

# Skilled Negotiation and Implementation of Business Transaction Agreements in Uganda: A Critical Review Using a Financial Management Approach

By

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## ABSTRACT

Negotiation and implementation of business transaction agreements are crucial for enhancing financial performance and sustainability of firms in Uganda. Business transactions, whether public procurement contracts, private-sector collaborations, or investment agreements, require careful negotiation to optimize resource allocation, reduce risk, and maximize returns. This review examines the processes, challenges, and outcomes of business negotiations in Uganda using a financial management lens. It emphasizes how budgeting, cash flow management, cost-benefit analysis, risk assessment, and performance monitoring influence both negotiation strategies and contract implementation. Drawing from financial management theories, transaction cost economics, and negotiation scholarship, the review highlights gaps in financial literacy, institutional enforcement, and professional negotiation capacity among Ugandan firms and SMEs. Case studies from agriculture, oil and gas, and public procurement illustrate common negotiation pitfalls, including misaligned financial expectations, weak due diligence, and lack of monitoring mechanisms. The review concludes that integrating financial management principles into negotiation and contract execution strengthens compliance, reduces disputes, enhances profitability, and fosters sustainable business relationships.

**Keywords:** Negotiation, Business Transaction Agreements, Financial Management, Contract Implementation, Risk Management, Uganda, Governance, Transaction Costs, Investment, Performance Monitoring.

## INTRODUCTION

Negotiation of business transaction agreements is not merely a legal or administrative process; it is a critical financial decision-making exercise. In Uganda, firms negotiate contracts to secure capital investments, manage cash flows, and align financial incentives with strategic goals (Fisher, Ury & Patton, 2011). From a financial management perspective, negotiation encompasses evaluating the cost of obligations, risk exposure, payment schedules, and potential returns, while contract implementation ensures that financial targets are realized, funds are allocated efficiently, and performance metrics are met.

Effective negotiation improves the firm's ability to manage working capital, avoid cash flow bottlenecks, and mitigate financial risks, while implementation ensures that the terms of the agreement translate into measurable economic value (Gitman & Zutter, 2019). In Uganda, despite a legal and regulatory framework supporting contractual governance, many businesses—especially SMEs—struggle to integrate financial management practices into negotiations. This deficiency often leads to incomplete agreements, underperformance, or disputes.

Furthermore, negotiation failures in Uganda can have broader economic consequences. Poorly structured agreements affect investment inflows, project completion, and public-private partnerships (PPPs) outcomes. For example, delayed payments, mismanaged budgets, and lack of financial monitoring in procurement contracts can result in cost overruns and reduced economic efficiency (PPDA, 2022). Therefore, this review employs a financial management approach to critically analyse negotiation and implementation practices in Uganda, highlighting the integration of budgeting, financial planning, and risk management as essential components for successful agreements.

## **Contextual Background**

Uganda's business environment is a mix of formal and informal economic activity, dominated by SMEs and emerging multinational ventures. The country has experienced rapid expansion in sectors such as agriculture, oil and gas, telecommunications, and construction. These sectors rely on sophisticated negotiation practices that align financial expectations with operational realities. Yet, the business context is complicated by weak institutional enforcement, limited technical expertise, and cultural factors that influence financial decision-making during negotiations (Nabukeera, 2021).

Financial management practices in Uganda remain unevenly distributed. Large corporations often incorporate detailed cost-benefit analyses, financial projections, and risk assessments into negotiations, whereas SMEs may rely on intuition, past experience, or informal arrangements. This divergence creates significant power imbalances in contracts, where smaller firms often accept unfavorable payment terms, unclear risk-sharing provisions, or inadequate monitoring mechanisms (Kiggundu, 2018).

Institutionally, Uganda's regulatory framework supports financial accountability through mechanisms such as the PPDA Act (2003), Companies Act (2012), and the Public Finance Management Act. However, enforcement challenges—including delays in contract approvals, weak auditing practices, and corruption—limit the effectiveness of financial management in negotiations. For SMEs, the cost of professional financial advisory services often exceeds available resources, further constraining their negotiation capacity.

## **Conceptual And Theoretical Framework**

Negotiating and implementing business agreements needs a detailed approach that considers financial decision-making, institutional dynamics, governance structures, and the behavior of the parties involved. This study uses four connected theoretical views—Financial Management Theory, Transaction Cost Economics, Principal-Agent Theory, and Negotiation Theory—to explain the variation in negotiation outcomes across sectors and institutions in Uganda.

