

## AFRICA RISK CONSULTING

### Uganda Monthly Briefing October 2021

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#### Uganda Summary 11 October 2021

*The government has launched an investigation into the mass exodus of multinational companies from Uganda, the latest being United Kingdom-headquartered telecommunication provider Africell. Constitutional law experts warn that President Yoweri Museveni's (1986-present) push to scrap bail for suspected capital offenders threatens the presumption of a suspect's innocence until proven guilty. The government has launched a further attack on its development partners, instructing that aid funds be channelled through the Treasury instead of going directly to projects. The government is ramping up its Covid-19 vaccination programme.*

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#### Government probes exit of multinational companies

The government has launched an investigation into the mass exodus of multinational companies from **Uganda**. A number of multinational companies including **United Kingdom (UK)**-headquartered **British Airways** and **Barclays Bank**; **South Africa**-based telecom company **Vodacom**, low-end retailer **Pep Stores** and fast food chain **Nando's**; **United Arab Emirates (UAE)**-based **Etihad Airways** and **GEMS Cambridge International School**; **Kenya**-based supermarket chains **Tuskys**, **Uchumi**, and **Nakumatt**; **France**-based telecom company **Orange**; and **United States (US)**-based insurance company **AIG** have all exited Uganda in the last 10 years.<sup>1</sup> UK-headquartered telecommunication provider **Africell** is the latest multinational to declare its exit from Uganda. **Africell Uganda** released a statement on 7 September saying its decision to leave Uganda was based on "a careful assessment of the long-term commercial outlook for the business", and that it would cease operations on 7 October.<sup>2</sup>

Local media on 11 September quoted permanent secretary and secretary to the treasury at the ministry of finance, planning and economic development **Ramathan Ggoobi** saying the government is studying the exit of companies:

*"I assigned my team to find answers to why each of these companies has exited, the likely impact of their exit today and in the medium term, and whether there is anything we may do to avert similar exits."*<sup>3</sup>

The exit of multinational companies from Uganda is causing concern among members of the public, who fear it may lead to the total collapse of the economy.<sup>4</sup> Ruling **National Resistance Movement (NRM)** party **Women's League** chairperson **Lydia Mutende** told **Africa Risk Consulting (ARC)** that the country risks losing more investors unless the government addresses the issue that local consumers have little purchasing power:

*"Why invest in incentives, to attract investors, to come and invest here when the locals have no purchasing power?"*

Opposition **Forum for Democratic Change (FDC)** party spokesperson **Ibrahim Ssemujju** told ARC that most foreign companies are exiting Uganda because of the high taxes levied on them. Ssemujju said most local companies are owned by "regime cronies" who use their positions and connections to evade taxes. As a result, the government is forced to impose heavy taxes on multinational companies

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<sup>1</sup> Uganda analyst, 7 Oct 2021

<sup>2</sup> Independent, 7 Sep 2021

<sup>3</sup> New Vision, 11 Sep 2021

<sup>4</sup> Uganda analyst, 7 Oct 2021

to raise revenue because they are tax compliant. However, Ggoobi told ARC that Uganda intends to fast-track the enactment of the competition law to ensure a level playing field for both local and foreign investors.<sup>5</sup>

Uganda currently has no specific competition law. The closest relevant laws are modelled on **British** laws relating to competition, such as the **Resale Prices Act** and **Restrictive Trade Practices Act** that the **UK Competition Act 1998** replaced, which came into effect on 1 March 2011.<sup>6</sup> These laws aim to prevent unfair competition, primarily in the form of torts, that cause economic injury to a business through a deceptive or wrongful business practice. Unfair competition is generally broken down into two broad categories, the first referring only to those torts that are meant to confuse consumers as to the source of the product, and the second referring to “*unfair trade practices*” that comprise all other forms of unfair competition.<sup>7</sup>

Ggoobi told ARC he will discourage government from introducing new taxes in the next financial year and instead focus on tax compliance by local companies:

