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President Yoweri Museveni (1986-present) deploys the Uganda People's Defence Force (UPDF) to protect Chinese businesses after a wave of attacks and robberies at Chinese properties in Uganda. Internal affairs minister General Haji Abubakar Jeje Odongo bans Kenyan legislator Babu Owino from entering Uganda because of his support for Ugandan musician and legislator Bobi Wine's People Power movement. Canada's state-owned export development and credit agency, Export Development Canada (EDC), refuses to fund Uganda's purchase of four Bombardier aircraft over concerns with human rights abuses and corruption in Uganda. The mining and minerals development ministry is engaged in a fresh tax dispute with United Kingdom-based oil junior Tullow Oil over proceeds from its farm-down transaction, worth \$900m.

President Museveni deploys army to guard Chinese businesses

President **Yoweri Museveni** (1986-present) directed the **Uganda People's Defence Forces (UPDF)** on 14 November to protect **Chinese** businesses in **Uganda**.¹ The directive demonstrates the extent of China's economic influence in Uganda.² Museveni issued the directive when he addressed 120 Chinese investors, amidst increasing numbers of cases of thefts at businesses.³ The government faces criticism for an escalation in violent crime across the country, which reduces investors' personal security and that of their assets and investments in the country.⁴ In one recent example, robbers attacked the residential unit of **CCLE Rubber Company** in **Mbalala** in central **Mukono** district on 23 October, injuring five people and stealing \$11,000 in cash, cellphones and other electronic gadgets.⁵

Explanations for the crimes against Chinese investors abound. A Mukono resident said that some of the attackers are former employees seeking revenge while current employees also orchestrate robberies from within.⁶ A Chinese businessperson also indicated that business rivals arrange for the attacks to drive the Chinese out of Uganda:

"We are aware that some big companies want to knock the small companies out of the country so that they remain monopolists. When these robberies started, they told people not to report to authorities [because] this would discourage other investors..."⁷

President Museveni said that the army would conduct patrols and use surveillance cameras in industrial parks.⁸ He also indicated that soldiers who lose their firearms while on duty would face a court martial. This follows allegations that some of the robberies at Chinese

¹ BBC, 15 Nov 2018.

² BBC, 15 Nov 2018.

³ BBC, 15 Nov 2018.

⁴ BBC, 15 Nov 2018.

⁵ Daily Nation, 15 Nov 2018.

⁶ Daily Nation, 15 Nov 2018.

⁷ Anonymous source, quoted in Daily Nation, 15 Nov 2018.

⁸ BBC, 15 Nov 2018.

businesses are a result of collusion between the soldiers and their accomplices.⁹ Chinese businesspeople in Uganda have threatened to leave the country over the wave of criminal attacks against their businesses.¹⁰ **You Jing Shu**, the chairperson of the **Guangdong Chamber of Commerce**, a lobby group consisting of approximately 50 companies in Uganda, said that many members of his group are currently considering leaving unless the government improves the security situation.¹¹

A group of Chinese investors has since met with senior government officials over the security concerns.¹² The meetings included internal affairs minister **General Haji Abubaker Jeje Odongo**, security minister **General Elly Tumwine**, inspector-general of police **Okoth Ochola**, director-general of the **Internal Security Organisation (ISO) Colonel Kaka Bagyenda**, and **Mukono North** member of parliament (MP) **Ronald Kibuule**.¹³ Kibuule indicated that President Museveni had ordered the meeting to take place, and the army deployed 40 armed guards to Chinese properties that had recently experienced robberies.¹⁴

Uganda hosts a large number of Chinese businesses and workers, along with others from various **Asian** countries.¹⁵ Their numbers have been steadily growing because of a corresponding increase in China's investments in Uganda and other **African** countries.¹⁶ They are mainly involved in manufacturing, retail, import-export, and large-scale infrastructure projects.¹⁷ The **China National Offshore Oil Company (CNOOC)** is one of two foreign corporations that are involved in developing Uganda's oil industry.¹⁸

However, their presence has resulted in resentment from some local and other foreign competitors.¹⁹ The government values Chinese investment because of its job creation potential and provision of tax revenue that accrues to the national treasury, and thus they appear to receive preferential treatment from the government.²⁰ President Museveni's direct involvement in the issue will inspire investor confidence, although the security services will need to establish an institutionalised, long-term crime prevention strategy that will improve security and the business operating environment in general.²¹

