

# The Uganda Coffee Development Authority Act: Brief notes for Financing Partners

November 10, 2021

On 31 August 2021, the President of the Republic of Uganda assented to the National Coffee Act (the “**NCA**”), 2021. The NCA repeals the Uganda Coffee Development Authority (**UCDA**) Act, chapter 325 of the laws of Uganda.

The NCA introduces several aspects that were not covered by the UCDA Act such as regulation of on-farm coffee activities. Such on-farm activities include planting, soil or water management, pests and disease control and harvesting of coffee.

The NCA will impact the Coffee sector, whose development, the government of Uganda has been deliberate about. The NCA will also require closer study by the different players that are attracted to the sector especially financiers of parties involved in the coffee value chain such as processors, exporters, and marketers of coffee. In this write-up, we provide an overview of particular provisions of the NCA that are or may be of interest to such players.

**Registration of apex bodies:** Under the NCA, the UCDA undertakes to promote the formation of apex bodies that will be in charge of representing and advocating for the interests of the respective categories within the coffee value chain. The NCA defines coffee value chains as activities or processes relating to coffee (both on-farm and off-farm activities) including processing, marketing, and exporting of coffee.

The provision of apex bodies is akin to labor unions within the employment space. As such, this may require additional due diligence when dealing with stakeholders in the coffee value chain to confirm that any governing documents within the apex body to which they are parties are consistent with any intended transaction.

**Licensing of coffee value chains:** The UCDA is mandated under the NCA to license coffee processing factories, exporters of coffee, coffee shop operators, coffee store or warehouse operators as well as other coffee value chain actors. Such license shall be issued upon such terms and conditions as the UCDA deems appropriate.

**Offences and penalties:** Any person who undertakes any coffee activity prescribed by the NCA such as operating a coffee processing factory, exporting coffee or processing coffee without a valid license issued under the NCA is liable upon conviction, to a fine and or custodial sentence as prescribed under the NCA. The fines and/or custodial sentences differ depending on the offence committed.

Where the offence is committed by a corporation, every director and employee of the corporation shall also be taken to have committed that offence unless they can prove that they had no knowledge of the same or that they exercised due diligence to prevent the commission of the offence.

**Additional consequences:** In the event of a conviction resulting from undertaking any of the activities under the NCA without authorization, the Ugandan courts are permitted to, as an additional penalty, order that the coffee used in the perpetration of that particular offence be confiscated and forfeited to the Government of Uganda and upon forfeiture, such coffee shall be free of any encumbrance including any charge that may have been created over the coffee in question prior to such forfeiture.

**Access to finance:** The duties of the UCDA under the NCA include facilitation of access to affordable finances for stakeholders along the coffee value chain. Potential financiers within the agricultural sector have an opportunity to work with the UCDA in this regard.

This NCA saves all statutory instruments/regulations that were in place and enacted under the UCDA Act. Therefore, compliance with the NCA and those regulations (until otherwise revoked by a statutory instrument) will be required by all affected players within the sector.

## Your Key Contacts



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