

AFRICA RISK CONSULTING

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A diplomatic row is brewing between Uganda and the United States following a threat issued by Uganda People's Defence Forces (UPDF) chief Muhoozi Kainerugaba to expel the United States Ambassador to Uganda. Members of parliament (MPs) propose a parliamentary system of electing a president in Uganda. Opposition parties see it as an attempt to prolong President Yoweri Museveni's (1986-present) beyond 2026. The Business Policy Research Centre's Business Climate Index (BCI) indicates that business conditions in Uganda saw a significant decline in the first quarter of 2024, with future outlooks remaining pessimistic.

Uganda sparks diplomatic row over threat to expel US ambassador

A diplomatic row is brewing between **Uganda** and the **United States (US)** following a threat issued by **Uganda People's Defence Forces (UPDF)** chief **Muhoozi Kainerugaba** to expel the US ambassador to Uganda, **William Popp**.¹ Kainerugaba made the threats in a series of posts on X (formerly **Twitter**), accusing Popp of "undermining" the Ugandan government, though none of Popp's actions were described:

"Fellow Ugandans, it is my solemn duty to announce to you all that we as a nation are about to have a serious confrontation with the current US Ambassador to our country. For disrespecting our beloved and celebrated President and undermining Uganda's Constitution".²

Kainerugaba gave Popp until the morning of 7 October to apologise to his father - President **Yoweri Museveni** (1986-present) - or leave the country.³ He has since deleted the posts. However, the US **Senate's** foreign relations committee directly responded to Kainerugaba's now-deleted posts, stating:

*"Any further confrontation will be very problematic & met with a serious response. U.S. Amb. Popp & @usmissionuganda engage with the government & others in Uganda on a non-partisan basis to strengthen ties between the **American & Ugandan** people."*

It remains unclear why Kainerugaba issued the ultimatum to Popp but there is speculation that it could be linked to the US department of state's announcement on 2 October that it is sanctioning of four Ugandan police officers for human rights violations.⁴ A report released by the **African Center for Treatment and Rehabilitation of Torture Victims (ACTV)** in June noted that torture cases in Uganda were on the rise despite laws against the practice.⁵ Opposition to Museveni's government has grown, with protests often met with heavy-handed police measures. Protesters have demanded greater political freedom, accountability, and economic reforms, as many Ugandans continue to face poverty and unemployment.

A source confirmed to **Africa Risk Consulting Briefing (ARC Briefing)** that one of the sanctioned officers, **Bob Kagarura**, is a close friend of Kainerugaba, something that may have infuriated him.⁶

¹ Source, journalist, Kampala

² X (formerly Twitter), 4 Oct 2024

³ Voice of America, 6 Oct 2024

⁴ US Department of State, 2 Oct 2024

⁵ ACTV report, 20 Jun 2024

⁶ Source, journalist, Kampala

Once a key ally of the West in regional security and stability, Museveni has expressed his intent to extend his 40-year rule beyond 2026. Although Kainerugaba had previously indicated interest in succeeding his father, he recently urged his supporters to rally behind his father instead.

New electoral law proposed

A group of members of parliament (MPs) from the ruling **National Resistance Movement (NRM)** have proposed moving to a parliamentary system where the party with the highest number of MPs elects the new president. The chief proponent of the move, **Felix Adupa Ongwech** - an NRM cadre from **Amolatar** district- has argued that the proposal offers the voters an opportunity to elect competent members of parliament who can choose on their behalf the new president.⁷

*"They [Ugandans] have been given an opportunity to elect competent members of parliament who are able to digest the manifesto of different political parties, presidential candidates, and then they will choose and elect the best one"*⁸

Critics of the plan say that Ugandans would be denied the chance to decide who leads them as president. A source told ARC Briefing that the move is meant to benefit Museveni and that MPs are mobilising constituents to oppose the proposal.⁹ He argued that those pushing for the change know that Museveni is too old and may not be able to handle the pressure of travelling cross-country next year to campaign and are seeking to make the process easier for him. Another source argued the same, noting that by next year, Museveni will unlikely be able to move to campaign in Uganda's 135 districts.¹⁰

The move is also causing friction within the ruling party, and some senior members have opposed the move. Among them, internal affairs minister General **Kahinda Otafiire** has openly opposed it as a selfish move that should not be allowed to pass in parliament.

