankruptcy proceedings as a percentage of the estate? **30%**

5.1.5 What is the recovery rate of bankruptcy proceedings? **41.1 cents on the dollar**

Source: *Doing Business* – Closing a Business
www.doingbusiness.org/ExploreEconomies/?economyid=193

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? No – Weak, the profession and standards are evolving with four companies focused primarily on valuation.
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Survey Questions

Standards

SQ 21 How easy is it to find a valuer who implements International Valuation Standards?
Weak – there are no standards of practice mentioned in the law. Discussions

are ongoing regarding adopting International Standards.

Civil Society Resource: Institution of Surveyors of Uganda (ISU)

Training

SQ 22 What is the level of training of valuers? **Weak – Officers of the ISU say there is a need for advanced level courses.**

Civil Society Resource: International Real Property Foundation www.irpf.org

Ethics

SQ 23 Are opinions offered by valuers free of influence from parties to the transaction? **Weak – ISU has a code of ethics but it is not strictly enforced.**

Civil Society Resource: International Valuation Standards Council www.ivsc.org

5.3 Data Standards

Core Question: Is accurate property information available electronically in formats that are consistent with international standards? **No – Very Weak, data exchange is in the very early stages.**

Survey Questions

Sales & Operating Data

SQ 24 A multiple listing service is an electronic exchange system where brokers and agents can widely share contracted real estate listings of properties that are for sale. Do multiple listing type services exist? **No – Weak, there is no MLS or willingness to share information. Internet sites are developing primarily for rental properties.**

Civil Society Resource: International Consortium of Real Estate Associations www.worldproperties.com

SQ 25 Do resources exist for obtaining building income and expense estimates? **No – Very Weak**

Civil Society Resource: Institute of Real Estate Management www.irem.org

Interchange Formats

SQ 26 Do electronic data interchange formats conform to international standards (ebXML – electronic business using extensive markup language)? **No – Very Weak, much of the country is unmapped and technology is limited by in rural areas by poor power supply.**

Technical Standards

SQ 27 Do building codes and office building measurement standards (ANSI/BOMA Z65.1) conform to international standards? **No – Very Weak, lack of building codes leads to high maintenance costs. Building Code Law is before parliament.**

Source: Ministry of Works and Transport www.works.go.ug/

In-Country Assessment

Market Stability

FQ 9. How stable has the property market been over the last several years?

Despite the global economic slowdown, office development in Kampala is continuing, albeit at a slower pace, with approximately 35,000 sq m expected to come to the market by October 2010. The entry of new players in the financial services and telecoms sectors had seen a steady increase in demand. However, the financial slowdown has seen the number of commercial sales transactions fall significantly. Banks are adopting more stringent lending criteria and buyers are holding out for a drop in prices.

Kampala's residential market has seen rapid growth with the construction of various housing estates and apartment blocks/townhouses in both the older residential areas and the new suburbs being opened up. Despite this increase in supply, there still remains a shortage of affordable, well located, good quality houses.

Source: Knight Frank Uganda

Valuation Profession

FQ 10. How many independent valuers exist in the market?

There are 56 members of the Institution of Surveyors of Uganda (ISU) and 40 apprentices.

FQ 11. How many companies exist and what is the average size of valuation companies?

There are approximately 20 companies that have valuation as part of their operations. Four of those firms are primarily valuation companies with 2-3 valuers per company. Bageine and Knight Frank have the leading credentials and are considered the more sophisticated.

FQ 12. What are the valuation standards and do they conform to international and regional standards?

There are no local standards, but work carried out by the large international accounting and real estate firms would conform to standards.

FQ 13. What valuation methods and techniques are used in the market?

Full members and Fellows of the ISU follow the basics of international practice. Work for international clients would likely be ordered and reviewed by the large international firms.

FQ 14. Are there valuer associations in the market? What number and percentage of practitioners belong?

Yes, virtually all valuers belong to the ISU.

FQ 15. What training programs are available to upgrade the quality of valuers?

No regular training programs are available.

FQ 16. Are peer review mechanisms in place to assist in enforcing ethical behavior? No

FQ 17. What is the quality of valuation reports? Unknown

Data Availability

FQ 18. What is the status of proprietary data bases that include property information?

Most firms maintain their own databases

FQ 19. What is the status of existing data sharing mechanisms for properties that are for sale?

None, although Internet listing sites have started to develop.

FQ 20. Do valuers have an established data sharing mechanisms?

No, although efforts are being made to develop a database.

