

AFRICA RISK CONSULTING

Uganda Monthly Briefing May 2020

Uganda Summary 20 May 2020

President Yoweri Museveni (1986-present) announces the compulsory wearing of masks in public for all Ugandans from 2 June, and gradual easing of restrictions including allowing public and private transport services to resume. The International Monetary Fund (IMF) extends a \$491.5m emergency loan to Uganda to mitigate the adverse effects of the Covid-19 epidemic. The Kampala High Court reverses a police ban on live music shows of popular musician and legislator Robert Kyagulanyi, aka Bobi Wine. United Kingdom-based oil junior Tullow Oil sells its investments in Uganda's oil sector to France-based Total E&P for \$575m, paving the way for a Final Investment Decision (FID).

Museveni eases Covid-19 prevention measures

President **Yoweri Museveni** (1986-present) announced on 18 May an update to the government's strategies for preventing the spread of **Covid-19**, indicating a gradual easing of the preventive measures.¹ **Uganda** had 21 new confirmed cases as of 18 May, which brought the total number of cases of Covid-19 to 248 out of its population of roughly 45.5 million.² The bulk of the new infections in Uganda have been traced to cross-border cargo truck drivers, especially from **Tanzania** and **Kenya**.³ This resulted in the Ugandan government on 16 May imposing mandatory testing for Covid-19 of all transit cargo drivers.⁴ Trucking companies are required to test all their drivers in-country, and use the **Truck Driver Journey Management System** mobile application to track drivers' movements in Uganda.⁵ The trucking companies and Uganda's health ministry will jointly monitor the drivers' movements.⁶

In a televised address, Museveni said that all Ugandans over six years of age would be required to wear masks in public, which the government will distribute free of charge through the local councils (LC) system, starting on 2 June.⁷ He indicated that public transport would resume the same day, except in all border towns, and that this comes with several restrictions:

"Since it is impossible to space out the passenger and the boda boda (motorbike) rider, boda bodas and tuk tuks (rickshaws) will not be allowed to carry passengers." ⁸

Museveni also said bars, salons, gyms, and swimming pools would remain closed for the following three weeks, since it would be impractical for patrons to exercise social distancing.⁹ The government's on-going curfew would also remain for a further three weeks.¹⁰ Private cars are now permitted on the road, provided each car carries a maximum of three people, including the driver, all of whom are required to wear masks.¹¹ Airports and borders will remain closed indefinitely.¹²

¹ The East African, 18 May 2020.

² Xinhua, 18 May 2020.

³ Xinhua, 18 May 2020.

⁴ Daily Monitor, 17 May 2020.

⁵ Daily Monitor, 17 May 2020.

⁶ Daily Monitor, 17 May 2020.

⁷ The East African, 18 May 2020.

⁸ President Museveni quoted by The East African, 18 May 2020.

⁹ The East African, 18 May 2020.

¹⁰ The East African, 18 May 2020.

¹¹ Daily Monitor, 18 May 2020.

¹² Daily Monitor, 18 May 2020.

The Covid-19 outbreak has placed Uganda's 2021 presidential, parliamentary and local elections in jeopardy. President Museveni announced on 11 May that they would be postponed because of the Covid-19 outbreak, saying that holding elections in the midst of the epidemic would not be ideal, because it would facilitate the spread of the disease.¹³ The **Uganda Electoral Commission** had scheduled the elections for March 2021.¹⁴ Museveni's announcement elicited mixed reactions from various local commentators.¹⁵ A representative from the **Justice Forum** political party, **Swaib Nsereko**, said:

*"The current situation requires social distancing as much as possible... in a developing country like Uganda, there are not many alternative voting methods. Citizens have to vote by reporting to polling stations in person to cast their ballots. The most logical option for minimising the effect of the Covid-19 pandemic on the 2021 election is pushing it to a later date."*¹⁶

However, the **Citizens Coalition for Electoral Democracy in Uganda (CCEDU)**, a non-governmental organisation that observes elections in Uganda, criticised the latest development.¹⁷ CCEDU national coordinator **Charity Ahimbisibwe** said that Uganda's constitution does not provide for President Museveni's unilateral deferment of the elections, with Article 77 only providing for the extension of the tenure of parliament for six months in an emergency or war, but this does not include presidential elections.¹⁸