The **Electoral Commission** has released a road map for the next general elections beginning with the demarcation of the new electoral areas which took place in August this year. An update of the **National Voters' Register** is scheduled for January 2025 and elections are scheduled between 12 January and 9 February 2025.

Business conditions in Uganda decline

The **Business Policy Research Centre's Business Climate Index (BCI)**, released on 12 September, indicates that business conditions in Uganda saw a significant decline in the first quarter of 2024, with future outlooks remaining pessimistic.¹¹ Business sentiment fell from 109 to 98 as a result of several factors like reduced capacity utilisation, rising input costs, declining profitability, and an overall deterioration in the business environment.¹²

The report highlights that the economy operated below full potential during the quarter, a shift from the previous quarter (October-December 2023) when business sentiments were more positive.¹³

A key factor contributing to the decline in business conditions was the increase in annual headline inflation, driven by higher costs in services, food crops, and liquid fuels. Inflation rose by 0.8% during the quarter, moving from 2.6% in the previous quarter to 3.4% by February 2024. The increase in prices negatively impacted consumer demand, reducing purchasing power and further straining businesses reliant on domestic consumption.¹⁴ The report also identified the top five constraints to

⁷ DW, 20 Sep 2024

⁸ DW, 20 Sep 2024

⁹ Source, MP, Kampala

¹⁰ Source, local city authority, Kampala

¹¹ Business Policy Research Centre, 12 Sep 2024

¹² Business Policy Research Centre, 12 Sep 2024

¹³ Business Policy Research Centre, 12 Sep 2024

¹⁴ Business Policy Research Centre, 12 Sep 2024

doing business during the quarter. These included unfavourable tax policies, macroeconomic instability, corruption and bribery, and limited access to finance.¹⁵

These challenges persisted from the previous quarter, indicating that systemic issues continue to burden Ugandan businesses. Additionally, the severity of constraints such as crime, poor transport infrastructure, and insufficient demand worsened during the quarter. However, issues like competition, inadequate skilled employees, and electricity availability posed less of a problem compared to earlier periods.¹⁶

Planner

8 Oct 2024 **Kampala (Uganda) Bank of Uganda** (central bank) **Monetary Policy Committee** meeting

Jan 2025 **(Uganda) National Voters' Register** update

12 Jan – 9 Feb 2026 **(Uganda) General election**

Chronology

6 Oct 2024 **Kampala (Uganda) Chimpereports. National Population and Housing Census (NPHC)** results indicate the population has surged to 45.9 million, an increase of 10 million people since the 2014 census but that there is a drop in the population growth rate from 3% to 2.3%;

4 Oct 2024 **Kampala (Uganda) VOA.** Chief of the defence forces, General **Muhoozi Kainerugaba**, tells **United States (US)** ambassador to Uganda **William Popp** he has until 7 October to apologise for reportedly disrespecting President **Yoweri Museveni** and undermining the constitution or leaving the country.

4 Oct 2024 **Kampala (Kampala) Daily Monitor.** The government renews its call to phase out the use of mercury among artisanal and small gold miners citing health risks and environmental pollution;

2 Oct 2024 **Kampala (Uganda) Reuters.** Energy and mineral development minister **Ruth Nankabirwa** confirms Uganda has formed a state-owned mining company to manage government's equity interests in mining operations;

1 Oct 2024 **(Kampala (Uganda) Nile Post.** The **Uganda Chamber of Mines and Petroleum** calls for investment in exploration, resource mapping, and infrastructure to unlock Uganda's mineral wealth, stating that untapped deposits of minerals such as gold, copper, cobalt, and rare earth elements present immense opportunities, especially with the rising global demand for critical minerals;

