

AFRICA RISK CONSULTING

Uganda Monthly Briefing October 2019

Uganda Summary 11 October 2019

Police block an Independence Day concert planned by popular musician and legislator Robert Kyagulanyi, aka Bobi Wine, as the government seeks to neutralise his political power ahead of the 2023 election. International oil companies reveal plans to resume negotiations with the government over tax disputes to allow the development of the oil sector to continue. The Bank of Uganda (central bank) issues two new commercial banking licences to an overcrowded banking system. The energy ministry signs an agreement with Russia-based Rosatom Corporation to develop nuclear energy and non-energy infrastructure in Uganda.

Government attempts to neutralise Bobi Wine continue

In continuing attempts to weaken the political ambitions of popular musician and legislator, **Robert Kyagulanyi**, aka **Bobi Wine**, the **Uganda Police Services (UPS)** banned a concert that Kyagulanyi had planned to commemorate **Uganda's** 57th Independence Anniversary on 9 October.¹ President **Yoweri Museveni's** (1986-present) government continues to prohibit Kyagulanyi from performing in Uganda, claiming his music is incendiary and anti-government.² Inspector General of Police (IGP) **Martin Okoth Ochola** disallowed Kyagulanyi's concert on the basis that Kyagulanyi and the concert organisers had not made the requisite preparations for traffic control, medical assistance and crowd control.³ Police surrounded Kyagulanyi's house in an attempt to confine him to the property, but he escaped on the back of a motorcycle, locally known as 'boda boda'.⁴ Kyagulanyi shared videos of his flight in a social media post, saying:

*"Since 11:00pm, police and military surrounded my home and private property, **One Love Beach Musabala**, in yet another move to place me under house arrest and block our Independence Day music concert. 156th concert so far! For singing truth to power, I cannot perform in my own country."⁵*

Kyagulanyi reiterated his commitment to contesting Museveni's presidency:

"This is not just about me... dictators are not massaged out of power. Dictators are resisted... We are not going to stop at anything... at the end of all this, Museveni will fall."⁶

In another move aimed at weakening Kyagulanyi's political ambitions, the government gazetted new regulations in September that outlaw Kyagulanyi's **People Power** movement's trademark red berets, saying that they were military uniform.⁷ The government designated

¹ Voice of America, 9 Oct 2019.

² Voice of America, 9 Oct 2019.

³ Al Jazeera, 10 Oct 2019.

⁴ Voice of America, 9 Oct 2019.

⁵ Legislator and musician Robert Kyagulanyi, quoted in Al Jazeera, 10 Oct 2019.

⁶ Legislator and musician, Robert Kyagulanyi, quoted by Al Jazeera, 10 Oct 2019.

⁷ Reuters, 30 Sept 2019.

the berets and other forms of military garb as “*property of the state*” and warned that those who wore or sold them would be face prosecution under military law, and face heavy jail sentences.⁸ Kyagulanyi dismissed the regulations as an attempt to stifle the People Power movement’s political threat to the ruling **National Resistance Movement (NRM)** regime:

“This beret ban is a sham... a blatant attempt to suffocate a successful threat to the autocratic status quo. But People Power is more than a red beret, we are bigger than our symbol. We are a booming political movement fighting for the future of Uganda, and we will continue our struggle for democracy.”⁹

Given his increasing popularity, especially among the youth, Kyagulanyi has become a formidable opposition political leader in Uganda.¹⁰ His well-attended music shows had become platforms for spreading his People Power movement’s message of criticising President Museveni’s regime and calling for its removal from power.¹¹ The government’s prohibition of Kyagulanyi from performing aims to neutralise his political mobilisation in Uganda.¹² As a result, Kyagulanyi has resorted to holding concerts in other parts of the world, such as the **United States** and **Germany**.¹³ Kyagulanyi’s popularity among Uganda’s youth has proven to be a potent asset in his opposition to Museveni’s regime, and the government will seek to undermine this political power as much as possible in advance of the 2023 election.¹⁴

