

## AFRICA RISK CONSULTING

### Uganda Monthly Briefing January 2024

#### Uganda Summary 8 January 2024

*Diplomatic ties between Uganda and Kenya come under renewed focus following a decision by Uganda to take Kenya to the East African Court of Justice for declining to grant it permission to use Kenya Pipeline Company (KPC) infrastructure as it moves to monopolise petroleum importation business. Uncertainty grips supporters of Uganda's second-largest opposition political party, the Forum for Democratic Change (FDC), as two rival camps issue different road maps leading to the 2026 presidential and parliamentary elections. Uganda's coffee exports face a challenge as the European Union (EU) demands that exports to the EU come only from registered farmers.*

#### Uganda-Kenya face diplomatic standoff over petroleum importation deal

Diplomatic ties between **Uganda** and **Kenya** are under renewed pressure following a decision by Uganda to take Kenya to the **East African Court of Justice (EACJ)** for declining to grant it permission to use Kenya's state-owned **Kenya Pipeline Company (KPC)** infrastructure as it moves to monopolise petroleum importation business.<sup>1</sup> Uganda's parliament passed the **Petroleum (Amendment) Act 2023** in November, granting the state-owned **Uganda National Oil Company (UNOC)** a monopoly on supplying petroleum products, effective 1 January.<sup>2</sup> The UNOC subsequently reached a deal in November that handed the exclusive rights for the supply of all petroleum products to a unit of global energy trader **Vitol Bahrain EC**.<sup>3</sup> Kenya responded by declining to grant a local licence for Uganda to use KPC infrastructure to move its refined petroleum products from **Mombasa port** to Uganda under a new arrangement directed by Uganda's cabinet.<sup>4</sup>

The stalemate tests diplomatic relations between the two countries as Uganda on 28 December brought Kenya to the EACJ.<sup>5</sup> This is the first time that an **East African** country has brought another to the EACJ since the court's inception in November 2001. In the suit, Uganda accuses Kenya of denying the UNOC the rights to operate as an **Oil Marketing Company (OMC)** in Kenya.<sup>6</sup> An **East African Community (EAC)** member of parliament from Uganda tells **Africa Risk Consulting (ARC)** that the impasse has likely further strained the relationship between President **Yoweri Museveni** (1986-present) and his Kenyan counterpart, **William Ruto** (2022-present):

*"Relations between Uganda and Kenya have been cool following Uganda's decision to construct the **East African Crude Oil Pipeline (EACOP)** through the central corridor to **Dar es Salaam port [in Tanzania]** instead of Mombasa."*

A **Kampala**-based economist fears that the impasse may lead to a full-blown diplomatic row as Uganda is now considering importing oil through Dar es Salaam, where it has good relations with the Tanzanian government:

*"Kenya will be starved of the vital source of income amounting to over \$2 billion from the petroleum products that Uganda imports annually through the port of Mombasa."*

<sup>1</sup> ARC source, Kampala, 8 Jan 2024

<sup>2</sup> Parliament, Kampala, 15 Nov 2023

<sup>3</sup> ARC source, 4 Dec 2023

<sup>4</sup> The Citizen, 2 Jan 2024

<sup>5</sup> ARC source, Kampala, 8 Jan 2024

<sup>6</sup> The Eastern African, 2 Jan 2024

In his New Year's message to Ugandans, President Museveni said he would continue to deliberate with other EAC leaders in order to realise a free market:

*"We shall continue discussing with our East African partners and I am sure we shall end up with a real common market, free of non-tariff barriers because those barriers hurt the wanainchi (civilians) of both countries."*<sup>7</sup>

Museveni said he rejected calls in 2023 for Uganda to retaliate by banning the importation of some Kenyan products, opting instead for dialogue.<sup>8</sup>

Uganda currently imports 90% of its refined petroleum products through the port of Mombasa and transports them to Uganda through the KPC.<sup>9</sup> Uganda's petroleum products supply has been handled by the oil marketing companies (OMCs) and through the government-to-government arrangements between Kenya and foreign governments adopted in early 2023 by Kenya, meaning that the OMCs operating in Kenya import petroleum products and in turn sell them to Uganda's OMCs.<sup>10</sup> Uganda argues that the complete reliance and dependency on Kenyan OMCs to import and supply petrol products to Uganda exposes it to supply vulnerabilities resulting in avoidable increases in fuel pump prices, hence its decision to import directly through the UNOC.<sup>11</sup>

