

AFRICA RISK CONSULTING

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The continued legal feud between Uganda and Kenya over the supply of petroleum products forces Uganda to temporarily halt monopolising the importation of petroleum products. A power struggle is threatening the future of Uganda's leading opposition political party the National Unity Platform (NUP) led by Robert Kyagulanyi (also known as Bobi Wine). Uganda Revenue Authority (URA) on 28 January issues a directive to all Uganda-based airlines warning them not to accept gold cargo from Uganda unless the exporters can show they have obtained clearance of all outstanding arrears or have made appropriate arrangements to do so.

Uganda suspends the process of monopolising importation of petroleum

The continued legal feud between Uganda and **Kenya** over the future of Kenya supplying petroleum products to Uganda has forced Uganda to temporarily halt monopolising the importation of petroleum products. Parliament passed the **Petroleum (Amendment) Act 2023** in November last year granting the **Uganda National Oil Company (UNOC)** a monopoly on supplying petroleum products effective 1 January 2024 (see *ARC Briefing Jan 2024*).¹ State-owned **Uganda National Oil Company** subsequently reached a deal in November 2023 that handed over the exclusive rights for the supply of all petroleum products to a unit of **Switzerland**-headquartered energy trader **Vitol**. The process has run into a legal hurdle that now threatens to plunge the landlocked country into a fuel crisis.

Uganda on 28 December took Kenya to the **East African Court of Justice (EACJ)** for declining to permit it to use Kenya's state-owned **Kenya Pipeline Company (KPC)** infrastructure leaving Uganda to turn to **Tanzania** for its oil importation business.² The Tanzanian route is, however, not favoured by oil dealers due to its long-distance compared to **Mombasa** (Kenya).

Uganda imports 90% of its petroleum products through Kenya and 10% through Tanzania. There is no pipeline from Dar es Salaam, so fuel transportation is by road and partly through the lake via **Mwanza**. The distance from Dar to **Mutukula** border post is about 1,500km, a costly route considering that the cost per cubic metre is between \$120 and \$130.³ Uganda will reportedly need more than 200 trailers per day to feed its fuel demand adequately, but each litre carried by road comes with a cost of \$0.042 compared with \$0.016 on fuel delivered by water transport.⁴

The energy ministry spokesperson **Solomon Muyita** told **Africa Risk Consulting Briefing (ARC Briefing)** on 6 February that the court battles between Uganda and Kenya have forced the country to halt the process of monopolising and temporarily maintain the former status quo which involves Kenyan middlemen in the fuel importation business.:

*"We are currently trying to sort out the legal gymnastics between **Uganda** and **Kenya** and until we finalise the process, we can't proceed, so the status quo is as it was before".⁵*

Muyita says the only way out of the impasse is for Kenya to waive off the process of registration of UNOC or to proceed and grant it a license to operate in Kenya. He says the route through Tanzania's port of **Dar es Salaam** is open for Uganda to use but that Uganda has asked Tanzania to review the

¹ ARC Briefing, 8 Jan 2024

² ARC Briefing analyst, 6 Feb 2024

³ East African, 6 Jan 2024

⁴ East African, 6 Jan 2024

⁵ Energy ministry spokesperson, Kampala, 6 Feb 2024

taxes to compensate for the cost incurred due to the long distance to the port compared to Mombasa.⁶ The impasse over the oil pipeline could create a fuel shortage pushing final pump prices up which would have adverse effects on the economy.⁷

Power struggle threatens future of Uganda's leading opposition party

A power struggle is threatening the future of leading opposition political party, the **National Unity Platform (NUP)**, led by the singer-turned-politician **Robert Kyagulanyi** (also known as **Bobi Wine**). The power struggle is pitting Wine against the former leader of the opposition in parliament **Mathias Mpuuga**. Wine replaced Mpuuga in December 2023 after Mpuuga's term in office as leader of the opposition in parliament expired.⁸ The replacement of Mpuuga, a seasoned legislature, with inexperienced NUP spokesperson **Joel Senyonyi** did not come as a surprise as Mpuuga had long been accused by the party supporters of being too soft on the government.⁹ A local party representative told ARC Briefing:

*"The current problem we are having in the party is because of ideological differences between those who support the radical approach of removing President **Museveni** [**Yoweri Museveni** (1986-present)] through protests and the likes of MP Mpuuga who are opposed to it"¹⁰*

The party leader added that Wine's group is not pleased with the soft approach that Mpuuga takes while dealing with the government while Mpuuga on the other hand allegedly accuses Wine of running the political party like an extension of the record label **Firebase**, where he would often hire musicians and involve them in the day-to-day running of the NUP even though they did not have official positions or relevant experience.¹¹ Wine reportedly favoured this approach over relying on seasoned politicians.¹²

The rift has spilt over to Mpuuga's home town, **Masaka**, threatening the largest base for the political party which is seeking to dislodge Museveni from power.¹³ The NUP risks heading into the 2026 elections in a weakened position unless internal rifts are resolved in time.