### **Financial Management Theory**

Financial Management Theory helps us understand how firms plan, use, allocate, and track their financial resources during negotiations and contract execution. According to Gitman and Zutter (2019), good financial management combines cash-flow projections, risk assessment, capital budgeting, and return-on-investment analysis into strategic choices. In negotiations, this theory indicates that parties with strong financial planning skills can better evaluate contracts, foresee liquidity issues, and negotiate terms that are realistic and sustainable. In Uganda, differences in financial literacy—especially among SMEs—often lead to agreements with poor payment terms, underestimated risks, and weak financial monitoring processes. Therefore, strong financial management skills are crucial for achieving fair and economically viable contracts.

### **Transaction Cost Economics (TCE)**

Transaction Cost Economics (Williamson, 1985) looks at how costs linked to finding information, bargaining, enforcing agreements, and monitoring performance affect negotiation efficiency. High transaction costs—due to corruption, legal inefficiencies, information gaps, and limited technical capacity—greatly impact the success of business agreements in Uganda. Companies that do not conduct proper due diligence or perform cost-benefit and risk analyses are likely to enter into agreements that face cost overruns, disputes, or delays. From a financial management perspective, TCE stresses the importance of improving institutional safeguards, ensuring clear contracts, and enhancing financial assessment processes to lower hidden and visible transaction costs during negotiations.

## **Principal-Agent Theory**

Principal-Agent Theory (Jensen & Meckling, 1976) explains the challenges that come up when one party (the agent) acts for another (the principal). Differences in goals and imbalances of information can lead to opportunistic behavior, misaligned incentives, and poor adherence to financial or performance objectives. In Uganda, these issues often surface in public procurement, PPP arrangements, and investment contracts, where implementers may focus more on personal or organizational benefits than on fulfilling contractual obligations. Strong financial oversight—through performance monitoring, aligning incentives, and accountability measures—is essential to reduce agency problems and ensure that negotiated agreements are honoured.

## **Negotiation Theory**

Negotiation Theory provides a view on how parties create and share value through either integrative (value-creating) or distributive (value-claiming) strategies (Lewicki et al., 2021). Financial factors—like cost structures, expected returns, liquidity issues, and risk exposure—greatly influence the strategies that parties choose. In Uganda, the effectiveness of negotiations is also affected by institutional capacity, regulatory clarity, and stakeholders' ability to access and understand financial information. Research shows that SMEs and local stakeholders often enter negotiations without enough financial preparation, which limits their ability to achieve fair outcomes or properly gauge the long-term effects of contract terms.

## **Synthesis of Theoretical Perspectives**

Together, these theories promote a comprehensive understanding of negotiation and contract implementation. Studies in Uganda and similar developing countries (e.g., Kenya, Ghana, Tanzania) show that successful negotiations are closely linked to financial literacy, institutional capacity, and governance quality (Kiggundu, 2018; Nabukeera, 2021; ACODE, 2019). Power imbalances—especially in extractive industries and large PPP arrangements—further restrict the negotiating power of local stakeholders and public institutions. Governance literature (Kjaer, 2014) highlights that structural problems like elite capture, rent-seeking, and weak regulatory enforcement distort negotiation processes and weaken accountability.

Overall, the conceptual and theoretical framework suggests that improving negotiation outcomes in Uganda needs to combine financial analysis with negotiation practices, lower transaction costs through reforms, align incentives between contracting parties, and enhance technical and negotiation skills. These frameworks together support the study's examination of how financial management influences negotiation and contract implementation in Uganda's diverse business landscape.

## **Philosophical Underpinnings of the Study**

The study is grounded in a pragmatic research philosophy, which emphasizes the use of practical, actionable knowledge to solve real-world problems (Creswell, 2014). Pragmatism is suitable because negotiation and contract implementation are inherently applied phenomena that require integration of financial, legal, and managerial considerations. By adopting pragmatism, the study focuses on understanding negotiation practices and contract performance through observable outcomes and measurable financial indicators, rather than relying solely on theoretical abstraction.

Additionally, the study incorporates elements of critical realism, recognizing that Uganda's negotiation practices are shaped by underlying structures—such as institutional capacity, socio-cultural norms, and market dynamics—that may not always be visible but influence outcomes (Bhaskar, 1978). Critical realism allows the analysis to account for contextual complexities such as power asymmetries, enforcement inefficiencies, and informal economic practices, providing a more nuanced understanding of why negotiations and contract implementation succeed or fail in Uganda.

