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National Resistance Movement (NRM) secretary general Justine Kasule Lumumba promises tighter control over the NRM as the party carries out a members' registration exercise. Party discipline is crucial to President Yoweri Museveni's (1986- present) intention to stand in the 2016 election and ensure a managed succession. Central Bank of Uganda (CBU) governor, professor Emmanuel Tumusiime-Mutebile, begins sick leave for an unspecified medical complaint, as parliament calls for his resignation over a 2010 financial scandal. The CBU warns that commercial oil production is unlikely to come online in 2018. The opposition threatens protests over the limited Electoral Reform Bill.

The NRM tightens up party discipline

The ruling **National Resistance Movement (NRM)** has said it will use its continuing membership registration process to tighten party discipline ahead of the 2016 election. President **Yoweri Museveni** (1986- present) is almost certain to stand in the 2016 election, barring illness or a major incident but increased party discipline will help him usher in a managed succession when he eventually decides to stand down. NRM secretary general **Justine Kasule Lumumba** has said members of the opposition and independent MPs who wish to join the NRM will need to pledge an oath of loyalty.¹ Lumumba said that the NRM would block rebel MPs from registering as members. The NRM expelled four recalcitrant members in 2014. The dispute started with their opposition to the November 2012 **Petroleum Act** despite party orders, and their expulsion followed a protracted legal case. Lumumba has been NRM chief whip since 2013. Under her watch, party discipline has improved.

"Museveni manages the various factional strands, organs and processes of the NRM carefully to co-opt opponents and advance ultra-ambitious loyalists."²

Museveni is almost certain to stand in 2016, with a final decision expected before the NRM party conference in October. Museveni met with former prime minister **Amama Mbabazi** on 9 May. The meeting comes amid unsubstantiated speculation that Museveni might invite Mbabazi to be his running mate in the 2016 election. It was their first meeting since Museveni ousted Mbabazi in September 2014. Regardless of the identity of his running mate, Museveni would enter the election as clear favourite.

In an indication of the structural advantage that the NRM enjoys, the **National Electoral Commission (NEC)** on 22 April published details of the state funds allocated to political parties for the 2016 parliamentary election. The NRM will receive \$2.7m of the total \$3.4m that the NEC allocates.³ The regulation that a party's number of parliamentarians determines government funding came into force in 2005. The smaller share that opposition parties receive disadvantages them ahead of the election as they are unable to build local networks of support and field candidates in all constituencies. The private sector is also unlikely to finance opposition parties out of fear their support will jeopardise their business activities and exclude them from government contracts. At present, the NRM has 259 MPs, the **Forum for Democratic Change (FDC)** 37, the **Democratic Party** 15, the **Uganda People's Congress** 10, and the **Conservative Party** and the **Justice Forum** one each.

Museveni will either need to amend the constitution to remove age limits or stand aside before the 2021 election. It is "*highly probable*"⁴ that Museveni would amend the constitution to remain in power after

¹ Daily Monitor, 11 May 2015.

² Source, western diplomat, Uganda

³ Daily Monitor, 25 Apr 2015.

⁴ Source, western diplomat, Uganda

2016 if it suited his purpose (such as stronger-than-expected opposition to his son brigadier **Muhoozi Kainerugaba Museveni (MKM)** as a candidate to succeed him).⁵

“There is simply too little time – with just one year remaining – for him to engineer a succession plan, especially if it involves his son. It would be too risky, and Museveni does not gamble where he doesn’t need to. If this had been his plan, he would have [implemented] it by now.”⁶

‘**Project Muhoozi**’, Museveni’s goal of clearing the path for his son to succeed him, has been “*Plan A since the mid-2000s and remains so*”.⁷ MKM is commander of the army’s **Special Forces Group (SFG)**. His military advancement has so far been meteoric and driven by his father’s position as commander-in-chief.

“He has little talent for military matters, having flunked courses at staff colleges in various countries, but was given passes to avoid embarrassment.”⁸

This does not mean that MKM’s path is clear. If Museveni were to move too early, he might trigger high-level defections from the NRM as unsuccessful potential successors sought to further their careers with the opposition. NRM sources say that MKM would have to develop a civilian political and regional (**East African**) profile before he could become a credible candidate. They add that one indication that Museveni was accelerating succession plans would be MKM swapping his military uniform for a suit and, for example, standing for parliament. In addition, the sources added that the promotion of younger NRM members – i.e., MKM’s own age – to senior political roles, would be a part of the MKM succession plan.

