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The Uganda Police Force questions senior Bank of Uganda (BoU) (central bank) officials over currency procurement irregularities. Finance minister Matia Kasaija delivers the 2019/2020 national budget. Government spending will increase by 23%, which will increase the budget deficit to 8.7% of gross domestic product (GDP). Rwanda temporarily reopens its border with Uganda at Gatuna, signifying de-escalation of tensions with Uganda. Uganda records 27 cases of Ebola infection, mainly visitors from eastern Democratic Republic of the Congo, causing a public health scare.

Central bank officials under investigation for procurement scandal

Senior officials from the **Bank of Uganda (BoU)** (central bank) are under investigation for allegedly smuggling goods and unauthorised new banknotes into **Uganda** on a chartered plane that ferried new currency from **Germany** to Uganda on 27 April.¹ The case has escalated concerns about high-level corruption in government, given the sensitivity of the BoU's mandate in managing Uganda's currency.² The chartered plane, which ought to have carried 20 pallets of new currency from Germany to Uganda, had five extra pallets, which belonged to several other individuals and organisations.³ This included cargo belonging to prominent Uganda-based businessmen **Charles Mbire** and **Ahmed Omar Mandela**, as well as the **United Nations** and the **United States Agency for International Development (USAID)**.⁴ This violated the BoU's security policy, since the plane, which the **Switzerland-based currency printer Kuehne and Nagel International AG** had chartered, was supposed to carry only the newly printed currency.⁵ Customs officials cleared both the BoU and additional cargo, which allowed the respective owners to pick it up without paying import taxes.⁶ The BoU procures new currency on a regular basis to replace damaged banknotes that it takes out of circulation.⁷

BoU governor **Emmanuel Tumusiime-Mutebile** reportedly referred the case to the **State House Anti-Corruption Unit (SHACU)** commander, Lieutenant Colonel **Edith Nakalema**, who also briefed President **Yoweri Museveni** (1986-present).⁸ Security agents from the SHACU, **Internal Security Organisation (ISO)** and **External Security Organisation (ESO)** subsequently interrogated senior BoU officials, including **Charles Malinga**, the director of currency operations, and his deputy, **Nambatamba Bazinzi**, and other members of staff in the currency and procurement departments.⁹

¹ Daily Monitor, 16 Jun 2019.

² Daily Monitor, 16 Jun 2019.

³ The Independent, 15 Jun 2019.

⁴ The Independent, 15 Jun 2019.

⁵ The Independent, 15 Jun 2019.

⁶ Chimp Reports, 14 Jun 2019.

⁷ Chimp Reports, 14 Jun 2019.

⁸ The Independent, 15 Jun 2019.

⁹ The Independent, 15 Jun 2019.

“Fifteen BoU employees were in Germany to inspect the printed currency, and they allegedly procured extra currency from the printer, which they transported back to Uganda. The extra luggage had the staff members’ names on them, which was irregular because they were neither supposed to be on the plane, nor have their luggage on it. There is reason to believe that this is an established practice that BoU employees have been carrying out for long.”¹⁰

Government spokesperson **Owono Opondo** on 14 June denied that the extra cargo contained extra currency that BoU employees spirited into the country.¹¹ Instead, he accused the individuals and organisations whose cargo was on the plane for conniving with corrupt BoU officials to cheaply transport the goods into Uganda and evade tax since it was all cleared as BoU cargo.¹² However, Mbire denied knowledge of how his cargo, which was 20 litres of adhesive that he purchased from **London (United Kingdom)**, ended up on the BoU chartered plane.¹³

*“I had no direct business to do with the people of the cargo plane because after buying 20 litres of adhesive glue in London, I contracted **Allied Cargo Express**, who are also in London, to ship it for me. I am not part of choosing how the glue came here, but I went to pick it up at the airport.”¹⁴*

The **Uganda Police Force** confirmed on 18 June that they had recovered documents from the homes of senior BoU officials that showed unauthorised printing of excess banknotes.¹⁵ Police spokesman **Fred Enanga** said that investigators would reveal in the near future the amounts of unauthorised money printed and the names of the suspects.¹⁶

