

## AFRICA RISK CONSULTING

### Country briefing – Uganda

25 September 2013

## Summary

*General David Sejusa launches opposition movement, "Free Uganda". Kizza Besigye threatens to oust president Yoweri Museveni in a manner similar to Arab Spring, but the threat appears hollow. Challenges to Museveni are more likely to emerge from within the ruling National Resistance Movement. The Central Bank of Uganda raises key lending rate to 12%. Government increases security measures in wake of al Shabaab attack on Westgate Mall in Nairobi. Defence ministry suspends 23 Uganda People's Defence Force officers serving in Somalia, drawing attention to a wider problem of corruption in the security sector.*

### 1.1 Opposition groups pose little challenge to government

Exiled general **David Sejusa** (formerly **Tinyefuza**) launched an opposition movement called **Free Uganda** on 21 September. The political platform is committed to "*struggle against the diabolical abuse of our people by the dictatorship*".<sup>1</sup> Sejusa said the group would be willing to use "*all means permitted by the constitution*". Sejusa is still in **London** and is unlikely to return to face "treachery" charges following his allegations that President **Yoweri Museveni** is preparing his son **Muhoozi Kainerugaba** to succeed him [see *ARC Uganda July 2013 Briefing*]. Free Uganda's spokesman, **Vincent Magombe**, a prominent critic of President Museveni also based in the **United Kingdom (UK)**, issued the statement. The absence of any Free Uganda figureheads in Uganda reduces the probability that it will gain serious traction or pose a serious challenge to the ruling **National Resistance Movement (NRM)**. The Free Uganda movement reveals the consequences of the NRM's control over political structures and the weakness of the formal opposition. General **Katumba Wamala**, chief of defence forces, also declared Sejusa as absent without leave, having failed to report for duty following his official leave. On 17 September, parliamentary speaker **Rebecca Kadaga** rejected Sejusa's request to extend his official leave from parliament, warning that he needed to attend the next day's session, something he failed to do.

---

<sup>1</sup> The Observer, 21 Sept 2013

The leader of opposition group **4GC**, **Kizza Besigye**, said at a rally on 1 September that president **Yoweri Museveni** would be ousted in a similar manner to former **Egyptian** president **Hosni Mubarak**.<sup>2</sup> However, the threat is not much more than bluster. Besigye lacks the resources or capacity to mobilise national movements as he did during the "Walk to Work" campaigns in April and May 2011. Besigye said he forecast Museveni being ejected from office before the country's 2016 elections in which Museveni is likely to stand, warning "*he may not go peacefully*". Besigye has lost support since his days as leader of the **Forum for Democratic Change (FDC)**. He faces challenges to his credibility similar to those Museveni faces in terms of meeting the political and economic aspirations of a younger electorate.

*"Besigye has become almost as much of a fixture on the political scene as Museveni, and his increasingly righteous stubbornness and evident personal bitterness have eroded his legitimacy as an agent of change."*<sup>3</sup>

The Ugandan public are mostly preoccupied with economic problems such as the increased cost of living and do not believe that Besigye represents the answer.

*"It's obvious that the economy is people's main concern, but ultimately he doesn't really offer an alternative economic analysis... you have to remember that if Museveni is concerned with his legacy, so equally is Besigye."*<sup>4</sup>

Besigye holds political ambitions and is likely to run as a candidate in 2016. However it is unlikely that any opposition party will be able to overcome the financial and logistical advantages that the ruling **National Resistance Movement (NRM)** enjoys thanks to its access to state resources [see *ARC Uganda August 2013 Briefing*].

While Museveni's overthrow as promised by Besigye is improbable, rising living costs and the unlikelihood of the opposition enjoying electoral success in 2016 will encourage regular civil unrest in **Kampala** as the election approaches. Protests have been a feature of political life in Kampala for the

---

<sup>2</sup> The Observer, 1 Sept 2013

<sup>3</sup> Source, political analyst, Kampala

<sup>4</sup> *ibid*

past few years as the capital has emerged as an opposition stronghold.<sup>5</sup> Street protests will continue as long as the government is unable to address popular concerns such as inflation [see *ARC Uganda August 2013 Briefing*]. Observers have warned that political frustration and economic pressures are sufficient to provoke nationwide protests.

*“...But if there is some sort of explosion, I don’t think we’ll see it coming. Something small will set it off - the police running over a child, someone dying in custody. Then suddenly everybody will be out in the street and will stay there regardless of what the police do to them...”*<sup>6</sup>

Challenges to Museveni are more likely to come from within the NRM amid increasing conjecture about who is to succeed the president.<sup>7</sup> Museveni is most likely to choose a candidate from within the three old guards of the NRM. These are the ‘historicals’ who took part in the guerrilla war of the 1980s, and the families of the president and the prime minister. However, a population increasingly frustrated with the political old guard may encourage the emergence of Young Turks inside the NRM.

## 1.2 Central Bank of Uganda raises key lending rate to 12%

The **Central Bank of Uganda (CBU)** unexpectedly raised its benchmark lending rate by 100 basis points to 12% on 3 September, citing rising core inflation.<sup>8</sup> The move came as a surprise as the CBU had been expected to maintain a tighter monetary policy in the face of likely increased government spending as the 2015 elections approach [see *ARC Uganda August 2013 Briefing*]. The CBU governor **Emmanuel Tumusiime-Mutebile** said he expected inflation to remain above 6% for the next few months but that tightening its monetary policy now should mean it returns to the target of 5% by the third quarter of 2014. According to **Uganda’s Bureau of Statistics**, the annual headline inflation rose from 3.6% in June to 7.3% in August 2013.<sup>9</sup> The cause of the increase was the dry spell which has had a detrimental effect on the crop harvest in the centre and west of the country and pushed up the price of food by 16%.<sup>10</sup> Tumusiime-Mutebile said the tightening was to manage supply side shock to agriculture and increases in the price of non- food items. Inflationary pressures will increase as the country moves towards the 2016 elections. The band around the central bank rate remains at plus/minus 2% points and the margin on the rediscount rate will be 3% percentage points.