Government bans Kenyan legislator from Uganda over ties to Bobi Wine

Internal affairs minister General Haji Abubaker Jeje Odongo banned **Kenyan Embakasi East MP Paul Ongili** (aka **Babu Owino**) on 11 November from entering Uganda over his involvement in Ugandan opposition politics.²² Jeje Odongo's action demonstrates the regional impact of Uganda's political developments, where President Museveni faces increasing criticism over repressive governance, corruption, and economic decline.²³ Jeje Odongo said that if Owino wished to travel to Uganda, he would require special clearance from the Uganda

⁹ BBC, 15 Nov 2018.

¹⁰ Daily Nation, 15 Nov 2018.

¹¹ Daily Nation, 15 Nov 2018.

¹² Daily Nation, 15 Nov 2018.

¹³ Daily Nation, 15 Nov 2018.

¹⁴ Daily Nation, 15 Nov 2018.

¹⁵ Source, analyst, London

¹⁶ Source, analyst, London

¹⁷ Source, analyst, London

¹⁸ Source, analyst, London

¹⁹ Source, analyst, London

²⁰ Source, analyst, London

²¹ Source, analyst, London

²² Chimp Reports, 11 Nov 2018.

²³ Chimp Reports, 11 Nov 2018.

internal affairs ministry to visit.²⁴

The internal ministry's objection to Owino stems from his association with independent legislator and popular musician **Robert Kyagulanyi** (aka **Bobi Wine**) and his **People Power** movement.²⁵ Bobi Wine visited Kenya in September to launch a "**Youth for Africa**" movement.²⁶ He and Owino appeared jointly at political rallies and media interviews, where they issued statements critical of President Museveni. In a media interview on 11 November, Jeje Odongo noted:

*"Our attention is drawn to the joint subversive activities of Robert Kyagulanyi popularly known as Bobi Wine and his Kenyan counterpart Babu Owino to undermine the legitimately elected government of the Republic of Uganda. Any person found aiding or abetting the violation of this directive will be in contravention of a legal order and will be liable for prosecution."*²⁷

However, Owino indicated that he is undeterred from working with Bobi Wine and the People Power movement:

*"General Haji's ban will not deter me from agitating for greater democratic space in Uganda, Kenya and indeed, the entire continent. I will not falter in my pursuit for respect for human rights, and the meaningful involvement of the youth in our nations' affairs."*²⁸

The ban shows the extent of the government's fears of the People Power movement's political strength.²⁹ The movement has gained considerable traction with young people, who constitute more than half of Uganda's population.³⁰ However, President Museveni's political power largely rests in the security sector, especially the army, whose repressive tactics limit the extent to which political opposition becomes a real threat to his incumbency.³¹

Uganda government in dispute with Canada's EDC over botched plane deal

The unexplained decision of **Canada's** state-owned export development and credit agency, **Export Development Canada (EDC)**, to withdraw funding for Uganda's purchase of four **Bombardier** planes has resulted in a falling-out with the government of Uganda.³² The planes were intended for the revival of the **Uganda Airways** national carrier, which is predominantly President Museveni's endeavour.³³ The EDC's refusal to fund the project is a direct expression of disapproval of Museveni's political record.³⁴ The EDC's decision is likely a result of Canada's concerns about human rights violations in Uganda, where the Uganda People's Defence Forces (UPDF), and **Uganda Police Service** attacked opposition activists and legislators in August and September.³⁵ The EDC had committed to lending \$108m to buy the planes, with an annual interest of 3.5%.³⁶ The Uganda Airways project team is reportedly seeking an explanation from the EDC over its about-turn to avoid future audit queries, since it

²⁴ Africa News, 11 Nov 2018.

²⁵ Africa News, 11 Nov 2018.

²⁶ The Star, 14 Oct 2018.

²⁷ Internal affairs minister of Uganda, General Haji Abubakar Jeje Odongo quoted in Africa News, 11 Nov 2018.

²⁸ Chimp Reports, 11 Nov 2018.

²⁹ Source, analyst, London

³⁰ Chimp Reports, 11 Nov 2018.

³¹ Source, analyst, London

³² The East African, 23 Oct 2018.

³³ The East African, 23 Oct 2018.

³⁴ Source, analyst, London

³⁵ The East African, 23 Oct 2018.