## METHODOLOGY

This study uses a qualitative critical review design, which fits well for combining theoretical, empirical, and policy-related evidence on negotiation and the implementation of business transaction agreements in Uganda. This approach allows for a deep look at how financial management principles, institutional dynamics, and sector practices shape negotiation results. The review relies on a variety of secondary sources, including peer-reviewed articles, government laws, institutional reports, policy papers, financial audits, and case studies from the oil and gas, agriculture, procurement, telecommunications, and financial services sectors.

### Operationalization of Key Variables

Variable	Definition	Key Indicators / Measures
Negotiation Capacity	The ability of parties to engage effectively in negotiation using structured, informed, and evidence-based approaches.	<ul style="list-style-type: none"> <li>▪ Level of financial literacy</li> <li>▪ Availability and use of structured negotiation frameworks</li> <li>▪ Use of financial modelling tools</li> <li>▪ Quality and depth of due-diligence practices</li> </ul>
Financial Management Integration	The extent to which financial management tools and processes inform negotiation strategies and contract implementation.	<ul style="list-style-type: none"> <li>▪ Budgeting practices</li> <li>▪ Use of cost-benefit analysis</li> <li>▪ Cash-flow planning and management</li> <li>▪ Risk identification and assessment mechanisms</li> </ul>
Contract Implementation Quality	The degree to which contractual obligations are fulfilled as agreed and monitored effectively.	<ul style="list-style-type: none"> <li>▪ Adherence to delivery timelines</li> <li>▪ Payment compliance</li> <li>▪ Effectiveness of performance monitoring systems</li> <li>▪ Incidence of disputes or deviations</li> </ul>
Institutional Environment	The strength and reliability of the regulatory and governance systems that support negotiation and contract enforcement.	<ul style="list-style-type: none"> <li>▪ Strength of enforcement mechanisms</li> <li>▪ Regulatory stability</li> <li>▪ Levels of corruption</li> <li>▪ Bureaucratic efficiency</li> <li>▪ Governance quality</li> </ul>

### Data Validation and Triangulation

The study uses document triangulation to validate and strengthen the credibility of its findings. Triangulation involves cross-checking insights from various sources such as legal frameworks (e.g., the PPDA Act and Companies Act), government and institutional reports, sector performance evaluations, and academic literature. Consistency of themes across these independent sources boosts the reliability of the conclusions and reduces bias that can come from using a single source.

### Analytical Approach

A thematic analysis approach is used to systematically find recurring patterns related to negotiation effectiveness, gaps in financial management, and challenges in contract implementation. This method helps categorize and interpret qualitative data according to the study’s conceptual framework.

Additionally, a comparative analytical lens is applied to view Uganda’s negotiation and contract implementation environment within the broader context of developing countries. Relevant cases from Kenya, Ghana, Tanzania, and Rwanda are reviewed to highlight similarities, differences, and lessons relevant to Uganda. When possible,

financial performance insights are included to deepen understanding of how negotiation quality impacts contract outcomes.

### **Limitations**

The study relies entirely on secondary data, which may not fully reflect real-time negotiation dynamics, private contract details, or informal practices that influence negotiation outcomes. Some sector-specific reports may vary in terms of depth, recency, or methodological quality. However, the thorough triangulation of multiple credible sources and the inclusion of cross-sector case analysis help address these limitations and provide a solid evidence base for evaluating negotiation and contract implementation practices in Uganda.

### **Critical Review**

#### **Negotiation Skills and Financial Literacy**

Effective negotiation in Uganda is closely tied to financial literacy. Firms that can forecast cash flows, assess risk, and calculate opportunity costs tend to secure better contract terms. Studies indicate that SMEs often lack sufficient financial knowledge to evaluate payment schedules, collateral requirements, and penalty clauses, leading to suboptimal agreements (Kalyango, 2019). Additionally, the absence of structured negotiation frameworks limits firms' ability to incorporate scenario planning, contingency budgeting, or ROI assessment. This gap contributes to vulnerability in negotiations, particularly when dealing with more sophisticated multinational partners. Strengthening financial education and negotiation training would enhance the economic viability and sustainability of contracts.

