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President Yoweri Museveni (1986-present) leads an anti-corruption march, which commentators dismiss as an empty political stunt. The finance ministry plans to borrow over \$600m to fund a budget deficit for the current 2019/2020 financial year, which will increase its public debt threshold by 2%. The government has reached an agreement with United Kingdom (UK)-based Tullow Oil and joint venture partners, France-based Total E&P and China National Offshore Oil Company (CNOOC). The African Finance Corporation (AFC) provides \$20m to kick-start the construction of the Hoima oil refinery. 2019 saw musician and independent legislator Robert Kyagulanyi, aka Bobi Wine, enjoy increasing popularity, while the government's dispute with South Africa-based telecommunications company MTN Uganda over espionage accusations in February highlighted a heavy-handed approach to foreign corporations. Tensions between Uganda and Rwanda escalated, leading to the closure of the border in March. Looking ahead to 2020, Uganda's political environment will become increasingly contentious as parties launch political campaigns for the 2021 general election. The government's borrowing spree will raise the public debt ratio close to the 50% mark, unless the Uganda Revenue Authority (URA) improves its tax-collection strategies but the anticipated Final Investment Decision (FID) on the oil sector may result in positive economic growth from an inflow of new investment.

Critics call anti-corruption march “an empty political stunt”

President **Yoweri Museveni** (1986-present) led thousands of civil servants and political supporters in a march against corruption in the capital, **Kampala**, on 4 December.¹ Although Museveni intended to use the march to promote the government's anti-corruption initiatives, it attracted criticism instead – his government is viewed as responsible for the rampant public sector corruption that has become a prominent feature of the ruling regime.² The march resulted in the lock-down of Kampala city centre as security agents deployed heavily to protect Museveni and other high-level officials including the speaker of parliament, **Rebecca Kadaga**, and chief justice **Bart Katureebe**.³

In a speech delivered after the march, Museveni expressed his intention to stamp out corruption in **Uganda**, describing it as a stumbling block against wealth creation and economic development.⁴ Government inspector-general **Irene Mulyagonja** claimed that senior government officials often use Museveni's name to conduct corrupt activities, but said the president himself is incorruptible:

“You see ... he is ready to give them up [corrupt senior public officials]. So if [we] decide to start investigating a person who is close to him, he doesn't ask us to stop investigating, but just asks us to bring the evidence.”⁵

Several analysts have dismissed the march as a publicity stunt saying Museveni and his government are largely to blame for the problem of corruption in Uganda. Non-governmental organisation **Action Aid International Uganda** programmes and policy director **Nickson Ogwal** said:

“[Museveni] is the chief law enforcement officer of Uganda. He is therefore the one to whom the

¹ VOA News, 5 Dec 2019.

² VOA News, 5 Dec 2019.

³ News24, 4 Dec 2019.

⁴ News24, 4 Dec 2019.

⁵ Inspector general of government, Irene Mulyagonja quoted by VOA News, 5 Dec 2019.

citizens are supposed to walk and show and demonstrate that they are angry about corruption. Now, to whom is he angry? So, we really think that he is playing politics.”⁶

Corruption scandals have plagued Museveni’s government since he came to office in 1986. In 2012, the **United States (US)** and **European Union (EU)** temporarily suspended aid to Uganda after evidence of the embezzlement of \$12.7m in aid funds at the Uganda prime minister’s office.⁷ In 2013, a senior government official, **Mike Mukula**, illegally signed cheques for first lady **Janet Museveni** to steal donor funds intended for the eradication of infectious diseases such as malaria and tuberculosis in Uganda.⁸ More recently, in 2018 Museveni’s relative, foreign minister **Sam Kuteesa**, allegedly took bribes from former **Hong Kong** government official **Patrick Ho**, who was convicted of this crime and others.⁹ None of the high-profile accused has served prison terms for corruption-related crimes.¹⁰ The anti-corruption march is thus more likely a publicity stunt intended for foreign audiences than the beginning of far-reaching strategies to eradicate corruption at all levels of public office in Uganda.¹¹

