

## AFRICA RISK CONSULTING

### Uganda Monthly Briefing February 2020

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#### Uganda Summary 11 February 2020

*A trade war with far-reaching implications is sparked between Uganda and Kenya after Kenyan officials impound dairy products imported from Uganda. The escalating dispute over milk exports is one of many hostilities undermining the regional integration project within the East African Community. The Great Lakes Region Technical Support Committee supports the efforts by regional partners aimed at bringing about an “African solution” to Uganda-Rwanda instability. Germany-based non-governmental organisation Transparency International reports in its 2019 Corruption Perceptions Index (CPI) that Uganda has made marked improvements in its fight against corruption. Israel’s prime minister, Benjamin Netanyahu (1996-1999; 2009-present) visits Uganda in efforts to strengthen diplomatic cooperation between Israel and Uganda.*

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#### Milk trade war sours relations between Uganda and Kenya ...

Poor diplomatic relations and perennial political animosity between a number of countries within the **East African Community (EAC)** region, particularly **Uganda** and **Kenya**, are continuing to jeopardise regional trade relations. The most recent trade dispute on milk tariffs between the two countries has resulted in a decline in trade volumes.<sup>1</sup>

The differences between the two neighbours date back to the close of 2019 when Kenyan authorities introduced a 16% VAT increase on milk imports from Uganda as part of measures to cushion the local dairy sector.<sup>2</sup> Kenyan authorities seized **Lato** milk produced by Uganda’s **Pearl Dairy** on three occasions between 2 and 11 January,<sup>3</sup> claiming the products are “*contraband, counterfeit and substandard*”.<sup>4</sup> Uganda’s trade minister, **Amelia Kyambadde**, and foreign affairs state minister **Okello Oryem** expressed their “*deep concern*” about the profound and negative reaction from the Kenyan government:<sup>5</sup>

*“Not only have these allegations sustained a negative campaign against Uganda’s milk products, this reaction contravenes the principle of good neighbourliness and Kenya’s obligations under the Treaty Establishing the East African Community, Customs Union Protocol, and Common Markets Protocol as well as the World Trade Organization (WTO) Trade Facilitation Agreement.”<sup>6</sup>*

Ugandan business associations have expressed concern about the damage that an escalation of trade disputes and non-tariff barriers could cause to Uganda and the East African Community at large.

**Private Sector Foundation Uganda (PSFU)** vice chairperson **Victoria Sekitolo** noted:<sup>7</sup>

*“Kenya exports more goods to Uganda than we export to Kenya. The trade balance would still be in favour of Kenya... If we [Uganda] are to entertain this little war over milk by means of retaliation, it can escalate to other commodities that we export to Kenya including maize flour and beans.”<sup>8</sup>*

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<sup>1</sup> Source, analyst, Pretoria

<sup>2</sup> The Star, 28 Jan 2020

<sup>3</sup> The Star, 28 Jan 2020

<sup>4</sup> Soft Power News, 25 Jan, 2020

<sup>5</sup> Soft Power News, 25 Jan, 2020

<sup>6</sup> Soft Power News, 25 Jan, 2020

<sup>7</sup> Private Sector Foundation Uganda Vice Chairperson quoted by Business Daily Africa, 3 Feb 2020

