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President Yoweri Museveni (1986- present) appoints a new cabinet. Most senior members, including finance minister Matia Kasaija, retain their posts. The new cabinet includes opposition members but none from the Forum for Democratic Change (FDC). The military arrests 30 officers on suspicion of plotting a coup as Museveni looks to increase control over the Uganda People's Defence Force (UPDF). Kasaija introduces a USh26.36 trillion (\$7.9 billion) budget, which prioritises infrastructure investment. The Uganda Manufacturers Association (UMA) calls on the trade ministry to expedite its 'Buy Uganda Build Uganda' (BUBU) initiative.

Museveni appoints new cabinet...

President **Yoweri Museveni** (1986- present) has moved to consolidate his position with a cabinet reshuffle and crackdown on the military. Museveni named a new cabinet on 7 June.¹ The majority of senior officials retained their posts, including prime minister **Ruhakana Rugunda**, vice president **Edward Ssekandi**, finance minister **Matia Kasaija** and energy minister **Irene Muloni**.² This should ensure policy continuity. However, Museveni will continue to dominate decision making.

*"Whether Museveni consults his ministers on policy issues is entirely arbitrary. He will frequently countermand or overrule ministerial decisions. He does not consult consistently. He also has a team of close advisers around him in **State House** who frequently operate as a parallel government and as personal envoys."³*

Museveni has appointed members of the opposition to his cabinet as he looks to end tensions following the February general election. The most notable appointment is **Beti Kamy**, the leader of the opposition **Uganda Federal Alliance**, who is **Kampala Capital City Authority** minister.⁴ **Kampala** is an opposition stronghold increasingly opposed to the ruling **National Resistance Movement (NRM)**.⁵ The appointment of Kamy may not reduce tensions between the government and Kampala lord mayor **Erias Lukwago**:

"I can assure you no service delivery will be delivered in the next five years in Kampala apart from only quarreling and fighting the lord mayor."⁶

Museveni also appointed **Betty Amongi** of the **Uganda People's Congress** as lands minister and **Florence Nakiwala Kiyingi** of the **Democratic Party** as youth minister. However, Museveni did not include members of the **Forum for Democratic Change (FDC)** that has led opposition protests to the conduct and result of the general election. The appointment of the opposition members contributed to increasing the size of the cabinet to 80 members, raising concerns about its effectiveness.

"There is a mixture of ruling NRM and the opposition and we are yet to find out which criteria Museveni used but, from a different view, maybe by [bringing] opposition [members] into cabinet

¹ New Vision, 7 Jun 2016.

² New Vision, 7 Jun 2016.

³ Source, political analyst, Uganda

⁴ New Vision, 7 Jun 2016.

⁵ Source, political analyst, Uganda

⁶ Source, former opposition MP, Kampala

he wants to create harmony. But what we are opposed to is the president's plan to increase the number of ministers because the high number has no guarantee that it will improve service delivery. The president seems to be under pressure from certain regions which are protesting that their own sons and daughters were left out of the cabinet and now he wants to please them by increasing the number of the cabinet. This is very dangerous and should be opposed.”⁷

The majority of appointees, however, had previously held government office, leading to a perception of the new cabinet as “old and retired”.⁸

“The president appointed these old men to divert the attention of people from questioning his own age. He wants people to believe it's not only him who is old and by the time people will realise the trick he would have already bribed MPs to scrap presidential age limits [so that he can stand] in 2021.”⁹

According to a second source,

“First of all, they are all tired people who have been recycled and the new ones are totally inexperienced, so do you expect them to deliver? Besides, Museveni cannot allow people to work independently; the ministers are just ceremonial and, for your information, ministers in Uganda cannot even sack their driver or watchman. They have no powers and I see nothing like insight, like a team that can deliver.”¹⁰

The issue of Museveni's succession also shaped the reshuffle. Museveni appointed his wife **Janet Museveni** education minister, increasing speculation that she is a possible successor. Education minister is a key post due to the size of budget it controls (see below). Janet Museveni's appointment received criticism in Uganda, with accusations that she is not qualified for the role.

“She is a person who got her degree from the back door as she did not do teaching practice which is a requirement for one to graduate so how will she supervise the ministry where she lacks experience?”¹¹

While not universally popular in Uganda, Janet Museveni is well positioned to succeed Museveni, especially if he dies in office before the end of his constitutional final term in office in 2021.

