

## AFRICA RISK CONSULTING

## Uganda Monthly Briefing November 2021

## Uganda Summary 10 November 2021

*Opposition Forum for Democratic Change (FDC) leader Kizza Besigye returns to the political frontline in Uganda to lead a new pressure group, the People's Front for Transition, attracting backlash from supporters of the main opposition National Unity Party (NUP) led by Robert Kyagulanyi (also known as Bobi Wine). The Bank of Uganda (central bank) highlights a decline in the growth rate of Uganda's manufacturing and service sectors, attributing the fall to Covid-19 and lockdown measures to curb its spread. Demand for Ugandan coffee in Italy has boosted exports of coffee beans to their highest level in at least 30 years. Environmental activists express concern about Uganda's silence on deforestation during the United Nations Climate Change Conference (COP26) in Glasgow (UK). President Yoweri Museveni (1986-present) pledges to track those responsible for two bomb blasts that killed two people in Kampala in October. Covid-19 infections and deaths have dropped sharply in Uganda.*

## Infighting rocks Uganda's leading political parties

The return of opposition **Forum for Democratic Change (FDC)** leader **Kizza Besigye** to Uganda's political frontline has attracted a backlash from supporters of main opposition party **National Unity Platform (NUP)**, led by **Robert Kyagulanyi** (also known as **Bobi Wine**).<sup>1</sup> Four-time presidential contender Besigye announced on 7 October the formation of the **People's Front for Transition (PFT)**, an alliance uniting five opposition parties with the aim of wresting power from President **Yoweri Museveni** (1986-present) in the next elections, scheduled for 2026.<sup>2</sup> Besigye's return to frontline politics has reignited debate around the main problem plaguing Uganda's opposition parties; lack of unity among opposition groups and their failure to field a joint presidential candidate are partially to blame for the failure to dislodge Museveni from his 35-year reign.<sup>3</sup>

NUP supporters have launched a scathing attack on Besigye on social media platforms, accusing him of attempting to usurp leadership of the opposition from Kyagulanyi and demanding that he quit elective politics.<sup>4</sup> The NUP leadership says it supports the idea of a united opposition alliance but will not join the PFT.<sup>5</sup> NUP secretary general **David Lewis Rubongoya** questioned the necessity for the alliance:

*"If we are all pushing towards the same direction, I don't think there is need for all of us all to be under one umbrella. You all remember there was a time when we had the people power movement and our comrades had the People's government and we were fighting in the same direction."*<sup>6</sup>

Besigye has defended the new political formation saying it is not aimed at attacking the leadership of the opposition, but instead at removing President Museveni from power:

<sup>1</sup> Uganda analyst, 6 Nov 2021

<sup>2</sup> Uganda analyst, 6 Nov 2021

<sup>3</sup> The Africa Report, 27 Oct 2021

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

<sup>5</sup> Nile Post, 13 Oct 2021

<sup>6</sup> Nile Post, 13 Oct 2021

*“We must discuss the crisis in the country, not who should lead the struggle. The debate should be about the crisis Uganda faces. My view is that we need a grand reset. We must have a transition from this chaotic junta and restructure the country to go ahead.”<sup>7</sup>*

### BoU highlights lower growth in manufacturing and service sectors in 2021/2021

The **Bank of Uganda (BoU)** (central bank), in its annual report released on 18 October, has highlighted a significant drop in Uganda’s manufacturing and service sectors. The report noted that the manufacturing sector grew by 2.1% in the 2020/2021 financial year (f/y) while service sector growth was 2.5% for the same period, well below the historical average of over 5%.<sup>8</sup> The report attributes the decline in the growth rate to the **Covid-19** pandemic and lockdown measures implemented to contain the spread of the disease. The BoU states that global and domestic supply chain disruptions led to a severe contraction in economic activity and a sudden decline in consumer demand:

*“The contact-intensive sectors continued to be affected by social distancing measures and heightened uncertainty although Uganda gradually eased the lockdown measures during the first half of the financial year.”<sup>9</sup>*

The BoU reports that Uganda’s economic growth remained subdued for the second year in a row, while an increase in imports that outstripped the marginal growth in exports has hampered aggregate demand.<sup>10</sup> Growth in private sector credit declined to 8.1% in financial year 2020/21 from 11.7% in f/y 2019/2020. Most of the deceleration was a result of shilling-denominated lending, which grew by 9.9%, lower than the 15.6% growth rate registered in 2019/2020.

