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UGANDA



Law and Practice

Contributed by:
Stephen Tumwesigye, Jemimah Atukunda Mugume, Ruth Nanjobe and Remmy Wahanze
TASLAF Advocates

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TASLAF Advocates is a specialist Ugandan law firm with a leading Banking, Corporate Finance, M&A and Private Equity practice. Based in Kampala, the firm is supported by a multidisciplinary team of 14 legal, tax and advisory professionals and advises private equity sponsors, venture capital funds, impact investors, development finance institutions, portfolio companies and growth-stage businesses across East Africa. The team has expertise in fund formation and structuring, equity investments, mergers and acquisitions, legal due diligence, transaction documentation, regulatory approvals, tax and corporate restructurings. Recent experience includes advising Inua Impact Fund, Uganda's first locally domiciled private equity fund, on its inaugural investments into Ugandan portfolio companies; advising Mac Bee Honey Harvest Company on its equity investment by Nordic Impact Funds under the FSD Uganda Deal Flow Facility; and advising the Redsalt Angel Investment Network (R.A.I.N.) on its inaugural equity financing programme for SMEs in Uganda.

Authors



Stephen Tumwesigye is managing partner of TASLAF Advocates, and widely recognised for advising global private equity funds, venture firms, DFIs, and financial institutions on frontier market transactions in East Africa. He specialises in cross-border M&A, fund establishment, syndicated financing, and corporate restructurings, acting as primary legal counsel on high-stakes market entries and regulatory strategy. Stephen holds an LLM from Harvard Law School, is an Advocate of the High Court of Uganda, and maintains active memberships with the Uganda Law Society, East Africa Law Society, and International Bar Association.



Jemimah Atukunda Mugume is a senior associate and head of the Banking, Corporate Finance, M&A and Private Equity practice at TASLAF Advocates. She specialises in private equity, venture capital, mergers and acquisitions, banking and finance, and corporate advisory, advising fund managers, development finance institutions, impact investors and growth-stage businesses on fund structuring, equity investments, cross-border transactions and regulatory compliance. Jemimah holds an LLM in Legal Practice from the University of Central Lancashire and is an advocate of the High Court of Uganda, and a member of the Uganda Law Society and the East Africa Law Society.



Ruth Nanjobe is a senior associate and head of regulatory compliance at TASLAF Advocates. She specialises in regulatory compliance, corporate governance, financial services regulation and fund structuring, and regularly advises private equity sponsors, investors and corporate clients on licensing, regulatory approvals and ongoing compliance obligations. Ruth has extensive experience supporting private equity transactions, legal due diligence and investment structuring, and has advised on the establishment of investment funds and the regulatory framework governing private capital in Uganda. She is an advocate of the High Court of Uganda and a member of the Uganda Law Society.



Remmy Wahanze is a legal associate in TASLAF's Banking, Corporate Finance, M&A and Private Equity team. His practice lies at the intersection of law and finance, advising financial sponsors, investors and portfolio companies across the full spectrum of equity and debt-linked financing structures – including fund structuring and regulatory compliance, majority and minority equity investments, mezzanine financings, consortium deals, joint ventures, continuation funds, partial exits, carve-outs and spin-offs, restructurings and divestitures. Previously a private equity investment analyst at a Ugandan private equity fund, Remmy routinely consults for market facilitators and catalytic grant makers on private capital markets development, specifically the private equity/VC market segment in Uganda.

TASLAF Advocates

9th Floor
Trust Tower
Plot 4 Kyadondo Road
Nakasero
P.O. Box 75577
Kampala
Uganda

Tel: +256393208043
Email: info@taslafadvocates.com
Web: www.taslafadvocates.com

1. Transaction Activity

1.1 Private Equity Transactions and M&A Deals in General

Private equity and venture capital activity in Uganda has continued to build over the last twelve months. Uganda remains East Africa's second most active private capital market after Kenya. In 2025, deal activity increased by approximately 1.4 times, with Uganda accounting for around 14% of East African deal volume, although a smaller proportion of total deal value. This reflects the relatively smaller transaction sizes characteristic of the Ugandan market.

The market continues to be weighted towards venture and growth-stage investments rather than traditional buyouts. Venture capital accounted for approximately 60% of East African private-capital deal volume over the past three years. Private debt has also become increasingly significant, with East Africa accounting for more than one-third of Africa's private debt transactions in 2025. Agribusiness and fintech have been important drivers of this activity, alongside continued investment in financial services and other growth sectors.

M&A activity has also increased, particularly in regulated sectors. Financial services has been a notable area of consolidation. In June 2026, the Bank of Uganda approved Absa Bank Uganda's acquisition of Standard Chartered Bank Uganda's Wealth and Retail Banking business, while Standard Chartered retained its corporate and investment banking operations.

The insurance sector has similarly seen significant activity, with Cornerstone Asset Managers announcing the proposed acquisition of a 64.95% controlling stake in NIC Holdings, a company listed on the Uganda Securities Exchange. The transaction remains subject to applicable regulatory approvals.

Overall, the principal trend is towards greater diversity in transaction structures, including growth equity, private debt and strategic acquisitions, alongside increased activity in regulated sectors. For transactional practitioners, this has placed greater emphasis on regulatory approvals, sector-specific compliance and structuring considerations.

1.2 Market Activity and Impact of Macro-Economic Factors

Sectors Driving Activity

Over the past year, activity has remained concentrated in financial services, agribusiness, clean energy, with mobility and healthcare emerging as additional areas of interest. AVCA identifies financials, agribusiness and clean energy as the leading sectors for private-capital activity in East Africa, while mobility and healthcare are emerging as targeted themes. Private debt has also been particularly active in agribusiness and fintech.

Macro-Economic Backdrop: Growth Against Fiscal and Currency Pressure

Uganda enters the period on a relatively strong growth footing. Real GDP growth reached 6.3% in FY2024/25, supported by broad-based activity, while

inflation remained below 4%. At the same time, fiscal pressures have increased: the budget deficit widened to 6% of GDP in FY2024/25, while public debt reached approximately 52.4% of GDP. The IMF has also highlighted the country's high debt-servicing burden and the resulting constraints on fiscal space and private-sector credit.

The growth outlook remains supportive of private investment, particularly in sectors linked to domestic consumption, infrastructure and the anticipated commencement of oil production. However, investors continue to have to price in financing, fiscal and external-sector risks. The combination of strong underlying growth and tighter fiscal conditions has therefore favoured disciplined valuations and careful transaction structuring.

Currency and Geopolitical Considerations

Currency and external-market conditions remain important considerations for foreign investors. Uganda benefited from strong coffee exports and portfolio inflows during 2025, which supported its external position and foreign-exchange reserves. However, the IMF has identified exchange-rate movements, higher borrowing costs and external shocks as continuing risks to the outlook.

The broader regional and geopolitical environment has also become more relevant. The war in the Middle East has increased commodity and shipping costs across sub-Saharan Africa, creating potential knock-on effects for energy costs, inflation and imported inputs. For Uganda, these risks are particularly relevant to transactions with significant foreign-currency exposure or imported-cost components.

The 2026 electoral cycle also introduced a degree of short-term uncertainty around fiscal policy and transaction timing. The IMF had identified the political cycle as a source of uncertainty for fiscal projections, including the possibility of election-related expenditure. With the electoral cycle now completed, the focus for investors is increasingly on fiscal consolidation, financing conditions and the country's transition towards oil production.

Overall, these factors have not displaced investor interest in Uganda. Rather, they have reinforced the importance of conservative valuation, currency and financing-risk assessment, and careful structuring of private-capital transactions.