“Janet's ambitious for herself and wants to protect the family. If Museveni dies in office, expect her to be a rallying point for all the security chiefs who all depend on Museveni for their positions. The constitution says that – if Museveni dies in office – Ssekandi would head an interim administration pending elections after six months. Ssekandi is a weak man and very pliable. The Museveni inner circle sees him as no threat but useful for portraying any transition as constitutionally sound while they devise a plan to retain control. So, if Museveni were to die unexpectedly before 2021, I'd expect Janet to manoeuvre herself into the top job.”¹²

... while tightening control over the UPDF

Prior to the cabinet reshuffle, Museveni promoted his most likely successor, son **Muhoozi Kainerugaba Museveni (MKM)**, to the rank of major general in the **Uganda People's Defence Force (UPDF)**.¹³ The promotion, days after Museveni's inauguration, may indicate that Museveni is accelerating the process of ushering in MKM as his successor. MKM heads the **Special Forces Group (SFG)**, which guards strategic infrastructure including Uganda's oil fields. MKM's military advancement has so far been meteoric and driven by his father's position as commander-in-chief.

⁷ Source, former MP, Kampala

⁸ Source, businessman, Mbale

⁹ Source, businessman, Mbale

¹⁰ Source, former opposition MP, Kampala

¹¹ Source, head teacher, **Katakwi**

¹² Source, former Museveni political adviser

¹³ New Vision, 18 May 2016.

“He has little talent for military matters, having flunked courses at staff colleges in various countries, but was given passes to avoid embarrassment.”¹⁴

A move to usher in MKM may cause political instability. If Museveni were to move too early, he might trigger high-level defections from the ruling NRM as unsuccessful potential successors sought to further their careers with the opposition.¹⁵ NRM sources say that MKM would have to develop a civilian political and regional (**East African**) profile before he could become a credible candidate.¹⁶ They add that one indication that Museveni was accelerating succession plans would be if MKM swapped his military uniform for a suit and, for example, stood for parliament. In addition, the sources added that the promotion of younger NRM members – i.e. the same age as MKM – to senior political roles, would be a part of the MKM succession plan.¹⁷

Museveni appears to be increasing his control over the UPDF. The military on 12 June announced the detention of 30 officers for allegedly planning to oust Museveni. The UPDF alleged the involvement of an unnamed rebel group in the coup.¹⁸ The detained soldiers reportedly include an air force colonel, and an officer responsible for the armoury at the **Bombo Military Barracks**, to the north of Kampala.¹⁹ The detained officers are linked to the FDC **Nakawa Division MP Michael Kabaziguruka**.²⁰ The UPDF alleges that Kabaziguruka was the instigator of the coup.²¹ Kabaziguruka defeated attorney general **Freddie Ruhindi**, a member of the NRM, in the February parliamentary election. FDC leader **Kizza Besigye** remains in prison in Kampala on treason charges. Kabaziguruka is a close ally of Besigye.

The UPDF is increasingly fractious amid increased resentment at the special privileges that Museveni’s son, MKM, and the SFG enjoy. In the cabinet reshuffle, Museveni replaced defence minister **Chrispus Kiyonga** with technocrat **Adolf Mwesige**.²² The appointment comes as parliament continues a review into Uganda’s military deployments in **Somalia, South Sudan** and the **Democratic Republic of the Congo (DRC)**.²³

Government introduces budget

Finance minister Matia Kasaija on 8 June introduced a USh26.36 trillion (\$7.9 billion) budget for 2016/2017.²⁴ The budget requires a large increase in government revenue that the **Uganda Revenue Authority (URA)** may struggle to meet due to continued enforcement and compliance difficulties. Museveni appointed “stooge”²⁵ **Allen Kagina** commissioner general of the URA in 2004.

“Years of appointment by political patronage have weakened all agencies around the government and the URA is no exception. Improving revenue collection will need a reformed URA which means it will have a very high cost of implementation and will take time and political will.”²⁶

The budget allocates USh18.4 trillion (\$5.4 billion) for government ministry, department and agency spending.²⁷ The works and transport ministry will receive the largest allocation of USh3.83 billion

¹⁴ Source, former military attaché, Kampala

¹⁵ Source, former western diplomat, East Africa

¹⁶ Source, former western diplomat, East Africa

¹⁷ Source, former western diplomat, East Africa

¹⁸ Daily Monitor, 13 Jun 2016.

¹⁹ Daily Monitor, 13 Jun 2016.

²⁰ Daily Monitor, 13 Jun 2016.

²¹ Daily Monitor, 13 Jun 2016.

²² Daily Monitor, 13 Jun 2016.

²³ Daily Monitor, 13 Jun 2016.

²⁴ NTV, 9 Jun 2016.

²⁵ Source, former western diplomat

²⁶ Source, economist, Kampala

²⁷ NTV, 9 Jun 2016.