*“We have too many local businesses that don’t pay taxes at all and this gives them advantage over the few who pay taxes.”<sup>8</sup>*

A 2019 study conducted by **Kampala-based Economic Policy Research Centre (EPRC)** found that some multinational companies leave the country as soon as their tax incentives expire.<sup>9</sup> The study examined tax incentives given to companies between 2011 and 2019. Some companies investing in Uganda are given “*tax holidays*” in their first four years of operation, but in the fifth year, their return on investment begins to fall and by the time they reach the tenth year, usually the expiry year, some exit the country while others change name.<sup>10</sup>

While most of the companies that have exited Uganda have cited shrinking sales, returns and slow growth of the economy, finance minister **Matia Kasaija** told local media in Kampala on 23 September that changing consumer preferences are responsible for the exit of multinational companies:

*“We are not chasing them, they came here voluntarily and if they come here and find that the environment is no longer conducive for them to do businesses they thought they would do, then we cannot stop them.”<sup>11</sup>*

### **Museveni pushes to scrap constitutional right to bail ...**

Constitutional experts are warning that President **Yoweri Museveni’s** (1986-present) push to scrap bail for suspected capital offenders threatens the presumption of suspects’ innocence until proven guilty.<sup>12</sup> Museveni has since 2011 advocated for the scrapping of bail, arguing that rendering bail at the discretion of judges is a “*provocation*” to the offended communities, which are certain to “*retaliate against suspects freed pending trial*”.<sup>13</sup> Museveni renewed his call on 27 September in an address at the **Benedicto Kiwanuka Memorial Lecture** at the **High Court** in Kampala, and also demanded that convicted murderers should automatically suffer death by hanging:

*“Some judicial officers and the police are doing things which have no connection with reality. Bail for criminals is a right? How about the rights of victims? People are being killed but you are defending criminals - suspects of criminal offences?”<sup>14</sup>*

The speech has sparked controversy, mostly amongst critics who say the proposed amendment to bail

<sup>5</sup> Uganda analyst, 9 Oct 2021

<sup>6</sup> Uganda Law Reform Commission Report 2004

<sup>7</sup> Uganda Law Reform Commission Report 2004

<sup>8</sup> Uganda analyst, 9 Oct 2021

<sup>9</sup> Uganda Radio Network, 2 Jul 2019

<sup>10</sup> Uganda Radio Network, 2 Jul 2019

<sup>11</sup> Nile Post, 23 Sep 2021

<sup>12</sup> Uganda analyst, 9 Oct 2021

<sup>13</sup> Daily Monitor, 28 Sep 2021

<sup>14</sup> Daily Monitor, 28 Sep 2021

targets political rivals, including members of parliament (MPs) **Allan Ssewanyana** and **Muhammad Ssegirinya**, who are currently detained over allegations of involvement in brutal murders that claimed 26 lives between August and September in **Masaka** sub-region in **Central Uganda**.<sup>15</sup> Opposition **Democratic Party** deputy legal adviser **Richard Lumu** told ARC that President Museveni intends to scrap bail in order to use it as a tool to illegally hold his political opponents in jail for long periods without trial and has warned MPs not to yield to Museveni's plan to scrap the constitutional right to bail.

Kampala politician **Gerald Kiranda** suggests that instead of scrapping bail, the government should focus on strengthening the judicial system to expedite trial of suspects. However, Kiranda notes that Museveni is likely to push through with the amendment, given past experience, including the 20 December 2017 amendment of the age limit for presidential candidates in order to qualify to contest the January 2021 elections (see *ARC Briefing Uganda January 2018*).<sup>16</sup>

There have been several incidents in Kampala where suspects released on bail have been immediately rounded up outside the court by known uniformed security operatives and taken away to unknown locations. The latest such incident happened on 24 September when armed masked gunmen rearrested **Makindye** MP Allan Ssewanyana a few moments after the high court in Kampala granted him bail.<sup>17</sup>