The Bank of Uganda monetary policy committee (MPC) maintained the central bank rate (CBR) at 6.5% following its meeting on 14 October, noting that the second wave of the Covid-19 pandemic had interrupted the recovery of the economy. However, observing that high-frequency indicators of economic activity for August and September suggest the economy is pulling out of the second wave impact, the MPC projects economic growth of 3.5-3.8% in f/y 2021-2022 and an even more optimistic prediction of 5.5-6% growth in 2022-2023 on the back of eased health restrictions.

A report published on 9 October by **United States**-based **Trading Economics** notes that Ugandan policymakers underline that economic growth will depend on the release of pent-up demand, a boost to investment activity from government’s focus on infrastructure, and support to sectors that have been more adversely affected by the pandemic.<sup>11</sup>

### ... as coffee exports reach a new record high

Demand for Ugandan coffee in **Italy** has boosted exports of coffee beans to their highest level in at least 30 years. Covid-19 restrictions in **Vietnam** coupled with bad weather in **Brazil** have helped Uganda record 23% growth in coffee export earnings for the 2020/21 coffee season (October-September) to \$629.8m.<sup>12</sup> In August, Uganda overtook Vietnam to become the second-largest supplier of coffee to Italy, behind Brazil. Total shipments jumped 21% to 6.5 million 60-kilogram bags in the year through September, making it Uganda’s highest exports in three decades. Approximately a third of coffee shipments go to Italy.<sup>13</sup>

Italy and **Germany**, which together produced more than 60% of the **European Union**’s roasted coffee in 2020, have diversified their sources for beans amid shipping disruptions in Brazil and Vietnam, increasing uptake from growers including Uganda and **India**.<sup>14</sup> **United Kingdom (UK)**-based

<sup>7</sup> Uganda analyst, 7 Nov 2021

<sup>8</sup> Bank of Uganda Annual report, 18 Oct 2021

<sup>9</sup> Bank of Uganda Annual report, 18 Oct 2021

<sup>10</sup> Bank of Uganda Annual report, 18 Oct 2021

<sup>11</sup> Trading Economics report, 9 Oct 2021

<sup>12</sup> Independent, 27 Oct 2021

<sup>13</sup> Bloomberg, 19 Oct 2021

<sup>14</sup> Bloomberg, 19 Oct 2021

**Rabobank** agricultural commodities markets analysis head **Carlos Mera** attributed Uganda's success to "production, expansion and promotion". Ugandan authorities say improved bean quality has contributed to the country's success in Europe, **Asia** and the **United States**.<sup>15</sup> **Uganda Coffee Farmers Alliance** executive director **Tony Mugoya** says the involvement of more professionals in coffee farming has led to more capital investment.<sup>16</sup>

Latest data from the **Uganda Coffee Development Authority (UCDA)** shows that farmers exported 6.49 million 60-kg bags of coffee for the 2020/2021 season compared to 5.36 million 60-kg bags in the 2019/2020 season. Uganda farmers earned \$512.22m in the 2019/2020 season.<sup>17</sup> The last time the country recorded high coffee sales was in 2012/13 when it earned \$181.79m from exporting 71,007 tonnes.

### Uganda's silence at COP26 over growing deforestation worries environmentalists

Environmental activists have expressed concern about Uganda's silence on deforestation during the **United Nations Climate Change Conference (COP26)** in **Glasgow (UK)**.<sup>18</sup> On the third day of the summit, 105 countries signed an agreement to end and reverse deforestation by 2030, a pledge that was backed up by almost \$19.2 billion of public and private funds. However, despite its increasing deforestation rate, Uganda did not sign this commitment.<sup>19</sup> Kampala-based **African Center for Research** director and coordinator of environmental group **Our Trees, We Need Answers**, **Arthur Owor** stated that he had expected the Ugandan delegates to make a stronger commitment to protect forests.<sup>20</sup>

In his 10 November statement to COP26, President Museveni noted that "irresponsible actors" in Uganda have invaded the forests that covered 45% of Uganda's land area in 1900, invaded wetlands, lake shores and riverbanks, settled on mountain ridges, engaged in harmful agricultural practices and carelessly cut down trees.<sup>21</sup> Museveni said Ugandan society must change from a pre-capitalist, subsistence-based society, to a middle-class, skilled working-class society:

*"We have been using four stimuli: universal education; full monetization of the economy (wiping out the subsistence economy); modernizing the economy (industrialization, digitization and developing the services sector); and electrification of the economy so that we do away with the use of the biomass for energy (fire-wood)."*<sup>22</sup>

Uganda has seen an increase in deforestation in the last decade. While in 2001 the country lost 297 km<sup>2</sup> of forest, by 2020 the figure had more than doubled, with 736 km<sup>2</sup> of forest lost in a single year, according to data from online forest tracking portal **Global Forest Watch**.<sup>23</sup>

As part of efforts to mitigate against extreme weather events, Uganda on 15 February 2017 signed a memorandum of understanding with **African Risk Capacity (ARC)** to provide insurance.<sup>24</sup> The memorandum offers support to **African** countries in building resilience against climate shocks and in taking ownership of their disaster response.