(\$1.1 billion) as the government prioritises infrastructure investment, followed by USh2.75 trillion (\$819.7m) to the education ministry and USh2.4 trillion (\$715.3m) to the energy ministry.²⁸

The budget includes increased excise duty on diesel and petrol (now \$0.03) and stamp duty on the transfer of property (now 1.5%), but mainly targeted Uganda's elite, with a luxury tax on personalised number plates. Kasaija noted that government domestic borrowing in the form of securities will decrease from USh1.384 trillion (\$413m) to USh612 billion (\$182.6m).²⁹ The government hopes this will increase space for private sector credit growth.³⁰ External financing will reach USh6.52 trillion (\$1.95 billion), 24.8% of gross domestic product (GDP), in the form of USh2.52 trillion (\$752.2m) in concessional loans, USh2.51 trillion (\$749m) in non-concessional loans, and USh1.49 trillion (\$444.7m) in grants.³¹ The government has set aside USh4.97 trillion (\$1.5 billion) to refinance treasury bonds due to mature in the next financial year, USh169.2 billion (\$49.8m) for external debt repayments and USh2.02 trillion (\$595.9m) for domestic interest payments. The budget projects growth of 5.5% in 2016/2017, and medium term growth of 6.3%.³²

The **World Bank** updated Uganda's economic growth prospects for 2016/2017 to 5.9%, higher than the 5.5% forecast the **International Monetary Fund (IMF)** projects.³³ The government's extensive infrastructure development programme has helped to increase economic activity and potential foreign investments may help to strengthen economic growth. Despite a sluggish world economy and declining commodity prices, the government has been able to increase capital investments 126% over the past four years and these investments are expected to increase in line with the **National Development Plan** and the **National Vision 2040**.³⁴ Uganda's oil sector is expected to receive up to \$9 billion worth of investment in the next three years,³⁵ and investments will continue in infrastructure projects such as highways, hydropower dams, and the **Hoima** oil refinery.³⁶

Uganda manufacturers call for government support

The **Uganda Manufacturers Association (UMA)** has called on the trade ministry to expedite its '**Buy Uganda Build Uganda**' (**BUBU**) initiative to encourage the local manufacturing sector.³⁷ Demand for imports and foreign exchange is putting pressure on the shilling. The trade ministry introduced BUBU before the 2016 budget but the UMA worries that implementation has stalled.

As part of the BUBU initiative, the government will give priority to locally manufactured goods in procurement.³⁸ The trade ministry will work with the government to promote the consumption of locally produced goods.³⁹ The trade ministry will audit local manufacturers and certify them as either compliant or non-compliant with BUBU.⁴⁰ The trade ministry will additionally look to lifting non-tariff barriers at border crossing points.⁴¹

The UMA has said full implementation of BUBU will result in a more competitive manufacturing sector, and increased employment and government revenue.⁴² According to **Uganda Export Promotion Board (UEPB)** data, total merchandise exports in 2015 were valued at USh9 trillion (\$2.7

²⁸ NTV, 9 Jun 2016.

²⁹ NTV, 9 Jun 2016.

³⁰ NTV, 9 Jun 2016.

³¹ NTV, 9 Jun 2016.

³² NTV, 9 Jun 2016.

³³ Reuters, 6 June 2016.

³⁴ World Bank, 6 June 2016.

³⁵ World Bank, 6 June 2016.

³⁶ Reuters, 6 June 2016.

³⁷ Daily Monitor, 23 May 2016.

³⁸ Daily Monitor, 23 May 2016.

³⁹ Daily Monitor, 23 May 2016.

⁴⁰ Daily Monitor, 23 May 2016.

⁴¹ Daily Monitor, 23 May 2016.

⁴² Daily Monitor, 23 May 2016.

billion) and imports were valued at USh20.2 trillion (\$6 billion).⁴³ Uganda lacks consumer protection legislation, resulting in a large proportion of substandard goods, including pirated software and counterfeit pharmaceutical and agricultural chemicals. These cheaper counterfeit goods have undermined the competitiveness of the local manufacturing sector.

Implications

Uganda has responded to Museveni's new cabinet with apathy amid growing opposition to Museveni following the conduct of the general election. The cabinet is not a genuine attempt to include the opposition as it excludes the FDC. The opposition ministers will not have any significant influence over policy direction, which is likely to remain consistent with the previous Museveni administration. The government will seek to maintain the generally free-market approach to the economy, and policy will remain relatively liberal. The opposition lacks the influence to launch a coup, but disunity within the UPDF increases risks of an unstable succession for Museveni.

The budget will not end longer-term growth constraints that include low levels of infrastructure investment, a volatile relationship with aid donors (on whom Uganda depends for a third of its budget), and a lack of capacity in revenue collection that encourages borrowing.

Even if fully implemented, the BUBU initiative will not address many of the structural challenges facing Uganda's manufacturing sector. These include limited access to financing, intermittent power supply, strong competition from imported products, and relatively high poverty levels that undermine the purchasing power of the domestic market.

⁴³ Daily Monitor, 23 May 2016.

About Africa Risk Consulting:

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