Finance ministry borrows \$661m to fund budget deficit

The finance ministry revealed on 5 December that it will borrow €600m (\$661m) from international banks to fund a budget deficit in the 2019/2020 budget.¹² The ministry faces a Shs2.5 trillion (\$680m) shortfall in the current financial year as a result of a 9% drop in the **Uganda Revenue Authority’s (URA)** domestic revenue collections.¹³ The finance ministry said that delays in tax payments have contributed to the shortfall, including a pending payment of \$100m in licence fees from **South Africa**-based telecommunications company **MTN Uganda**.¹⁴ The government is engaged in long-running negotiations over the company’s licence renewal.¹⁵

The finance ministry plans to borrow the funds from South Africa-based **Standard Bank**, and the regional **Trade and Development Bank**.¹⁶ The new borrowing will add 2% to Uganda’s public debt to GDP ratio, which is currently at 43%.¹⁷ The **International Monetary Fund (IMF)** says the government’s debt stock could exceed 50% of Uganda’s gross domestic product (GDP) in the 2021/22 financial year.¹⁸ Uganda’s public debt has gradually increased in the last decade to fund infrastructure development, mainly through loans from **China**.¹⁹ This includes the construction of roads leading to the country’s oil fields and tourist destinations.²⁰ The government is also borrowing and spending against future oil revenues, which may put the economy at risk if oil production, which is yet to commence, fails to yield the anticipated revenues that would fund debt servicing.²¹ The government expects oil production to commence in 2022, although this date has been postponed several times.²²

Government reaches agreement with oil companies

The government reached an agreement in December with private oil companies, resolving tax disputes that had escalated and reached a stalemate in August. The government had approved **United**

⁶ Action Aid programs director, quoted by VOA News, 5 Dec 2019.

⁷ News24, 4 Dec 2019.

⁸ News24, 4 Dec 2019.

⁹ News24, 4 Dec 2019.

¹⁰ Source, analyst, London.

¹¹ Source, analyst, London.

¹² Bloomberg, 5 Dec 2019.

¹³ Bloomberg, 5 Dec 2019.

¹⁴ Bloomberg, 5 Dec 2019.

¹⁵ Reuters, 5 Dec 2019.

¹⁶ Reuters, 5 Dec 2019.

¹⁷ Reuters, 5 Dec 2019.

¹⁸ Bloomberg, 5 Dec 2019.

¹⁹ Reuters, 5 Dec 2019.

²⁰ Bloomberg, 5 Dec 2019.

²¹ Source, analyst, London.

²² Source, analyst, London.

Kingdom (UK)-based Tullow Oil's planned farm down sale of its assets in Uganda for \$617m to joint venture partners **France-based Total E&P** and **China National Offshore Oil Company (CNOOC)** but declined to waive the tax on the transaction that all three companies ought to have paid to the URA. This led to the suspension of construction activities for the **East African Crude Oil Pipeline (EACOP)**, since the three companies' shareholding and investment into the pipeline was contingent on the completion of Tullow's farm down transaction. The EACOP will channel Uganda's oil from the **Hoima** oilfields to **Tanzania's** port of **Tanga**.²³ The government reached an agreement with the oil companies in December, but so far energy ministry representative **Hans Kyazze** has declined to provide more information on the deal. Kyazze said the plan allows Tullow Oil to revive its planned sale of oil assets in Uganda, remaining as an operating partner with just 10% shareholding.²⁴ The **Final Investment Decision (FID)** that will pave way for the production of oil is expected in early 2020.