#### **Contract Implementation and Financial Monitoring**

Contract implementation in Uganda is often undermined by poor financial oversight. Delays in payments, insufficient monitoring of deliverables, and weak enforcement of penalties are common (PPDA, 2022). Financial management tools, such as budget tracking, variance analysis, and cost-benefit monitoring, remain underutilized, increasing the risk of budget overruns and financial disputes. Moreover, inadequate integration of financial metrics into performance evaluation results in contracts being executed without alignment to expected financial outcomes. Firms that implement robust financial control mechanisms are better positioned to enforce contractual obligations, manage liquidity, and reduce transaction risk, reinforcing the value of a financial management approach in both negotiation and implementation.

#### **Risk Management in Negotiations**

Negotiation involves inherent financial risks, including price volatility, exchange rate fluctuations, and counterparty default. Financial management frameworks allow parties to incorporate risk-sharing clauses, hedging strategies, and contingency provisions into contracts (Gitman & Zutter, 2019). In Uganda, however, many businesses fail to formally quantify risks, leaving them exposed to financial loss. Structured risk assessment tools—such as scenario analysis, sensitivity testing, and probabilistic forecasting—could improve decision-making during negotiation and contract performance. Integrating risk management into negotiation ensures that agreements are resilient to market uncertainties and institutional weaknesses.

#### **Power Asymmetries and Contract Fairness**

Power imbalances in negotiation often have financial implications. Smaller firms accepting stringent payment terms or disproportionate risk allocation can compromise profitability (EPRC, 2020). Financial management approaches—including cost-benefit analysis and cash flow forecasting—enable weaker parties to evaluate the feasibility of contract terms and negotiate more balanced arrangements. Additionally, financial monitoring tools allow parties to track adherence to agreed terms, improving enforcement and accountability. Firms that lack such capacity are more likely to face non-compliance, delayed payments, and disputes, highlighting the interplay between negotiation, financial literacy, and contract sustainability.

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## Case Examples

### Oil and Gas Sector

Uganda's early negotiations with international oil companies have received strong criticism for offering large tax breaks, unclear revenue formulas, and limited local involvement (Global Witness, 2010). Although later reforms improved the Production Sharing Agreement (PSA) frameworks, issues persisted during the East African Crude Oil Pipeline (EACOP) negotiations. Environmental protection, land compensation, and transparency continue to be major topics in public discussions. These examples show ongoing gaps in negotiation skills and institutional readiness.

### Local Government Procurement

Problems with contract implementation happen often at the district level. Capacity issues and corruption weaken both negotiations and performance. Road construction projects frequently face inflated costs, delayed timelines, and low-quality work due to inadequate technical oversight and collusion between officials and contractors (MoLG, 2019). Procurement under the National Agricultural Advisory Services (NAADS) program has shown weak negotiation of supplier contracts and inconsistent enforcement. Local failures reflect broader governance issues that extend beyond specific sectors.

### Coffee and Tea Supply Contracts

In Uganda's agricultural sector, coffee and tea supply agreements reveal ongoing power imbalances between smallholder farmers and large processing firms. Farmers often sign contracts without fully understanding pricing formulas, delivery schedules, or quality standards (EPRC, 2020). Non-compliance, side-selling, and delayed payments are common, damaging trust and the long-term stability of the value chain. Negotiation failures are often made worse by limited farmer representation and a lack of technical support during contract drafting.

### Banking and SME Financing

Small and medium-sized enterprises (SMEs) often struggle with negotiating loan agreements with banks. Complex clauses about collateral, interest rates, and penalties for default are frequently misunderstood by borrowers, resulting in disputes, defaults, and aggressive recovery actions (Kalyango, 2019). Limited financial knowledge and poor negotiation preparation hinder SMEs' ability to secure better loan terms. Banks' rigid contract structures, while protecting lenders, create implementation challenges and contribute to business failures.

### Telecommunications Infrastructure Projects

Negotiations for telecom infrastructure, such as fiber optic networks and mobile towers, highlight the need for clear technical specifications and regulatory compliance. Early projects faced delays due to poorly defined contract deliverables, inconsistent performance monitoring, and disputes over land rights with local communities (UBOS, 2023). The mix of technical complexity and regulatory uncertainty emphasizes the need for skilled negotiation teams and strong project management frameworks.