### Main opposition party engulfed in confusion over 2026 election roadmap

Uncertainty has gripped supporters of Uganda's second largest opposition party, the **Forum for Democratic Change (FDC)**, as two rival camps issue different road maps leading to the 2026 presidential and parliamentary elections.<sup>12</sup> The FDC has been in turmoil for the past year following allegations made by its founding president and four times presidential contender, **Dr Kizza Besigye**, that the current party leaders received "*dirty money*" from the ruling party in the run up to the 2021 presidential elections.<sup>13</sup>

The allegations made against FDC president **Amuriat Oboi** and secretary general **Nandala Mafabi** caused the party to split into two factions, each with its own leadership and party structures.<sup>14</sup> The faction led by Kampala Lord Mayor **Erias Lukwago**, Besigye and several senior party members operates from rented premises in the affluent **Nakasero** area in Kampala **Central Business District**, while the officially recognised faction operates from the party headquarters in **Najjanakumbi on Kampala Entebbe Road**.<sup>15</sup>

The breakaway faction, which has the largest number of party supporters, issued a roadmap in October stating that the grassroot election of party leaders would be held on 18 January, leading to the national delegates conference to be held on 8 March.<sup>16</sup> However, the faction at the party headquarters announced on social media that everyone who intends to contest the 2026 elections under the FDC party ticket must collect forms for expression of interest starting 12 January to 5 March:

*"In line with the decision of **National Council** sitting on 25 December 2023, we invite all individuals interested in contesting under the FDC flag to express their interest starting January 12th to March 5th 2024. Expression of interest forms will be available at the FDC headquarters Najjanakumbi, all District offices and on our website."*<sup>17</sup>

<sup>7</sup> UBC TV, Kampala, 1 Jan 2024

<sup>8</sup> UBC TV, Kampala, 1 Jan 2024

<sup>9</sup> The East African 2 Jan 2024

<sup>10</sup> Uganda government infrastructure news, 2 Jan 2024

<sup>11</sup> Uganda government infrastructure news, 2 Jan 2024

<sup>12</sup> ARC source, Kampala, 6 Jan 2024

<sup>13</sup> ARC source, Kampala, 6 Jan 2024

<sup>14</sup> Daily Monitor, 2 Jan 2024

<sup>15</sup> ARC source, Kampala, 6 Jan 2024

<sup>16</sup> Daily Monitor, 15 Oct 2023

<sup>17</sup> ARC source, Kampala, 7 Jan 2024

The announcement drew a heated reaction from a section of party supporters. Several commentators argued that the party should focus first on addressing the issues of “dirty money” raised by Besigye and the unification of the two factions.<sup>18</sup> An aspiring candidate for **Kawempe North** constituency in Kampala told ARC that most possible contenders are likely to be left out because many are confused about which faction represents the party. FDC secretary general Nandala Mafabi told ARC that the early announcement of expression of interest is to give the party ample time to plan how to support the candidates during the 2026 elections.<sup>19</sup> Mafabi expressed interest in contesting as the FDC’s presidential candidate for the 2026 national elections.<sup>20</sup>

ARC’s analyst in Kampala says all indications are that the FDC faction led by Lukwago and Besigye is likely to form an alliance with leading opposition party **National Unity Platform (NUP)** led by music star **Robert Kyagulanyi** (also known as **Bobi Wine**) ahead of the 2026 elections.

### **New EU import rules worry Uganda’s coffee farmers**

Uganda’s coffee exports face a tough challenge as the **European Union (EU)** demands that exports to the EU come only from registered farmers while rejecting coffee grown in forested areas.<sup>21</sup> The EU has asked Uganda’s coffee subsector to register everyone in the value chain before 1 January 2025 to enable market authorities to monitor the standards of the product.<sup>22</sup> However, experts warn that meeting this requirement poses a challenge not only to the authorities, given the complex nature of Uganda’s supply chain, but also to most farmers who may not immediately meet the stringent registration criteria.<sup>23</sup>

