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Former opposition Democratic Party chairman Mohammed Baswari Kezaala accepts a position in President Yoweri Museveni's (1986-present) office. The ruling National Resistance Movement (NRM) continues to encourage defections from the opposition, targeting Forum for Democratic Change (FDC) president Mugisha Muntu. A parliamentary committee calls on the government to renegotiate its standard gauge railway contract with China Harbor Engineering Co Ltd (CHEC). Prime minister Ruhakana Rugunda confirms that the government will not impose export bans on food products as failed rains result in shortages that push prices up.

Museveni appoints former opposition leader to office

President **Yoweri Museveni** (1986-present) on 4 February nominated former opposition **Democratic Party** chairman **Mohammed Baswari Kezaala** to a post within his office.¹ Museveni continues to use government appointments to encourage divisions and infighting within the opposition and stop the emergence of a credible political threat. Kezaala was a popular high-profile leader of the Democratic Party, the third largest opposition party in parliament with eight seats.² Kezaala resigned from his leadership position in Democratic Party on 30 January after Museveni offered him a position as a deputy ambassador in his office.³ Democratic Party legal adviser **Mukasa Mbidde** reportedly facilitated a series of meetings between Museveni and Kezaala prior to his defection.⁴ Mbidde remains with the Democratic Party.⁵

Kezaala is the latest in a series of defections from the Democratic Party to the ruling **National Resistance Movement (NRM)**.⁶ **Florence Nakiwala Kiyingi** contested the **Kampala** women's representative parliamentary seat as a Democratic Party candidate in the February 2016 general election, but then accepted a government post as state minister for youth.⁷ Democratic Party member of parliament (MP) **Stella Kiryowa** was an unsuccessful NRM candidate for election to the **East Africa Legislative Authority** in February 2016.⁸ The Democratic Party national executive committee (NEC) expelled both Kiyingi and Kiryowa from the party on 2 February, citing breach of internal regulations.⁹ Kezaala insisted on 17 February that he remains a member of the Democratic Party, but the NEC has threatened him with a disciplinary hearing.¹⁰ The defections have damaged the standing of the Democratic Party with leaders of other opposition parties.

"For Kezaala, it is not a surprise because the Democratic Party is full of hypocrites. They are not reliable at all as they have one leg in the party and another in the NRM. Most of the leaders of Democratic Party are self-seekers who look for any opportunity to cash in and this takes me to

¹ Daily Monitor, 16 Feb 2017.

² Daily Monitor, 16 Feb 2017.

³ Daily Monitor, 16 Feb 2017.

⁴ Source, opposition leader, Uganda

⁵ Source, opposition leader, Uganda

⁶ Daily Monitor, 16 Feb 2017.

⁷ Daily Monitor, 16 Feb 2017.

⁸ Daily Monitor, 16 Feb 2017.

⁹ www.watchdog.co.ug

¹⁰ NTV, 17 Feb 2017.

the point that Ugandans will take long to remove Museveni from power because of the opposition leaders who are after self-aggrandisement.”¹¹

Gerald Siranda, the acting Democratic Party secretary-general, has pledged to review the party's code of conduct in an attempt to increase party loyalty and stop the defections.¹² However, it is not clear whether this will stop the party hemorrhaging support to the NRM, or even shore up the authority of the party.

“A party loses its legitimacy if there is coercion or imposition of political discipline on people. Key political leaders must be seen to espouse integrity to the extent that they attract trust of ordinary party members. To say that Kezaala is one of the vision bearers is an intellectual abuse because if a leader strongly believes in the ideology of his party he should be the last to defect. The likes of Kezaala are opportunists who take political leadership as a means of self-satisfaction [rather] than sacrifice. As such he sets a precedent for loss of confidence in political party leadership and the political legitimacy of the Democratic Party. He confirms the belief of the proponents of politics being a dirty game.”¹³

The NRM also uses government contracts and business opportunities to encourage defections.¹⁴

“The opposition does not have the same business links. Successful businesses are those with government tenders and contracts. The intelligence agencies keep close eye on businesses and know their political links and ambitions. Those close to opposition have their tax records scrutinised for any possible wrongdoing. By the time 2020 approaches, they are especially vulnerable.”¹⁵

Other defections are possible. Opposition **Forum for Democratic Change (FDC)** president **Mugisha Muntu** is reportedly considering joining the NRM.¹⁶ The NRM is also targeting independent **Kampala Central MP Muhammad Nsereko** and **Bukedea** woman MP and FDC deputy treasurer **Anita Among**.¹⁷ Though weakened, the opposition remains defiant in the face of defections.

“Even if they cross [to the NRM], the opposition will still be in Uganda because of the conditions that have made people to oppose the government and, unless they are solved, buying a few individuals will not end opposition to Museveni's regime.”¹⁸

The opposition claims that Museveni is trying to weaken the opposition as he looks to accelerate efforts to amend the constitution to remove age restrictions and allow a presidential bid in 2021. Chaos in opposition parties strengthens the perception of the NRM as a unified and efficient political machine.