### Bomb blasts raise security concerns

President Museveni has promised to hunt down those responsible for two bomb blasts that killed two people in **Kampala** in October.<sup>25</sup> A bomb packed with nails and shrapnel exploded on 23 October at a

<sup>15</sup> Bloomberg, 19 Oct 2021

<sup>16</sup> Bloomberg, 19 Oct 2021

<sup>17</sup> Independent, 22 Oct 2021

<sup>18</sup> Konrad Adenauer Foundation, 10 Oct 2021

<sup>19</sup> Konrad Adenauer Foundation, 10 Oct 2021

<sup>20</sup> Konrad Adenauer Foundation, 10 Oct 2007

<sup>21</sup> Nile Post, 10 Oct 2021

<sup>22</sup> Nile Post, 10 Oct 2021

<sup>23</sup> Konrad Adenauer Foundation, 10 Oct 2021

<sup>24</sup> African Risk Capacity

<sup>25</sup> Aljazeera, 25 Oct 2021

popular street-side restaurant strip in **Kawempe** division in Kampala, killing one person and injuring several others.<sup>26</sup> The **ISIL (ISIS)** militant group claimed responsibility for the Kampala attack in a statement posted in an affiliated **Telegram** channel, saying some of its members detonated an explosive device in a Kampala bar where “members and spies of the Crusader Ugandan government were gathering”.<sup>27</sup> Museveni said he had been briefed that three people had left a package at the scene, which later exploded:

*“It seems to be a terrorist act, but we shall get the perpetrators.”<sup>28</sup>*

The **ISIL (ISIS)** group claimed responsibility for an alleged bomb attack on 8 October on a police post in Kawempe, near where the later explosion occurred.<sup>29</sup> Authorities and local media reported no blast or injuries at the time, although police later confirmed a “minor incident” had occurred.<sup>30</sup>

Uganda’s north-eastern semi-arid **Karamoja** region is also experiencing increasing insecurity. The **Famine Early Warning System Network** is warning that loss of livestock assets through raids in the Karamoja region is expected to worsen food insecurity.<sup>31</sup> The government has responded to the threat by deploying **Uganda Peoples’ Defence Forces (UPDF)** to carry out forceful disarmament in the area.<sup>32</sup> Area division commander Brig. **Joseph Balikudembe** said on 9 October that the UPDF had recovered 88 guns out of the estimated 500 illegal firearms in Karamoja sub-region.<sup>33</sup>

### Covid-19 update

Uganda has experienced a sharp reduction in **Covid-19** infections and deaths in the past two months. As of 5 November, only nine patients with critical Covid-19 were admitted to the intensive care unit (ICU) of **Mulago National Referral Hospital** in Kampala.<sup>34</sup> Hospital deputy executive director Dr **Rosemary Byanyima** said the hospital had stocked up on personal protective equipment (PPE), oxygen and beds in preparation for the third wave expected in October, but had only been admitting two to four patients daily in the 27-bed capacity ICU in the past two months.<sup>35</sup> Byanyima said the most patients Mulago has had in the entire treatment unit since August is 35.<sup>36</sup> Byanyima partly attributes the lower numbers on the stringent measures at **Entebbe International Airport** where early detection of those carrying the virus could prevent its spread in the community.<sup>37</sup> The **National Planning Authority (NPA)** predicts that infection numbers could decrease further in November.<sup>38</sup> Health ministry epidemiologist Dr **Daniel Kyabayinze** says previous predictions of case numbers were based on the behaviour of the virus itself and “spreader events” such as markets.<sup>39</sup>

President Museveni lifted most Covid-19-related restrictions in October, but left schools shuttered.<sup>40</sup> However, on 27 October he said that schools, closed since March 2020 owing to the coronavirus pandemic, will reopen early in 2022:

*“Be informed that the schools will be opened in January and the rest of the economy will be opened in the same month.”<sup>41</sup>*