The judiciary has also issued a statement advising against the president's plan to scrap bail for murder suspects. Director of Public Prosecution Justice **Jane Abodo** told local media that bail should be considered on a case-by-case basis:

*"The debate about bail is raging on and the law on bail is very clear. It says everyone has a right to apply, but whether you are granted or not, is at the discretion of the judicial officer. Which means, each case should be taken on its merit."*<sup>18</sup>

### ... as government moves to control donor funds

The government has launched another attack on development partners by instructing that all aid funds be channelled through the **Treasury** instead of going directly to projects.<sup>19</sup> Finance minister Matia Kasaija, in a letter dated 6 September, said his ministry will henceforth sign off all donor programmes. Kasaija said donors are required to prepare country strategies jointly, and programmes and projects will be jointly implemented with the relevant government ministries, departments and agencies.<sup>20</sup> Kasaija told local media in Kampala that the decision aims to streamline the operations of development assistance and ensure that the people of Uganda obtain maximum benefit from non-state actors.<sup>21</sup> Finance ministry spokesperson **Jim Mugunga** told media on 27 September that the move does not target development partners, but aims to avoid duplication of services:

*"If this is done, it will also have the dual impact of helping the development partners to ensure that they follow their money and ask questions."*<sup>22</sup>

Donors have been critical for some time of the government's record on transparent allocation of funds. In July 2011, eight development partners, **Austria, Denmark, Ireland, the Netherlands, Norway, Sweden, the United Kingdom** and the **European Union**, established the **Democracy Governance Facility (DGF)** to implement activities they fund, describing it as

<sup>15</sup> Daily Monitor, 28 Sep 2021

<sup>16</sup> Uganda analyst, 9 Oct 2021

<sup>17</sup> Independent, 24 Sep 2021

<sup>18</sup> Daily Monitor, 6 Oct 2021

<sup>19</sup> Daily Monitor, 28 Sep 2021

<sup>20</sup> Daily Monitor, 28 Sep 2021

<sup>21</sup> Daily Monitor, 28 Sep 2021

<sup>22</sup> Daily Monitor, 28 Sep 2021

*“a five-year governance programme aimed at providing harmonised, coherent and well-coordinated support to state and non-state entities to strengthen democratisation, protect human rights, improve access to justice and enhance accountability in Uganda”.*<sup>23</sup>

However, in February President Museveni directed the immediate suspension of DGF activities over alleged financing of subversive activities, complaining that he had not been consulted on the implementation of the funds (see *ARC Briefing Uganda February 2021*). Critics say the suspension followed complaints from government that the DGF funded civil society organisations (CSOs) critical of the government in the run up to 15 January presidential elections.<sup>24</sup>

The growing tension between the government and CSOs came to a head on 20 August when the **National Non Governmental Organization (NGO) Bureau** suspended 54 NGOs, claiming they had failed to comply with legislation covering their activities, including operating with expired permits, failing to file accounts or failing to register with the authorities (see *ARC Briefing Uganda September 2021*). Many of the NGOs accused the National NGO Bureau of conducting a “witch-hunt”.<sup>25</sup> Among the suspended NGOs is **Chapter 4**, run by prominent human rights lawyer **Nicholas Opiyo**.

CSO **Action Aid** country executive director **Xavier Ejoyi** says the move to control funds is an ambitious attempt to control development assistance and ultimately stifle funding to NGOs and CSOs.<sup>26</sup> Ejoyi says the timing and tone of Kasaija’s letter is a departure from the spirit of mutual accountability in the **Paris Declaration** on aid effectiveness as well as the **Busan Partnership for Effective Development Cooperation**.<sup>27</sup>

Kampala-based journalist **Andrew Mwenda** told ARC that the government launched its crackdown on NGOs on the basis of a fake report from the chief of military intelligence. Mwenda said the government should have handled the issue by engaging heads of diplomatic missions rather than relying on intelligence reports.<sup>28</sup>