<sup>5</sup> Source, business consultant

<sup>6</sup> Source, opposition lawyer

<sup>7</sup> Source, business consultant

<sup>8</sup> New Vision, 3 Sept 2013

<sup>9</sup> New Vision, 3 Sept 2013; East African Business Week, 5 Aug 2013

<sup>10</sup> Central Bank News, 3 Sept 2013

In September, ratings agency **Fitch** maintained its B/B rating on Uganda's short and long-term sovereign credit, but upgraded the outlook on the rating from stable to positive.<sup>11</sup> Fitch cited Uganda's strong GDP growth and credible monetary policy management, notably the reduction of inflation. The agency did highlight structural constraints including a weak business environment and low GDP per capita. Any rating upgrade would be conditional on continued economic growth, an increase in the ratio of government tax revenue to GDP and further reforms to tax revenue collection.

### 1.3 Government increases security in wake of Westgate attack in Nairobi

Ugandan security officials have put the country on "red alert" for an **al Shabaab** attack similar to the seizure of the **Westgate Mall** in **Nairobi**.<sup>12</sup> General Katumba Wamala said on 25 September that there will be larger patrols in **Malaba** and **Busia** along the border with Kenya, and greater security presence in commercial and economic locations. Al Shabaab launched the attacks in retaliation against the presence of **Kenyan** troops in **Somalia**. Uganda deployed forces in Somalia in 2007 under the auspices of the **African Union Mission in Somalia (AMISOM)** and its 7,000 troops currently represent over a third of AMISOM forces. In July 2010, al Shabaab carried out twin bombings of an **Ethiopian** restaurant and a rugby club in Kampala, killing 77 people.

### 1.4 Corruption is a risk to Uganda's security

The Ugandan defence ministry suspended 23 army officers, part of AMISOM, in September.<sup>13</sup> The officers' dismissal followed allegations that they had been involved in selling on the black market food and fuel meant for **Uganda People's Defence Force (UPDF)** units. The scam meant that Ugandan troops at times received only one meal a day.<sup>14</sup> Brigadier **Michael Ondoga**, commander of Ugandan forces in Somalia, was amongst the soldiers recalled. President Museveni cancelled Ondoga's appointment as military attaché in Nairobi, a position he was to take up at the end of the month.<sup>15</sup> The defence ministry is currently investigating the allegations and has vowed to hold those involved to account. The **European Union**, which is responsible for managing troop stipends in Somalia, has said it, too, is looking into the accusations. Should the alleged racket be proven, it would be evidence of endemic corruption within the senior ranks of the UPDF, a military infamous for "ghost soldiers" and opaque procurement. In April 1997, the government signed a purchasing arrangement with the

---

<sup>11</sup> New Vision, 5 Sept 2013

<sup>12</sup> Sudan Tribune, 25 Sept 2013

<sup>13</sup> AFP, 16 Sept 2013

<sup>14</sup> Reuters, 16 Sept 2013

<sup>15</sup> Daily Monitor, 16 Sept 2013

UK company **Consolidated Sales Corporation** for four helicopter gunships from **Belarus**. Museveni's brother General **Caleb Akandwanaho 'Salim Saleh'**, the then presidential advisor on security, received a bribe worth \$800,000 during the procurement process.<sup>16</sup> The helicopters did not meet the contract specifications and turned out to be junk.<sup>17</sup>

## 2 Implications

Museveni is losing popularity amongst young Ugandans more concerned with their economic prospects than his rhetoric about Uganda's history and what came before him. It appears, however, that Besigye is not in a position to take advantage. Challenges to Museveni will emerge from within the NRM rather than from without. These will increase in the next few months, with an increasingly recalcitrant party slowing parliamentary legislation. Should Museveni appoint either a "historical" or family member as an heir, it could lead to several defections from the NRM as spurned members seek political opportunities elsewhere, which would further encourage discontent in the ranks.

While the CBU's decision to raise the key lending rate was unexpected, an increasingly sophisticated monetary policy means that it is progressively more flexible. Investors will respond positively.

Further al Shabaab attacks are likely in Uganda and most likely to take place in Kampala due to the presence of high value targets.<sup>18</sup> However if attacks take place outside Kampala the likely targets would be in **Entebbe**, **Jinja** or **Mable** or the bridges along the main road that connect the cities.

Endemic corruption in a military undermines its effectiveness as a fighting force and encourages the misappropriation of state funds. However, it will not undermine Uganda's role in Somalia. Uganda provides 35% of AMISOM's 18,000 troops and the government views this contribution as key to its ambition of being a regional power. The case of Salim Saleh reveals the close ties between Uganda's political and military elites. Allegations of corruption will encourage defections from the lower ranks of the UPDF. Defections have increased in the past couple of years due to low pay and lack of promotion opportunities. In July 2013, 600 soldiers in the western regions deserted with their weapons and uniforms. This has contributed to the rise in violent crime in both western Uganda and

---

<sup>16</sup> **World Bank Stolen Asset Recovery Initiative** database

<sup>17</sup> *ibid*

<sup>18</sup> Source, diplomatic security officer, Kampala



Kampala. Armed robberies are likely to continue to target businesses known to hold large supplies of cash.