Museveni's diplomatic appointments were also notable for the inclusion of **William Wilberforce Gabula IV**, the monarch of the traditional **Busoga Kingdom**.¹⁹ Gabula's appointment was controversial as it is unconstitutional for traditional monarchs to hold political office. Despite the parliamentary appointments committee not vetting Gabula, he will serve in **Bugembe**, traditional seat of the Busoga monarchy, as Museveni's special envoy.²⁰

Defections make it unlikely that the opposition will develop a credible electoral threat to the NRM prior to the 2021 elections. Under the most likely scenario, the opposition will not be able to stop

¹¹ Source, opposition leader, Uganda

¹² Daily Monitor, 16 Feb 2017.

¹³ Source, civil servant, **Mukono**

¹⁴ Source, journalist, Uganda

¹⁵ Source, journalist, Uganda

¹⁶ Source, opposition leader, Uganda

¹⁷ Source, opposition leader, Uganda

¹⁸ Source, opposition leader, Uganda

¹⁹ Daily Monitor, 16 Feb 2017.

²⁰ Daily Monitor, 16 Feb 2017.

Museveni amending the constitution to remain in office. Museveni's eventual successor will most likely emerge from within the NRM rather than the fractured and weak opposition.

Parliament criticises standard gauge railway contract

The infrastructure parliamentary committee on 4 February reportedly recommended that the government renegotiate the standard gauge railway contract with **China Harbor Engineering Co Ltd (CHEC)**.²¹ Contractual renegotiation would exacerbate **Chinese** concerns about Uganda as a reliable partner. The standard gauge railway will run from **Malaba** to Kampala, with construction due to begin once **Kenya** begins construction of the **Naivasha-Kisumu**-Malaba stretch of the railway. Newly appointed junior works minister general **Edward Katumba Wamala**, the former **Uganda People's Defence Force (UPDF)** chief of defence forces, is now responsible for the standard gauge railway project. Parliamentary committee chair **Denis Sabiiti** noted that the standard gauge railway was more expensive than its equivalent in **Ethiopia**, which **Shanghai** and **Hong Kong Stock Exchange**-listed **China Railway Group Ltd (CRG)**, an effective subsidiary of state-owned **China Railway Engineering Corp**, and state-owned **China Civil Engineering Construction Corporation Ltd (CCECC)**, constructed.²² Sabiiti claimed that the 669 km Ethiopian railway cost \$3.4 billion at \$5m per track kilometre²³ and that the Uganda 273 km railway costs \$2.3 billion at \$8.4m per track kilometre.²⁴ Standard gauge railway coordinator **Kasingye Kyamugambi** defended the relative cost of the project on 8 February.²⁵ Sabiiti claimed that difficult terrain, distance from an appropriate port to disembark equipment, and land and labour expenses had all increased costs.²⁶ Sabiiti also noted that the Uganda stretch is designed for electric, not diesel, locomotives, and will carry heavier loads than Ethiopia.²⁷

The committee's report comes amid increased scrutiny of the financing of the standard gauge railway. Local media reported on 5 February that government documents show the government is using oil revenue as a guarantee to secure **Export Import Bank of China (China Exim)** loans for the cost of the engineering works, line construction and purchase of rolling stock.²⁸ Local media published a letter dated September 2016 from attorney general **William Byaruhanga** to finance minister **Matia Kasaija**, and copying in Museveni, approving the use of oil revenues as a guarantee for the standard gauge railway.²⁹ The government had previously denied that the standard gauge railway was linked to oil revenues amid concerns that delays to the start of production would jeopardise the project. The government is contracted to cover 15% of the cost of the standard gauge railway.³⁰

CHEC won the contract in 2014 during an allegedly corrupt tendering process.³¹ The government originally signed a memorandum of understanding (MoU) with China state-owned company CCECC in January 2012 to upgrade the line to east of Kampala. In June 2014, the government terminated the MoU which it claimed covered only an upgrade of the narrow gauge railway, not the construction of the standard gauge railway.³² The government switched to CHEC.³³ CCECC started legal action against the government in the **Kampala High Court** which overturned the contract cancellation.³⁴ The government and CCECC eventually settled outside court. CHEC was previously **World Bank-**

²¹ KFM, 4 Feb 2017.

²² KFM, 4 Feb 2017.

²³ KFM, 4 Feb 2017.

²⁴ KFM, 4 Feb 2017.

²⁵ The Independent, 8 Feb 2017.

²⁶ The Independent, 8 Feb 2017.

²⁷ The Independent, 8 Feb 2017.

²⁸ Daily Monitor, 5 Feb 2017.

²⁹ Daily Monitor, 5 Feb 2017.

³⁰ www.africanbusinessmagazine.com

³¹ Daily Monitor, 5 Feb 2017.

³² Africa Confidential, 15 May 2015.

³³ Africa Confidential, 15 May 2015.