### **Covid-19 update**

Uganda is ramping up its Covid-19 vaccination programme. Mass vaccination of Kampala residents began on 11 October in 26 designated areas after Uganda received its first batch of 196,800 doses of US-based pharmaceutical company **Johnson and Johnson’s Janssen** vaccine, which it procured through the **African Union’s African Vaccine Acquisition Trust (AVAT)** initiative at a cost of US\$290 million (\$81m).<sup>29</sup> The vaccines are to be delivered in a phased manner to support the nationwide Covid-19 mass vaccination campaign.<sup>30</sup>

Ministry of health permanent secretary **Diana Atwine** said Uganda is set to receive an additional 9 million doses of the government-procured Janssen vaccine. The country has received 5,690,363 doses of Covid-19 vaccines including **British-Swedish-manufactured AstraZeneca**, **China-manufactured Sinovac**, and US-manufactured **Moderna** and **Pfizer** mRNA-based injections.<sup>31</sup> The health ministry has administered 2,282,414 doses to date and is distributing 2,080,594 doses countrywide. Over 1.7 million Ugandans have received their first dose while 578,135 people have received their second dose of Covid-19 vaccine.<sup>32</sup>

As of 9 October, Uganda has recorded a total of 124,544 cases of Covid-19 in its population of 47 million, with 3,174-Covid-related deaths.<sup>33</sup>

<sup>23</sup> DGF.ug, accessed 11 Oct 2021

<sup>24</sup> Uganda analyst, 8 Oct 2021

<sup>25</sup> Uganda analyst, 8 Oct 2021

<sup>26</sup> Daily Monitor, 28 Sep 2021

<sup>27</sup> Daily Monitor, 28 Sep 2021

<sup>28</sup> Uganda analyst, 8 Oct 2021

<sup>29</sup> Ministry of Health 8 Oct 2021

<sup>30</sup> Ministry of Health 8 Oct 2021

<sup>31</sup> Ministry of Health, 8 Oct 2021

<sup>32</sup> Ministry of Health, 8 Oct 2021

<sup>33</sup> Ministry of Health, 9 Oct 2021

The government has issued new directives on Covid-19 health measures at **Entebbe International Airport**, effective 16 September until further notice. Travelers whose body temperature is not above 37.5°C (99.5°F), without a persistent cough, difficulty in breathing or other flu-like symptoms and with negative **COVID-19 Polymerase Chain Reaction (PCR)** test certificate carried out within 72 hours from the time of sample collection, are allowed to enter or depart Uganda.<sup>34</sup> The nationwide curfew from 19:00 to 05:00 introduced on 7 June remains in place but passengers arriving or departing in the curfew time or from districts beyond Kampala with a valid air ticket and boarding pass are allowed to proceed to their hotels and/or residences.<sup>35</sup>

### Planner

- 14 Oct 2021 **Kampala (Uganda)** Bank of Uganda Monetary Policy Meeting;
- 13 Oct 2021 **Kampala (Uganda)** International Conference on Environment and Life Science (EUCELS);
- 24 Oct 2021 **Kampala (Uganda)** International Conference on Sustainable Water Management (ICSWM);
- 1 Nov 2021 **Kampala (Uganda)** International Conference on Education and New Learning Technologies (EDULEARN);
- 1 Nov 2021 **Kampala (Uganda)** International Conference on Mechanical, Materials and Renewable Energy (ICMMR);