2. Private Equity Developments

2.1 Impact of Legal Developments on Funds and Transactions

Over the past 12-18 months, Uganda has seen significant developments in the legal and regulatory framework applicable to private equity, particularly in relation to fund structuring, merger control and taxation. The most significant developments are the Capital Markets Authority (Licensing and Approval) Regulations, 2025, the Partnerships Regulations, 2025, the operationalisation of Uganda's competition regime and the tax incentives introduced for CMA-regulated private equity and venture capital funds.

Fund Regulation and Structuring

The Capital Markets Authority (Licensing and Approval) Regulations, 2025, are a significant development because they provide an express approval framework for private equity funds. Previously, the Capital Markets Authority Act expressly provided for approval of venture capital funds but did not similarly provide a clear regulatory basis for private equity funds. The 2025 Regulations require a private equity or venture capital fund to obtain CMA approval before commencing business and recognise a fund established as a company, partnership or trust. This provides considerably greater flexibility for fund sponsors and gives greater certainty to investors considering an onshore Ugandan fund vehicle.

This development coincides with the Partnerships Regulations, 2025, which operationalised the registration and administration of limited liability partnerships in Uganda. The Regulations provide a framework for registration, management, transfer of partnership interests and the roles and liabilities of partners. Together, the two regimes have made partnership and LLP structures more practically relevant to private-capital transactions, although the interaction between the CMA approval regime and the tax treatment of

partnership-based funds remains an area requiring careful structuring.

Merger Control

The Competition Act, 2024, and Competition Regulations, 2025, represent a major change for PE-backed acquisitions and exits. The Regulations, published in 2025, operationalise Uganda's merger-control regime by introducing notification thresholds, filing fees, publication requirements and procedures for reviewing mergers, acquisitions and joint ventures. They also specifically address the treatment of private equity and investment funds when calculating turnover or assets for merger review.

For private equity investors, the practical effect is that competition clearance has become a more important component of transaction planning and conditions precedent, particularly for acquisitions involving portfolio companies with significant Ugandan operations. The regional dimension has also become more important following the commencement of EAC merger notifications for transactions with cross-border effects.

Tax Considerations

The Income Tax (Amendment) Act, 2024, introduced an exemption for income derived from or by private equity and venture capital funds regulated by the CMA. The reform was significant as it introduced a dedicated exemption for income derived from or by CMA-regulated private equity and venture capital funds, replacing the earlier venture capital incentive regime, which had required reinvestment of a proportion of disposal proceeds to obtain capital gains tax relief.

The Stamp Duty (Amendment) Act, 2024, similarly introduced exemptions for specified share capital and transfers involving CMA-regulated private equity and venture capital funds. These reforms have materially improved the fiscal environment for onshore private-capital structures, although investors must still consider the tax treatment of the fund manager, underlying portfolio companies and individual investment flows.

Overall, the recent reforms have moved Uganda towards a more coherent legal framework for private equity, while also increasing the regulatory and compliance considerations that sponsors must address at fund formation and throughout the investment life cycle.

3. Regulatory Framework

3.1 Primary Regulators and Regulatory Issues

The principal regulators relevant to private equity transactions in Uganda are the Capital Markets Authority (CMA), the Ministry of Trade, Industry and Cooperatives in relation to competition, the Uganda Registration Services Bureau (URSB), the Uganda Revenue Authority (URA) and, depending on the sector and transaction, the Bank of Uganda, Insurance Regulatory Authority and other sector regulators. The Uganda Investment Authority may also be relevant to foreign investors, particularly in relation to investment licensing and incentives.

A New Merger-Control Regime

Introduction

The most significant recent development is the operationalisation of Uganda's general merger-control regime under the Competition Act, Cap 66, and the Competition Regulations, 2025. The Act is administered by the Ministry responsible for trade and applies to mergers, acquisitions and joint ventures.

It establishes a mandatory notification regime where the prescribed thresholds are met, with the obligation generally falling on the person acquiring control. The Act defines control broadly to include the ability to exercise 49% or more of voting rights, the ability to appoint or veto the appointment of more than half of the board, or the ability otherwise to materially influence the strategic direction of an undertaking. Failure to notify renders the transaction void and may attract a fine of up to 10% of the relevant person's annual turnover.

Notification timing tracks the deal type: for a merger or amalgamation, notice is given after the boards have accepted the proposal; for an acquisition of control, after negotiations conclude; and for a joint venture, after the agreement is executed. Failure to notify results in severe consequences as a transac-

tion entered into in contravention of the notification requirement is void, and failure to notify is an offence carrying a fine of up to 10% of the annual turnover of the person concerned.

The thresholds

The notification thresholds are established under the Merger, Acquisitions and Joint Venture Threshold Guidelines in Schedule 4 to the Competition Regulations, and are calculated on turnover or assets in Uganda, whichever is higher. A transaction must be notified where the merging parties have combined turnover or assets of at least UGX1 billion and the target's turnover or assets exceed UGX500 million. A separate limb captures transactions where the acquiring undertaking's turnover or assets exceed UGX10 billion and the parties operate in the same market or can be vertically integrated. Special rules apply in the carbon-based mineral sector, and a COMESA-related limb addresses transactions with a regional dimension.

Below these levels, treatment depends on size. Where the combined turnover or assets of the parties do not exceed UGX500 million, the transaction is excluded from notification altogether. Between UGX500 million and UGX1 billion, the transaction is excluded from mandatory notification, but may still require the Ministry's approval, and a party may apply to be considered for exclusion, with the Ministry expected to respond within 14 days.

Importantly, the Ministry also retains a call-in power: it may require parties to seek approval even below the thresholds where a transaction is likely to substantially prevent or lessen competition, restrict trade, or raise public-interest concerns. Filing fees are tiered by deal size, and ranging from nil for excluded transactions up to UGX4 million for transactions above UGX50 billion. Once notified, the Ministry has 120 days to inquire into whether the transaction is likely to cause an adverse effect on competition.

Why it matters for private equity

In practice, the regime introduces a suspensory filing requirement, meaning that notifiable transactions cannot be completed prior to clearance, which directly affects PE deal timetables, long-stop dates and closing mechanics, particularly in auction processes where signing and closing are separated and regulatory risk must be allocated between parties.

It is especially relevant to private equity because fund structures, consortium deals and minority investments with enhanced governance or veto rights may still be treated as conferring control, requiring assessment at both acquisition and exit stages. As a result, competition clearance is now routinely treated as a substantive condition precedent and is factored into transaction structuring, including risk allocation through MAC clauses, reverse break fees and regulatory co-operation covenants.

EU Foreign Subsidies Regulation (FSR) Regime

This legal regime is not directly applicable to transactions occurring solely in Uganda. It may, however, become relevant to a Ugandan transaction forming part of a wider EU transaction where the EU FSR jurisdictional thresholds and notification conditions are satisfied. This is therefore generally a matter for the EU leg of a cross-border transaction rather than a Ugandan regulatory requirement.

Foreign Investment and National Security

Uganda does not currently operate a general foreign investment or national security screening regime comparable to the USA or EU. Foreign investors are instead subject to sector-specific licensing and ownership requirements, and transactions involving regulated businesses may require approval from the relevant regulator.

The Protection of Sovereignty Act, 2026, which commenced in May 2026, regulates foreign influence and agents of foreign principals, but is mainly aimed at political activity. It expressly excludes lawful foreign direct investment, portfolio investment and other ordinary commercial and financial flows, so typical PE investments should not fall within its scope solely due to foreign ownership.

There is also no specific screening regime for sovereign wealth funds or state-owned investors. However, such investors may attract closer scrutiny in practice where transactions involve strategic sectors, regulated industries or broader national interest considerations.