Tax authority clamping down on illegal gold exports

The **Uganda Revenue Authority (URA)** issued a directive on 28 January to Uganda-based airlines warning them not to accept gold cargo from Uganda unless the exporters can show they have obtained clearance of all outstanding arrears or have made appropriate arrangements to do so.¹⁴ The gold industry is one of the leading foreign exchange earners for Uganda and the tax body is keen to close any tax gaps in its exportation.¹⁵ Auditor general **John Muwanga** reported in December 2022 that the URA had neglected to collect \$89.3m in taxes from gold exports worth \$1.8 billion for that year under review, prompting the, albeit delayed, directive from the URA.

Uganda's gold export earnings fell 80% year-on-year in 2022 due to a dispute with gold exporters over the enactment of a levy of Ush 0.05 (\$0.000013) per kilogramme of refined gold exported and 10% on unprocessed gold in April 2022.¹⁶ Many exporters turned to smuggling in a bid to avoid the new levies and the country lost out on several millions in tax which the URA is now seeking to rectify. However, in the wake of the new directive, some gold miners are choosing to send their gold to **Rwanda** for refining via road, stating that they will incur financial losses with the new directive and

⁶ Energy ministry spokesperson, Kampala, 6 Feb 2024

⁷ Daily Monitor, 22 Jan 2024

⁸ Nile Post, 31 Jan 2024

⁹ ARC Briefing analyst, 5 Feb 2024

¹⁰ NUP party leader, Kampala, 5 Feb 2025

¹¹ NUP party leader, Kampala, 5 Feb 2025

¹² ARC Briefing analyst, 5 Feb 2024

¹³ Nile Post, 31 Jan 2024

¹⁴ Nile Post, 29 Jan 2024

¹⁵ Nile Post, 31 Jan 2024

¹⁶ Reuters, 24 Feb 2023

even face logistical challenges.¹⁷ The issues with the taxation regime for gold have exposed deficiencies within the sector which would also act as a deterrent to investors in this key sector.

Planner

2026 (**Uganda**) General election

Chronology

7 Feb 2024 **Kampala (Uganda)** *Nile Post*. **ABSA's** latest **Financial Markets Index** ranks Uganda's financial sector as the highest growing within the **East African** region and fourth in Africa;

6 Feb 2024 **Kampala (Uganda)** *Chimpreports*. President **Yoweri Museveni** permits investors to use land where the **Kyaaka One** and **Kyaaka Two** refugee camps sit for avocado growing;

6 Feb 2024 **Kampala (Uganda)** *Nile Post*. President **Yoweri Museveni** signs into law the **Narcotics and Psychotropic Substances (Control) Bill, 2023** which allows the licenced farming and use of marijuana strictly for medical use, and sets harsh penalties for a multitude of offences related to substance abuse;

5 Feb 2024 **Kampala (Uganda)** *Stanbic Bank*. **Stanbic Bank Uganda's** Purchasing Managers Index shows private sector activity slowed in January, dropping to 54 from 54.8 in December;

5 Feb 2024 **Kampala (Uganda)** *BoU*. **Bank of Uganda** (central bank) **Monetary Policy Committee** votes to keep the key interest rate at 9.5%, also raising its one-year inflation forecast to account for the recent depreciation of the exchange rate. The headline rate is expected to rise to 3% in the first half of 2024, while core inflation is expected to rise to between 4.5% and 5% but remain within target;

4 Feb 2024 **Kampala (Kampala)** *KFM Radio*. President **Yoweri Museveni** urges members of parliament to support a merger of more than 30 government agencies, saying the strategic move will result in significant savings of at least Shs1 trillion (\$262m) annually for the nation;

