

AFRICA RISK CONSULTING**Country briefing – Uganda****July 2013****Summary**

President Yoweri Museveni uses prosecution of David Sejusa and the Daily Monitor to shore up his authority. Transparency International publishes 2013 Corruption Barometer Index showing growing public frustration at state misconduct and a lack of faith in political institutions. Survey also reveals that 37% of Ugandans think businesses are corrupt or extremely corrupt. The prime minister, Amama Mbabazi, completes visit to Beijing, reaching a number of commercial agreements. Allied Democratic Forces (ADF) attack Kamango, North Kivu, in the Democratic Republic of Congo (DRC). Ugandan police and military detain army deserters in Mbarara, Western Uganda.

President Yoweri Museveni strengthens hand...

In the clearest indication yet that he is planning to run again in 2016, president **Yoweri Museveni** has managed the **Muhoozi Project** controversy to strengthen his own political authority. Senior general **David Sejusa** (formerly **Tinyefuza**) alleged on 10 May that [see ARC Briefing June 2013] that Museveni was grooming his son, Brigadier **Muhoozi Kainerugaba**, to succeed him. According to a source, however, reports about Kainerugaba's succession had been circulating for "four or five years"; Museveni decided to act now so as to maximise the political capital¹. The same source said that the decision to charge Sejusa with "treachery" and to close the **Daily Monitor** was designed to send signals to "upstarts in the **National Resistance Movement (NRM)**, to international companies in Uganda, and to the judiciary".

The police's closure on 20 May of the Daily Monitor, owned by the **Nairobi** based **Nation Media Group**, was a warning to foreign firms that they, too, are expected to toe the line. According to a separate source, the closure of the Daily Monitor was also Museveni attempting to demonstrate solidarity with his Kenyan counterpart, president **Uhuru Kenyatta**, at a time of improving economic and diplomatic ties. The Nation Media Group's **Daily Nation** has often been vocal in its criticism of

¹ Source, public affairs executive



Kenyatta and, according to a source, *"the decision to close offices in **Kampala** was made in Nairobi"*². Museveni spoke at Kenyatta's inauguration on 9 April 2013 in Nairobi. He condemned the **International Criminal Court**, prosecuting Kenyatta on charges of crimes against humanity related to the 2007 election violence, as a "foreign tool to get rid of African leaders"³. Museveni will expect, and is likely to receive, Kenyatta's support for his 2016 presidential bid.

Museveni and the police ignored a court order to lift the blockade of the Daily Monitor in what was, *"the latest and most ominous step in Museveni's attempts to chip away at the independence of the judiciary"*⁴. This comes at a time when faith in the Ugandan judiciary is particularly low (see below).

Museveni has in the past few months railed against "renegade" rulings in the judicial system⁵. In June 2013, Museveni swore in 25 new judges, including two at Supreme Court level. The sheer depth of these appointments, unprecedented in Uganda, may

*"mean that the judiciary, which has not been afraid to give Museveni a bloody nose in the past, may no longer be the independent arbiter it once was"*⁶.

But perceptions of corruption on increase...

While Museveni may have strengthened his position in the short term, **Transparency International's** findings in the 2013 **Corruption Barometer Index** hint at growing public frustration at state misconduct. The findings were particularly stark with regard to a lack of faith in political institutions. 68% of respondents think that public bodies are corrupt or extremely corrupt, with 64% of respondents thinking that government is run to manage its own interests⁷.