<sup>8</sup> Business Daily Africa, 3 Feb 2020

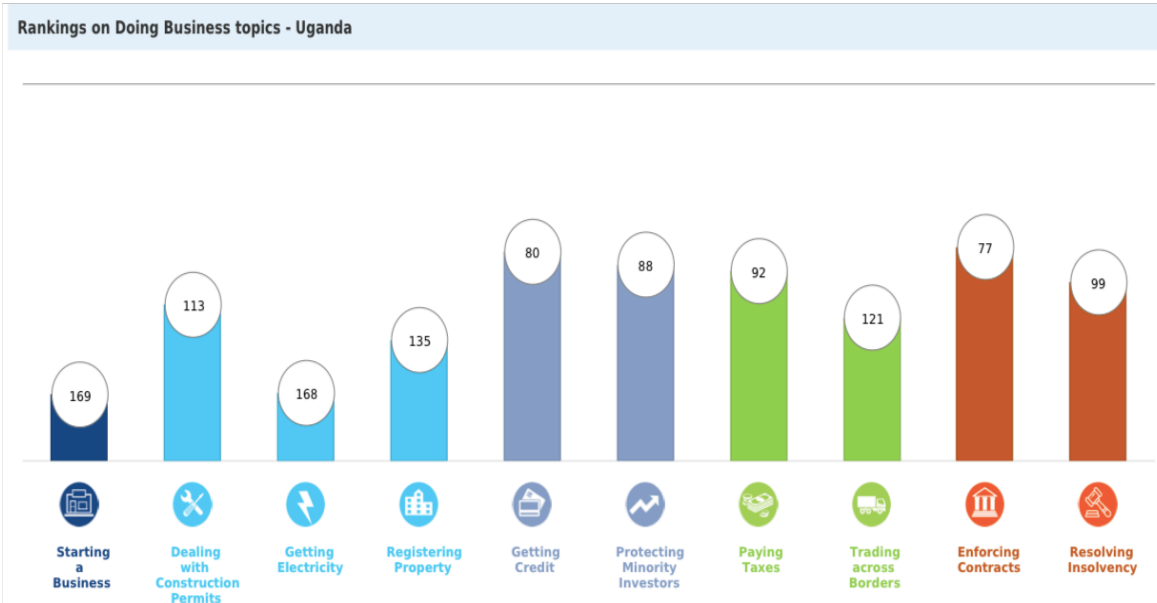
Addressing the **National Executive Council (NEC)** meeting of the ruling **National Resistance Movement (NRM)** party at **State House** in **Entebbe**, President **Yoweri Museveni** (1986-present) also warned against the recent threat by Ugandan government officials to retaliate against the Kenyan government for blocking Ugandan milk:<sup>9</sup>

*“I saw some of our people here saying ‘we must retaliate against Kenya’. No, I don’t want to hear retaliation against Kenya. We need to explain to our people both in Uganda and Kenya that protectionism is not the right way.”<sup>10</sup>*

The escalating trade dispute between Kenya and Uganda over milk exports is just one of many disputes facing EAC partner states and underlines critical gaps in the regional integration project.<sup>11</sup> PSFU executive director **Gideon Badagawa** acknowledged that the on-going trade dispute could harm the economies and investment profile of both Uganda and Kenya, and their regional partners if not resolved urgently.<sup>12</sup>

*“This is going to hurt the region at some point. Put yourself in the shoes of an investor who set up in the region because he heard the presidents and other bureaucrats say **East Africa** was a single market and investment destination, but then later finds that for unofficial reasons, he cannot access half of that market.”<sup>13</sup>*

Despite simmering hostility between Uganda and a number of its regional partners, most notably Kenya and **Rwanda**, Uganda’s rankings in the **World Bank 2020 Doing Business Report** indicate a noticeable improvement.<sup>14</sup> The 2020 rankings, released by the World Bank on 24 October, reflect an 11-point improvement from 127 out of 190 countries in 2019 to 116<sup>th</sup> place in 2019. The index ranks countries against each other based on a set of criteria, primarily the ease of doing business, obtaining permits, access to electricity, access to credit, customs and border process.<sup>15</sup>



Source: World Bank 2020 Doing Business

<sup>9</sup> Soft Power News, 25 Jan, 2020  
<sup>10</sup> Ugandan President, Yoweri Museveni quoted by Soft Power News, 25 Jan, 2020  
<sup>11</sup> Source, analyst, Pretoria  
<sup>12</sup> The East African, 23 Jan 2020  
<sup>13</sup> The Executive Director, Dr. Gideon Badagawa quoted by The East African, 23 Jan 2020  
<sup>14</sup> Source, analyst, Pretoria  
<sup>15</sup> World Bank’s Doing Business 2020

### ... as Great Lakes region welcomes solution to Uganda-Rwanda dispute

The **Great Lakes Regional Technical Support Committee**, along with President Museveni and his Rwandan counterpart, **Paul Kagame** (2000-present), have welcomed efforts by **Democratic Republic of the Congo (DRC)** President **Felix Tshisekedi** (2019-present) and **Angola's** President **João Lourenço** (2017-present) for the "*African solution*" to resolve intense disputes and animosity between Uganda and Rwanda.<sup>16</sup> The heads of Angola, Uganda, Rwanda and the DRC attended the 3<sup>rd</sup> **Quadripartite Summit in Luanda** (Angola) on 2 February. The meeting aimed to further outline steps to solve regional security issues with the objective of uprooting all non-state armed groups in the region that continue to threaten state security. Diplomatic relations between the two neighbouring East African nations have been distinctly cool since February 2019 when Rwanda closed its **Gatuna**<sup>17</sup> border with Uganda (see *ARC Briefing Uganda March 2019-Jan 2020*).<sup>18</sup> The animosity between Uganda and Rwanda has prompted fears that an escalation of tensions between the two countries will threaten regional commerce and ensnare neighbouring countries.<sup>19</sup>