Oil companies to resume negotiations with government

The oil companies currently engaged in building Uganda’s oil infrastructure have revealed plans to resume talks with the government, which had stalled in late August resulting in a stalemate and uncertainty about the future of the country’s nascent oil industry (see *ARC Briefing Uganda September 2019*).¹⁵ **United Kingdom (UK)-based Tullow Oil, France-based Total E&P, and the China National Offshore Oil Company (CNOOC)** are engaged in a joint venture partnership to develop Uganda’s oil sector, and have had long-running disputes with the government over capital gains taxes on farm down transactions.¹⁶ Total E&P’s general manager in Uganda, **Pierre Jessua** said that,

“The idea is that we need to have continued communication with the authorities to understand each other. We respect the frustrations of government, and we believe they can imagine our situation. We have spent a lot of money already, \$3.2 billion jointly with our partners. We are all working in good faith to find a solution and I am optimistic we will be able to... It is premature to say we could do this or that. We have the Tullow deal terminated, [and] it means we are back to a shareholder configuration where each of us owns 33.3%. The deal is now in the past so, we need to sit together first as joint venture partners and discuss next steps before we speculate because anything can happen.”¹⁷

The stalemate between the government and oil companies occurred on 29 August after

⁸ Reuters, 30 Sept 2019.

⁹ Legislator and musician Robert Kyagulanyi, quoted by Reuters, 30 Sept 2019.

¹⁰ Source, analyst, London

¹¹ Source, analyst, London

¹² Source, analyst, London

¹³ Source, analyst, London

¹⁴ Source, analyst, London

¹⁵ Daily Monitor, 7 Oct 2019.

¹⁶ Daily Monitor, 7 Oct 2019.

¹⁷ Total E&P’s general manager in Uganda, Pierre Jessua quoted by Daily Monitor, 7 Oct 2019.

Tullow revealed that it had ended its sale and purchase agreement after the three joint venture partners failed to secure a deal over the oil companies' payment of taxes to the **Uganda Revenue Authority**.¹⁸ The tax deal would have enabled Tullow to raise capital that it would use to fund other projects outside Uganda.¹⁹ This also resulted in the suspension of the construction of the **East African Crude Oil Pipeline (EACOP)**.²⁰ The suspension of activities in the oil sector has affected other local businesses that provide services to the oil sector, such as logistics, accommodation, food, and legal services.²¹

The government is reportedly pressing oil companies to commit to the **Final Investment Decision (FID)** before the end of 2019, which would enable oil production to commence as scheduled in 2022.²² The permanent secretary in the energy and mineral development ministry, **Robert Kasande**, said that the FID Committee, which comprises senior executives from the oil companies and senior government officials, met in September to discuss the way forward in this regard.²³ However, Kasande said that the government would not revise its tax legislation because it seems to maximise value from the oil industry.²⁴ President Museveni also indicated on 25 September that he would speak with the oil executives to resolve the standoff and chart a new course for the country's oil sector.²⁵

Despite the current stalemate, the government and oil companies will establish a mutually beneficial resolution because it is within their interests to bring the country's oil to production in a reasonable time frame.²⁶ Both parties have invested capital in developing the oil sector, especially infrastructure, and need to begin oil production in order to earn profit and pay dividends to shareholders and repay creditors.²⁷

Central bank licenses two new commercial banks

The **Bank of Uganda (BoU)** (central bank) granted licences for two new commercial banks, **Afriland First Bank Uganda Limited** and **Opportunity Bank Uganda Limited**, on 4 October.²⁸ This brings the number of commercial banks operating in Uganda to 26, a high number for an economy where commercial banks annually manage only \$26 billion.²⁹ BoU governor **Emmanuel Tumusiime Mutebile** issued a statement that the BoU had granted the licence effective from September.³⁰ The Tier 1 licences are in accordance with the **Financial Institutions Act (2004)**, which defines a commercial bank as,

"... a company licensed to carry on financial institution business in Uganda and whose principal business consists mainly in the acceptance of call, demand, savings, and time deposits withdrawable by cheque or otherwise, in the capacity of a bank".³¹

The application for a licence entails the banks providing information on operation plans,

¹⁸ Daily Monitor, 7 Oct 2019.