IMF lends Uganda \$491.5m to fight Covid-19

The **International Monetary fund (IMF)** extended \$491.5m in emergency funding to Uganda on 6 May, in order to mitigate the adverse economic effects of the Covid-19 pandemic.¹⁹ The **Bank of Uganda (BoU)** (central bank) projects that the economy will grow at a rate of 3-4%, lower than its previous prediction of 5.5-6%, with reduced economic activity in the key sectors of manufacturing, entertainment, and trade.²⁰ The IMF provided the loan under its **Rapid Credit Facility**, in terms of which recipient countries do not pay interest and have a 10-year repayment period.²¹ In a statement, the IMF explained the basis for the loan:

*"The weakening economic conditions emanating from the COVID-19 pandemic have put significant pressures on revenue collection, expenditure, reserves, and the exchange rate, creating urgent large external and fiscal financing needs. The IMF's emergency financial support under the Rapid Credit Facility, along with additional donor financing it is expected to help catalyse, will help address Uganda's urgent balance of payments and budget support needs."*²²

The IMF issued another statement on 15 May, reiterating the dire situation that Uganda's economy faces in the 2020/2021 financial period in the absence of external support, which would undermine efforts to import urgently needed health supplies and other essential goods.²³

*"Absent external support, the expected deterioration in the current, capital and financial accounts would result in a sharp decline of the Bank of Uganda (BOU)'s reserve buffer. This would be below the adequate level of reserves for Uganda and would leave the country in a vulnerable position."*²⁴

BoU acting deputy governor **Adam Mugume** revealed on 7 May the central bank's plans for spending

¹³ Anadolu, 12 May 2020.

¹⁴ Anadolu, 12 May 2020.

¹⁵ Anadolu, 12 May 2020.

¹⁶ Justice Forum representative, Swaib Nsereko quoted by Anadolu, 12 May 2020.

¹⁷ Anadolu, 12 May 2020.

¹⁸ Anadolu, 12 May 2020.

¹⁹ Reuters, 6 May 2020.

²⁰ Reuters, 6 May 2020.

²¹ Reuters, 6 May 2020.

²² Excerpt from the IMF's statement, quoted by Reuters, 6 May 2020.

²³ The East African, 15 May 2020.

²⁴ Excerpt from the IMF's statement on Uganda's foreign reserves, quoted by The East African, 15 May 2020.

the loan.²⁵ Mugume said the government will prioritise the three main areas of budget support, capitalising the state-owned **Uganda Development Bank (UDB)**, and stabilising Uganda's exchange rate.²⁶ The BoU will allocate Shs 573.8 billion (\$151m) for budget support and Shs 1.3 trillion (\$340m) for stabilising the exchange rate.²⁷

*"The \$151 million will cater for health sector needs, and the capitalisation of the Uganda Development Bank to provide the long-term and cheap loans for each manufacturer importing Covid-19 related items, and to commercial banks that would wish to borrow from UDB to provide cheap loans to the private sector involved in manufacturing agricultural activities."*²⁸

The fully state-owned UDB will play a central role in the government's economic strategy to combat the effects of the Covid-19 epidemic mainly as a vehicle for providing capital financing to local companies.²⁹ The government chose to place the bank, which is subject to audits by the auditor general and parliamentary oversight, under the BoU's supervision as part of institutional restructuring for managing the IMF loan.³⁰ Central bank supervision will improve the UDB's capacity to conduct more advanced research and due diligence on clients, and strengthen its processes of selecting and managing relationships with the businesses to which it provides financial support.³¹

Makerere University economist and lecturer **Fred Muhumuza** said the loan is necessary for Uganda's economy to remain afloat during the unprecedented public health crisis that the world faces.