30 Sep 2024 **Kampala (Uganda) Petroleum Authority.** Another milestone in the construction of the **East African Crude Oil Pipeline (EACOP)** has been reached with the first delivery of nine trucks loaded with coated line pipes at Main Camp and Pipe Yard (MCPY) 4 in **Kyotera District**;

29 Sep 2024 **Kampala (Uganda) Nile Post.** Torrential rains have destroyed crops and flattened homes, leaving families homeless and without food in **Rakai District**;

28 Sep 2024 **Kampala (Uganda) Reuters.** The **Uganda National Roads Authority (UNRA)** announces plans to install a temporary jetty bridge to address the deteriorating condition of the **Pakwach Bridge** which offers a vital connection between **West Nile** and the rest of Uganda;

27 Sep 2024 **Kampala (Uganda) Reuters.** Finance ministry says government plans to cut spending by just over a fifth and domestic borrowing by just over a half in the 2025/26 fiscal year as rising public debt remains a concern;

¹⁵ Business Policy Research Centre, 12 Sep 2024

¹⁶ Business Policy Research Centre, 12 Sep 2024

- 26 Sep 2024 **Kampala (Uganda)** *Reuters*. Uganda commissions the **Chinese** financed and built **Karuma Hydropower Project (KHP)**, its largest electricity generation plant, a 600 megawatt (MW) power plant on the **River Nile** built for \$1.7 billion;
- 25 Sep 2024 **Kampala (Uganda)** *Bloomberg*. **World Bank** says it is working with Uganda to try and end the freeze on its lending imposed due to Uganda's anti-LGBTQ law;
- 23 Sep 2024 **Kampala (Uganda)** *Nile Post*. **Kampala** city lawyer **Gawaya Tegulle** takes legal action against first lady **Janet Museveni**, President **Yoweri Museveni**'s son and **Uganda People's Defence Force** chief General **Muhoozi Kainerugaba**, and Museveni's brother, General **Salim Saleh**, accusing them of various unconstitutional acts;
- 22 Sep 2024 **Kampala (Uganda)** *WHO*. Health ministry receives mpox sample collection kits worth \$15,135 to support accurate and timely diagnostic testing;
- 21 Sep 2024 **Kampala (Uganda)** *Relief news*. Health ministry confirms it has registered 24 mpox cases since July;
- 20 Sep 2024 **Kampala (Uganda)** *Relief web*. Uganda has received over 100,000 asylum seekers since January 2024, including an influx of **Sudanese** refugees fleeing brutal conflict in their home country. Sudanese refugees now make up the largest demographic of newly arriving refugees in Uganda this year, accounting for 36% of the total number of new arrivals;
- 18 Sep 2024 **Kampala (Uganda)** *Parliament*. Members of parliament (MPs) say fast-tracking the joint border demarcation with **South Sudan** will address the ongoing security challenges in the **Karamoja** region;
- 17 Sep 2024 **Kampala (Uganda)** *Nile Post*. A recent outbreak of swine fever in **Kyotera District** has caused significant losses to pig farmers, with numerous animals succumbing to the disease;
- 16 Sep 2024 **Kampala (Uganda)** *EAC*. The 2nd **Uganda-Mozambique Joint Permanent Commission** begins ;
- 14 Sep 2024 **Kampala (Uganda)** *Reuters*. The number of mpox infections rises to ten;
- 13 Sep 2024 **Kampala (Uganda)**. *Relief web*. The public has been advised to maintain basic health precautions as confirmed mpox cases reported in multiple areas in September.
- 12 Sep 2024 **Kampala (Uganda)** *Reuters*. **International Monetary Fund (IMF)** says the start of commercial crude oil production will increase Uganda's economic growth to 10.8% in the 2025/2026 financial year;
- 11 Sep 2024 **Kampala (Uganda)** *Reuters*. Finance minister **Matia Kasaija** says Uganda plans to issue new oil and gas exploration licences in the 2025/2026 fiscal year to help boost investments in the sector and overall economic growth.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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