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President Yoweri Museveni (1986-present) signs into law the Constitution Amendment (No.2) Bill 2017 removing presidential age limits. The constitutional amendment allows Museveni to seek the ruling National Resistance Movement (NRM) nomination to stand in the 2021 election. Finance minister Matia Kasaija's proposed Budget Framework Paper shows policy continuity with the government prioritising the agriculture, industry, transport, and energy sectors. Tullow Oil Plc expects to conclude its farm-down with joint venture partners France-based Total E&P and China National Offshore Oil Corp (CNOOC) by June 2018.

Museveni approves Age Limit Bill

President **Yoweri Museveni** (1986-present) signed into law the **Constitution Amendment (No.2) Bill 2017**, the so-called **Age Limit Bill**, on 2 January.¹ The legislation paves the way for Museveni to stand in the 2021 presidential election. Parliament passed the Age Limit Bill on 20 December.² The bill received the backing of 315 MPs, the majority of whom were from the ruling **National Resistance Movement (NRM)**, while 63 MPs voted against it, and two abstained.³ The bill restores presidential term limits that were lifted in 2005 to allow Museveni to stand for a third term in the 2006 election.⁴ However, the two-term limit on five-year terms for presidents will only come into force after the 2021 election meaning Museveni could serve a further two terms.⁵ The bill extends the term limits for members of parliament (MPs) and local government officials from five to seven years, meaning the next parliamentary elections will now take place in 2023.⁶ The bill also seeks to extend the presidential term limit from five years to seven years, but this will require a popular referendum.⁷ The extension of term limits is likely to face legal challenges.

"On the extension of term limits even the president knows it can't work. The courts will throw it out."⁸

The passage of the bill was contentious. The legal and parliamentary affairs committee only approved the bill on 10 December, after the NRM stuffed the committee with its own members. The NRM added six of its MPs to the committee in late November. The committee previously consisted of 23 members, of whom 13 were NRM MPs.⁹ The NRM was reportedly worried that some NRM committee members were either sceptical about or opposed to the Age Limit Bill.¹⁰ The NRM chief whip, **Ruth Nankabirwa**, was responsible for adding the six MPs, taking the total number of committee members to 29.¹¹ The new committee members are notable for being newly elected MPs, with Museveni playing a prominent role in their recent election campaigns.¹² Nankabirwa reportedly added the members to

¹ The Independent, 2 Jan 2018.

² NTV, 20 Dec 2017.

³ NTV, 20 Dec 2017.

⁴ NTV, 20 Dec 2017.

⁵ NTV, 20 Dec 2017.

⁶ NTV, 20 Dec 2017.

⁷ NTV, 20 Dec 2017.

⁸ Source, NRM MP, Kampala

⁹ The Observer, 1 Dec 2017.

¹⁰ The Observer, 1 Dec 2017.

¹¹ The Observer, 1 Dec 2017.

¹² The Observer, 1 Dec 2017.

mitigate the risk that the committee would frustrate the Age Limit Bill.¹³ The bill did not have universal backing amongst NRM MPs.

“Recalling our violent history, the framers put the age and term limits to act as caps and enable peaceful transition. The absence of any of the two still takes us down the highly probable road to violent transitions. There is talk of violence, even genocide, around secession. It advances the talk around tribalism and it is only going to aggravate the already poor service delivery. We are therefore not just going into a political ditch, but are burying future generations because any dictatorship only exists to entrench its existence as a primary role. Service delivery is not a priority. Uganda is headed to doom because all the safeguards for peaceful transfer of power have been removed. There will be a repeat of the history where power was got through blood shed. God forbid this was a very selfish bill intended to benefit one man who is Museveni. Just look at the MPs who passed it and are now too scared to visit their constituencies for fear of the reaction of people.”¹⁴

When the legal and parliamentary affairs committee approved the Age Limit Bill, it recommended the restoration of term limits.¹⁵ The committee also recommended a public referendum on revising presidential term limits from five to seven years.¹⁶ Museveni had personally lobbied the committee on the removal of term limits, which he described as a breach of Article 1 of the constitution that says that “*power belongs to the people*” and that therefore there should not be limits on whom the people can elect to office, and the extension of term limits.¹⁷ The restoration of revised term limits was included in the final version of the Age Limit Bill (see above). Museveni has appointed a committee of senior ruling NRM government officials to consider the implementation of term limit revisions.¹⁸ The committee includes the defence minister, **Adolf Mwesige**, the security minister, **Henry Tumukunde**, the deputy attorney general, **Mwesigwa Rukutana**, and the state planning minister, **David Bahati**.¹⁹ It is unclear when the committee will report to Museveni.