*"Since we expect a reduction in inflows from tourism of \$1 billion, and \$1 billion from remittances, we need this kind of loan because it is concessional with zero interest rate. When the economy opens up, there will be financing needs and that would ease a lot of pressure on the Balance of Payments ... the period for repaying is short because it has a five-year grace period and maturity of 10 years to be paid, that would exert pressure on the government because we will need about Shs 120 billion (\$31.5m) every year after the grace period has ended to complete payments within the specified date."*³²

Although the IMF loan provides a desperately needed financial lifeline, its effectiveness in alleviating economic and social challenges in Uganda will rest on the extent to which the BoU can manage the disbursement of the funds in an efficient and equitable manner.³³ The ruling **National Resistance Movement (NRM)** government's record of graft places this outcome in doubt – it is highly likely that companies and banks that political elites and their associates own will gain preferential access to the funds and import material related to the Covid-19 pandemic.³⁴

High Court reverses ban on Bobi Wine's concerts...

Justice **Esta Nambayo** of the **High Court of Kampala** on 13 May reversed a ban on the concerts of popular musician and independent legislator for **Kyadondo East, Robert Kyagulanyi**, popularly known as **Bobi Wine**.³⁵ The inspector general of police (IGP) and attorney general issued the ban on Wine's concerts in 2019. The government viewed Kyagulanyi's concerts, popular among Uganda's youth, as a platform for promoting the message of his **People Power** movement (see *ARC Briefing Uganda May 2019*). Music promoters **Musinguzi Abbey** and **Andrew Mukasa** petitioned the court with legal representation from Kampala's mayor, **Erias Lukwago** and **Shamim Malende**.³⁶

²⁵ Daily Monitor, 8 May 2020.

²⁶ Daily Monitor, 8 May 2020.

²⁷ Daily Monitor, 8 May 2020.

²⁸ Dr. Mugume quoted by Daily Monitor, 8 May 2020.

²⁹ The Independent, 18 May 2020.

³⁰ The Independent, 18 May 2020.

³¹ The Independent, 18 May 2020.

³² Economist Dr Fred Muhumuza, quoted by Daily Monitor, 8 May 2020.

³³ Source, analyst, London

³⁴ Source, analyst, London

³⁵ Softpower, 14 May 2020.

³⁶ Softpower, 14 May 2020.

In his ruling, Justice Nambayo said that the police's ban on Kyagulanyi's **Kyarenga** concerts at **One Love Beach Busabala, Lira, Gulu, and Arua** was illegal, and represented the abuse of police power by the IGP.³⁷ Nambayo prohibited the police from issuing any further bans on the legislator's music shows, or the two music promoters' shows in general.³⁸ Lukwago said that the ruling allows Kyagulanyi to hold shows freely, and the only basis for police to interfere would be state-sanctioned impunity:

*"He is free to hold any concert, anywhere in the country, without even seeking for the permission of police, without even seeking any clearance. The court did not stop at making a declaration. They went ahead to issue an injunction against police. They said the police is stopped from interfering with any musical concert organised by Honorable Kyagulanyi."*³⁹

Although the ruling paves the way for Bobi Wine to resume his concerts, he predicts that police are unlikely to comply with the High Court's ruling.⁴⁰ Wine described the police as "*militarised personalised police*" working for President Museveni:

*"There's nothing to excite me at all because it is not the first time that the court rules something, but again, the police act otherwise. With or without the court ruling, I had the right to work. So, I will still attempt to work within the law. I know that until there is a rule of law, until the courts can be respected, still, the same things are going to be happening."*⁴¹

Internal affairs minister **Obiga Kania** said the police would continue to halt Kyagulanyi's shows as long as the country's laws on managing public order and security allow them to do so:

*"The police is not out to frustrate Kyagulanyi as a person or frustrate assemblies for the sake of it... if the law says the police should not be anywhere, where Kyagulanyi is holding meetings, then the police will not be. The **Police Act** itself still gives the police powers to manage assemblies, then they will still continue."*⁴²

Although the ruling demonstrates a degree of judicial independence, laws such as the Police Act – which the police can use to prevent Kyagulanyi from holding concerts – will neutralise the judgment.⁴³ The ruling sets the stage for increased political contestation between the government and the People Power movement in the run-up to the 2021 general election, which now hangs in the balance because of the Covid-19 epidemic (see above).⁴⁴