The case is symptomatic of high-level corruption in Uganda and may undermine the integrity of the Uganda shilling.¹⁷ Governments and their central banks have to protect their currencies against counterfeiting and other fraudulent activities that would result in the circulation of fake banknotes and inflation from uncontrolled flow of currency into the economy.¹⁸ The ongoing investigation will affect the BoU’s international reputation and the value of the shilling as an internationally traded currency and legal tender in business transactions.¹⁹

Finance minister presents 2019-2020 national budget

Finance and economic planning minister **Matia Kasaija** presented the country’s budget for the 2019-2020 fiscal year on 13 June.²⁰ The budget statement delivered to parliament shows the key highlights for the next financial year, in which the government seeks to finance 74.5% of the US\$40.5 trillion (approximately \$10.8 billion) national budget.²¹ Sources of finance will include tax revenue from the **Uganda Revenue Authority (URA)**, which will contribute the largest proportion of US\$18 trillion (\$4.8 billion), non-tax revenue of US\$14 trillion

¹⁰ Source, analyst, Boston (US)

¹¹ Watchdog Uganda, 16 Jun 2019.

¹² Watchdog Uganda, 16 Jun 2019.

¹³ Watchdog Uganda, 16 Jun 2019.

¹⁴ Uganda-based businessman, Charles Mbire quoted in Watchdog Uganda, 16 Jun 2019.

¹⁵ Daily Monitor, 18 Jun 2019.

¹⁶ Daily Monitor, 18 Jun 2019.

¹⁷ Source, analyst, London

¹⁸ Source, analyst, London

¹⁹ Source, analyst, London

²⁰ Uganda Media Centre, 13 Jun 2019.

²¹ Uganda Media Centre, 13 Jun 2019.

(\$3.7 billion), and US\$ 445 billion (\$119m) from the **Petroleum Fund**.²²

The budget statement noted the following economic successes:

- Uganda's economy grew at more than 6% per year in 2017 and 2018, and the economy is now at \$29.5 billion in size;
- Industry has grown to account for 21% of the economy, surpassing 11.3% in 1986, while agriculture dropped from over 50% in 1986 to 22% in the 2018/19 financial year;
- Provision of electricity increased, with rural access increasing from 1% in 2001 to over 13% in 2019;
- The Uganda shilling strengthened against the **United States (US)** dollar by 0.6% average in the 2019/19 financial year;

Kasaija also noted some economic challenges:

- Unemployment remains high, with 4 out of 10 young people out of work;
- Poor access to food and nutrition, especially for children under five years;
- Increasing income inequality, with 80% of the labour force in the informal sector;
- Poor quality of available jobs.²³

Kasaija indicated that the 2019/2020 financial year's economic growth strategy would consist of three interconnected components:

- Expanding the economy's industrial base, through developing industrial parks in 22 locations throughout Uganda that will house small and medium-scale industries, and developing product value chains that connect entrepreneurs and farmers;
- Prudent use of natural resources with environmental protection, especially land, fresh water resources, minerals, and oil and gas deposits;
- Providing affordable financing for the private sector, through capitalising the **Uganda Development Bank (UDB)**, which will provide affordable finance to the private sector.²⁴

The finance ministry will increase spending by 23% in the 2019/2020 financial year, which will increase the budget deficit to 8.7% of the gross domestic product (GDP), up from 5.8% in the 2018/2019 fiscal year.²⁵ The ministry will borrow US\$2.8 trillion (\$750m) from domestic markets, and US\$10 trillion (\$2.6 billion) from external sources, which include both loans and donor funding.²⁶ This will result in a higher public debt, which will attract criticism from Uganda's civil society and political opposition.²⁷

The URA, which will collect the largest portion of the budget, is also likely to expand the tax base and collect taxes, especially from the corporate sector, more aggressively.²⁸ However, new or increased taxes may result in corresponding evasive actions by both the business sector and individuals, which may create artificial shortages.²⁹

²² Uganda Media Centre, 13 Jun 2019.

²³ Daily Monitor, 13 Jun 2019.

²⁴ Daily Monitor, 13 Jun 2019.

²⁵ Reuters, 13 Jun 2019.

²⁶ Reuters, 13 Jun 2019.