The parliamentary vote itself was also controversial. The speaker of parliament, **Rebecca Kadaga**, suspended six opposition MPs as parliament prepared to debate the bill on 18 December.²⁰ Kadaga suspended the six MPs – **Allan Ssewanyana (Makindye West)**, **Ssemujju Nganda (Kira Municipality)**, **Jonathan Odur (Erute South)**, **Gerald Karuhanga (Ntungamo Municipality)**, **Mubarak Munyagwa (Kawempe North)** and **Anthony Akol (Kilak North)** – for misconduct.²¹ The opposition MPs were raising procedural concerns about the tabling of the committee report on a Monday, when typically MPs undertake constituency business on Mondays and parliamentary reports are tabled between Tuesday and Thursday.²² Kadaga subsequently adjourned the proceedings.²³ When parliament reconvened following the adjournment, the opposition staged a walk-out over the suspension of the six MPs.²⁴ Kadaga then ended proceedings early due to faulty microphones. The debate resumed briefly on 19 December, before it too was adjourned amid allegations that security forces had entered the parliamentary buildings.²⁵ Those MPs who voted in favour argued that it would increase the number of candidates able to run for political office.²⁶ However, this is unlikely to prove the case:

¹³ The Observer, 1 Dec 2017.

¹⁴ Source, NRM MP, Kampala

¹⁵ Daily Monitor, 10 Dec 2017.

¹⁶ Daily Monitor, 10 Dec 2017.

¹⁷ New Vision, 6 Dec 2017.

¹⁸ Xinhua, 14 Dec 2017.

¹⁹ Xinhua, 14 Dec 2017.

²⁰ Daily Monitor, 18 Dec 2017.

²¹ Daily Monitor, 18 Dec 2017.

²² Daily Monitor, 18 Dec 2017.

²³ Daily Monitor, 18 Dec 2017.

²⁴ Daily Monitor, 18 Dec 2017.

²⁵ Reuters, 19 Dec 2017.

²⁶ Source, MP, Eastern Uganda

“Despite the removal of the age limit, not so much will change. At the end of the day it was done for the selfish interest of one man. Running for office at any level is very expensive so even with the removal of the lower limit; factors like the monetisation of politics will continue to be a problem. We will have, as it is with youth MP positions, the emergence of political godfathers, which will only entrench these positions and continue to leave the ordinary citizen out while advancing corruption.”²⁷

Museveni will probably stand as a presidential candidate in 2021 and delay before then any moves to anoint his chosen successor.

“I think the amendment officially removes any doubts as to whether Museveni was pursuing a life presidency. He’s confirmed he wants to rule till he drops dead or is ejected by other factors beyond his control [as] the [ousted former Zimbabwe president] Robert Mugabe [1987-2017] was. And what this means is that he’s going to suppress the remaining little civic space, clobber those with dissenting views even more, and draw institutions closer to his chest.”²⁸

The constitutional amendment reduces political uncertainty in the short term as it allows Museveni to remain in office without the distractions of succession. However, the longer-term picture is more uncertain. Popular frustration over persistent poverty is increasing, though the opposition lacks the nationwide capacity to harness it effectively. More ominous for Museveni is the increased political frustration within the NRM amongst those politicians who believe it is their time to govern, and that Museveni remaining in office is an obstacle to their political ambitions.

Budget Framework Paper reveals policy continuity

Local media reported on finance minister **Matia Kasaija**’s proposed **Budget Framework Paper** on 27 December.²⁹ The Budget Framework Paper indicates continued government policy and priorities in the medium term. The Budget Framework Paper provides for a 22.5 trillion Ugandan shillings (USh) (\$6.22 billion) budget in 2018/2019.³⁰ Government expenditure will be equivalent to 21.2% of gross domestic product (GDP).³¹ Development spending will represent 9.6% of GDP in 2018/2019, but will decrease to 8.6% in the medium term as infrastructure projects are completed.³² Government spending on project support, including on infrastructure, will stand at \$1.78 billion in 2018/2019 but decrease to \$786.4m in 2021/2022.³³

According to the Budget Framework Paper, the government’s priorities will be the agriculture, industry, transport, energy, information and communication technology, and tourism sectors, improving service delivery, and addressing demographic pressures including population growth and urbanisation.³⁴ The government will look to support these themes through investment promotion, private sector growth, and infrastructure development.³⁵

The government projects that domestic revenue collection will reach USh 15.5 trillion (\$4.28 billion), of which USh 15.1 trillion (\$4.18 billion) will come from tax revenue.³⁶ The current 2017/2018 budget is predicated on domestic revenue of USh 15.06 trillion (\$4.16 billion), with USh 14.69 trillion (\$4.06 billion) from tax revenue.³⁷ Domestic financing of the budget will therefore increase from 64.4% in

²⁷ Source, MP, Eastern Uganda

²⁸ Source, political analyst, Kampala

²⁹ Daily Monitor, 27 Dec 2017.