The summit concluded that Uganda and Rwanda would release imprisoned nationals of each country. It was also agreed that the two countries would refrain from taking actions that could create a perception of supporting destabilising forces through financing and training. The meeting also resolved that the heads of states will reconvene on 21 February at the Gatuna border between Uganda and Rwanda.<sup>20</sup> If implemented, the resolutions will bring much needed stability across economic, national trade and security positions between the two countries.<sup>21</sup>

Museveni and Kagame lauded the efforts of their regional counterparts in the search for a peaceful solution in the spirit of pan-Africanism and regional integration to resolve the dispute between Uganda and Rwanda.<sup>22</sup> Addressing the media at the conclusion of the four-party summit, President Lourenço described it as "*a success*";<sup>23</sup> while Museveni assured his regional counterparts of Uganda's commitment to strengthening political, economic and diplomatic relations in order to ensure that the decisions reached at the summit are executed:<sup>24</sup>

*"I thank President Lourenço for hosting the summit. Uganda will do its part to ensure that the resolutions of the summit are implemented."*<sup>25</sup>

### ... and Uganda and Israel advance diplomatic ties

**Israel's** prime minister, **Benjamin Netanyahu** (1996-1999 and 2009-present) arrived in Entebbe on a one-day state visit from 3 to 4 February.<sup>26</sup> The visit signals the warming of relations between the two countries across diplomatic, economic and security realms.<sup>27</sup> In his opening remarks at a press briefing at State House, Netanyahu indicated Israel's commitment to building strong ties with Uganda, suggesting that President Museveni should lead the way in opening an embassy in **Jerusalem**,<sup>28</sup> the city contested between Israel and **Palestine**.<sup>29</sup> In return, Netanyahu said his foreign ministry would establish a foreign service office in **Kampala**. Netanyahu also proposed the authorisation of direct

<sup>16</sup> Angola Press News Agency, 3 Feb 2020

<sup>17</sup> Also spelled Katuna

<sup>18</sup> Source, analyst, Pretoria

<sup>19</sup> Al-Jazeera, 5 Feb 2020

<sup>20</sup> The News Times, 3 Feb 2020

<sup>21</sup> Source, analyst, Pretoria

<sup>22</sup> New Vision, 3 Feb 2020

<sup>23</sup> Angola Press News Agency, 3 Feb 2020

<sup>24</sup> New Vision, 3 Feb 2020

<sup>25</sup> Ugandan President, Yoweri Museveni quoted by Kampala Post, 2 Feb 2020

<sup>26</sup> The Times of Israel, 3 Feb 2020

<sup>27</sup> Source, analyst, Pretoria

<sup>28</sup> The Observer, 4 Feb 2020

<sup>29</sup> Source, analyst, Pretoria

flights between **Tel Aviv** and Entebbe in a bid to cement economic, security and diplomatic cooperation.<sup>30</sup>

*"There are two things we very much want to achieve. I have a simple suggestion, you would want to consider Mr President, my friend. One is a direct flight from Israel to Uganda. Second, you open an embassy in Jerusalem, I will open an embassy in Kampala."*<sup>31</sup>

While Uganda is a long-standing ally of Israel, which trains some elements of the Ugandan security forces, the two countries currently have no standing foreign service missions in their respective countries.<sup>32</sup> Uganda-Israeli diplomatic services are conducted and handled in the Israeli embassy in **Nairobi** (Kenya).<sup>33</sup>

Commitments by President Museveni to take up Netanyahu's proposal to establish an embassy in Israel would be seen internationally as a statement of support for Israel's claim for the city of Jerusalem to be its capital.<sup>34</sup> Museveni noted that controversy would arise from opening an embassy in Jerusalem, and made it clear that Uganda would first study the proposal.<sup>35</sup>

*"The issue of the embassy, we're discussing it and the good thing with all the controversies is that there is a patch of Jerusalem which under the partition plan was in Israel. So at least that one is not part of the arguments, and if a friend says I want your embassy here rather than there, I don't see why...we're studying that."*<sup>36</sup>