The **Africa Finance Corporation (AFC)** has provided \$20m for the construction of Uganda's oil refinery, worth \$4.7 billion.²⁵ The funding will kick-start construction on the project, which is scheduled for completion in 2023.²⁶ Energy and minerals development minister **Irene Muloni** signed the financing agreement during the **Africa Oil Week**, held from 4-8 November in **Cape Town** (South Africa).²⁷ Muloni described the agreement as "very good for Uganda":

*"We had several investors committing themselves to join the development of the refinery. [Albertine Graben Refinery Consortium] AGRC and the financiers will work out the movement of the funds, but as for government, we shall raise our share of the investment through debt and equity."*²⁸

The refinery will process finished petroleum products, such as gasoline, diesel, kerosene, jet fuel, liquefied petroleum gas, and heavy fuel oil for sale in Uganda and the **East African Community (EAC)** region.²⁹

Uganda in 2019 ...

Several political and economic developments dominated Uganda's headlines in 2019:

Bobi Wine's popularity grew ...

Musician and independent legislator **Robert Kyagulanyi**, aka **Bobi Wine**, enjoyed soaring popularity, which led to the government banning him from performing in Uganda. Kyagulanyi, whose music is popular among Uganda's urban youth, has become Uganda's most prominent opposition political figure, overshadowing veteran opposition leader and former **Forum for Democratic Change (FDC)** president **Kizza Besigye**. Kyagulanyi has resorted to performing outside of Uganda, conducting tours and fund-raising activities in the US, **Canada** and parts of the **European Union (EU)**. He has also formalised the previously amorphous **People Power Movement (PPM)**, appointing former broadcaster **Joel Ssenyonyi** as spokesman, in May, and establishing committees across the country, including at universities. Kyagulanyi publicly announced in July that he plans to run against President Museveni in the 2021 election.

... while MTN Uganda fell out with the government ...

The government's dispute with MTN Uganda over espionage accusations in February highlighted its heavy-handed approach to dealing with foreign corporations whose activities it deems a threat to national interests. Internal affairs minister **General Jeje Odongo** deported the company's four senior

²³ Reuters, 2 Dec 2019.

²⁴ Reuters, 2 Dec 2019.

²⁵ The East African, 23 Nov 2019.

²⁶ The East African, 23 Nov 2019.

²⁷ The East African, 23 Nov 2019.

²⁸ MEMD minister, Irene Muloni quoted in The East African, 23 Nov 2019.

²⁹ The East African, 23 Nov 2019.

executives – **Belgian** citizen CEO **Wim Vanhellepute**, **French** citizen and marketing officer **Olivier Prentout**, **Rwandan** citizen **Annie Tabura**, and **Elsa Mussolini**, an **Italian** national – accusing them of compromising the country’s security. This included allegations of tapping senior government officials’ phone on a foreign government’s behalf and using the company’s mobile money platform to fund opposition politics in Uganda, especially Bobi Wine’s People Power Movement. The government eventually allowed CEO Vanhellepute to return. The company’s licence is up for renewal and negotiations still underway.

... tensions between Uganda and Rwanda escalated ...

The MTN deportations came amid the escalation of political tensions between the governments of Uganda and Rwanda over espionage accusations. The Rwandan government accused Uganda of arresting and deporting Rwandan citizens living in Uganda, and harbouring and supporting insurgents from the opposition **Rwanda National Congress (RNC)** and **Democratic Forces for the Liberation of Rwanda (FDLR)** plotting a military takeover of **Kigali**. Uganda in turn accused Rwanda of espionage and targeted assassinations, and the infiltration of various organisations in Uganda. The tensions led Rwanda to close its borders with Uganda, which resulted in a sharp drop in trade volumes and the killing of Rwandan and Ugandan citizens who attempted to cross the borders illegally. The two countries signed a truce brokered by **Angola’s** president, **João Lourenço** (2017-present), in August. However, continuing tensions led to the indefinite postponement of follow-up meetings in November, which were part of the agreement.