³⁰ Daily Monitor, 27 Dec 2017.

³¹ Daily Monitor, 27 Dec 2017.

³² Daily Monitor, 27 Dec 2017.

³³ Daily Monitor, 27 Dec 2017.

³⁴ Daily Monitor, 27 Dec 2017.

³⁵ Daily Monitor, 27 Dec 2017.

³⁶ Daily Monitor, 27 Dec 2017.

³⁷ Daily Monitor, 27 Dec 2017.

the current financial year to 69.0% in 2018/2019, and then 83.6% in 2022/2023.³⁸ The Budget Framework Paper says the increase in tax will come on the back of,

“modest adjustments to the current tax regime to ensure revenue productivity of the tax system, close loopholes in the tax laws, index specific tax rates for inflation, enhance tax administration efficiency and facilitate tax payer compliance.”³⁹

Domestic borrowing will decrease to US\$ 940 billion (\$260.0m) in 2018/2019, US\$ 611 billion (\$169.0m) in 2019/2020 and US\$ 409 billion (\$113.1m) in 2022/2023.⁴⁰

Parliament must still approve the budget, after government ministries, departments and agencies present their own policy statements detailing their own budgets. The auditor general, **John Muwanga**, presented his annual audit of government finances for 2016/2017 to the parliamentary speaker, Rebecca Kadaga, on 5 January.⁴¹ The report was highly critical, detailing financial mismanagement, misappropriation of funds, and poor service deliveries in government ministries, departments and agencies.⁴² Muwanga was especially critical of the directorate of geological surveys and mines; his audit claims that the directorate lost approximately US\$ 58 billion (\$16.95m) in undeclared royalties from the import and export of gold.⁴³ Muwanga claims that the government often fails to pay land owners their prescribed 3% of royalties from mining operations.⁴⁴ Muwanga criticises the lands ministry for failing to process land registration documents in the 20 days it promises, claiming it can take as long as 134 days.⁴⁵

In a parallel process, the government is looking to improve its internal financial management. Local media reported on 8 December that the **Internal Security Organisation (ISO)** has submitted a report to Museveni criticising the government’s management of its expenditure, and calling for a restructure of its ministries, departments and agencies.⁴⁶ The ISO reported that in the 2016/2017 financial year the government spent US\$ 190 billion (\$52.4m) on welfare and entertainment, US\$ 353 billion (\$97.4m) on travel, and US\$ 393 billion (\$108.4m) on consultancy.⁴⁷ The ISO was particularly critical of spending at the finance ministry and public service ministry.⁴⁸ The ISO also criticised the government for duplicating functions, noting that 17 different ministries, departments and agencies are involved in the distribution of agricultural inputs to farmers.⁴⁹

The Budget Framework Paper contained few surprises, and the government will continue on the same broad economic path. Concerns about public financial management will, however, raise concerns about budget implementation and service delivery, which will raise tensions with the public and investors alike.

Tullow to conclude farm-down agreement in first half 2018

Local media reported on 28 November that UK-based **Tullow Oil Plc** subsidiary **Tullow Oil Uganda Ltd** expects to conclude its farm-down with joint venture partners **France-based Total E&P** subsidiary **Total E&P Uganda BV** and **China** state-owned **China National Offshore Oil Corp (CNOOC)** subsidiary **CNOOC Uganda Ltd** by June 2018.⁵⁰ The farm-down, once concluded, will signal continued investor confidence in the commercialisation of Uganda’s oil sector. In January, Tullow

³⁸ Daily Monitor, 27 Dec 2017.

³⁹ Daily Monitor, 27 Dec 2017.

⁴⁰ Daily Monitor, 27 Dec 2017.

⁴¹ The Independent, 5 Jan 2018.

⁴² The Independent, 5 Jan 2018.

⁴³ The Independent, 5 Jan 2018.

⁴⁴ The Independent, 5 Jan 2018.

⁴⁵ The Independent, 5 Jan 2018.

⁴⁶ Daily Monitor, 8 Dec 2017.

⁴⁷ Daily Monitor, 8 Dec 2017.

⁴⁸ Daily Monitor, 8 Dec 2017.

⁴⁹ Daily Monitor, 8 Dec 2017.