Source: IRPF Assessments August 2008

6. Appropriate Regulation



Goal – A comprehensive regulatory regime that is transparent, efficient, simple in its implementation and that leads to accurate reporting of property values and prudent protection from market risks

6.1 Fair Tax Regime

Core Question: Do market participants feel the overall tax rate is fair and participate in formal transactions? **Yes – Strong, reforms have taken place over the last decade and some incentives are in place for industrial buildings and hotels.**

Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **Weak – 6%, 5% VAT and 1% registration fee**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs? **35.7% – Ranking – 66th out of 183 Strong – Trend ↑**

Source: *Doing Business* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org/ExploreEconomies/?economyid=193

Divestment

Survey Question

SQ 28 What is the tax on profits for foreign investors when divesting property? **Strong – There is a 15% tax on rental income, foreign corporate income tax is 30%, capital gains tax is 26.8%. Kenya has Double Taxation Treaties with Denmark, Kenya, India, Norway, South Africa and the U.K.**

Source: Uganda Revenue Authority www.ugrevenue.com/index.htm

6.2 Professional Services

Core Question: Are the professional services necessary for efficient and transparent property markets available and appropriately regulated and supervised? **No – Very Weak, the market is small relative to the housing needs.**

Asset Valuers

Survey Questions

SQ 29 Are property valuers licensed and/or certified by the government? **Yes – Weak – registration is limited land surveyors and government valuers.**

Source: Ministry of Lands, Housing & Urban Development - www.mlhud.go.ug/

Civil Society Resource: Institution of Surveyors of Uganda

Q 30 How effective are mechanisms in place to discipline valuers who engage in misconduct? **Very Weak – Resources and coordination between government levels and departments called for in new Land Use Policy.**

See pages 27-28 for in-country assessment information regarding valuers.

Brokers & Agents

Survey Questions

SQ 31 Are real estate brokers and agents licensed and/or certified by the government? **No – Very Weak – estate agents were at one time registered by the Ministry.**

SQ 32 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **Very Weak – no Code of Conduct currently exists, but one has been drafted by the government.**

Source: IRPF Assessment visit August 2008.

Mortgage Professionals

Survey Questions

SQ 33 Are mortgage professionals licensed and/or certified by the government? **No – The Ministry of Finance Planning and Economic Development needs to put in place mechanisms that will standardize the procedures, practices and documentation of mortgage lending operations – Very Weak**

SQ 34 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **None in place – Very Weak**

Source: *Access to Housing Finance in Africa: Uganda*, FinMark Trust
www.finmark.org.za/documents/R_HFA_Uganda.pdf

6.3 Capital Markets

Core Question:	Are capital markets well-regulated and diversified enough to provide financial resources to private-sector entrepreneurs and innovators? No – Weak – there is a general lack of understanding of capital markets, poor governance and financial reporting mechanisms.
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Capital Flows

6.3.1 How restricted is the flow of capital into and out of the country? **Strong – Ranking 45th out of 133; Score 5 out of 7**

Security Exchanges

6.3.2 Is the regulation of securities exchanges transparent, effective and free of influence from government and industry? **No – Weak, Ranking 96th out of 133; Score 3.9 out of 7**

Source: *The Global Competitiveness Report 2009*, World Economic Forum
www.weforum.org/documents/GCR09/index.html

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Weak – capital markets are very small with low turnover.**

Source: *Access to Housing Finance in Africa: Uganda*, FinMark Trust
www.finmark.org.za/documents/R_HFA_Uganda.pdf

In-Country Assessment

Taxation

FQ 21. What is the overall taxation system in regards to property?

In addition to the 6% transfer tax, yearly property taxes are levied by the local governments. The tax rates are determined by the local authorities but a maximum of 2% is prescribed by law.

Brokerage

FQ 22. What is the number of practitioners in the country including full-time brokers/agents with formal training and part-time, informal brokers?

Reliable sources indicate between 120 and 150 formal practitioners and 60 to 90 informal brokers.

FQ 23. What is the number and average size of brokerage companies?

There are approximately 30 firms in Uganda. Outside of the top 4, the average number of practitioners per company is 2- 3. The top companies are multidiscipline and have personnel numbering in the 40-50 range primarily in property management.

FQ 24. Are there brokers associations active in the market? What number and what percentage of practitioners belong?

There are two associations. Uganda Estate and Property Managers Association (UEPMA) was founded in 2004 and has fundamentally become defunct. The Association of Real Estate Agencies (AREA) was formed in 2008 and very enthusiastic and desirous to grow.

FQ 25. What training programs are available to enhance productivity?

There are internal training programs in the large brokerage firms.

FQ 26. Is there a Code of Ethics or standards that practitioners follow? Is the Code enforced?

No, although one has been drafted by the government.

FQ 27. Do civil society organizations exist to support the development of mortgage professionals?

No – market not yet developed enough to support an association.

Source: IRPF Assessment August 2008

Appendix – Procedures for Registering a Property

Source – *Doing Business* – Registering Property, World Bank

1. Request a search and obtain Consent form to transfer at the Registry of Titles

Time to complete: 1 day Cost to complete: no cost

Comment:

Request a search in the Land Office in Properties. The registry gives a ticket with the amount to be paid, which one takes to the bank to pay in full.