The following percentage of respondents thought that these institutions were either corrupt or extremely corrupt:

	Political Parties	Parliament	Military	Judiciary	Police	Civil service
Uganda	57%	57%	40%	79%	88%	73%
Regional Average ⁸	36.3%	36.1%	26%	57.2%	69.2%	50%

² Source, political analyst
³ Daily Nation, 9 April 2013
⁴ Source, public affairs executive
⁵ The Observer, 12 June 2013
⁶ Source, public affairs executive
⁷ Transparency International, July 2013
⁸ Uganda, Burundi, Ethiopia, Kenya, Rwanda, Tanzania



Corruption has had a direct financial effect on Uganda with international donors pulling out in 2012 [see ARC Briefing June 2013]. At the time, news of the leakage of donor funds was *"met with a shrug of the shoulders. There was no real shock, people just assumed that the system was corrupt and now they knew"*⁹. What is therefore notable about people's perceptions of corruption in Uganda is 40% think the situation has become worse or considerably worse in the past two years. The perception of corruption is significant as it encourages a culture of distrust: business owners assume their competitors and rivals are paying bribes and that they therefore must do the same to level the playing field. It is therefore unsurprising that a high number of respondents admitted to paying bribes to the following organisations within the past year:

	Land Services	Judiciary	Police	Registry and Permit Office	Utility Companies	Tax Revenue
Uganda	40%	65%	51%	58%	28%	48%
Regional Average ¹⁰	29.6%	40.4%	49.8%	38.8%	23.8%	30.6%

Corruption in business

Uganda has a higher than average response for the perception of corruption in business practices, according to the 2013 Transparency International survey. 37% of Ugandans think businesses are corrupt or extremely corrupt compared to a regional average of 32.1%. Following the principle that perceptions of corruption encourage the practice, this wariness of business practices might explain why investors have long complained of corruption and collusion between businesses and government¹¹. Despite the 2009 **Anti-Corruption Act**, manipulation of government procurement processes and the opaque financing of political campaigns remain deterrents for foreign investors.

Influence of China grows

A series of bilateral meetings and agreements in July highlighted the increasing economic role that **China** plays in Uganda. Prime minister **Amama Mbabazi** completed an official visit to **Beijing** during which he met with **Fan Jixiang**, chairman of the **Sinohydro Group** that won the tender to construct

⁹ Source, public affairs executive
¹⁰ Uganda, Ethiopia, Kenya, Rwanda, Tanzania
¹¹ US State Department Investment Climate Statement 2012

the \$1.6 billion **Karuma** hydropower dam in **Kiryandongo** district¹². He also met with **Wang Yilin**, chairman of the **China National Offshore Oil Corporation (CNOOC)** which acquired the **Kingfisher** and **Kanywataba** fields in **Hoima** and **Buliisa** from **Tullow Oil** in March 2011. Mbabazi met with senior **Communist Party of China** officials, including vice president **Li Yuanchao**, who noted that careful management of the nascent oil and gas sector was vital to Uganda's industrialisation, and president of **China Exim Bank**, **Li Ruogu**. On Mbabazi's return to Kampala, the government announced the signing of an \$8.2m grant from China for various infrastructure projects¹³.

The prime minister's office said that Uganda will offer most of its infrastructure projects to Chinese companies as they are willing to be repaid from future oil revenue, unlike western companies that expect advance payment¹⁴. The same day, the finance ministry awarded the concession to manage the copper company **Kilembe Mines Ltd** to a Chinese consortium led by the **Tibet Hima Industry Company**, with a signature fee of \$4.3m and annual concession fee of \$1m. The Chinese consortium is also to finance the upgrading of **Mobuku** power plant to 12MW. In a sign that Asian states are competing to extend their influence in Uganda, the Japanese government in July signed a \$12m grant to extend the country's electricity infrastructure to rural areas¹⁵.

Allied Democratic Forces attack Kamango...

The Ugandan led rebel group the **Allied Democratic Forces** attacked the town of **Kamango** in **North Kivu**, the **Democratic Republic of Congo (DRC)** on 11 July¹⁶. The **United Nations (UN)** reported on 13 July that 30,000 refugees have fled the eastern DRC into the Ugandan town of **Bundibugyo**. The **Uganda People's Defence Force (UPDF)** has responded by reinforcing positions along the border with the DRC. The ADF has been relatively quiet in recent years. It is not clear what sparked the attack on Kamango and whether this is the start of a wider campaign. The ADF was formed in the mid-1990s as a coalition of disparate groups seeking to oust **Museveni**; based in the **Rwenzori Mountains**, it concentrated much of its operations in western Uganda and Kampala. A 2001 government offensive seemed to have substantially reduced the military threat of the ADF. The **International Crisis Group** said in December 2012 that the ADF was isolated, and posed a limited threat due to successful actions against its logistical and financial networks. According to regional security experts, the Somali militant group **al Shabaab** has fostered links with the ADF as part of an attempt to establish a regional presence. A regional security expert in January 2013 detailed apparent operational links between the ADF and al Shabaab.