³⁶ The East African, 23 Oct 2018.

will now seek funds from alternative sources, and likely at a higher repayment rate.³⁷

‘The project team has been evaluating alternative proposals, which included some ridiculously cheap money. On further scrutiny, these offers have been turned down in favour of more expensive but credible money. That is something that could raise questions in the future, hence the need for a record that EDC finance was not available.’³⁸

The government of Uganda had planned to launch the national airline with four aircraft, **Bombardier CRJ 900** series, in April 2019.³⁹ However, the EDC’s withdrawal of funding may put the launch date into question.⁴⁰ **Jessica Draker**, a representative from the EDC’s department of external communications, confirmed that the EDC would not finance the project, mainly because it had never made any commitment to do so.⁴¹ Draker also confirmed that the EDC considers a country’s record of human rights and corruption as crucial factors before engaging a government as a client.⁴²

‘Human-rights and responsible business conduct are top priorities for EDC. At the same time, we believe in continuous progress. We regularly update our policies and practices so that they reflect international best practices, meet Canadians’ expectations of responsible business conduct, and respect the government of Canada’s commitments in these important areas.’⁴³

The Uganda Airways project team indicated that the EDC’s refusal to finance the project would not delay the planned launch date.⁴⁴ The project team said several alternative bids that emerged after the EDC’s refusal became public.⁴⁵ Uganda Airways expects to take delivery of the first aircraft in January 2019 and commence commercial operations in April.⁴⁶ Uganda Airways has planned international routes that will include **London (United Kingdom, UK)**, **Mumbai (India)**, and an unnamed Chinese destination.⁴⁷

The EDC’s refusal to fund the Uganda Airlines project is largely based on Uganda’s poor record of human rights and corruption.⁴⁸ Its decision is significant in symbolic terms, since it sends a message to both Uganda and international observers that the government needs to be accountable.⁴⁹

Uganda Revenue Authority in fresh dispute with Tullow Oil

The **Uganda Revenue Authority (URA)** is engaged in a dispute with UK-based oil junior **Tullow Oil** over its \$900m farm down payment.⁵⁰ The outcome of the dispute will reveal the extent to which foreign investors’ assets and investments are protected in Uganda.⁵¹ The

³⁷ The East African, 23 Oct 2018.

³⁸ Anonymous source quoted in The East African, 23 Oct 2018.

³⁹ The East African, 23 Oct 2018.

⁴⁰ The East African, 23 Oct 2018.

⁴¹ The East African, 23 Oct 2018.

⁴² The East African, 23 Oct 2018.

⁴³ EDC’s Jessica Draker quoted in The East African, 23 Oct 2018.

⁴⁴ The East African, 23 Oct 2018.

⁴⁵ Source, analyst, London

⁴⁶ The East African, 23 Oct 2018.

⁴⁷ Daily Nation, 24 Sept 2018.

⁴⁸ Source, analyst, London

⁴⁹ Source, analyst, London

⁵⁰ The East African, 21 Oct 2018

⁵¹ The East African, 21 Oct 2018

dispute is also likely to delay Tullow Oil's farm down of its upstream and midstream oil and gas investments in Uganda's oil sector.⁵² This is mainly because the government would only approve the transaction once the tax dispute is resolved.⁵³ Tullow announced on 1 January 2017 that it had signed a sale purchase agreement with **France**-based oil company **Total E&P** to transfer 21.57% of its 33.33% shareholding in the Uganda joint venture partnership, of which China National Offshore Oil Company (CNOOC) is also a part.⁵⁴ Tullow entered into an agreement with Total and CNOOC that it would receive \$200m, and reinvest \$700m in upstream operations in Uganda, and the **East African Crude Oil Pipeline (EACOP)**.⁵⁵

The heart of the dispute is whether Tullow's earnings from the farm down transaction are taxable.⁵⁶ The URA believes that it should earn one third of the \$900m in taxes, which would amount to \$300m. Tullow disagrees, claiming it will reinvest the \$900m in Uganda.⁵⁷ The arguments of the URA and Tullow are based on different interpretations of the **Capital Gains Tax Act**.⁵⁸