Tullow sells stake in Uganda's oil project

United Kingdom-based oil junior **Tullow Oil** sold its entire 33.3% of investments in Uganda's oil sector on 23 April to **France**-based **Total E&P** on 23 April, for \$575m.⁴⁵ This brings an end to its participation in the country's fledgling oil sector and paves way for the **Final Investment Decision (FID)** which opens up funding for oil production and export from Uganda.⁴⁶ Announcing the deal, Total's chief executive officer, **Patrick Pouyanne**, said:

*"We are pleased to announce that a new agreement has been reached with Tullow to acquire their entire interests in the **Lake Albert** development project for less than \$2 per barrel, in line with our strategy of acquiring long-term resources at low cost, and that we have an agreement with the Uganda government on the fiscal framework. The acquisition will enable us, together with our partner **China National Offshore Oil Company (CNOOC)** to now move the project*

³⁷ VOA, 16 May 2020.

³⁸ VOA, 16 May 2020.

³⁹ Lawyer and Kampala Mayor, Erias Lukwago quoted by VOA, 16 May 2020

⁴⁰ Softpower, 14 May 2020.

⁴¹ Bobi Wine, quoted by VOA, 16 May 2020.

⁴² Internal affairs minister Obiga Kania quoted by VOA, 16 May 2020.

⁴³ Source, analyst, London

⁴⁴ Source, analyst, London

⁴⁵ The East African, 25 Apr 2020.

⁴⁶ The East African, 25 Apr 2020.

forward to FID, driving costs down to deliver a robust long-term project.”⁴⁷

The sale ended protracted disagreements and a stalemate between Tullow and the **Uganda Revenue Authority (URA)** over capital gains taxes from Tullow’s farm-down deal with Total, in which it would retain a 10% shareholding in Uganda’s oil sector.⁴⁸ The impasse resulted in Total suspending its participation in the construction of the **East African Crude Oil Pipeline (EACOP)** that will pump Uganda’s oil to global markets through **Tanzania’s Tanga** port.⁴⁹

Although the transaction removes a long-standing obstacle to the FID, concerns remain over the currently low prices of oil at \$30 per barrel, which may result in slow investment into the oil sector.⁵⁰ This may result in further delays in the FID that would lead to first oil in Uganda.⁵¹ The global economic downturn resulting from the Covid-19 pandemic is also likely to affect the financing for other critical infrastructure of the oil sector such as the EACOP and oil refinery.⁵² The global oversupply of oil may also devalue Uganda’s oil sector.⁵³ However, global oil prices may rebound as economic activity increases after major global economies reopen.⁵⁴ The oil production reduction deal between **Russia** and **Saudi Arabia** will also contribute towards the stability of global prices, thus mitigating against the effects of a global oil glut.⁵⁵

Planner

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

2020 **(Uganda)** Final Investment Decision on oil and gas sector

2021 **(Uganda)** Scheduled Uganda General Election, now subject to postponement, TBA

Chronology

19 May 2020 **Kampala (Uganda)** *The East African*. President **Yoweri Museveni** announces a gradual easing of restrictions aimed at curbing the spread of the **Covid-19** virus that includes the resumption of public and private transport on 2 June, and compulsory wearing of face masks for all **Ugandans** in public spaces;

18 May 2020 **Kampala (Uganda)** *The Independent*. The government places the **Uganda Development Bank (UDB)** under **Bank of Uganda (BoU)** (central bank) supervision in compliance with **International Monetary Fund (IMF)** requirements for receiving financial assistance to mitigate **Covid-19**’s effects on the economy;

17 May 2020 **Kampala (Uganda)** *Daily Monitor*. **Uganda’s** health ministry imposes compulsory **Covid-19** testing for all cross-border cargo truck drivers starting on 16 May, to curb the rise in new infections that have been traced to drivers from **Tanzania** and **Kenya**;

18 May 2020 **Kampala (Uganda)** *Xinhua*. Health ministry reports 21 new cases of confirmed **Covid-19** infections, bringing the country’s total to 248;

16 May 2020 **Kampala (Uganda)** *Voice of America*. The **Kampala High Court** rules that popular musician and independent legislator **Robert Kyagulanyi**, aka **Bobi Wine**, can hold his concerts, and issues an injunction against further prohibition by the **Uganda Police Force**;

⁴⁷ Total CEO Patrick Pouyanne quoted by *The East African*, 25 Apr 2020.