### Real Estate and Urban Development

Property development projects in Kampala and other urban areas have uncovered challenges in negotiation and implementation linked to unclear land titles, multiple stakeholders, and bureaucratic delays. Developers often face unexpected costs and conflicts with local authorities or community groups when contracts do not consider legal requirements or informal claims (Senyonyi, 2020). Effective negotiation, including stakeholder mapping and legal due diligence, is vital to avoid costly project delays.

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## **Renewable Energy Projects**

Contracts for solar and hydroelectric projects in Uganda demonstrate difficulties in matching investors' technical expectations with local capabilities. Disputes arise from unclear performance standards, delayed regulatory approvals, and the limited capacity of local contractors (ACODE, 2021). These examples highlight the need for negotiation frameworks that incorporate technical, financial, and legal aspects to ensure smooth project implementation.

## **Mining and Artisanal Agreements**

Negotiations in Uganda's artisanal and small-scale mining sector often involve local communities, cooperatives, and private investors. Conflicts frequently arise over revenue-sharing, environmental issues, and labour responsibilities. Weak contract enforcement and informal practices result in exploitation, non-compliance, and social tension (EPRC, 2021). Improving negotiation skills and formalizing agreements could promote sustainability and reduce disputes.

## **Public-Private Partnership (PPP) Transport Projects**

The Uganda National Roads Authority (UNRA) has worked with private firms under PPP arrangements for major road projects. Negotiation challenges include balancing risk allocation, financial viability, and government oversight. Implementation problems, such as delayed compensation to landowners, unexpected environmental cleanup costs, and performance delays, highlight gaps in negotiation preparation and institutional capacity (World Bank, 2018).

## **Healthcare Supply Contracts**

Procurement and supply agreements for hospitals and clinics, including drug supply contracts, have faced delays, shortages, and mismanagement. Weak negotiation of delivery schedules, pricing, and penalty clauses, along with poor monitoring, undermine public health service delivery (MoH, 2020). These challenges show how critical negotiation capacity is in both the private and public healthcare sectors.

## **DISCUSSION**

Uganda's challenges in negotiation and implementation come from technical, managerial, and deeper political issues. Governance dynamics, including patronage systems, elite capture, and rent-seeking behaviours, heavily influence negotiations. These factors undermine professional negotiators, weaken regulatory institutions, and distort contract priorities. Research indicates that improving Uganda's negotiation outcomes needs a focus on bureaucratic autonomy, institutional integrity, and reduced political interference (Kjaer, 2014). Negotiation skills should include not just legal knowledge but also financial modelling, risk assessment, environmental analysis, and specific sector expertise.

Despite ongoing challenges, Uganda has made strides. The Commercial Court is strengthening commercial justice, and reforms in public procurement and e-procurement systems show institutional growth. Increased awareness of gaps in negotiation capacity has led to more use of legal and financial advisors during complex negotiations. However, these reforms are inconsistent and need better training, transparent hiring processes, stronger monitoring, and solid accountability mechanisms. Uganda's advancement relies on balancing institutional change with improved capabilities among its people.

A deeper look shows that Uganda's negotiation landscape is greatly influenced by the power imbalance between local actors and multinational companies, especially in high-value sectors like petroleum, mining, telecommunications, and infrastructure. Multinational firms often come into negotiations with better information, advanced technology, and highly skilled teams, which creates a significant power gap (Kashambuzi, 2016; Global Witness, 2010). Because of this, Uganda's negotiators struggle to secure fair revenue-sharing deals, ensure technology transfer, and enforce environmental protections. Weak coordination among public agencies also leads to scattered negotiation strategies, role duplication, and inconsistent enforcement of obligations

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(PPDA, 2020). Scholars suggest that addressing these structural issues requires creating a unified national negotiation framework, investing in technical skills, and establishing systems that reduce information gaps and improve cooperation among agencies (ACODE, 2019; World Bank, 2023).

## CONCLUSION

Effective negotiation and the implementation of business agreements are vital for Uganda's economic growth and governance changes. While Uganda has made progress in enhancing its commercial environment, persistent issues—such as corruption, political interference, limited negotiation skills, and weak monitoring systems—still hinder negotiation results and contract performance. Tackling these problems demands reforms that build institutional strength, encourage professionalism, lower transaction costs, and ensure accountability. Investing in negotiation training, transparent procurement practices, strong dispute resolution methods, and effective monitoring will boost Uganda's capacity to secure fair and lasting agreements. Ultimately, Uganda's development path hinges on its ability to negotiate well, implement effectively, and manage contracts with integrity.

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