Anti-Bribery and Sanctions

There has not been a fundamental change in Uganda's core anti-bribery framework during the past 12 months. Uganda's broader AML/CFT framework has, however, continued to develop following its removal from the Financial Action Task Force (FATF) increased-monitoring list in February 2024. The FATF's decision reflected Uganda's completion of reforms addressing identified AML/CFT deficiencies. For PE investors, enhanced AML, beneficial-ownership, source-of-funds and sanctions due diligence remain important components of transaction and portfolio-company compliance.

ESG Compliance

In relation to ESG, the most significant recent development is sector-specific rather than the introduction of a general ESG framework for private equity. The Financial Institutions (Corporate Governance) (Amendment) Regulations, 2025, revised the governance regime applicable to financial institutions, including by allowing a financial institution, subject to approval by the Bank of Uganda, to reappoint an independent non-executive director who has served for more than nine years for a further period of up to one year in order to support an orderly transition.

Overall, the principal evolution for PE investors has been the move towards a more formalised regulatory environment: CMA regulation of funds, operational merger control, closer sector-specific supervision and strengthened AML/CFT expectations. These developments have increased the regulatory work required at entry and exit, but have also provided greater legal certainty for institutional investors operating in Uganda.

4. Due Diligence

4.1 General Information

In Uganda, both red-flag and comprehensive legal due diligence are utilised. The approach is generally determined by the investor's risk appetite, the size and nature of the target, the transaction structure and the sponsor's familiarity with the business. Red-flag or selective diligence, focusing on material risk areas, is increasingly used for follow-on investments, while comprehensive diligence is more typical for first investments, control transactions and businesses operating in highly regulated sectors. In practice, the scope is tailored to the transaction.

A typical due diligence exercise covers the target's corporate and constitutional standing, statutory filings, material contracts, and third-party consents, financing and indebtedness, security and encumbrances, employment and pensions, tax, litigation and insolvency, real estate and land, intellectual property, data protection, licences and regulatory compliance. Competition and foreign-investment considerations are also increasingly relevant, particularly where an acquisition involves control or a regulated sector.

A significant part of diligence in Uganda involves verification against public registries. This ordinarily includes searches at the Uganda Registration Services Bureau (URSB) for corporate particulars, shareholders, directors and registered charges; relevant court records for litigation; and the Ministry of Lands or relevant land registry for title and encumbrances. Where the target holds material licences or operates in a regulated sector, these are verified with the relevant regulator.

Tax and statutory compliance are key areas of focus and may include review of the target's Uganda Revenue Authority filings and tax position, available tax clearance documentation and National Social Security Fund compliance. Beneficial ownership, AML/KYC and sanctions checks are also undertaken, particularly for cross-border and institutional investments.

For PE transactions, diligence additionally focuses on shareholder arrangements, reserved matters, transfer restrictions, pre-emption rights and exit provisions, including drag-along and tag-along rights. For impact and development-finance-backed investments, ESG diligence may extend to environmental approvals, occupational health and safety, anti-bribery and corruption and compliance with the investor's ESG requirements.

4.2 Vendor Due Diligence

Sell-side (vendor) due diligence is not yet a standard feature of the Ugandan market and tends to appear

only in larger transactions or competitive auction processes, which remain relatively uncommon. Where it is used, it is typically commissioned by a private equity or DFI seller preparing a well-run asset for exit, and is generally scoped as red-flag or selective review rather than a full report. Its purpose is to identify and, where possible, remediate risk areas in advance, and to streamline the buyer's own confirmatory diligence and shorten the transaction timetable.

While limited, reliance on vendor due diligence is not an alien concept. Where a vendor due diligence report is prepared, buy-side parties and their lenders may be granted reliance by way of a reliance letter from the adviser that produced it, on agreed terms as to scope and liability. In local transaction, however, the buyer or its lender still conducts independent confirmatory due diligence, including its own public registry searches rather than relying solely on the vendor report.

This remains particularly important in Uganda, where the quality and availability of public records can vary and buyers are generally reluctant to rely exclusively on a seller-commissioned report.

5. Structure of Transactions

5.1 Structure of the Acquisition

PE transactions in Uganda are most commonly effected through share subscriptions, where the fund provides new capital to the company, or share purchase agreements, particularly for secondary acquisitions, change of control transactions and exits. Asset acquisitions are also used where the buyer wishes to acquire a defined business or assets without assuming all of the target's historic liabilities, although they can be more complex because contracts, licences, employees and other assets may need to be transferred individually. Under the Companies Act, Cap 106, statutory mergers and amalgamations are available, but are less common in practice than share and asset acquisitions.

The vast majority of transactions are privately negotiated. Competitive auction processes remain relatively uncommon and are more likely in larger transactions or those involving institutional or DFI-backed sellers. In a negotiated transaction, the parties generally have greater flexibility to negotiate the SPA terms, including warranties, indemnities, conditions precedent, liability caps and post-completion protections. In an auction, the seller will typically seek greater standardisation of terms and may provide a draft SPA on a largely non-negotiable basis, with bidders competing primarily on price, certainty of execution and limited proposed amendments. Vendor due diligence and a structured data-room process may also be used to facilitate the auction.

In either case, transactions that meet the applicable threshold under the Competition Act, Cap 66, and the Competition Regulations, 2025, may require merger notification and clearance before completion.

5.2 Structure of the Buyer

PE-backed acquisitions in Uganda are commonly structured through an investment holding company or acquisition SPV, rather than the fund itself acquiring the Ugandan target. Offshore holding companies, including those established in jurisdictions such as Mauritius, are frequently used, with the choice generally driven by tax, investment protection, financing and exit considerations.

Where a dedicated acquisition vehicle is used, a BidCo or similar SPV acquires the shares in the Ugandan target and, where acquisition financing is involved, may also act as the borrower. The fund itself will generally not be a party to the acquisition agreement, but will be involved in negotiating the principal transaction documents and will typically provide an equity commitment or other funding undertaking to the acquisition vehicle.

In growth-capital transactions, an existing offshore investment vehicle may subscribe for or acquire the Ugandan shares directly without an intermediate Ugandan BidCo. The appropriate structure depends on the investment, financing arrangements, tax considerations and intended exit.

Accordingly, the acquisition vehicle is ordinarily the contracting party, while the fund remains involved at the sponsor level. Direct fund involvement is more likely where the fund is providing a guarantee, equity commitment or other contractual undertaking.

5.3 Funding Structure of Private Equity Transactions

PE transactions in Uganda are generally financed through equity, debt or a combination of both. Growth and minority investments are commonly equity-funded, while acquisition and expansion transactions may also involve bank debt or private credit. Private debt has become increasingly relevant for growth-stage businesses, particularly in agribusiness, food systems and fintech.

Fully committed third-party acquisition debt at signing is less established in Uganda than in more developed leveraged-finance markets, partly because of the cost and availability of local-currency debt. Sponsors therefore frequently rely on committed investor capital for the equity portion of acquisitions.

Equity commitment letters are not yet standardised, although sellers may require an equity commitment or other contractual funding undertaking to establish certainty of funds. Where acquisition debt is not fully committed at signing, comfort may instead be provided through financing term sheets, evidence of available funds, bank guarantees or other contractual undertakings.

Over the past year, tighter financing conditions and higher borrowing costs have increased the emphasis on certainty of funding and execution risk, although they have not fundamentally changed the financing structures used in Uganda.

5.4 Multiple Investors

Consortium and co-investment transactions are reasonably common in Uganda, particularly for larger transactions where investors seek to share risk and capital requirements. The presence of development finance institutions (DFIs) in the market also supports this model, with DFIs participating both as fund investors and, in some cases, as direct co-investors.

Co-investors may be existing LPs exercising co-investment rights alongside the lead fund or external investors brought in for a particular transaction. They are generally passive investors, although investors with relevant sector expertise may negotiate enhanced governance or information rights.