⁵⁰ www.oilinuganda.org

announced that it had agreed to farm-down 21.57% of its 33.33% interests in **Exploration Areas 1, 1A, 2 and 3A** to Total E&P Uganda for a total consideration of \$900m.⁵¹ CNOOC Uganda opposed the move and, in March, exercised its pre-emption rights to acquire half of the 21.57% interest.⁵² Total opposed CNOOC's intervention, which prevented it becoming a majority shareholder in the exploration areas, leading to Museveni holding mediatory talks with both companies.⁵³ Tullow confirmed that it has sought the government's approval for the transaction, and expects the completion of the farm-down in the first half of 2018.⁵⁴ Tullow also expects the joint venture partners to make their final investment decision in the first half of 2018.⁵⁵

The farm-down agreement will increase momentum behind the commercial development of the **Lake Albert** oil reserves. Tullow will be in a position to finance its outstanding capital contributions. Total, an increasingly important upstream and downstream player in Uganda, has the financial and political clout to drive the project towards commercial development. Successful completion of the agreement increases the likelihood of Tullow, Total and CNOOC agreeing a joint investment strategy.

Planner

Fourth quarter 2018 (**Uganda**) *UGBusiness*. Award of oil export pipeline engineering, procurement and construction contract;

First half 2018 (**Uganda**) *Oil in Uganda*. Joint venture partners to make final investment decision on **Lake Albert** oil concessions;

First half 2018 (**Uganda**) *Oil in Uganda*. **Tullow Oil** to conclude farm-down agreement with **Total** and **China National Offshore Oil Corp**;

Feb 2018 (**Uganda**) *UGBusiness*. Final investment decision on oil export pipeline;

Feb 2018 (**Uganda**) *UGBusiness*. Government to select lead investor for **Hoima** oil refinery;

Chronology

5 Jan 2018 **Kampala (Uganda)** *The Independent*. The auditor general, **John Muwanga**, presents a critical annual audit of government finances for 2016/2017 to the parliamentary speaker, **Rebecca Kadaga**;

3 Jan 2018 (**Uganda**) *Africa News*. The government denies it has an agreement with **Israel** to host deported migrants from third countries;

2 Jan 2018 **Kampala (Uganda)** *The Independent*. Museveni signs **Age Limit Bill** into law;

31 Dec 2017 **Kampala (Uganda)** *Sunday Tribune*. Museveni refuses to sign into law **2017 National Biotechnology and Biosafety Bill**, returning it to parliament for revision;

30 Dec 2017 **Kampala (Uganda)** *East African*. The government agrees new terms, including tax waiver and extended loan repayment period, with financiers of 250MW **Bujagali** hydropower plant;

29 Dec 2017 **Border (Uganda)** *AFP*. Uganda police charge 45 **Rwandan** nationals on terrorism offences, following their arrest near the **Tanzanian** border;

27 Dec 2017 **Kampala (Uganda)** *Daily Monitor*. **Budget Framework Paper** provides for a 22.5 trillion Ugandan shillings (USh) (\$6.22 billion) budget in 2018/2019;

⁵¹ www.oilinuganda.org

⁵² www.oilinuganda.org

⁵³ www.oilinuganda.org

⁵⁴ www.oilinuganda.org

⁵⁵ www.oilinuganda.org

22 Dec 2017 **(DRC) AP**. The **Uganda People's Defence Force (UPDF)** carries out cross-border operations against the **Allied Democratic Forces** militia;

20 Dec 2017 **Kampala (Uganda) Daily Monitor**. Parliament approves Age Limit Bill;

19 Dec 2017 **Kampala (Uganda) The Independent**. Parliament suspends debate on Age Limit Bill amid rumours that soldiers have entered parliament buildings;

19 Dec 2017 **Entebbe (Uganda) Xinhua**. **Etihad Airways** will halt flights to **Entebbe International Airport** on 25 March 2018;

18 Dec 2017 **Kampala (Uganda) Daily Monitor**. The **Bank of Uganda** (central bank) holds benchmark lending rate at 9.5%;

11 Dec 2017 **Kampala (Uganda) The Independent**. The government plans to sell its stake in fixed and wireless operator **Uganda Telecom Ltd** to cover the company's debts;

10 Dec 2017 **Kampala (Uganda) East African**. The legal and parliamentary affairs committee approves the Age Limit Bill;

8 Dec 2017 **Kampala (Uganda) Uganda Media Centre**. Museveni issues directive instructing government officials to expedite licences for foreign investors, especially in oil and gas sector;

6 Dec 2017 **Kampala (Uganda) New Vision**. Museveni publicly backs removal of presidential age limit, and extension of presidential and parliamentary term limits;

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