²⁷ Source, analyst, London

²⁸ Source, analyst, London

²⁹ Source, analyst, London

Uganda and Rwanda de-escalate border tensions

The **Rwanda Revenue Authority (RRA)** announced on 10 June that it would temporarily reopen its **Gatuna** border with **Uganda** for 12 days, following a period of diplomatic tensions that led to the border closure and shooting of unarmed traders.³⁰ Tensions between the two countries largely emanate from accusations of espionage, unauthorised arrests, and political dissent between **Rwanda's** president, **Paul Kagame** (1994-present), and President Museveni.³¹ The Rwandan government issued a statement in March accusing Uganda of harbouring rebels from the **Rwanda National Congress (RNC)** who are plotting to overthrow Kagame's government.³² Uganda, on the other hand, accuses Rwanda of espionage, which partly led to the arrest and deportation of senior officials from telecommunications company **MTN Uganda** in February (see *ARC Briefing Uganda February 2019*).³³

Tensions between the two countries led to Rwanda closing its borders with Uganda, blocking cargo trucks, and prohibiting Rwandan nationals from travelling to Uganda at the end of February.³⁴ The border closures disrupted trade between the two countries, which fell by over 85%.³⁵ Landlocked Rwanda, **Democratic Republic of the Congo (DRC)** and **Burundi** depend on imports shipped through **Kenya's** port of **Mombasa**, which is subsequently transported through Uganda, while small-scale traders also use the borders on a daily basis.³⁶

The border closures resulted in Rwandan soldiers shooting two traders dead in Uganda on 24 May, leading to the two nations trading accusations and escalating tension.³⁷ Rwandan soldiers accused the two men of attacking them with machetes after trying to illegally enter Rwanda, while Ugandan authorities accused the Rwandan soldiers of entering Uganda illegally in pursuing the two men, and shooting them in Uganda, in violation of international law.³⁸ Uganda's foreign ministry issued a statement describing the Rwandan soldiers' actions as violating Uganda's territorial integrity. Uganda Police spokesman Fred Enanga said that if the Rwandan officials were indeed chasing criminals, they should have contacted Ugandan authorities to apprehend them.³⁹ However, Rwandan officials claimed that the soldiers attacked the traders, whom they described as smugglers, in self-defence.⁴⁰

Although it is temporary, the reopening of the borders indicates an improvement of relations between Rwanda and Uganda. Museveni and Kagame are former military allies, but they have had political disagreements since 1998.⁴¹ Open conflict between the two countries is unlikely, although the border closures have had considerable economic repercussions for both countries.

Uganda faces threat of Ebola epidemic

Uganda's health ministry revealed on 13 June that the country has recorded cases of **Ebola** infection for the first time, giving rise to fears of a spread of the contagious disease from

³⁰ Reuters, 10 Jun 2019.

³¹ Reuters, 10 Jun 2019.

³² The East African, 26 May 2019.

³³ The East African, 26 May 2019.

³⁴ Reuters, 10 Jun 2019.

³⁵ The Observer, 10 Jun 2019.

³⁶ Reuters, 10 Jun 2019.

³⁷ The East African, 26 May 2019.

³⁸ The East African, 26 May 2019.

³⁹ The East African, 26 May 2019.

⁴⁰ The East African, 26 May 2019.

⁴¹ Source, analyst, London

eastern DRC.⁴² This may result in decreased tourist arrivals and a decline in interest from potential investors from doing business in Uganda.⁴³ Ebola is a contagious virus that results in uncontrolled internal bleeding and death to those infected.⁴⁴ It has been a recurrent issue in eastern DRC, in the **North Kivu** and **Ituri** provinces, beginning in August 2018.⁴⁵ The region borders Uganda, Rwanda, and **South Sudan**.⁴⁶ Uganda's health minister, Dr **Ruth Aceng**, made the revelations after two members of the same family who had travelled into Uganda from the DRC died on 12 and 13 June.⁴⁷