In addition to exploring the possibilities of extending bilateral relations between the two countries, Netanyahu signaled that Israel and Uganda were considering the prospects of developing closer cooperation across areas pertaining to cyber-security.<sup>37</sup> Rights groups, critical of Museveni's record on human rights, are unlikely to welcome this prospect.<sup>38</sup> However, as Israeli expertise in military, security, and agricultural technology has developed, the opportunity for civil trade, defence sales and hands-on training with African countries, including Uganda, has grown.<sup>39</sup> Uganda stands to benefit from Israel's security expertise and defence technology given its close proximity to rising Islamic insurgencies and conflict zones within its surrounding borders.<sup>40</sup>

### **Uganda improves in perceptions of corruption ...**

**Transparency International's 2019 Corruption Perceptions Index (CPI)** highlights Uganda's progress in fighting corruption. Uganda improved 12 places, from a ranking of 149 out of 180 countries with a score of 26 in 2018 to its latest ranking of 137 with a score of 28. The index scores countries and territories according to their perceived levels of public sector corruption and rates countries against each on a scale of zero (highly corrupt) and 100 (very clean).<sup>41</sup>

<b>TI 2019 CPI Rankings for Uganda</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Ranking</b>	137/180	149/180	151/180	151/176	139/168
<b>Score</b>	28	26	26	25	25

<sup>30</sup> The Times of Israel, 4 Feb 2020

<sup>31</sup> Israeli Prime Minister, Benjamin Netanyahu quoted by The Times of Israel, 4 Feb 2020

<sup>32</sup> Reuters, 4 Feb 2020

<sup>33</sup> The Observer, 4 Feb 2020

<sup>34</sup> Source, analyst, Pretoria

<sup>35</sup> Africa News, 4 Feb 2020

<sup>36</sup> Ugandan President, Yoweri Museveni quoted by Africa News, 4 Feb 2020

<sup>37</sup> The Times of Israel, 3 Feb 2020

<sup>38</sup> Source, analyst, Pretoria

<sup>39</sup> Innovation Africa, 7 Feb 2020

<sup>40</sup> Source, analyst, Pretoria

<sup>41</sup> Transparency International's 2019 CPI Report

President Museveni's decision to establish a State House anti-corruption unit in 2018 may have contributed to Uganda's impressive improvement in its 2019 CPI ranking. Lieutenant Colonel **Edith Nakalema** heads the unit, which has seen considerable progress since the beginning of 2019, including the arrest of a number of officials suspected to have engaged in acts of corruption.<sup>42</sup>

**Transparency International Uganda** executive director **Peter Wandera** attributes Uganda's progress to the government's increased pronouncements against corruption.<sup>43</sup> President Museveni led thousands of civil servants, supporters, and police officers on an anti-corruption march on 4 December. However, many of the president's critics, including **Action Aid Uganda** spokesman **Joseph Sabiti**, decried the demonstration as a mockery.<sup>44</sup>

*"When the president of a country decides to walk against corruption instead of taking action, that country is doomed. It's a mockery of the people of Uganda."*<sup>45</sup>

While corruption has improved in Uganda, criticism against Museveni and his government continues to grow. Investors including **France**-based oil major **Total-SA** have become increasingly cautious about investing in the 1.5-billion-barrel oil project as a result of uncertainty of the political stability and suitability of the legal and fiscal frameworks governing Uganda.<sup>46</sup>

Uganda ranks above the **sub-Saharan Africa** average of 32/100 in this year's CPI. It trails both Rwanda (53<sup>rd</sup> with 51 points) and **Tanzania** (96<sup>th</sup> with 37 points) but remains tied with Kenya (137<sup>th</sup> with 28 points) and outperforms Burundi (165<sup>th</sup> with 19 points).<sup>47</sup>

TI CPI Rankings 2019: Regional comparison (EAC)					
	Burundi	Kenya	Rwanda	Tanzania	Uganda
Ranking	165/180	137/180	51/180	96/180	137/180
Score	19	28	53	37	28

The CPI report highlights the potential of elections to create opportunities for corruption on a large scale.<sup>48</sup> Uganda and Kenya, which obtained the same score in the 2019 rankings, are expected to go to the polls in 2021 and 2022 respectively, and have both failed to regulate funds used in campaigns, despite having laws regulating such monies. The CPI report shows corruption is prevalent in countries where big money can flow into electoral campaigns without regulation.<sup>49</sup> This view is shared by human rights experts including **Law Society of Kenya** representative **Matthew Nyabena** who maintains that with a number of East African countries holding general elections in the upcoming years including Tanzania (2020), Uganda and Kenya, corruption cases could increase significantly.<sup>50</sup>