CBU governor goes on sick leave as parliament calls on him to resign

The position of **Central Bank of Uganda (CBU)** governor, professor **Emmanuel Tumusiime-Mutebile**, appears increasingly precarious. Tumusiime-Mutebile’s tough line on fiscal discipline means he has few influential allies in the NRM government ahead of the 2016 election. The CBU issued a statement on 9 May stating that Tumusiime-Mutebile sought medical treatment in **Nakasero Hospital** for an unspecified medical treatment.⁹ Nakasero Hospital advised Tumusiime-Mutebile to travel to **South Africa** for a medical review.¹⁰ Tumusiime-Mutebile remains on sick leave.

In a separate development, a parliamentary report has called on Tumusiime-Mutebile to resign over the management of state funds.¹¹ The **House Committee on Commissions Statutory Authorities and State Enterprises** criticised Tumusiime-Mutebile for using \$740m in foreign reserve currency in 2011 to fund the purchase of fighter jets without parliamentary approval.¹² At the time, Museveni said he would use future oil sales to replenish the foreign reserve account. Defence procurement in Uganda is “*notoriously, infamously corrupt*”.¹³

The second incident relates to allegedly inflated compensation payments made to businessman **Hassan Bassajjabalaba**’s **Haba Group Uganda Ltd** in 2010.¹⁴ At the time of the payments, Bassajjabalaba was described as “*a renowned financier and kingmaker in the NRM*”.¹⁵ The payments to Bassajjabalaba were contained within a supplementary budget in March 2010. A 2012 **Public Accounts Committee** found that the payments to Bassajjabalaba were inflated. The corruption scandal led to the resignation of gender minister **Syda Bbumba** and general duties minister **Khiddu Makubuya**. Museveni’s intervention resulted in parliament clearing Tumusiime-Mutebile of wrongdoing.¹⁶ The official justification for protecting

⁵ Source, western diplomat, Uganda

⁶ Source, former senior European diplomat, Uganda

⁷ Source, former western diplomat

⁸ Source, former senior European diplomat, Uganda

⁹ Daily Monitor, 9 May 2015.

¹⁰ Daily Monitor, 9 May 2015.

¹¹ Daily Monitor, 20 May 2015.

¹² Daily Monitor, 20 May 2015.

¹³ Source, anti-corruption analyst, UK

¹⁴ Daily Monitor, 20 May 2015.

¹⁵ Daily Monitor, 17 Feb 2012.

¹⁶ Daily Monitor, 20 May 2015.

Tumusiime-Mutebile was to avoid investor panic and keep the markets steady. Tumusiime-Mutebile seemed at the time,

*“to have dodged a bullet... there [was] a popular perception that he qualified for preferential treatment because he is from the same region as Museveni”.*¹⁷

Tumusiime-Mutebile’s warnings over the dangers of unrestrained government spending before the 2016 election (see *ARC Uganda January 2015 Briefing*) means he no longer enjoys Museveni’s protection.

CBU warns of delays to commercial oil production

It is not only election spending but also the timeline for commercial production that has increased tensions between the government and the CBU. The CBU’s monetary policy report for April warned the government it is unlikely to meet its forecast of commercial oil production coming online in 2018.¹⁸ The Ugandan government has based much of its forward economic planning on anticipated oil revenues beginning in 2018 but analysts have suggested that 2020 is more feasible. The CBU cited concerns about the profitability of oil investments for its warning. The CBU noted both the continuing low prices of international oil as well as the cost involved in transporting Uganda’s waxy oil reserves to the coast. According to the CBU report,

*“Whereas oil production had been projected to start in 2018, this date could now be pushed out even further, given that the profitability of oil investments could remain depressed in the foreseeable future.”*¹⁹

The CBU report said that the construction of the 60,000 barrels per day refinery in **Hoima** may remain on schedule but that the development of other associated infrastructure may lag.²⁰