⁴⁸ *The East African*, 25 Apr 2020.

⁴⁹ *The East African*, 25 Apr 2020.

⁵⁰ *The East African*, 25 Apr 2020.

⁵¹ *The East African*, 25 Apr 2020.

⁵² Source, analyst, London

⁵³ Source, analyst, London

⁵⁴ Source, analyst, London

⁵⁵ Source, analyst, London

- 15 May 2020 **Kampala (Uganda)** *The East African*. The **International Monetary Fund (IMF)** says **Uganda's** foreign currency reserves will decline sharply without external assistance, leaving the country unable to procure urgently needed imports;
- 14 May 2020 **Kampala (Uganda)** *Reuters*. An internal March 2020 report by state-run regulator **Electricity Regulatory Authority** says the power transmission sector needs at least \$2.5 billion worth of fresh investment over the next seven years and that government is preparing to open up the sector to private investors;
- 12 May 2020 **Kampala (Uganda)** *Anadolu*. President **Yoweri Museveni** announces the indefinite postponement of the March 2021 general election because of the **coronavirus** epidemic;
- 11 May 2020 **Kampala (Uganda)** *Africa Oil & Power*. **Africa Oil & Power** and the **African Energy Chamber** to host a public webinar on 13 May about the upcoming opportunities in **Uganda's** oil and gas industry following **France**-based **Total's** move to acquire **United Kingdom**-based **Tullow Oil's** stake in the **Lake Albert** project.
- 11 May 2020 **Kampala (Uganda)** *iol*. Leading mobile service provider **Airtel Uganda** partners with **United States**-based multinational technology company **Avaya** to help organisations implement remote working and learning given the current limited access to offices, schools and universities.
- 8 May 2020 **Kampala (Uganda)** *Daily Monitor*. **Bank of Uganda (BoU)** (central bank) acting deputy director **Adam Mugume** says the BoU will primarily spend the **International Monetary Fund (IMF)** loan on budget support, stabilising the exchange rate, and providing financing for companies to procure and manufacture goods, especially those pertaining to the fight against **Covid-19**;
- 6 May 2020 **Kampala (Uganda)** *Reuters*. The **International Monetary Fund (IMF)** approves \$491.5m in emergency loans to assist the Ugandan government's plans to mitigate the adverse effects of the **Covid-19** epidemic;
- 6 May 2020 **Kampala (Uganda)** *Mail & Guardian*. Power cuts hit **Uganda** as flooding from **Lake Victoria** affects its largest power plants, the 180 megawatt **Nalubaale** and 200 megawatt **Kiira** plants;
- 5 May 2020 **Kampala (Uganda)** *Business Day*. **Uganda** begins to loosen one of **Africa's** strictest anti-**coronavirus** lockdowns after President **Yoweri Museveni** declared the infection "tamed";
- 4 May 2020 **Kampala (Uganda)** *The Observer*. President **Yoweri Museveni** relaxes restrictions on several non-essential businesses, including hardware shops, garages, metal works, woodworks and insurance providers, amid the ongoing **coronavirus** lockdown;
- 3 May 2020 **Kampala (Uganda)** *Kampala Sun*. **Ugandan** military spokesperson **Richard Karemire** says military has immediately suspended the rotation of its peacekeeping troops to **Somalia** and capacity building in **Equatorial Guinea** over the **coronavirus** pandemic;
- 28 Apr 2020 **Kampala (Uganda)** *The Observer*. **State House** says an initial 20,000-ton consignment of brown sugar will be exported to **Tanzania** by the end of May 2020;
- 27 Apr 2020 **Kampala (Uganda)** *HRW*. **United States**-based non-governmental organisation **Human Rights Watch** urges **Ugandan** authorities to investigate claims that opposition leader **Francis Zaake** was tortured after security forces arrested him for distributing food to constituents;
- 23 Apr 2020 **Kampala (Uganda)** *Tullow*. **United Kingdom**-based oil junior **Tullow Oil** agrees to sell its **Uganda** assets to **France**-based oil major **Total** for \$575m – which underlines **Uganda's** intention to become a major oil and gas player and almost finalises **Tullow's** exit from **East Africa**;

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