³⁴ Africa Confidential, 15 May 2015.

blacklisted due to corruption allegations in the **Philippines**. The government's choice of CHEC over the experienced CCECC was allegedly corrupt amid rapidly inflating costs linked to the project.³⁵

China is a key development partner in other infrastructure projects. Finance minister **Matia Kasaija** confirmed on 3 March that the government has petitioned China Exim to finance enabling infrastructure critical to the development of the oil sector.³⁶ The government has reportedly requested that China Exim finance 10 critical oil roads in **Albertine Graben** to facilitate the start of commercial oil production by 2020.³⁷ The finance ministry has reportedly sought 1.8 trillion Ugandan shillings (US\$) (\$502m) in China Exim financing for the projects.³⁸ The government estimates that the projects requires total financing of US\$ 2 trillion (\$564m), excluding land acquisition costs of between US\$ 117 billion (\$32.6m) and US\$ 212 billion (\$59.1m).³⁹ The government will bridge the funding gap by drawing down on the **Petroleum Fund** and imposing a 10% budget cut on all government ministries to finance priority projects.⁴⁰ The **Bank of Uganda (BoU)** (central bank) manages the Petroleum Fund, which the government established through the **Public Finance Management Act 2015**, to hold all oil sector revenues. The government can draw on the Petroleum Fund only to finance the budget and make longer-term investments. According to the BoU 2015/2016 annual report, the Petroleum Fund currently holds US\$ 245 billion (\$68.3m).⁴¹ Kasaija made the comments prior to a visit to **Beijing** (China) to secure further financing for the standard gauge railway (see above).⁴² Kenya and Uganda are reportedly planning to submit a joint application to China Exim.⁴³

When completed in mid-2020, the railway will move goods from **Mombasa** (Kenya) to Kampala within 24 hours, compared to 12 days currently.⁴⁴ The new rolling stock will carry 4,000 tonnes compared to 800 currently, and will cut freight costs by US\$400,000 (\$112) per tonne.⁴⁵ The Ugandan government is yet to award separate contracts for line branches between Kampala and the **Rwandan** and **South Sudan** border. The government is unlikely to do so until the Rwanda and South Sudan governments commit to extending the line to **Kigali** and **Juba** respectively.⁴⁶

Government refuses to implement ban on food exports

Prime minister **Ruhakana Rugunda** confirmed on 24 February that the government will not impose export bans on food products despite ongoing shortages.⁴⁷ Further food increases may encourage new anti-government sentiment and possible protests, especially in capital Kampala. The failure of the short rains in **East Africa** in October and November 2016 has resulted in harvest shortfalls across the region. According to **Uganda Bureau of Statistics** data, inflation increased to 5.9% year-on-year in January compared to 5.7% in December 2016.⁴⁸ This was on the back of increased food and drink prices, with food costs up 18.8% year-on-year.⁴⁹ According to the **United Nations Food and Agriculture Organisation (FAO)**, maize prices in Uganda have increased by as much as 75% year-on-year due to the shortages.⁵⁰ According to both agriculture ministry and **United Nations Office for the Coordination of Humanitarian Affairs (OCHA)** data, 1.6 million Ugandans currently require

³⁵ Africa Confidential, 15 May 2015.

³⁶ Daily Monitor, 3 Mar 2017.

³⁷ Daily Monitor, 3 Mar 2017.

³⁸ Daily Monitor, 3 Mar 2017.

³⁹ Daily Monitor, 3 Mar 2017.

⁴⁰ Daily Monitor, 3 Mar 2017.

⁴¹ Daily Monitor, 3 Mar 2017.

⁴² Daily Monitor, 3 Mar 2017.

⁴³ Transportation Monitor Worldwide, 4 Mar 2017.

⁴⁴ The Independent, 8 Feb 2017.

⁴⁵ The Independent, 8 Feb 2017.

⁴⁶ www.africanbusinessmagazine.com

⁴⁷ www.businessguideafrica.com

⁴⁸ African Banking Review This Week, 16 Feb 2017.

⁴⁹ www.africaresearchinstitute.org

⁵⁰ www.businessguideafrica.com

emergency food relief.⁵¹ The governments of **Tanzania** and Kenya, which have both faced sharply increased food prices and rumours of shortages, have responded by prohibiting the export of maize.⁵² Some MPs have called on the government to prioritise domestic supplies over regional exports. Rugunda, however, confirmed that the government has no plans to implement a similar export ban.⁵³ Uganda has sold approximately 28,000 tonnes of maize, worth \$14m, on regional markets since November 2016.⁵⁴ Rugunda said the government expects regional food supplies to normalise with the early harvest expected in March and April, and that therefore there is no need to impose measures that would disrupt regional trade.⁵⁵ Senior members of the ruling NRM, notably former health minister **George Michael Mukula**, allegedly benefit from corrupt maize export contracts.⁵⁶

It is unlikely that the main rainy season between March and May will provide sufficient rainfall to ease food pressures. The humanitarian situation is not as precarious as in Kenya, Ethiopia or **Somalia**, making Uganda less of a donor priority. Food shortages are therefore likely to persist. Protests are possible if the public perceives that government mismanagement has exacerbated food shortages.

⁵¹ www.businessguideafrica.com

⁵² www.businessguideafrica.com

⁵³ www.businessguideafrica.com

⁵⁴ www.businessguideafrica.com

⁵⁵ www.businessguideafrica.com

⁵⁶ Source, journalist, Kampala

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