In a signal that the CBU’s forecast might be more accurate than the government’s timeline, the government on 18 May extended the deadline for oil companies to submit bids for petroleum exploration licences from the end of May to the end of June.²¹ The extended deadline signals government discontent at a relative lack of interest amid oil sector concerns about regulatory uncertainty and infrastructure delays. This is Uganda’s first competitive bidding round and covers six blocks in the **Albertine Graben** region. Energy ministry permanent secretary **Fred Kabagambe Kaliisa** said on 16 May that the government had received 10 applications from international oil companies, and that an additional six companies had enquired about obtaining licences but not requested qualification documents.²² Kaliisa said that the government was yet to examine the 10 applications received.²³ Kaliisa said the government would use the additional period to market the available licences more aggressively at international oil conferences.²⁴ Kaliisa also said that the government would issue long-overdue production licences to **Tullow Uganda Ltd** and **Total E&P Uganda** before the end of the year.²⁵ Delays to the issuing of licences are a source of consternation with Tullow and Total, both of which had expected licences in 2014. Kaliisa said negotiations with Tullow and Total over recovery rates were ongoing.²⁶ Tullow and Total claim that the recovery rates they have pledged to meet are in line with international standards.

Opposition threatens protest over electoral laws

The NRM introduced a limited **Electoral Reform Bill** on 1 May that has triggered political opposition and raises the risk of protests. **Wafula Ogutta** of the opposition FDC has criticised the bill for not restraining the actions of the security forces during the election period, and for failing to increase transparency over the NEC or to ensure balanced media coverage.²⁷ The NEC has defended the electoral reform bill, arguing that a

¹⁷ Source, political analyst, Kampala

¹⁸ Energy Monitor Worldwide, 25 Apr 2015.

¹⁹ Daily Monitor, 26 Apr 2015.

²⁰ Energy Monitor Worldwide, 25 Apr 2015.

²¹ New Vision, 18 May 2015.

²² New Vision, 18 May 2015.

²³ New Vision, 18 May 2015.

²⁴ New Vision, 18 May 2015.

²⁵ New Vision, 18 May 2015.

²⁶ New Vision, 18 May 2015.

²⁷ Daily Monitor, 30 Apr 2015.

new biometric voting system will reduce the risk of electoral fraud. The NRM also introduced an **Anti-Terrorism Amendment Bill** on 2 May, which broadens the definition of terrorism to include “*any act prejudicial to national security or public safety*”.²⁸ Opposition groups responded to the limited election reform bill by reforming the **Activists 4 Change (A4C)** movement and launching the **Citizens Reform Now** campaign to lobby for electoral reform. The government banned A4C in 2012 following a series of protests over police human rights abuses. The Citizens Reform Now is committed to peaceful civil disobedience.²⁹

Implications

The emphasis on party discipline adds to the sense that the NRM is more focused on the 2016 election than on effective governance. This will likely result in policy drift and limbo as well as populist measures. The 2016 and 2021 elections, constitutional revision, and Museveni’s succession are fracture points that could exacerbate fault lines within the NRM. A meaningful challenge to the planned managed succession to MKM is more likely to come from within the NRM than from the opposition.

Should Tumusiime-Mutebile resign before the end of his term in 2017, his likely successor is deputy governor **Louis Kasekende**. His instinct would be to follow Tumusiime-Mutebile’s tough line to encourage fiscal discipline but Museveni would probably make it a condition of his appointment that he loosen the fiscal strings pre-election.³⁰

Companies may opt out of this oil licensing round, preferring to see how it unfolds and to watch future oil price trends. A lack of interest combined with the delays to production licences will mean that companies are unlikely to agree on front end engineering designs before 2016 with final investment decisions in 2017 at the earliest. Commercial production is therefore more likely to come online in 2018 than current government forecasts of 2017/2018, with a large-scale ramp up in production in 2019 to 2020.

The relaunch of Activists 4 Change is an increased risk of protest marches and demonstrations and heavy-handed responses by security forces in **Kampala** and other urban centres.

²⁸ Independent, 2 May 2015.

²⁹ VOA, 1 May 2015.

³⁰ Source, former western diplomat, Kampala