The health ministry reported that it had contained the spread of the infection by isolating the infected patients in the border town of **Bwera**, where the first case of Ebola infection was reported.⁴⁸ It also said that it had returned all the other infected patients and those who could have been infected over to the DRC side of the border, in line with the **World Health Organisation's (WHO)** protocols for preventing the spread of the disease.⁴⁹ The health ministry emphasised that there has been no other case of Ebola in Uganda, and is working with security authorities to implement tight border controls to prevent the spread of the disease.⁵⁰ Aceng also announced on 18 June that the **Uganda National Council for Science and Technology (UNCST)** and **National Drug Authority (NDA)** had approved the use of three experimental drugs for use in Uganda to treat the disease.⁵¹

Uganda's proximity to the DRC poses a risk of the spread of Ebola into Uganda, given the porous nature of the border between the two countries.⁵² Several popular tourist destinations are located in the region, including **Fort Portal**, **Murchison Falls** and the **Queen Elizabeth National Park**.⁵³ Although the government is working closely with the WHO to prevent the spread of the disease into Uganda, news of the recent outbreak has attracted worldwide attention, which may discourage tourists from visiting Uganda, given the highly contagious nature of the disease.⁵⁴

⁴² New York Times, 13 Jun 2019.

⁴³ New York Times, 13 Jun 2019.

⁴⁴ New York Times, 13 Jun 2019.

⁴⁵ CNN, 13 Jun 2019.

⁴⁶ CNN, 13 Jun 2019.

⁴⁷ New York Times, 13 Jun 2019.

⁴⁸ New York Times, 13 Jun 2019.

⁴⁹ New York Times, 13 Jun 2019.

⁵⁰ New York Times, 13 Jun 2019.

⁵¹ Reuters, 18 Jun 2019.

⁵² Source, analyst, London.

⁵³ Source, analyst, London.

⁵⁴ Source, analyst, London

Planner

26 Jun 2019 **Kampala (Uganda) Uganda** Trade Expo;
 19 Sept 2019 **Kampala (Uganda) Uganda** Oil and Gas Summit;
 2 Oct 2019 **Kampala (Uganda) Uganda** International Trade Fair;
 2020 **Final Investment Decision** on oil and gas sector;
 2023 **(Uganda)** Uganda general election;

Chronology

18 Jun 2019 **Kampala (Uganda) New Vision**. The **Bank of Uganda (BoU)** (central bank) keeps the central benchmark rate (CBR) unchanged at 10% because of stable inflation and a favourable economic outlook;

18 Jun 2019 **Kampala (Uganda) Reuters**. Health minister **Ruth Aceng** reveals that the **Uganda National Council for Science and Technology (UNCST)** has approved three experimental drugs to treat Ebola;

13 Jun 2019 **Kampala (Uganda) Uganda Media Centre**. Finance and economic planning minister **Matia Kasaija** delivers the US\$40.5 trillion (\$10.8 billion) 2019/2020 budget statement;

13 Jun 2019 **Kampala (Uganda) New York Times**. Uganda's health ministry reveals that Uganda has detected 27 Ebola infections, but has put in place measures to prevent its spread in Uganda;

11 Jun 2019 **Kampala (Uganda) Reuters**. **Uganda**-based and international critics oppose plans by **South Africa**-based company **Bonang Power and Energy** to develop a 360 megawatt power plant on Uganda's **Nile River**;

10 Jun 2019 **Kigali (Rwanda) Reuters**. The **Rwanda Revenue Authority (RRA)** says it will open the **Gatuna** border with Uganda for 12 days, as its political tensions with Uganda abate;

7 Jun 2019 **Kampala (Uganda) Reuters**. A group of 30 international and Uganda-based activists petition **South Africa**-based **Standard Bank Group** and **Japan**-based **Sumitomo Mitsui Banking Corporation** to cease funding the construction of the crude oil pipeline from **Hoima** in western Uganda to **Tanzania's Tanga** port;

5 Jun 2019 **Kampala (Uganda) The Observer**. **Uganda** resumes poultry exports to **Kenya** after a 2017 ban that resulted from an outbreak of avian viral influenza in Uganda;

30 May 2019 **Kampala (Uganda) Reuters**. President **Yoweri Museveni** allows **MTN Uganda's** deported chief executive officer, **Willem Vanhellepute**, to return to Uganda;

26 May 2019. **Kampala (Uganda) The East African**. Tensions between **Uganda** and **Rwanda** escalate as the governments of the two countries trade accusations over the killing of traders near the **Gatuna** border;

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