<sup>26</sup> Aljazeera, 25 Oct 2021

<sup>27</sup> Aljazeera, 25 Oct 2021

<sup>28</sup> President Museveni’s Twitter handle 24 Oct 2021

<sup>29</sup> Aljazeera, 25 Oct 2021

<sup>30</sup> Aljazeera, 25 Oct 2021

<sup>31</sup> Famine Early Warning System Network alert

<sup>32</sup> Uganda Radio Network, 10 Oct 2021

<sup>33</sup> Kampala Dispatch, 10 Oct 2021

<sup>34</sup> Uganda Radio Network, 2 Nov 2021

<sup>35</sup> Uganda Radio Network, 2 Nov 2021

<sup>36</sup> Uganda Radio Network, 2 Nov 2021

<sup>37</sup> Uganda Radio Network, 2 Nov 2021

<sup>38</sup> Uganda Radio Network, 2 Nov 2021

<sup>39</sup> Uganda Radio Network, 2 Nov 2021

<sup>40</sup> Aljazeera, 29 Oct 2021

<sup>41</sup> News 24, 29 Oct 2021

Uganda plans to vaccinate about 21 million people against Covid-19 but to date has vaccinated less than 10% of the population it initially targeted for inoculation.<sup>42</sup> Health ministry figures show 3,189,173 vaccines have been administered to date, with most having only received their first dose. Since the **World Health Organization (WHO)** declared the pandemic on 11 March 2020, Uganda has recorded a total of 126,272 cases in its population of 47 million people, with 3,215 Covid-19-related deaths.<sup>43</sup>

### Planner

- 13 Nov 2021 **Kampala (Uganda)** International Conference on Leadership, Entrepreneurship and Business Management (ICLEBM);
- 24 Nov 2021 **Kampala (Uganda)** International Conference on Sustainable Water Management (ICSWM);
- 24 Nov 2021 **Kampala (Uganda)** International Conference on Chemical, Biological and Environmental Engineering (ICBEE);
- 1 Dec 2021 **Kampala (Uganda)** International Conference on Mechanical, Materials and Renewable Energy (ICMMRE);
- 2026 **(Uganda)** Presidential elections

### Chronology

- 9 Nov 2021 **Goma (DRC)** *Reuters*. Thousands of Congolese nationals flee into **Uganda** following heavy gunfire exchange between government forces and **M23** rebels in eastern DRC;
- 8 Nov 2021 **Kampala (Uganda)** *KFM Radio*. The **Federation of Uganda Medical Interns (FUMI)** announces a countrywide strike over low pay and working conditions;
- 7 Nov 2021 **Kampala (Uganda)** *Nile Post*. **Capital Markets Authority of Kenya (CMAK)** has provided its 'no objection' for **MTN Uganda's** initial public offering (IPO) to be marketed in Kenya, allowing the marketing of the shares to both professional investors and retail investors following the opening of the offer in Uganda on 11 October;
- 6 Nov 2021 **Kampala (Uganda)** *Daily Monitor*. Prices of essential commodities increase sharply in response to the continuing economic impact of the Covid-19-induced lockdown;
- 5 Nov 2021 **Kampala (Uganda)** *Nile Post*. Police warn they will crush planned opposition protests led by **Kizza Besigye's** new pressure group, the **People's Front for Transition**, and other politicians from the **National Unity Platform**;
- 5 Nov 2021 **Kampala (Uganda)** *Daily Monitor*. Primary healthcare minister **Margaret Muhanga** says Uganda is likely to be fully opened at the end of November if government hits its target of vaccinating 4.8 million vulnerable Ugandans against Covid-19, with 3.5 million vaccinated to date;
- 4 Nov 2021 **Kampala (Uganda)** *Independent*. Civil society organisations caution that allowing the **Uganda National Oil Company (UNOC)** to retain petroleum revenue will mark the beginning of an oil curse in Uganda;
- 4 Nov 2021 **Kampala (Uganda)** *World Bank report*. **World Bank** reports that Uganda's real gross domestic product (GDP) grew at 2.9% in financial year (f/y) 2020, less than half the 6.8% recorded in f/y 2019, due to the **COVID-19** pandemic, and is expected to grow at a similar level in f/y 2021;
- 3 Nov 2021 **Kampala (Uganda)** *Nile Post*. The health ministry says all travellers arriving at **Entebbe International Airport** will be allowed to go home and self-isolate until they receive their **Covid-19** results;

<sup>42</sup> Ministry of Health

<sup>43</sup> Ministry of Health

2 Nov 2021 **Kampala (Uganda)** *Observer*. Health experts note an unexpected sharp reduction in **Covid-19** infections and deaths;

1 Nov 2021 **Kampala (Uganda)** *Reuters*. Police announce they have arrested 48 suspects in connection with the 23 October explosion at a Kampala restaurant, blamed on an Islamist group linked to Islamic State, which killed one person and left at least three people injured, while a suicide bomber in a bus two days later injured a senior police officer;