Consortia involving a private equity fund and a strategic corporate investor are less common, but can be attractive where the corporate investor contributes sector expertise, distribution networks or operational capabilities alongside the fund's capital. Such structures are more likely in sectors where strategic expertise adds material value, including healthcare, education and agribusiness.

6. Terms of Acquisition Documentation

6.1 Types of Consideration Mechanism

The principal consideration mechanisms used in Uganda are fixed-price, locked-box and completion-account structures, with the choice largely depending on the transaction and the parties' negotiations. Locked-box structures provide price certainty by reference to an agreed historical balance sheet, while completion accounts allow the purchase price to be adjusted based on the target's financial position at completion. Fixed-price structures are also common in simpler transactions.

Earn-outs and deferred consideration are used, particularly where there is a valuation gap or where founders or management remain involved following completion. Roll-over arrangements are less common but may be used where sellers retain a continuing stake in the target.

PE involvement generally results in more detailed consideration mechanics and stronger contractual protections, including clearly defined adjustment principles, leakage protections, escrow arrangements and warranties or indemnities. In founder-led SME transactions, simpler fixed-price or deferred-payment structures may be preferred to facilitate negotiation and execution.

6.2 Locked-Box Consideration Structures

There is no settled market convention in Uganda for charging interest or a value-accrual amount on the equity price during the locked-box period. Where such an arrangement is proposed, it is negotiated between the parties and is more likely to arise in larger or sophisticated transactions.

Leakage protection is more relevant. The seller will generally give an undertaking that no value has been extracted from the target for its benefit or that of connected persons between the locked-box date and completion, other than expressly permitted leakage. Any unauthorised leakage will typically be repayable by the seller, with the parties negotiating whether an additional interest or other compensation applies.

Locked-box structures remain relatively uncommon in Uganda, particularly in growth-capital transactions, and there is therefore no established market position on reverse interest or similar mechanisms.

6.3 Dispute Resolution for Consideration Structures

Expert determination is available but transaction-specific in Uganda. Where consideration depends on financial or accounting determinations, particularly under completion-account or earn-out structures, the parties may appoint an independent accountant or other expert whose determination is typically final and binding within the scope of the expert's mandate.

This is generally separate from the agreement's broader dispute-resolution mechanism, which may provide for arbitration or court proceedings. It is less relevant to straightforward fixed-price transactions, where there is usually no post-completion price determination.

6.4 Conditionality in Acquisition Documentation

Transactions in Uganda commonly contain conditions precedent beyond mandatory regulatory approvals. These may include corporate and shareholder approvals, waiver of pre-emption rights, third-party and lender consents, regulatory approvals for regulated businesses, satisfaction of material due-diligence issues, and change-of-control consents under material contracts. Following the introduction of the general merger-control regime, competition clearance is now an important condition where the applicable notification thresholds are met.

Material adverse change (MAC) provisions are also used, particularly in transactions with a gap between signing and completion. The scope of the MAC and the circumstances triggering a termination right are heavily negotiated and depend on the transaction and risk allocation.

Third-party consents are particularly relevant where the target has financing arrangements, key commercial contracts or licences containing change-of-control restrictions. Whether a consent is required is therefore generally assessed on a transaction-specific basis.

6.5 "Hell or High Water" Undertakings

"Hell or high water" undertakings are not typical in Ugandan PE transactions. Buyers generally do not accept an unconditional obligation to obtain regulatory clearance regardless of the remedies or costs required. Where merger clearance is required, it is a mandatory pre-completion condition, but allocation of the regulatory risk remains subject to negotiation.

Uganda has no general foreign-investment or national-security screening regime comparable to those in some jurisdictions. The EU FSR is not directly applicable to Ugandan transactions and therefore would not ordinarily feature in these negotiations.

6.6 Break Fees

Break fees are occasionally used but not standard in Ugandan PE transactions. Where agreed, they are negotiated based on the circumstances and typically compensate the seller for specified transaction costs or losses if the buyer fails to complete. There is no established market percentage. The enforceability of a break fee may depend on whether it is compensatory or operates as an unenforceable penalty under Ugandan contract law.

Reverse break fees are also possible but remain uncommon.

6.7 Termination Rights in Acquisition Documentation

Due to their tendency to reduce deal certainty, both buyers and sellers on private equity transactions generally prefer to limit the circumstances in which the agreement can be terminated before completion.

However, termination is typically permitted only in defined circumstances, such as a failure to satisfy conditions precedent, or where the long-stop date is reached without completion. The long-stop date is usually set a few months after signing and may be extended to accommodate the merger clearance timetable. In Uganda, the long-stop period is typically between 100 and 150 days.

6.8 Allocation of Risk

The allocation of risk generally differs depending on whether the seller or buyer is PE-backed, although it remains highly transaction-specific. PE sellers typically seek limited warranties, often focused on title, capacity and authority, on the basis that they have limited operational knowledge of the target. They may instead rely on the management team for business warranties.

PE buyers generally seek broader warranty and indemnity protection, particularly where they are acquiring control. Corporate sellers may be prepared to give more extensive business warranties, subject to negotiated liability caps, thresholds and time limits. Ultimately, the allocation depends on the parties' bargaining position, the transaction structure and the scope of due diligence.

6.9 Warranty and Indemnity Protection

PE sellers in Uganda typically provide limited warranties on exit, focused on title to the shares, authority and capacity to enter into the transaction. Business and tax warranties may be limited or excluded, particularly where the seller is a financial investor without operational knowledge of the target. Where required, these may instead be provided by management or the target.

Liability is commonly subject to a de minimis threshold, basket, overall cap and time limits, with separate treatment for fundamental warranties, tax and fraud. Known matters are generally addressed through specific disclosure or indemnities.

Disclosure is usually made through a disclosure letter, and specific disclosure against particular warranties is generally preferred to blanket disclosure of the entire data room. The extent to which data-room materials constitute disclosure is negotiated.

Where the buyer is also PE-backed, the allocation is generally negotiated on the same principles, although a PE buyer may seek stronger warranty and indemnity protection.

6.10 Other Protections in Acquisition Documentation

Acquisition documents may include price adjustment mechanisms, specific indemnities, escrow or retention arrangements and other post-completion protections. Escrow or retention may be used to secure warranty, tax or other indemnity claims, although PE sellers generally seek to minimise amounts retained so that sale proceeds can be distributed to investors.

Warranty and indemnity insurance is not yet an established feature of the Ugandan PE market. Where used, it is more likely to arise in larger or cross-border transactions and may cover business, fundamental and tax warranties depending on the policy and underwriting.

The availability and extent of these protections remain largely transaction-specific and subject to negotiation.

6.11 Commonly Litigated Provisions

In Uganda, litigation over acquisition agreements is not a prominent feature. Parties generally prefer to resolve disputes through negotiation or alternative dispute resolution, and PE funds prefer to preserve a working relationship with continuing management and to support the growth of the business rather than to litigate. Where disputes arise, they most often concern consideration adjustments and alleged breaches of warranty, which is why expert determination and carefully drafted warranty limitations are important.

7. Takeovers

7.1 Public-to-Private

Public-to-private transactions involving PE-backed bidders are uncommon in Uganda, reflecting the relatively small size of the Uganda Securities Exchange and the limited number of listed companies. Where undertaken, they are governed principally by the

Capital Markets (Takeovers and Mergers) Regulations, 2012, administered by the Capital Markets Authority.

The target's board plays an important role. It must appoint an independent adviser approved by the CMA and issue a circular to shareholders setting out the board's position on the offer. Directors must act in the interests of shareholders as a whole.