¹⁹ Daily Monitor, 7 Oct 2019.

²⁰ Daily Monitor, 7 Oct 2019.

²¹ Daily Monitor, 7 Oct 2019.

²² Daily Monitor, 7 Oct 2019.

²³ Bloomberg, 17 Sep 2019

²⁴ Bloomberg, 17 Sep 2019

²⁵ The Observer, 25 Sep 2019.

²⁶ Source, analyst, London

²⁷ Source, analyst, London

²⁸ Reuters, 4 Oct 2019.

²⁹ Reuters, 4 Oct 2019.

³⁰ Softpower, 4 Oct 2019.

³¹ Quoted in Softpower, 4 Oct 2019.

financial plans, earnings forecasts for at least three years, including proof of demand for financial products and services, and the existing competition in the proposed market.³² Opportunity Bank's chief executive officer, **Tineyi Mawocha**, said that the financial institution had been operating in Uganda as a credit union, and the new licence would enable the transition to operations as a fully-fledged bank starting in November.³³ This will entail upgrading and integrating its systems into the **Central Bank Real Time Gross Settlements System**.³⁴

However, Uganda-based analyst **Ramathan Goobi** said that the country's banking sector is relatively crowded, and this has resulted in banks coming up with predatory strategies to poach customers from other banks, instead of bringing in new customers.³⁵ The four banks that currently dominate Uganda's market are UK-based **Standard Chartered Bank** and **Barclays Bank**, and Uganda-based **DFCU Bank** and **Centenary Bank**.³⁶ The Bank of Uganda closed several banks between 1993 and 2016 because of problems with insolvency and other operational inadequacies that posed threats to Uganda's banking system.³⁷ There are thus concerns about the ability of the newly licensed banks to stay afloat, since the overcrowded market will inevitably undermine their profitability.³⁸ The growth of new businesses and rising employment would justify the licensing of new banks, but these are currently absent in Uganda.³⁹

Uganda signs nuclear energy agreement with Russia

Uganda's energy ministry indicated on 19 September that it had signed a deal with **Russia** to develop the country's uranium deposits into electricity generation and non-energy purposes such as health and agriculture.⁴⁰ Uganda's energy minister, **Irene Muloni**, and **Nikolai Spasskiy**, the deputy director general for Russia's state-run nuclear corporation, **Rosatom State Corporation**, signed the deal on the sidelines of the **63rd Annual Regular Session of the International Atomic Energy General Conference in Vienna (Austria)** held from 16-20 September.⁴¹ The deal will establish the framework for specific nuclear-related projects between the two countries and is in line with Uganda's **National Development Plan and Vision 2040**, which aims to use nuclear power stations by 2050.⁴²

The deal replaces the preliminary agreement that Uganda signed with the **China National Nuclear Corporation (CNNC)** in May 2018. It will also facilitate exchange visits and the creation of working groups between Russian and Ugandan nuclear experts on various projects, including the construction of a centre for nuclear science and technology in Uganda.⁴³ Rosatom indicated that it will collaborate with Uganda to develop nuclear energy infrastructure, produce radioisotopes for use in industry, medicine, agriculture, and training personnel in managing nuclear infrastructure.⁴⁴ Rosatom is also engaged in negotiations with

³² Softpower, 4 Oct 2019.

³³ Daily Monitor, 2 Oct 2019.

³⁴ Daily Monitor, 2 Oct 2019.

³⁵ Reuters, 4 Oct 2019.

³⁶ Reuters, 4 Oct 2019.

³⁷ Reuters, 4 Oct 2019.