¹² Itinerary, according to prime minister's office

¹³ New Vision, 6 July 2013

¹⁴ Bloomberg, 9 July 2013

¹⁵ East African Business Week, 9 July 2013

¹⁶ AFP, 13 July 2013

Government cracks down on army deserters

In a joint operation, the Ugandan police and military conducted house to house searches in **Mbarara**, in the south west of the country, sealing off roads in **Kisenyi, Kijungu** and **Kakoba**. The operation came after a recent wave of violent crime in the region, which the government and local media blame on army deserters. The immediate trigger appears to be the murder of **World Food Programme** official **Andrew Mpimbi** in Kakoba on 1 July. Low pay and a lack of promotion opportunities have led to an increase in desertions from the UPDF in the past couple of years. In May it was estimated that over 400 UPDF personnel had deserted, often with their arms and uniforms¹⁷. Typically, the government has responded with amnesty offers, but appears now to be taking a tougher line with the **Internal Security Organisation** leading efforts to detain deserters. This is perhaps the result of recent paranoia about the potential of a coup emerging from within the ranks of the UPDF. Deserters are likely to have been behind the March attack on the **Mbuya** army barracks, an apparent attempt to seize weapons.

Implications

It now appears that Museveni stage managed his response to the Muhoozi Project controversy to ensure the greatest political gain. That he felt comfortable to do this suggests that he believes the real risk of a military coup to be low. Rising perceptions of corruption and a government keen only to protect its own interests are longer term risks to Museveni's political future. Corruption can encourage political and economic grievances amongst the youth, a notable threat considering Uganda's young population.

Should Uganda fail to address high perceptions of corruption within its business sector, it will probably struggle to reduce the actual practice. Corruption increases the financial, legal and reputational risk of conducting business in Africa. By distorting markets, corruption will prove a check on Uganda's economic growth.

The impact of China and its packages of investment commitments on the Ugandan resource sector is unknown. The Chinese, quite intentionally, remain in the shadow. Trading with Chinese state firms behind the scenes will affect both supply and demand. This will add uncertainty to both individual projects and commodity prices. The investment of Chinese companies, backed by state development banks, in infrastructure will help end bottle necks in Uganda, but will make it harder for western companies to win concessions.

¹⁷ Terrorism Monitor, 3 May 2013

The Ugandan government considers the ADF a greater threat than in previous years due to its links to al Shabaab¹⁸. The Ugandan military is likely therefore to respond aggressively to any perceived ADF provocation. The presence of the **United Nations Intervention Brigade**, deployed in the DRC since June 2013, should curb any attempts by the ADF to launch a wide insurgency, but streams of refugees may offer a conduit to militants seeking to enter Uganda. Should the ADF coordinate with al Shabaab in launching attacks, high value targets will be Western government buildings and public venues. Companies should continue to review risk management programmes and threat reduction plans in light of recent ADF activity.

Desertions in west Uganda will continue, with the lower ranks frustrated at the better opportunities and conditions enjoyed by the Special Forces Group (SFG) under the command of brigadier Muhoozi Kainerugaba. It should be pointed out that the SFG is itself not immune to desertions with 37 soldiers walking out on the elite unit in April in protest over being ordered to clear trees near Museveni's ranch in Mpigi¹⁹. The economic grievances behind the majority of desertions, however, means that deserters are more likely to engage in banditry and armed robbery than pose a threat to the stability of the government.

¹⁸ Source, diplomatic security officer, Kampala

¹⁹ Daily Monitor, 25 April 2013