**Uganda Coffee Development Authority (UCDA)** monitoring and evaluation manager **Amelia Atukunda** says registration of all farmers must take place by 31 December.<sup>24</sup> The UCDA says it is a matter of urgency for farmers to register because the EU buys most of Uganda’s coffee.<sup>25</sup> A coffee dealer from a coffee cooperative society in **Bugisu** says the EU regulation spells doom for the coffee sector, with stringent requirements being hard for the local farmers to meet:

*“Requirements for registration and the ban on coffee grown in forested areas will cause widespread poverty in Bugisu sub-region in eastern Uganda where income from coffee is a major source of income.”<sup>26</sup>*

<sup>18</sup> ARC source, Kampala, 7 Jan 2024

<sup>19</sup> ARC source, Kampala, 6 Jan 2024

<sup>20</sup> ARC source, Kampala, 6 Jan 2024

<sup>21</sup> Daily Monitor

<sup>22</sup> Uganda Radio Network, Kampala, 7 Nov 2023

<sup>23</sup> ARC source, Kampala, 6 Jan 2024

<sup>24</sup> Uganda Radio Network, Kampala, 17 Nov 2023

<sup>25</sup> Uganda Radio Network, Kampala, 17 Nov 2023

<sup>26</sup> ARC source, Kampala, 6 Jan 2024

## Planner

16 Jan 2024 **Kampala (Uganda)** International Conference on Science, Engineering & Technology (ICSET)

1 Jul 2024 **Kampala (Uganda)** Demarcation of new electoral areas for the 2026 presidential elections

## Chronology

7 Jan 2024 **Kampala (Uganda)** *Nile Post*. Muslim clerics accuse the government of relying on rumours to close madrassas and alleging that these Islamic schools train terrorists;

5 Jan 2024 **Kampala (Uganda)** *Nile Post*. State minister for industry **David Bahati** says Uganda is “not scared” after the **United States (US)** terminates Uganda’s designation as an **African Growth and Opportunity Act (AGOA)** beneficiary, alongside other three **African** countries, citing failure to meet the necessary requirements;

4 Jan 2024 **Kampala (Kampala)** *Infrastructure News*. Latest collaborative report by the **Bank of Uganda, Uganda Investment Authority** and **Uganda Bureau of Statistics** states that the value of foreign direct investment (FDI) in **Uganda** increased by 80% in 2022, primarily due to significant investments in the oil and gas sector;

3 Jan 2024 **Kampala (Uganda)** *East African*. The **United States (US)** has officially struck off Uganda and three other **African** countries as beneficiaries of the **African Growth and Opportunity Act (AGOA)**, effectively ending **Kampala’s** ability to export certain commodities to the US duty-free with US President **Joe Biden** saying he had determined that the four countries do not meet the requirements necessary to allow them to continue benefiting from the trade deal;

2 Jan 2024 **Kampala (Uganda)** *East African*. **Uganda** has taken **Kenya** to the **East African Court of Justice** after **Nairobi** denied its government-owned oil marketer a licence to operate locally, and handle fuel imports headed to Kampala;

1 Jan 2024 **Kampala (Uganda)** *Nile Post*. A decision by **Uganda’s** Treasury to obtain US\$3.5 trillion (\$919.5m) in loans from commercial banks to finance the supplementary budget is expected to boost interest rates earned on treasury bonds by around 2% in the short term, alongside constrained social service delivery, weak tax revenue collections and a modest growth forecast;

29 Dec 2023 **Kampala (Uganda)** *Parliament*. Voters and interested contenders will have to wait another six months for the Local Council One and Two chairperson elections, after the government on 18 December approved an extension of the tenure of current office holders, citing administrative challenges;

28 Dec 2023 **Kampala (Uganda)** *Crisis 24 news*. **Ugandan** officials are likely to maintain increased security nationwide, particularly in the western border areas, and **Kampala** and other urban centres through at least late January, with **Islamic State (IS)**-aligned **Allied Democratic Forces (ADF)** either recently claiming several attacks or the attacks being attributed to them;

27 Dec 2023 **Kampala (Uganda)** *Observer*. President **Yoweri Museveni** has expressed support for the **European Union’s** regulations aimed at blocking coffee imports from registered farmers and those grown on deforested lands;

27 Dec 2023 **Kampala (Uganda)** *Reuters*. Leader of **Sudan’s** paramilitary **Rapid Support Forces (RSF)**, General **Mohamed Hamdan Dagalo**, says he met **Uganda’s** President **Yoweri Museveni** on 26 December, his first confirmed appearance outside of Sudan since the war between RSF and the Sudanese army broke out in April;