Tullow Oil was involved in a tax dispute with the government of Uganda in 2012.⁵⁹ The energy and mineral development ministry had requested that Tullow pay \$473m in capital gains tax, after it sold 66.6% of several of its licences to Total, and CNOOC in 2012, from which Tullow earned \$3 billion.⁶⁰ Tullow and the government, which had referred the issue to international arbitration, eventually agreed to settle the issue out of court.⁶¹ Under the agreement, Tullow paid \$250m, which was almost half of what the mining and minerals development ministry had demanded in taxes.⁶²

The tax dispute reflects the hard line stance against foreign oil companies that the Ugandan government has taken since the beginning of development of the oil sector in 2006.⁶³ Traditionally, foreign oil and mining companies have tended to have more leverage against local government because of their provision of capital and expertise.⁶⁴ However, President Museveni appointed teams of well-trained technocrats in the mines and mineral development ministry, who have readily challenged mining companies over taxes and other issues.⁶⁵ The latest development may discourage future investors in Uganda's economy, especially given the disproportionately high tax bills that the government imposes on farm-down transactions.⁶⁶

⁵² The East African, 21 Oct 2018

⁵³ Daily Monitor, 12 Jun 2018.

⁵⁴ The East African, 21 Oct 2018

⁵⁵ The East African, 21 Oct 2018

⁵⁶ The East African, 21 Oct 2018

⁵⁷ The East African, 21 Oct 2018

⁵⁸ The East African, 21 Oct 2018

⁵⁹ Reuters, 22 Jun 2015.

⁶⁰ Reuters, 22 Jun 2015.

⁶¹ Reuters, 22 Jun 2015.

⁶² Reuters, 22 Jun 2015.

⁶³ Source, analyst, London

⁶⁴ Source, analyst, London

⁶⁵ Source, analyst, London

⁶⁶ Source, analyst, London

Planner

14 Dec 2018 **Kampala (Uganda) Bank of Uganda** Monetary Policy Committee meeting;
 19 Feb 2019 **Kampala (Uganda)** Uganda Trade Expo;
 2 Oct 2019 **Kampala (Uganda)** Uganda International Trade Fair;
 2023 **(Uganda)** Uganda general election;

Chronology

21 Nov 2018 **Kampala (Uganda)**. *Daily Monitor*. **Belgium's** ambassador to **Uganda** and **South Sudan, Hugo Berbist**, announces that the Belgian government will avail more financial support to Uganda, especially the education sector;

20 Nov 2018 **Kampala (Uganda)** *IOL*. **Uganda Communications Commission (UCC)** announces plans to compel new investors in telecommunications to rent capacity from existing fibre optic cables instead of laying their own to lower costs and reduce duplication;

18 Nov 2018 **Lake Albert (Uganda)** *News24*. Suspected militiamen from the **Democratic Republic of the Congo (DRC)** shoot and kill **Ugandan** fishermen on **Lake Albert**, which straddles the two countries' borders;

15 Nov 2018 **Kampala (Uganda)** *BBC*. President **Yoweri Museveni** deploys the **Uganda People's Defence Forces (UPDF)** to protect **Chinese** businesses in Uganda after a spate of armed robberies;

11 Nov 2018 **Kampala (Uganda)**. *BBC*. Popular musician and legislator **Robert Kyagulanyi** (aka **Bob Wine**) returns to perform for the first time since his arrest and torture in August;

11 Nov 2018 **Kampala (Uganda)** *Africa News*. Internal affairs minister **General Haji Abubakar** bans **Kenyan** member of parliament **Paul Ongili** (aka **Babu Owino**) from visiting **Uganda** over his support for independent legislator **Bob Wine's People Power** movement;

7 Nov 2018 **Kampala (Uganda)**. *NBC*. The **World Health Organisation** announces that health workers have started vaccinating people in **Uganda** against the **Ebola** virus for the first time, to prevent future outbreaks;

7 Nov 2018 **Kampala (Uganda)**. *New Vision*. Energy and minerals development minister **Irene Muloni** announces plans to open a new round of bidding for new exploration licences in March 2019;

4 Nov 2018 **Kampala (Uganda)**. *News24*. The **Turkish** foreign ministry recalls its ambassador to Uganda after she wore a **Greek**-inspired costume;

2 Nov 2018 **Kampala (Uganda)** *Reuters*. Public works minister **Monica Azuba** says the government expects to finalise a \$2.2 billion deal with **China**-based **Exim Bank** by the end of the year to pay for part of a railway line that will connect **Kenya's Mombasa** port to **Kampala**;

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