³⁸ Source, analyst, London

³⁹ Source, analyst, London

⁴⁰ Business Report, 19 Sep 2019.

⁴¹ Business Report, 19 Sep 2019.

⁴² Business Report, 19 Sep 2019.

⁴³ Business Report, 19 Sep 2019.

⁴⁴ Energy Reporters, 20 Sep 2019.

Kenya, Tanzania, Sudan, Egypt, Morocco, Nigeria, and Tunisia to develop similar nuclear power projects.⁴⁵

The Ugandan government has been working to increase the country's electricity generation, as consumption and demand are likely to increase sharply when new economic activity stemming from the oil sector takes off. Uganda has substantial uranium deposits, but has to date not conducted commercial exploration or measured the amounts of its uranium reserves.⁴⁶ The development of the nuclear sector will give Uganda a new avenue for power generation and other technological advancements that will provide new sources of energy and improve human livelihoods in Uganda.⁴⁷

Planner

30 Oct 2019 **Kampala (Uganda)** Expo on Externalisation of Labour

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

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

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

2023 **(Uganda)** Uganda general election

Chronology

9 Oct 2019 **Kampala (Uganda)** *Voice of America*. **Uganda Police Services (UPS)** block independence day concert organised by opposition legislator and musician **Robert Kyagulanyi**, aka **Bobi Wine**;

7 Oct 2019 **Kampala (Uganda)** *Reuters*. The government of **Uganda** receives two additional **CRJ900** aircraft from **Canada**-based aviation company **Bombardier**, doubling the size of its newly revived fleet;

7 Oct 2019 **Kampala (Uganda)** *Reuters*. The **Bank of Uganda** (central bank) cuts main lending rate to 9.0%, saying this will regenerate economic growth;

5 Oct 2019 **Kampala (Uganda)** *The Observer*. **Bank of Uganda** (central bank) governor **Emmanuel Mutebile Tumusiime** discourages borrowing against future oil revenues, which could create the "resource curse" in **Uganda**;

4 Oct 2019 **Kampala (Uganda)** *Softpower*. The **Bank of Uganda** (central bank) issues new commercial banking licences to two new commercial banks, **Afriland First Bank Uganda Limited** and **Opportunity Bank Uganda Limited**;

3 Oct 2019 **Kampala (Uganda)** *Reuters*. The **Uganda Police Service (UPS)** arrest and detain supporters of musician and legislator **Robert Kyagulanyi**, aka **Bob Wine** over wearing banned red berets;

30 Sep 2019 **Kampala (Uganda)** *The Independent*. Finance minister **Matia Kasaija** warns against the use of cryptocurrencies, saying that the government of Uganda does not recognise

⁴⁵ Energy Reporters, 20 Sep 2019.

⁴⁶ Energy Reporters, 20 Sep 2019.

⁴⁷ Source, analyst, London

them;

30 Sep 2019 **Kampala (Uganda)** *Al Jazeera*. **Uganda People's Defence Force (UPDF)** spokesman Brigadier **Richard Karemire** announces a ban on civilians' wearing of the red berets that are part of the **People Power** movement's regalia;

22 Sep 2019 **Kampala (Uganda)** *Africa News*. President **Yoweri Museveni** criticises the **United States' State Department's** sanctions on former Inspector general of Police, **Kale Kayihura**;

19 Sep 2019 **Vienna (Austria)** *Business Report*. **Uganda** and **Russia** sign an agreement to jointly develop nuclear energy projects and non-energy infrastructure;

17 Sep 2019 **Kampala (Uganda)** *Reuters*. Energy minister **Irene Muloni** says **Uganda's** power output will increase to 55% by the end of 2019;

17 Sep 2019 **Kampala (Uganda)** *Bloomberg*. Energy ministry permanent secretary **Robert Kasande** says the government is still negotiating with oil companies to proceed with the **Final Investment Decision (FID)**, despite the impasse on capital gains taxes;

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.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)