26 Dec 2023 **Kampala (Uganda)** *Nile Post*. Ugandan troops, engaged in operations in the **Kibale Forest Reserve**, have killed a suspected leader of the **Allied Democratic Forces (ADF)** and confiscated a cache of weapons;

26 Dec 2023 **Kampala (Uganda)** *Reuters*. Military spokesman **Felix Kulayigye** says militants from an **Islamic State**-allied rebel group killed three people in an attack on a village in western Uganda, with assailants from the **Allied Democratic Forces (ADF)** attacking the village in **Kamwenge district** late on Christmas Day, killing a 75-year-old woman and her two grandchildren before burning the bodies;

23 Dec 2023 **Kampala (Uganda)** *Bloomberg*. Energy ministry spokesman **Solomon Muyita** says **Uganda** has extended an oil-exploration licence to **Nigeria's Oranto Petroleum Ltd.** by two years after the company asked for compensation for time lost during the **Covid-19** pandemic. The permit was initially granted to scour the **Ngassa Shallow** and **Deep** areas in the western **Hoima** and **Kikuube** districts in 2017 and was due to expire on 29 December;

22 Dec 2023 **Kampala (Uganda)** *Kfm Radio*. **National Unity Platform (NUP)** leader **Robert Kyagulanyi** (also known as **Bobi Wine**) has replaced the Leader of Opposition in Parliament, **Mathias Mpuuga**, who has been named commissioner of Parliament after serving two and a half years;

21 Dec 2023 **Kampala (Uganda)** *Reuters*. Traders say **Kenya's** shilling is forecast to weaken against the dollar in the next week, while **Zambia's** kwacha and **Uganda's** shilling are expected to be broadly stable, **Nigeria's** naira could be mixed and **Ghana's** cedi may strengthen;

20 Dec 2023 **Kampala (Uganda)** *KFM Radio*. Hundreds of **Ugandans** are crossing the **Busia** border into **Kenya** to buy cheap goods, especially textiles due to the weakening of the Kenyan shillings;

19 Dec 2023 **Kampala (Uganda)** *Daily Monitor*. Suspected militants belonging to militant group **Allied Democratic Front (ADF)** kill ten people in the western Uganda district of **Kamwenge**, days after President **Yoweri Museveni** stated that at least 200 ADF members affiliated to the **Islamic State** group were killed in air strikes led by Uganda in September in the **Democratic Republic of Congo**;

18 Dec 2023 **Kampala (Uganda)** *Reuters*. **Constitutional Court** begins hearing a challenge to an anti-LGBT law that carries the death penalty for certain same-sex acts and 20 years in prison for "promoting" homosexuality;

17 Dec 2023 **Kampala (Uganda)** *Independent*. Newly approved **Algerian** ambassador to Uganda **Mohamed Khelifi** says his top priority is to finalise the **Uganda-Algeria** milk deal which will see Ugandan milk exported to Algeria;

16 Dec 2023 **Kampala (Uganda)** *Daily Monitor*. **Russian** government has initiated an agreement aimed at increasing the consumption of **Ugandan** coffee in Russia;

15 Dec 2023 **Kampala (Uganda)** *Daily Monitor*. President **Yoweri Museveni** states that 200 rebels belonging to the terror group **Allied Democratic Front (ADF)** were killed in a Ugandan air strike in the **Democratic Republic of Congo**;

14 Dec 2023 **Kampala (Uganda)** *Daily Monitor*. Government has initiated the budget approval process for financial year 2024/2025 through tabling of the **National Budget Framework Paper (BFP)** amounting to USh52.7 trillion (\$15.3 billion);

13 Dec 2023 **Kampala (Uganda)** *Reuters*. **Ugandan** shilling strengthens helped by slowing demand for dollars from merchandise importers, with commercial banks quoting the shilling at 3,785/3,795;

12 Dec 2023 **Kampala (Uganda)** *Guardian*. Civil society groups in Uganda meet **Constitutional Court** judges as they attempt to overturn the world's harshest anti-LGBTQ+ law, which received overwhelming support from MPs when it was passed in March and imposes the death sentence and life imprisonment for certain homosexual acts.

### About Africa Risk Consulting:

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