Where the transaction results in delisting, the applicable takeover and delisting requirements must also be satisfied, including the requisite shareholder and CMA approvals. Relationship or transaction agreements between the bidder and target are not a common feature of Ugandan public-to-private transactions.

7.2 Material Shareholding Thresholds and Disclosure in Tender Offers

The principal shareholding threshold is 25%. A person holding at least 25% of the voting rights in a listed company is treated as a substantial shareholder, and the threshold is also relevant to effective control for takeover purposes.

Where a person intends to acquire effective control, the Capital Markets (Takeovers and Mergers) Regulations, 2012, require notification to the target, the Uganda Securities Exchange and Capital Markets Authority, together with a public announcement. There are also ongoing disclosure obligations during an offer period, including disclosure of dealings in the offeror's or target's voting securities, generally within 24 hours.

For PE-backed bidders, particular care is required regarding associated persons and persons acting in concert, as their holdings and dealings may be attributed to the bidder for disclosure purposes. This is particularly relevant where the bidder forms part of a consortium or investment structure involving related entities.

7.3 Mandatory Offer Thresholds

Uganda has a mandatory offer regime centred on effective control, generally at 25% of voting rights in a listed company under the Capital Markets (Takeovers and Mergers) Regulations, 2012. Certain acquisitions are expressly presumed to evidence a firm intention to make a takeover and so trigger the procedure: where a person holding more than 15% but less than 50% acquires more than 5% of the voting rights in any one year; where a holder of 50% or more acquires additional voting rights; where a person acquires a company that itself holds effective control; and where a person acquires 20% or more in a subsidiary that contributed 50% or more to the target's average annual turnover over the preceding three financial years.

For PE-backed bidders, aggregation and attribution of related holdings are particularly important. Holdings of associates, related companies and persons acting in concert may be aggregated when determining whether the takeover provisions are triggered, which is relevant to consortiums and affiliated investment structures.

A limited "creeper" allowance permits a person already holding between 15% and 50% to acquire up to a further 10% in any one year, up to a maximum of 50%, without following the full takeover procedure.

7.4 Consideration

The Capital Markets (Takeovers and Mergers) Regulations, 2012, permit takeover consideration to be paid in cash, securities or a combination of both. Given the limited public takeover activity in Uganda, cash consideration is generally the more likely structure.

Where cash consideration is offered, the offeror's financial adviser must confirm that the offeror has sufficient financial capacity to satisfy the offer, and 10% of the total consideration payable must be placed in escrow, by cash deposit, on-demand bank guarantee or acceptable securities.

There is no general fixed minimum-price formula. Instead, the Regulations require equal treatment of shareholders of the same class and restrict preferential arrangements with individual shareholders. Where the offeror acquires 90% or more of the voting rights, the remaining shareholders must be offered the higher of the prevailing market price and the price previously offered to other shareholders.

7.5 Conditions in Takeovers

Takeover offers in Uganda may be conditional, principally on achieving a specified minimum level of

acceptances, maintaining the minimum public shareholding required for continued listing, and obtaining required statutory and regulatory approvals. The offer document must state the conditions and their consequences and is subject to CMA approval.

A takeover offer cannot ordinarily be conditional on the bidder subsequently obtaining financing, as the offeror's financial adviser must confirm the bidder's ability to meet the offer and the required 10% escrow arrangement must be in place.

Break fees, match rights, force-the-vote and non-solicitation provisions are not established features of Ugandan public takeovers. The Capital Markets (Takeovers and Mergers) Regulations, 2012, do, however, restrict frustrating action by the target board once an offer is made, providing some protection to the bidder.

7.6 Acquiring Less Than 100%

Where an offeror does not acquire 100% of the target, its rights as a shareholder are governed by the Companies Act and the company's articles, and outside its shareholding a bidder would typically seek governance rights – such as board representation, reserved matters and information rights – by agreement with other significant shareholders, subject to the takeover principles that protect minorities and require rights of control to be exercised in good faith.

There is no takeover-specific threshold for debt push-down. Any post-acquisition restructuring must comply with the Companies Act, including applicable restrictions on financial assistance and maintenance of capital.

Following a takeover, the Capital Markets (Takeovers and Mergers) Regulations, 2012, provide that where the offeror acquires 90% or more of the voting rights, the remaining shareholders must be offered consideration at least equal to the higher of the prevailing market price and the price offered to other shareholders. Further compulsory acquisition of minorities is governed by the Companies Act.

7.7 Irrevocable Commitments

The Capital Markets (Takeovers and Mergers) Regulations, 2012, expressly contemplate irrevocable undertakings from shareholders to accept an offer, and the notice of intention and offer document must disclose the voting rights in respect of which the offeror or persons acting in concert have received an irrevocable undertaking to accept, together with any related agreements or options. Seeking irrevocable commitments from principal shareholders in advance of an offer is therefore recognised, and negotiations would ordinarily be undertaken before the offer is announced, subject to the identity-disclosure and equal-treatment principles that run through the regime.

The limited volume of public takeover activity means there is little settled market practice on the precise terms of such undertakings, including whether they are "hard" (binding even if a higher competing offer emerges) or "soft" (allowing the shareholder to accept a better offer). This would be a matter for negotiation in any given transaction.

8. Management Incentives

8.1 Equity Incentivisation and Ownership

Equity incentivisation of management is a recognised feature of PE transactions in Uganda, particularly in buy-outs and growth-capital investments where the investor is relying on management to increase the value of the business. Arrangements are typically documented through the shareholders' agreement, constitutional documents and relevant employment or service agreements.

The level of management equity is transaction-specific, depending on the size and stage of the business, the existing ownership structure and the sponsor's investment strategy. There is no established market percentage for management equity ownership in Uganda.

8.2 Management Participation

Management participation may be structured through ordinary shares or different classes of shares carrying differentiated economic or voting rights. Preference shares are also permitted under the Companies Act and may be used alongside ordinary shares to reflect the investor's preferred economic position. Management equity may be subject to vesting and good-leav-

er/bad-leaver provisions. More sophisticated "sweet equity" or institutional-strip structures are possible, but simpler management participation arrangements remain more typical in Uganda.

8.3 Vesting/Leaver Provisions

Vesting and leaver provisions are recognised features of management equity arrangements in Uganda, particularly where management is given equity as part of a PE investment. Good-leaver provisions typically cover circumstances such as death, disability or termination without cause, while bad-leaver provisions may apply where a manager resigns or is dismissed for misconduct. The treatment of the manager's shares, including the purchase price on exit, is negotiated and may differ depending on the circumstances of departure. Vesting may be time- or performance-based and is typically documented in the shareholders' agreement and constitutional documents.

8.4 Restrictions on Manager Shareholders

Restrictive covenants on managers – typically non-compete, non-solicitation (of customers and employees) and confidentiality obligations – are commonly included in service agreements and shareholders' agreements to protect the value of the investment, and are enforceable in Uganda subject to a reasonableness test.

Under Section 21 of the Contracts Act, Cap. 284, restraints on carrying on a lawful profession, trade or business are enforceable only to the extent that they are reasonable and necessary to protect legitimate interests. Courts therefore consider factors including duration, geographic scope and the activities restricted. Covenants given in connection with the sale or acquisition of a business or a management shareholder's equity interest may be more readily upheld where they are reasonably necessary to protect the value of the business, whereas restrictions imposed solely in an employment context are subject to greater scrutiny.

Accordingly, PE investors generally seek narrowly tailored restrictions protecting goodwill, customer relationships and confidential information.

8.5 Minority Protection for Manager Shareholders

Minority management shareholders are protected by a combination of the general protections available to minority shareholders under the Companies Act and specific contractual protections negotiated in the shareholders' agreement. Contractual protections commonly include reserved matters or veto rights over defined decisions, pre-emption rights on the issue and transfer of shares, tag-along rights entitling management to participate in a sale by the majority, and information rights. The Companies Act additionally provides statutory protection against conduct that is oppressive or unfairly prejudicial to minority shareholders, which operates as a backstop to the contractual arrangements.