3 Feb 2024 **Kampala (Uganda)** *Nile Post*. In the wake of corruption scandals and allegations of non-performance plaguing President **Yoweri Museveni's** proclaimed "fisherman's cabinet," speculations are rife about an impending reshuffle. The president, known for keeping his cards close to his chest, has left the public and political commentators engaged in heated debates about who might find a spot in the revamped cabinet;d

31 Jan 2024 **Kampala (Uganda)** *Ug business*. **Bank of Uganda** confirms the consumer price index (CPI) rose from 2.6% in December to 2.8% in January, driven by a rise in services inflation;

31 Jan 2024 **Kampala (Uganda)** *BBC*. Opposition leader **Bobi Wine** calls for civil disobedience and what he called a "moral uprising" against President **Yoweri Museveni**;

29 Jan 2024 **Kampala (Uganda)** *Independent*. Energy minister **Ruth Nankabirwa** says that a planned \$4 billion refinery could soon begin construction following the signing of a memorandum of understanding (MoU) on 22 December between government and **United Arab Emirates-**headquartered **Alpha MBM Investments LLC**;

27 Jan 2024 **Kampala (Uganda)** *Independent*. Uganda affirms it recognises this week's order by the **International Court of Justice (ICJ)** in **South Africa's** genocide case against **Israel** and also disassociates itself from a dissenting judgment by Ugandan-born judge **Julia Sebutinde**;

26 Jan 2024 **Kampala (Uganda)** *Nile Post*. The opposition questions the stark disparity in budget allocations between **State House** and public hospitals in **Uganda**, citing that the presidency has 666 vehicles, while there are only 178 ambulances available in public health facilities;

¹⁷ Business Insider Africa, 7 Feb 2024

23 Jan 2024 **Kampala (Uganda)** *Bloomberg*. **Bank of Uganda** (central bank) deputy governor **Michael Atingi-Ego** says Uganda is leaning toward easing monetary policy but is biding its time amid potential headwinds including the outlook for oil prices;

21 Jan 2024 **Kampala (Uganda)** *Chimpreports*. Uganda assumes the chairmanship of the **Group of 77 plus China (G77+China)**, the largest negotiating bloc of developing countries in the **United Nations**;

20 Jan 2024 **Kampala (Uganda)** *Ug business*. The **Bank of Uganda** (central bank) closes microfinance institution **EFC Uganda Limited** for failing to meet minimum capital requirements and for what it called “*poor corporate governance*”;

19 Jan 2024 **Kampala (Uganda)** *Aljazeera*. Leaders of **Non-Aligned Movement (NAM)** countries denounce Israel’s military campaign on the **Gaza Strip** and demand an immediate ceasefire during a summit of the 120-member bloc held in Kampala;

18 Jan 2024 **Kampala (Uganda)** *Mining Technology news*. **Australia**-headquartered **Ionic Rare Earths’** subsidiary **Rwenzori Rare Metals**, the owner of the **Makuutu Heavy Rare Earth Project**, secures a large-scale mining licence (LML00334) for the central **Makuutu** tenement;

17 Jan 2024 **Kampala (Uganda)** *Crisis 24*. Political opposition leaders, including those affiliated with the **United Forces of Change** coalition, have called for protests in Kampala and elsewhere across Uganda to denounce the poor state of road conditions in the country;

16 Jan 2024 **Kampala (Uganda)** *Daily Monitor*. Members of parliament on the budget committee ask government to justify the continuous capitalisation of **Uganda National Airlines**, following the proposal to increase the airline’s budget in the 2024/2025 financial year from Ush 34.9 billion (\$9.1m) to Shs120.9 billion (\$31m) to cater for payments to the **Uganda Civil Aviation Authority**, wages, staff training, procuring aviation fuel, insurance cover for aircraft, Inflight catering, and others;

15 Jan 2024 **Kampala (Uganda)** *Parliament*. The **Uganda Sugar Manufacturers Association (USMA)** asks for an amendment to the **Sugar Act 2020**, halting all the sugar licenses currently issued by the tourism, trade and industry ministry pending the establishment of the **Uganda Stakeholder Sugar Council**;

14 Jan 2024 **Kampala (Uganda)** *Nile Post*. Uganda will destroy more than 10 million doses of expired **Covid-19** vaccines valued at USh 28.1 billion (\$7.3m);

12 Jan 2023 **Kampala (Uganda)** *Africanews*. Authorities arrest **Kenya's** former internal security assistance minister **Stephen Tarus** on charges of smuggling gold into the country using counterfeit documents;

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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