*"With the issue of political funding not being addressed, we shall see cases of corruption increase as politicians source money to fund their campaigns."*<sup>51</sup>

With general elections approaching in 2021, it is crucial that the Ugandan government address the corrupting role of big money in political party financing and the undue influence it has on the country's political transparency.<sup>52</sup>

<sup>42</sup> The Independent, 23 Jan 2020

<sup>43</sup> The Independent, 23 Jan 2020

<sup>44</sup> News24, 4 Dec 2019

<sup>45</sup> Joseph Sabiti quoted by News24, 4 Dec 2019

<sup>46</sup> S&P Global Platts, 10 Feb 2020

<sup>47</sup> Transparency International's 2019 CPI Report

<sup>48</sup> Source, analyst, Pretoria

<sup>49</sup> Transparency International's 2019 CPI Report

<sup>50</sup> The East African, 27 Jan 2020

<sup>51</sup> Matthew Nyabena quoted by The East African, 27 Jan 2020

<sup>52</sup> Source, analyst, Pretoria

## Planner

22 Feb 2020 **Entebbe (Uganda)** 21st Ordinary EAC Heads of State Summit

3 Aug 2020 **Kampala (Uganda)** International Conference on Technology and Management

18 Sep 2020 **Kampala (Uganda)** Business Growth Conference

23 Sep 2020 **Kampala (Uganda)** Uganda International Oil and Gas Summit

2020 **Final Investment Decision** on oil and gas sector

2021 **(Uganda)** Uganda general election

## Chronology

10 Feb 2020 **Washington DC (United States)** *Daily Monitor*. Uganda's ambassador to the **United States, Sebujja Mull Katende** clashes with President **Donald Trump's** top adviser, **Jared Kushner**, at a briefing on the new **Israel-Palestine** peace plan;

10 Feb 2020 **London (United Kingdom)** *S&P Global Platts*. **French** oil company **Total** opts to keep its options open over a final decision in developing a 1.5 billion barrel oil project in Uganda suggesting that it needs a stable and suitable legal and fiscal framework to go ahead with investment plan;

10 Feb 2020 **Gatuna (Uganda)** *Soft Power*. Works and transport minister General **Katumba Wamala** leads Uganda's delegation to Katuna border ahead of Uganda-**Rwanda** meeting intended to normalise relations between the two countries;

8 Feb 2020 **Kampala (Uganda)** *New Vision*. **United States** investors are looking to inject Sh1.1 trillion (\$300m) into Uganda's health and real estate sectors;

7 Feb 2020 **Arusha (Tanzania)** *The Observer*. The **East African Court of Justice** dismisses an application lodged by lawyer **Male Mabirizi Kiwanuka** seeking an interim order halting the 2021 Ugandan general elections as a result of the **2018 Constitutional Amendment Act** that scrapped the upper and low cap on the presidential age;

6 Feb 2020 **Kampala (Uganda)** *The Observer*. **Uganda Revenue Authority (URA)** commissioner-general **Doris Akol** says URA collections fell short of its target by at least Shs 697.4 billion (\$190m) from July to December 2019 with Shs 9 trillion (\$2.45 billion) collected for the period against the target of Shs 9.7 trillion (\$2.64 billion);

5 Feb 2020 **Entebbe (Uganda)** *The Observer*. President **Yoweri Museveni** says that **Ugandan** nationals living in **China** will not be evacuated from **Wuhan** in China's central **Hubei** Province in light of the recent outbreak of the deadly coronavirus;

4 Feb 2020 **Kampala (Uganda)** *New Vision*. Minister of state for economic monitoring, **Molly Nawe Kamukama** suggests that Uganda needs to rethink how it will industrialise the milk processing industry due to high volumes of milk produced than can be consumed on the local market.;

26 Jan 2020 **Kampala (Uganda)** *Daily Monitor*. Regional affairs state minister **Philemon Mateke** says government has launched investigations into the authorship of a Tweet claiming he asked government to "respond" to the killing of **Ugandans** by **Rwandan** military forces;

23 Jan 2020 **(East Africa)** *Africanews*. The most serious outbreak of desert locusts in 25 years continues to spread across **East Africa**, with **Ugandan** authorities urging citizens to stock up on food and **Kenyan** agriculture principal secretary **Hamadi Boga** saying Kenya is struggling to contain the locust swarms because of limited resources;

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