The scope of any management veto is a matter for negotiation, and a private equity fund will generally seek to confine management's consent rights to matters that protect the value of its holding – such as changes to share rights, related-party transactions or alterations to the constitution – rather than day-to-day operational matters.

9. Portfolio Company Oversight

9.1 Shareholder Control and Information Rights

Private equity investors in Uganda ordinarily secure control and oversight of their portfolio companies through a combination of the company's constitution and a shareholders' or investment agreement. The typical package includes board appointment or observer rights, together with regular financial and operational reporting and access to company records.

Investors also commonly negotiate a set of reserved matters – decisions that cannot be taken by the company or its board without the investor's prior consent. These commonly include changes to the company's share capital or constitution, the issue or transfer of shares, material borrowing, material acquisitions or disposals, related-party transactions, the approval of budgets and business plans, changes to the nature of the business, and the appointment or removal of senior management and auditors.

The precise catalogue of reserved matters, and whether the investor holds a controlling or minority equity stake, are matters for negotiation and reflect the degree of control the investor requires.

9.2 Shareholder Liability

The starting point under Ugandan law is that a company is a separate legal person, distinct from its shareholders, and that the liability of members of a company limited by shares is limited to any amount unpaid on their shares. As a general rule, therefore, a private equity investor holding shares in a Ugandan portfolio company is not liable for the debts or obligations of that company beyond its investment, and this separation is the foundation of the limited-liability structure on which private equity investment depends.

That protection is not absolute. Under the Companies Act, Cap. 106, the High Court may lift the corporate veil where a company or its directors are involved in acts such as tax evasion or fraud, or where (other than in the case of a single-member company) the membership of a company falls below the statutory minimum, and this provision codifies the common-law grounds on which Ugandan courts have historically disregarded separate corporate personality. The courts retain a broader common-law jurisdiction to look behind the veil where the corporate form is used as a mere façade or to perpetrate a fraud or improper purpose.

Recent authority has confirmed that this jurisdiction extends to wrongful or fraudulent trading: in *Absa Bank of Uganda Limited v Enjoy Uganda Limited* (2023), the High Court lifted the veil to hold those behind the company responsible where the corporate structure had been used to frustrate creditors, signalling a willingness to impose personal liability in cases of abuse.

For a private equity investor, the practical significance is that veil-piercing risk arises from misuse of the corporate form rather than from mere shareholding, and a passive equity investor exercising its rights in the ordinary way is unlikely to be exposed. Risk increases where the investor is involved in fraudulent, wrongful or improper conduct. Investors therefore mitigate exposure by maintaining the portfolio company's separate legal personality and proper governance.

10. Exits

10.1 Types of Exit

The most common exit route for private equity investors in Uganda is a trade sale, either to a strategic or corporate buyer, or a secondary sale to another private equity or financial investor. Management or founder buyouts also provide a viable alternative exit route, alongside contractual share redemptions or company buybacks where provided for in the investment documentation. The limited depth and liquidity of Uganda's public equity market make an IPO a far less established exit route. However, the Uganda Securities Exchange has facilitated secondary offerings, demonstrating that public-market sell-downs are possible where a company is already listed. Where the investment is structured as mezzanine or private debt rather than equity, repayment or refinancing can provide the investor's exit.

Dual-track processes, involving a concurrent IPO and sale process, are not common in Uganda, and triple-track processes combining an IPO, sale, and recapitalisation are even less established. The limited number of listed companies and relatively low liquidity of the public market mean that running multi-track exit processes imposes significant cost and complexity without providing proportional deal certainty. A conventional trade sale or secondary transaction remains the most practical approach for most PE exits. The recent secondary sale of shares in MTN Uganda illustrates the availability of a public-market sell-down, but this was a broader corporate offering rather than a PE-backed exit.

Rollover or reinvestment by the PE seller is not a standard feature of Ugandan exits, as sponsors generally seek a full exit at the end of their holding period. Reinvestment is, however, possible and is negotiated on a transaction-specific basis. This typically arises where the transaction is structured as a partial rather than full exit, allowing the seller to retain exposure to the business, or where the incoming investor requires

the seller to maintain a stake alongside them to align interests during the next growth phase.

10.2 Drag and Tag Rights

Drag-along and tag-along rights are standard features of the shareholders' agreements governing private equity investments in Uganda, and they operate together to manage a future exit. A drag-along right enables a selling majority – typically including the private equity investor – to require the remaining shareholders to sell their shares to a third-party buyer on the same terms, ensuring that the investor can deliver 100% of the company to a purchaser and is not blocked by a minority. A tag-along right operates in the opposite direction, entitling minority shareholders to participate in a sale by the majority on the same terms, so that they are not left behind when control changes hands.

These rights are contractual, given effect through the shareholders' agreement and the company's articles, and their precise triggers and thresholds are matters for negotiation – for example, the shareholding level required to exercise a drag, and any minimum-price or other conditions attached to it. It is common for the drag and tag provisions to be aligned so that the same sale triggers both.

Management shareholders may receive stronger tag protections, particularly where their equity is intended to align them with the sponsor, while institutional co-investors may negotiate rights reflecting their investment size and exit arrangements.

10.3 IPO

IPO exits by private equity investors remain uncommon in Uganda, given the relatively small size and limited liquidity of the Uganda Securities Exchange. Where an IPO were to be pursued, it would be conducted under the Capital Markets Authority Act and the associated public-offer regulations, and the Uganda Securities Exchange listing rules, with the Capital Markets Authority as the principal regulator.

On a listing, it is usual for the selling shareholders and, in particular, the company's management and controlling shareholders to be subject to lock-up (or lock-in) arrangements restricting the disposal of their retained shares for a defined period following admission in order to support an orderly after-market. A private equity investor retaining a stake through an IPO would expect to negotiate the terms of any lock-up applicable to it, alongside the ongoing rights it would hold as a continuing shareholder.

Relationship agreements are not established market practice in Uganda for PE-backed IPOs, reflecting the limited number of such transactions. Where a PE investor retains a material stake, however, continuing shareholder rights may be documented through appropriate shareholder arrangements, subject to applicable listing and corporate governance requirements.

Trends and Developments

Contributed by:
Stephen Tumwesigye, Jemimah Atukunda Mugume, Ruth Nanjobe and Remmy Wahanze
TASLAF Advocates

TASLAF Advocates is a specialist Ugandan law firm with a leading Banking, Corporate Finance, M&A and Private Equity practice. Based in Kampala, the firm is supported by a multidisciplinary team of 14 legal, tax and advisory professionals and advises private equity sponsors, venture capital funds, impact investors, development finance institutions, portfolio companies and growth-stage businesses across East Africa. The team has expertise in fund formation and structuring, equity investments, mergers and acquisitions, legal due diligence, transaction documentation, regulatory approvals, tax and corporate restructurings. Recent experience includes advising Inua Impact Fund, Uganda's first locally domiciled private equity fund, on its inaugural investments into Ugandan portfolio companies; advising Mac Bee Honey Harvest Company on its equity investment by Nordic Impact Funds under the FSD Uganda Deal Flow Facility; and advising the Redsalt Angel Investment Network (R.A.I.N.) on its inaugural equity financing programme for SMEs in Uganda.