### Chronology

- 11 Oct 2021 **Kampala (Uganda)** *Daily Monitor*. **Baganda** King **Ronald Muwenda Mutebi II** accuses government officials of conniving with foreigners in syndicated corruption and plunder of public resources;
- 10 Oct 2021 **Kampala (Uganda)** *Daily Monitor*. Uganda has invited **Kenya's** agriculture and trade ministerial teams to Kampala for dialogue in an overture to clear the trade tiff over Ugandan milk imports to Kenya after Kenya slapped a 7% levy on milk imports from Uganda in July 2021;
- 9 Oct 2021 **Kampala (Uganda)** *New Vision*. The Uganda shilling weakens further to close the day's trading at the 3575/3585 levels per **United States** dollar;
- 8 Oct 2021 **Kampala (Uganda)** *Nile Post*. Three of President **Yoweri Museveni's** aides have tested positive for **Covid-19** after returning home from recent trips to the **United Arab Emirates** and **Ethiopia**;
- 8 Oct 2021 **Kampala (Uganda)** *Independent*. **Uganda National Central Bureau**, also known as **Interpol Uganda**, have impounded at least 20 luxury vehicles valued at more than US\$3.7 billion (\$1m) reportedly stolen from the **United Kingdom**, **Japan** and **South Africa**;
- 7 Oct 2021 **Kampala (Uganda)** *Daily Monitor*. A group of opposition politicians have launched a new pressure group, **People's Front for Transition (PFT)**, and named four-time presidential contender **Kizza Besigye** their leader;
- 7 Oct 2021 **Kampala (Uganda)** *Nile Post*. President **Yoweri Museveni** says the recent decision by telecom giant **MTN** to float 20% of its shares on the **Uganda Securities Exchange (USE)** will allow Ugandans and **Africans** to be partners in all activities of the company;
- 6 Oct 2021 **Kampala (Uganda)** *Daily Monitor*. The government has tabled an amendment to the **Public Finance Management Act, 2015**, to allow the **Uganda National Oil Company (UNOC)** to access proceeds from the sale of petroleum arising from the state participating interest;

<sup>34</sup> Destination Uganda, 26 Sep 2021

<sup>35</sup> Destination Uganda, 26 Sep 2021

6 Oct 2021 **Kampala (Uganda)** *Independent*. The government has tabled before Parliament a draft law which would give Ugandans priority use of labour and other resources during the construction of the **East African Crude Oil Pipeline (EACOP)**;

5 Oct 2021 **Dubai (United Arab Emirates)** *Daily Monitor*. **Uganda Export Promotion Board (UEPB)** executive director **Elly Twineyo** says Uganda has negotiated a combined investment deal amounting to nearly \$900m (about Shs3.2 trillion) at the **Dubai 2020 Expo**, which will result in employment of more than 100,000 people;

4 Oct 2021 **Kampala (Uganda)** *Independent*. **International Consortium of Investigative Journalists (ICIJ) Pandora Papers** name security minister **Jim Muhwezi** and eight companies whose beneficial owners are in Uganda;

3 Oct 2021 **Kampala (Uganda)** *Nile Post*. Minister for Kampala **Minsa Kabanda** says the government is working with a **Saudi Arabian** firm to secure up to 5,000 jobs for Ugandans in the **Middle East** in an attempt to find opportunities for Kampalan residents, particularly the youth;

2 Oct 2021 **Kampala (Uganda)** *Independent*. Energy and mineral development minister **Ruth Nankabirwa** says large industrial electricity consumers could soon buy electricity directly from generators or the transmission company to lower the electricity tariffs;

1 Oct 2021 **Kampala (Uganda)** *KFM Radio*. President **Yoweri Museveni** gives tertiary institutions permission to reopen on 1 November and primary and secondary to reopen in January next year;

30 Sep 2021 **Kampala (Uganda)** *Parliament*. Minister of state for trade **Harriet Ntabazi** has told parliament that government stayed imposition of the specific duty rates of \$3 and \$3.50 per kilogramme for fabrics and garments respectively;

30 Sep 2021 **Kampala (Uganda)** *DW*. Agent banking transactions have reached over \$600m per month;

29 Sep 2021 **Kampala (Kampala)** *Argus Media*. State-owned **Uganda National Oil Corporation (UNOC)** says it has made a final investment decision on the 1,445-km **East Africa Crude Oil Pipeline (EACOP)** but legislative hurdles remain relating to the project's export pipeline to Tanzania;