... and the IMF expressed concern about bank scandals and rising debt

A series of scandals saw the **Bank of Uganda (BoU)** (central bank) receive an IMF resident supervisor in September. These included the suspected theft of newly minted banknotes from **Germany** in April, the theft of old, decommissioned banknotes by staff in August, and the closure of commercial banks in recent years without following acceptable global standards. The scandals gave rise to concerns that Uganda is unable to guarantee the security and integrity of its currency, which would have serious implications for its economy. The government’s public debt also increased substantially in 2019, following an upward trend that resulted from the government borrowing against future oil income. Auditor-general **John Muwanga** issued a warning in January that the rate of borrowing was growing at an unsustainable rate, reaching 22% in the 2018 financial year alone. Uganda’s debt to gross domestic product (GDP) ratio is currently at 43%.

Looking ahead to 2020

Looking ahead to 2020, Uganda’s political environment is likely become increasingly contentious as parties launch political campaigns for the 2021 general election. The People Power Movement, which is now the most prominent, is likely to turn up the volume of its anti-Museveni rhetoric, while the incumbent regime will implement strategies to frustrate the opposition, including the use of state security agencies.

The government’s borrowing spree is also likely to raise the country’s public debt ratio close to the 50% mark, unless the URA improves its tax-collection strategies. However, if the Final Investment Decision (FID) on the oil sector occurs, Uganda will experience positive economic growth from an inflow of new investment that will seep into various sectors of the economy, especially the service industry.

The benefits will, however, not be broadly felt because of the well-entrenched system of patronage in Uganda. Regional politics are likely to be characterised by continuing tensions between Uganda and Rwanda, although trade and diplomatic relations with other EAC members, especially **Tanzania**, and the **Democratic Republic of the Congo**, will be cordial. However, Uganda’s international relations, especially with the US, will be strained, as the US **State Department** has begun to issue sanctions against members of the ruling **National Resistance Movement (NRM)** government.

Planner

3 Aug 2020 **Kampala (Uganda)** International Conference on Technology and Management
 18 Sep 2020 **Kampala (Uganda)** Business Growth Conference
 2020 **(Uganda) Final Investment Decision** on oil and gas sector
 2021 **(Uganda)** Uganda general election

Chronology

5 Dec 2019 **Kampala (Uganda)** *Reuters*. The finance ministry announces plans to borrow \$661m from international banks to fund a deficit in the 2019/2020 budget, which will increase government's public debt by 2%;

5 Dec 2019 **Kampala (Uganda)** *Bloomberg*. The finance ministry attributes the \$665m budget deficit to a 9% drop in its tax revenue, amidst pending taxes from telecommunications company **MTN Uganda**;

4 Dec 2019 **Kampala (Uganda)** *News24*. President **Yoweri Museveni** organises and leads an anti-corruption march through Kampala city centre, which commentators dismiss as a political stunt claiming that Museveni's government is itself corrupt;

4 Dec 2019 **Kampala (Uganda)** *Daily Monitor*. Security agents seal off roads and shut down businesses as they secure Kampala city centre for President **Yoweri Museveni's** anti-corruption march;

3 Dec 2019 **Kampala (Uganda)** *CGTN*. President **Yoweri Museveni** responds to public speculation about his health, saying that his weight loss is intentional for health reasons;

2 Dec 2019 **Kampala (Uganda)** *Reuters*. The energy and mineral development ministry reaches an agreement with private oil companies, which paves the way for the final investment decision (FID) on Uganda's oil industry;

30 Nov 2019 **Kampala (Uganda)** *The Observer*. The government expects private oil companies to announce the Final Investment Decision (FID) by the end of January 2020, after the acceptance of its offers by private oil companies;

28 Nov 2019 **Kampala (Uganda)** *The Observer*. The **Uganda People's Defence Forces (UPDF)** and **Uganda Police Force** deport 32 **Rwandan** nationals after determining that they had entered Uganda illegally;

28 Nov 2019 **Kampala (Uganda)** *Daily Monitor*. The **United Kingdom (UK)** government protests the government of Uganda's decision to award a mineral mapping and geophysical survey contract to a **Spanish** company;

23 Nov 2019 **Cape Town (South Africa)** *The East African*. **Africa Finance Corporation (AFC)** avails \$20m for the construction of **Uganda's** oil refinery, formally kick-starting the \$4.27 billion project;

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