Authors



Stephen Tumwesigye is managing partner of TASLAF Advocates, and widely recognised for advising global private equity funds, venture firms, DFIs, and financial institutions on frontier market transactions in East Africa. He specialises in cross-border M&A, fund establishment, syndicated financing, and corporate restructurings, acting as primary legal counsel on high-stakes market entries and regulatory strategy. Stephen holds an LLM from Harvard Law School, is an Advocate of the High Court of Uganda, and maintains active memberships with the Uganda Law Society, East Africa Law Society, and International Bar Association.



Jemimah Atukunda Mugume is a senior associate and head of the Banking, Corporate Finance, M&A and Private Equity practice at TASLAF Advocates. She specialises in private equity, venture capital, mergers and acquisitions, banking and finance, and corporate advisory, advising fund managers, development finance institutions, impact investors and growth-stage businesses on fund structuring, equity investments, cross-border transactions and regulatory compliance. Jemimah holds an LLM in Legal Practice from the University of Central Lancashire and is an advocate of the High Court of Uganda, and a member of the Uganda Law Society and the East Africa Law Society.



Ruth Nanjobe is a senior associate and head of regulatory compliance at TASLAF Advocates. She specialises in regulatory compliance, corporate governance, financial services regulation and fund structuring, and regularly advises private equity sponsors, investors and corporate clients on licensing, regulatory approvals and ongoing compliance obligations. Ruth has extensive experience supporting private equity transactions, legal due diligence and investment structuring, and has advised on the establishment of investment funds and the regulatory framework governing private capital in Uganda. She is an advocate of the High Court of Uganda and a member of the Uganda Law Society.



Remmy Wahanze is a legal associate in TASLAF's Banking, Corporate Finance, M&A and Private Equity team. His practice lies at the intersection of law and finance, advising financial sponsors, investors and portfolio companies across the full spectrum of equity and debt-linked financing structures – including fund structuring and regulatory compliance, majority and minority equity investments, mezzanine financings, consortium deals, joint ventures, continuation funds, partial exits, carve-outs and spin-offs, restructurings and divestitures. Previously a private equity investment analyst at a Ugandan private equity fund, Remmy routinely consults for market facilitators and catalytic grant makers on private capital markets development, specifically the private equity/VC market segment in Uganda.

TASLAF Advocates

9th Floor
Trust Tower
Plot 4 Kyadondo Road
Nakasero
P.O. Box 75577
Kampala
Uganda

Tel: +256393208043
Email: info@taslafadvocates.com
Web: www.taslafadvocates.com

Structuring and Establishment of Private Equity Funds in Uganda

Introduction

Private equity (PE) has become an increasingly important source of long-term capital for businesses in Uganda, particularly those that are unable to access traditional bank financing or public capital markets. In addition to providing growth capital, private equity investors often contribute strategic guidance, governance expertise and operational support, making them key drivers of business expansion and economic development. As Uganda continues to position itself as an attractive investment destination in East Africa, the establishment of a clear and predictable regulatory framework for private equity funds is critical to attracting both domestic and international capital.

Historically, Uganda's capital markets framework regulated private investment funds under the broader concept of venture capital funds without expressly recognising private equity funds as a distinct category. While this did not prevent the establishment or operation of private investment vehicles, it did not reflect the distinction generally recognised in international markets, where venture capital funds typically invest in early-stage businesses, while private equity funds focus on growth-stage, mature and established companies.

The Capital Markets Authority (Licensing and Approval) Regulations, 2025, have addressed this position by expressly recognising both venture capital funds and private equity funds within Uganda's regulatory framework. Although the definitions adopted by the Regulations continue to overlap, they provide a clearer legal basis for the establishment, licensing and supervision of private equity fund vehicles in Uganda.

This article examines the legal and regulatory framework governing the structuring, establishment and operation of private equity funds in Uganda. It considers the available fund structures, the licensing process, governance and compliance obligations, key tax considerations and practical issues for fund sponsors seeking to establish Uganda-domiciled private equity funds.

Uganda's regulatory framework for private equity funds

Private equity funds in Uganda are regulated by the Capital Markets Authority (CMA), the statutory body responsible for the regulation and supervision of the country's capital markets. The CMA is mandated to approve private equity funds, license regulated market participants and oversee compliance with the applicable legal and regulatory framework.

The principal legislation governing private equity funds is the Capital Markets Authority Act, together with the Capital Markets Authority (Licensing and Approval) Regulations, 2025, which establish the approval framework for private equity and venture capital funds and prescribe the requirements for their registration and operation. In addition, the Capital Markets Authority (Accounting and Financial Requirements) Regulations, 2022, impose financial reporting, record-keeping, as well as financial soundness requirements for regulated entities, while the Capital Markets Authority (Offer of Securities) Regulations, 2025, apply where a fund proposes to raise capital through a private offer of securities.

A significant development under the 2025 Regulations is the express recognition of private equity funds as a distinct regulated investment vehicle capable of being established as a company, partnership or trust for the purpose of raising capital to invest in businesses with high growth potential through debt, quasi-debt or equity investments. This provides greater regulatory certainty for fund sponsors and aligns Uganda's framework more closely with internationally recognised private equity structures.

Choosing the appropriate fund vehicle

The choice of legal vehicle is one of the first and most important decisions for a fund sponsor. Regulation 2 of the Capital Markets Authority (Licensing and Approval) Regulations, 2025, permits a private equity fund to be established as a company, partnership or trust. The selected structure will influence the fund's governance, regulatory obligations, tax treatment and operational flexibility, and should therefore be considered early in the structuring process.

Company

A company remains the most familiar investment vehicle under Ugandan law. Incorporated under the Companies Act, Cap. 106, it provides separate legal personality and limited liability for its shareholders, making it an attractive option for fund sponsors seeking a well-established governance framework. Companies are also familiar to regulators, financial institutions and domestic investors, which may simplify their establishment and ongoing administration.

However, companies are generally subject to more prescriptive corporate governance requirements and may offer less flexibility than partnership-based structures in relation to capital commitments, profit-sharing arrangements and investor exits.

Partnership

The 2025 Regulations also recognise partnerships as an eligible vehicle for establishing a private equity fund. Partnership structures offer greater contractual flexibility in allocating management responsibilities, economic rights and exit arrangements, making them particularly well suited to closed-ended private equity funds.

Uganda's partnership framework has been strengthened by the introduction of the Limited Liability Partnership (LLP) regime under the Partnerships Act, Cap. 110, and the Partnerships Regulations, 2025. An LLP comprises one or more general partners and one or more limited liability partners. While the general partner is responsible for the management of the partnership and bears residual liability where the assets of the LLP are insufficient to meet its obligations, the liability of the limited liability partners is generally limited to their agreed capital contributions.

This structure closely resembles the partnership model commonly used in international private equity transactions. Significantly, Ugandan law permits a body corporate to act as the general partner, enabling fund sponsors to establish a special purpose company to perform this role and thereby mitigate the commercial risks associated with unlimited personal liability.

Trust

Private equity funds may also be established through a trust, with trustees holding the fund assets for the benefit of investors in accordance with the trust deed. Trust structures provide a fiduciary ownership model and may be appropriate where investors require enhanced asset segregation or where the investment strategy is better suited to a trust arrangement. However, they remain less commonly used than companies or partnerships in the private equity context and require carefully drafted trust documentation to govern the rights and obligations of the parties.

Practical considerations

The choice of fund vehicle should ultimately be guided by the fund's investment strategy, target investor base and governance objectives. Companies offer familiarity and regulatory certainty, while partnerships – particularly LLPs – provide greater contractual flexibility and more closely align with internationally recognised private equity structures. Trusts remain a viable alternative where a fiduciary ownership model best meets the commercial objectives of the fund. Regardless of the chosen structure, the vehicle must first be incorporated or registered appropriately.