30 Oct 2021 **Kampala (Uganda)** *Aljazeera*. A bomb blast kills at least two children in **Nakaseke** district, 60 km north of Kampala, as the country grapples with the third bomb attack in a week;

29 Oct 2021 **Kampala (Kampala)** *Aljazeera*. President **Yoweri Museveni** says schools, shut since March 2020 owing to the coronavirus pandemic, will reopen early in 2022 despite the currently low vaccination uptake;

28 Oct 2021 **Kampala (Uganda)** *Ministry of foreign affairs*. Foreign affairs minister Gen. **Jeje Odongo** has invited investors from **Saudi Arabia** to explore opportunities in the areas of agriculture, mining, tourism, health, and ICT and to take advantage of investment incentives offered;

27 Oct 2021 **Kampala (Uganda)** *Independent magazine*. Coronavirus pandemic restrictions in **Vietnam** coupled with bad weather in **Brazil** have helped Uganda record a 23% growth in coffee export earnings for the 2020/21 coffee season (October-September) to \$629.8m;

26 Oct 2021 **Kampala (Uganda)** *US Embassy*. The **United States Embassy** in Kampala issues a security alert warning of the possibility of more terrorist attacks in Uganda and throughout the region;

25 Oct **Cairo (Egypt)** *BBC*. **Islamic State** claims responsibility for a bomb attack that killed at least one person in **Uganda's** capital, **Kampala**, on 23 October;

24 Oct **Kampala (Uganda)** *VOA*. A bomb blast at a Kampala bar has killed at least one person and wounded three others in what President **Yoweri Museveni** claims is an act of terrorism;

23 Oct 2021 **Kampala (Uganda)** *Stopeacop*. Police arrest six staff members including director **Dickens Kamugisha** of **Africa Institute of Energy Governance (AFIEGO)**, one of four Ugandan organisations involved in several legal cases against the Uganda oil pipeline project, including a case against **France**-headquartered **TotalEnergies** in France and in the **East African Court of Justice**;

22 Oct 2021 **Kampala (Uganda)** *Africanews*. Uganda has relaunched a campaign to become the world's third-largest exporter of coffee by 2025, as a new law requiring the registration of farmers and enforcement of standards, including the replacement of old trees with new ones, comes into effect;

21 Oct 2021 **Kampala (Uganda)** *Garda World*. Ugandan officials maintain **COVID-19** domestic and travel restrictions, including a nationwide 19:00-05:30 curfew that permits only essential workers and authorised persons to move during curfew hours, while bars, nightclubs and cinemas remain closed and other entertainment venues are prohibited until enough people have been vaccinated against Covid-19;

20 Oct 2021 **Kampala (Uganda)** *Ministry of Health*. Results of COVID-19 tests done on 20 October confirm 111 new cases, bringing the total number of confirmed cases to 125,537;

19 Oct 2021 **Kampala (Uganda)** *Bloomberg*. Demand for Ugandan coffee in **Italy** has helped increase exports of coffee beans to the highest level in at least 30 years;

18 Oct 2021 **Kampala (Uganda)** *Bank of Uganda*. The **Bank of Uganda Annual Report** notes that Uganda's manufacturing and service sectors registered growth of 2.1% and 2.5% respectively, well below the historical average;

17 Oct 2021 **Kampala (Uganda)** *Reliefweb*. South-eastern Uganda will remain under flash flood

warning due to the above-normal rainfall expected during the outlook period until end of October;

15 Oct 2021 **Kampala (Uganda)** *Nile Post*. Immigration authorities confirm that from 15 October all foreigners intending to travel to Uganda must apply online for a visa prior to traveling;

14 Oct 2021 **Kampala (Uganda)** *Observer*. Loyalists of First Son General **Muhoozi Kainerugaba** have launched an aggressive social media campaign for Kainerugaba to replace his father, President **Yoweri Museveni**, in the 2026 presidential elections;

13 Oct 2021 **Kampala (Uganda)** *KFM Radio*. The health ministry says it is considering blocking unvaccinated workers from accessing its headquarters at **Nakasero** in Kampala;

12 Oct 2021 **Kampala (Uganda)** *Independent*. At least 15 employees of **Africell Uganda Limited** have petitioned the **Civil Division of the High Court** challenging wrongful termination of their contracts;

11 Oct 2021 **Kampala (Uganda)** *Petroleum Association of Uganda*. The conclusion of key oil and gas agreements for the **East African Crude Oil Pipeline Project (EACOP)** in April has opened opportunities for Ugandans to participate in the sector, with 57% of direct jobs expected to be filled by Ugandans, resulting in an estimated \$48.5m annual payment to Ugandan employees;

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