28 Sep 2021 **Kampala (Uganda)** *KFM*. Ruling **National Resistance Movement (NRM)** party members have parliament have vowed to block a proposal by President **Yoweri Museveni** to amend the constitution and scrap bail for suspected capital offenders;

27 Sep 2021 **Kampala (Uganda)** *Ministry of Foreign Affairs*. Uganda and the **Lao People's Democratic Republic** have signed a joint communiqué establishing diplomatic relations;

26 Sep 2021 **Kampala (Uganda)** *Africanews*. The Ugandan government has launched the last-mile connectivity component under the **Uganda Rural Electricity Access Project** with support from the **African Development Bank** and other partners to facilitate the connection of 87,500 rural households to affordable electricity;

25 Sep 2021 **Kampala (Uganda)** *Agenzia Fides*. President **Yoweri Museveni** has announced the imminent reopening of places of worship after an interruption of over a year;

24 Sep 2021 **Kampala (Uganda)** *Daily Monitor*. Uganda has received an additional 655,053 doses of the **AstraZeneca** vaccine from **Belgium** (153,900 doses) and **France** (501,153 doses) through the **COVAX** facility sharing arrangement to support its **Covid-19** vaccination campaign;

23 Sep 2021 **Kampala (Uganda)** *Nile Post*. Finance minister **Matia Kasaija** has urged multinational companies to “*stay put*” and not leave the country;

22 Sep 2021 **Kampala (Uganda)** *Observer*. International NGO **GiveDirectly** has received permission to resume distributing cash relief to vulnerable Ugandans following a meeting with President **Yoweri Museveni**;

21 Sep 2021 **Kampala (Uganda)** *Garda World*. Government maintains nationwide **COVID-19** measures, requiring all travellers, including children three years old and older, to provide a negative PCR test taken no more than 72 hours before travel to Uganda, while travellers from high-risk areas not vaccinated against Covid-19 will be subject to a mandatory PCR test on arrival at their own cost;

20 Sep 2021 **Kampala (Uganda)** *US Embassy Kampala*. The **United States** delivers 1,674,270 doses of the **Pfizer COVID-19** vaccine to Uganda, bringing to 2,321,350 the number of COVID-19 vaccine doses it has donated to Uganda;

17 Sep 2021 **Kampala (Uganda)** *Bank of Uganda*. The government says it has no intention of taking over or taxing unclaimed balances in bank accounts or mobile money accounts contrary to media reports alleging that it will do so;

16 Sep 2021 **Kampala (Uganda)** *Lawyers for lawyers*. Ugandan government has dropped money laundering charges on prominent human rights lawyer **Nicholas Opiyo**;

15 Sep 2021 **Kampala (Uganda)** *UN Press release*. The **United Nations** Resident Coordinator in Uganda **Susan Ngongi Namondo** says absolute figures indicate an increase in the number of poor people in Uganda from 8 million to 8.3 million;

14 Sep 2021 **Kampala (Uganda)** *Nile Post*. Uganda and **Qatar** have held talks to strengthen their bilateral relations in trade and investments in a meeting between Ambassador of Qatar to Uganda **Jabor Ali Al-Dosari** and works and transport minister **Katumba Wamala**;

13 Sep 2021 **Kampala (Uganda)** *Independent*. **Uganda National Expanded Programme on Immunization** programme manager **Alfred Driwale** says the health ministry has not planned to vaccinate learners below the age of 15 years as previously communicated by its counterparts in the education sector;

12 Sep 2021 **Kampala (Uganda)** *Independent*. **Ethiopian Airlines, Fly Dubai** and **Emirates** officials say they are concerned that some passengers have tested positive for Covid-19 or avoided taking tests at **Entebbe International Airport** amidst restrictions from **United Arab Emirates (UAE)**;

11 Sep 2021 **Kampala (Uganda)** *Nile Post*. Experts say the \$10 tax to be imposed on travellers departing the country could cripple the tourism sector;

### About Africa Risk Consulting:

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