2. Pay search and consent fee at Commercial Bank

Time to complete: 1 - 2 days

Cost to complete:

UGX 25,000 (UGX 10,000 search fee + 2,500 bank fee, UGX 10,000 Consent fee + 2,500 bank fee)

Comment:

To facilitate the official fees payment process, the government now allows citizens to pay at any bank commercial bank. For every procedure in which fees are paid, one first begins the procedure at the land registry, obtains a ticket there with the amount due, takes the ticket to the bank, pays that amount plus bank fees, and obtains a receipt that will later be presented again at the land registry to complete the procedure. Because all official fees are now paid at more than one bank, citizens do not need to pay and come back the following day to obtain the receipt.

3. Contract surveyors to measure the property's boundaries

Time to complete: 3 days Cost to complete: UGX 500,000 on average

Comment:

A surveyor is engaged to measure the property's boundaries, and establish its size. This is mandatory. Uganda is a common law country that follows the Torrens system of registration of land. The time to complete varies from surveyor to surveyor and is also affected by the size and location of the property. On average a survey can be completed in 3 days. The cost of the survey depends on the size of the plot and not on the value of the plot. Good surveyors charge on average UGX 500,000 to open the boundaries of an average sized plot.

4. Conduct a search at the Registry of Titles

Time to complete: 1 day Cost to complete: (already paid at the bank)

Comment:

Parties conduct a search in the Land Office of Properties. The receipt of payment of the search fee from the bank must be presented. At this time one also picks up the consent to transfer application.

5. Lawyer drafts sale agreement

Time to complete: 1 day

Cost to complete: 1% - 2% property value (to conduct entire transaction)

Comment:

It is not mandatory to use a lawyer to draw up the sale agreement or conduct the transaction, but in our case it would be common practice.

6. Valuation of property for transfer purposes by Chief Government Valuer's Office

Time to complete: 1 month

Cost to complete: no cost

Comment:

A government valuer will inspect the property in order to determine its valuation for transfer purposes and for assessing and paying stamp duty.

7. Obtain Assessment form for payment of stamp duty from Uganda Revenue Authority

Time to complete: 1 day

Cost to complete: no cost

Comment:

Once the Chief Government valuer has given his consent on the cost, the file is taken to the Uganda Revenue Authority, where an assessment form for Stamp duty is provided. At that time, the name of the designated bank will be provided.

8. Payment of stamp duty at the designated commercial bank

Time to complete: 7 days

Cost to complete: 1% of property price (of the government's valuation)

Comment:

Stamp duty must be paid at the commercial bank before registration. To control the revenue from official fees, the government now requires that they be paid only at the commercial bank. In the first instance there is an assessment form which is taken to the bank and payment is made. The Bank will inform the Uganda Revenue Authority that payment has been received. There is a reconciliation process between the Bank and the Uganda Revenue Authority which can take up to 3 days.

9. The sale contract is embossed by the Ministry of Finance

Time to complete: 1 day

Cost to complete: no cost

Comment:

Once the reconciliation is done, the Uganda Revenue Authority will deliver the Sale agreement to the Ministry of Finance where it will be embossed with the amount paid as stamp duty. The Uganda Revenue Authority will then issue an original receipt of the amount paid.

10. Obtain consent to transfer from Land Office

Time to complete: 5 - 10 days

Cost to complete: (paid in procedure 12)

Comment:

The transfer forms are lodged with the Land Office in order to obtain consent to transfer. The receipt of payment of the consent fees must be presented. When the transaction involves companies, they must file with the companies registry a special resolution authorizing the transaction, which costs UGX 20,000.

11. Present documents to the Kampala City Council

Time to complete: 1 day

Cost to complete: no cost

Comment:

The embossed sale agreement is given to the Kampala City Council for assessment of Registration Fee. An assessment form is given providing the amount to be paid for Registration Fees. This form will also provide the name of the designated bank where payment is to be made. The documentation shall include:

- Signed sale agreement
- Receipts of stamp duty payment (obtained in Procedure 6)
- Companies' resolutions to buy and sell

12. Payment of registration fee at a commercial bank

Time to complete: 1 day

Cost to complete: UGX 22,500 (UGX 20,000 in fees + 2,500 bank fee) + UGX 20,000 (registration of companies' resolutions)

Comment:

Registration fees must be paid in a designated commercial bank to continue with the registration process. Actual transfer fees are UGX 10,000 in case of leases, perusal fees UGX 5,000 and other charges which add up to about UGX 22,500. In the case of leases there is a consent fee which is also paid before payment of stamp duty in this case in the land administration section of UGX 10,000. In the first instance there is an assessment form which is taken to the bank and payment is made.

13. The sale contract is lodged at the Land Office

Time to complete: 21 days

Cost to complete: (already paid at the bank)

Comment:

The sale contract is lodged at the Land registry, where it will be transmitted to the Registrar who will pass the Instrument of Transfer. The file goes to typing and is then sent to the Commissioner in charge of Land Registration for verification. The registrar cancels out the old owner in handwriting and signs against the new owner.