Establishing and obtaining approval for a private equity fund

Once the appropriate fund vehicle has been selected, the next step is to establish the entity under the applicable laws of Uganda before seeking regulatory approval from the Capital Markets Authority (CMA). A company or limited liability partnership must be incorporated or registered with the Uganda Registration Services Bureau (URSB), while a trust must be constituted by a trust deed in accordance with the applicable legal framework. Only after the legal vehicle has been established can an application be made to the CMA for approval as a private equity fund.

Application for approval

An application for approval must be made in the prescribed form and be accompanied by supporting documentation demonstrating that the proposed fund satisfies the regulatory requirements (Regulation 30 of the Capital Markets Authority (Licensing and Approval) Regulations, 2025).

The application must be accompanied by:

- the constitutional documents of the fund, including the certificate of incorporation/registration, partnership agreement or trust deed, as applicable;
- evidence that the fund has been established to provide risk capital to businesses with high growth potential;
- details of the proposed investment strategy;
- details of the governing body, comprising at least five directors or equivalent members, at least one-third of whom must be independent;
- a letter of acceptance from the proposed external auditor, who must be a member of the Institute of Certified Public Accountants of Uganda (ICPAU);
- a letter of acceptance from the proposed licensed fund manager together with the fund management agreement;
- evidence that separate bank accounts have been established for each fund;
- proof that the prescribed financial requirements have been satisfied;
- proof of payment of the prescribed application fees; and
- any other information that the CMA may reasonably require in determining the application.

In addition to these documents, the application form requires comprehensive disclosures regarding the applicant's ownership and governance structure. These include details of the capital structure, shareholders or investors, directors, partners or trustees, together with declarations relating to insolvency, regulatory sanctions, criminal convictions and other matters relevant to the CMA's assessment of the fitness and propriety of the persons responsible for managing the fund.

Prescribed forms and fees

The Licensing and Approval Regulations prescribe two application forms depending on the proposed fundraising model. Funds intending to raise investment capital from the public are required to apply using Form 5 in Schedule 1 to the Regulations. Conversely, where the fund does not intend to source investment funds from the public, the application is made using Form 6. Form 6 requires less extensive disclosure and focuses primarily on the applicant, the proposed fund manager or general partner, the fund's investors, assets under management and the intended investment portfolio. Applicants using Form 6 are also exempt from Regulations 31 to 36 of the Regulations, which govern matters relating to the approval, appointment and replacement of fund managers.

The prescribed application fee is UGX750,000, with an annual registration fee of UGX1,000,000 payable upon approval. Once satisfied that the statutory and regulatory requirements have been met, the CMA may approve the applicant to operate as a private equity fund in Uganda.

Capital and regulatory requirements

As part of the approval process, applicants are required to demonstrate compliance with the prescribed financial requirements under the Capital Markets Authority (Accounting and Financial Requirements) Regulations, 2022. These Regulations require approved persons to maintain adequate financial resources and working capital sufficient to support their operations. However, while the Regulations prescribe minimum paid-up capital and working capital thresholds for a number of regulated entities, they do not expressly prescribe corresponding thresholds for private equity funds introduced under the Capital Markets Authority (Licensing and Approval) Regulations, 2025.

Accordingly, there is presently no specific minimum paid-up capital or working capital requirement expressly applicable to private equity funds under the existing regulatory framework. In practice, fund sponsors should engage with the CMA at an early stage of the application process to confirm the Authority's expectations regarding regulatory capital and financial soundness, pending any future legislative clarification. Following approval, private equity funds are expected to continue maintaining adequate financial resources in accordance with the Accounting and Financial Requirements Regulations.

Approval timelines

Neither the Capital Markets Authority Act nor the Capital Markets Authority (Licensing and Approval) Regulations, 2025, prescribe a statutory timeframe within which the CMA must determine an application for approval as a private equity fund. In practice, the timeline will depend on the completeness of the application, the complexity of the proposed fund struc-

ture and the Authority's review process. Applicants should therefore ensure that all required documentation is submitted at the outset and allow sufficient time for regulatory engagement where clarifications are requested.

Governance and ongoing compliance obligations

Approval by the Capital Markets Authority (CMA) is not the end of the regulatory process. Once approved, a private equity fund remains subject to the ongoing supervisory jurisdiction of the CMA and must continue to comply with the governance, financial reporting and regulatory requirements prescribed under the applicable legislation.

Governance and regulatory oversight

The Capital Markets Authority (Licensing and Approval) Regulations, 2025, require an approved private equity fund to maintain the governance framework upon which its approval was granted. In particular, a fund may not appoint or replace a director or fund manager without first obtaining a letter of no objection from the CMA confirming that the proposed appointee satisfies the applicable fit and proper requirements. In addition, the fund is required to notify the CMA of any material changes in its shareholding.

The Regulations also prescribe procedures governing the appointment, resignation, removal and replacement of fund managers, including the transition of the fund's affairs where a new fund manager is appointed. These requirements are intended to ensure continuity in the management of the fund and ongoing regulatory oversight of persons responsible for its operation.

Financial reporting and record-keeping

Approved private equity funds are required to maintain proper accounting records that accurately reflect their financial position and performance. These records must be prepared by an accountant certified by the Institute of Certified Public Accountants of Uganda (ICPAU) and retained for a minimum period of ten years.

Management accounts must be submitted to the CMA on a quarterly basis by the 15th day of the month following the end of each quarter, while audited financial statements are required to be submitted within three months after the end of the financial year.

Continuing financial requirements

In addition to the financial soundness requirements considered during the approval process, approved private equity funds are expected to continue maintaining adequate financial resources and comply with the applicable financial requirements under the Capital Markets Authority (Accounting and Financial Requirements) Regulations, 2022, throughout their operation.

Tax considerations

Tax is an important consideration when selecting the jurisdiction in which a private equity fund will be established. Uganda has recently introduced targeted fiscal reforms designed to complement its regulatory framework and encourage the establishment of locally domiciled private equity and venture capital funds.

A significant development was introduced under the Income Tax (Amendment) Act, 2024, which exempts from income tax, income derived from or by a private equity or venture capital fund regulated under the Capital Markets Authority Act. The amendment replaced the previous, more limited exemption applicable to registered venture capital funds and represents a clear policy shift towards encouraging fund domiciliation in Uganda.

Beyond this exemption, the tax treatment of a private equity fund will depend on the legal structure adopted and the tax residence of the fund and its investors. Fund sponsors should therefore consider the tax implications of establishing the fund as a company, partnership or trust, together with the potential application of Uganda's double taxation agreements where foreign investors are involved.

The introduction of the 2024 tax exemption, together with the Capital Markets Authority's licensing framework, demonstrates Uganda's commitment to creating a more competitive environment for private capital. These reforms provide a compelling incentive for fund sponsors seeking to establish regulated private equity funds within the jurisdiction.

Conclusion

Uganda has made significant progress in establishing a modern legal and regulatory framework for the structuring and establishment of private equity funds. The introduction of the Capital Markets Authority (Licensing and Approval) Regulations, 2025, has, for the first time, provided a dedicated framework governing the establishment, approval and oversight of private equity and venture capital funds, while recognising the flexibility of using companies, partnerships or trusts as fund vehicles. This has been complemented by the targeted tax incentives introduced under the Income Tax (Amendment) Act, 2024, which demonstrate a clear policy intention to encourage the domiciliation of regulated private equity and venture capital funds in Uganda.

Although certain aspects of the regulatory framework, particularly the financial requirements applicable to private equity funds, would benefit from further legislative clarification, the current regime provides a sound foundation for fund sponsors seeking to establish investment vehicles in Uganda. As the private equity market continues to mature and the regulatory landscape evolves, Uganda is well positioned to become an increasingly attractive jurisdiction for the establishment and operation of private equity funds, positioning it as an emerging destination for private capital in East Africa.

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