

## AFRICA RISK CONSULTING

### Uganda Monthly Briefing June 2020

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#### Uganda Summary 15 June 2020

**Uganda's most popular opposition leaders, Bobi Wine and Kizza Besigye, form a united front against President Yoweri Museveni (1986-present), launching a campaign of resistance to Museveni's rule in the run-up to the 2021 election. Uganda's diplomatic summit with Rwanda ends in stalemate, as Rwanda maintains a hard-line stance in negotiations. Finance minister Matia Masaija releases a \$12.3 billion budget focused on stimulating the economy, which the coronavirus pandemic has considerably weakened. Cases of coronavirus infections continue to rise in Uganda, mainly traced to cross-border transport drivers from the region.**

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#### Uganda's opposition establishes united front against Museveni

Uganda's most prominent opposition leaders, **Robert Kyagulanyi** (aka **Bobi Wine**) and **Kizza Besigye**, announced on 15 June their decision to establish a united pressure group against President **Yoweri Museveni's** (1986-present) government.<sup>1</sup> Their collaboration is likely to result in a hotly contested and controversial election in 2021.<sup>2</sup> The alliance, dubbed "**United Forces of Change**", will launch a series of countrywide rallies to highlight the failures of the ruling **National Resistance Movement (NRM)** government, calling for political change in the upcoming election.<sup>3</sup> In a statement at the movement's launch, Bobi Wine announced the start of a new campaign of resistance to Museveni's rule, under the slogan "**No/Nedda**":

*"The more we fight against each other, the more we delay the change that Ugandans want. As leaders, we can only see and show you the way but we must all work together. I call upon all Ugandans to speak up and speak loudly. The campaign is called No, Nedda. And don't say No silently. Say 'No' in word and in action. Get your saucepan, if you're hungry. Whether it's a whistle, whether it's a metal gong, whether it's a bell. Or if you feel oppressed, make some constructive noise. This is going to be necessary noise."<sup>4</sup>*

Veteran opposition leader and activist Besigye also highlighted the broad-based opposition to Museveni's decades-long rule in Uganda, calling for unity in the country's fragmented opposition movements:

*"We have 90% or more of our people totally marginalised by the less than one percent that uses guns to maintain power in this country and to subjugate the people of this country... This is a wonderful moment in the history of our country that we can say from here let the whole county unite to say enough is enough. Our country is deeply divided, what we are doing today is giving direction to the marginalised people."<sup>5</sup>*

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<sup>1</sup> Softpower, 15 Jun 2020.

<sup>2</sup> Softpower, 15 Jun 2020.

<sup>3</sup> Softpower, 15 Jun 2020.

<sup>4</sup> Bobi Wine, quoted by VOA, 15 Jun 2020.

<sup>5</sup> Kizza Besigye, quoted by VOA, 15 Jun 2020.

Police and military officers briefly interrupted the meeting, held at the **Floral Hotel** in **Wakiso** on the outskirts of Kampala, demanding that all participants disperse.<sup>6</sup> Deputy government spokesman Colonel **Shaban Bantariza** claimed that the call for mass protests against the government was illegal:

*“They should not be leaders of complaints. They should consolidate their complaints into campaign issues and then present them to the population. Like[wise], we shall present ours when the time comes and we meet down there in the playing field.”<sup>7</sup>*

The launch of the United Forces of Change and the No Campaign is a politically significant development in Ugandan politics, particularly in the run-up to the 2021 elections. The broad-based and united political front that will contest the NRM’s incumbency will place pressure on Museveni’s regime.<sup>8</sup> The threat to Museveni’s chances of winning the election is likely to attract an even more heavy-handed, violent response – Museveni relies on a combination of violence, bribery, and using the judicial system to harass his political opponents.<sup>9</sup>

### **Diplomatic border talks with Rwanda end in stalemate**

Representatives from Uganda’s and **Rwanda’s** governments held a virtual meeting on 4 June, aimed at normalising diplomatic relations between the two countries.<sup>10</sup> The meeting ended in another stalemate, which will delay the reopening of the **Gatuna/Katuna** border between Uganda and Rwanda, and, in turn, the resumption of normal political and economic exchange.<sup>11</sup> Diplomatic sparring between President Museveni and Rwanda’s President **Paul Kagame** (1996-present) brought the two countries close to war in 2019 over accusations of espionage and fears of impending military coups in each other’s countries (see *ARC Briefing Uganda March, September 2019*).<sup>12</sup>

The 4 June meeting followed a summit that presidents Museveni and Kagame held at the Gatuna border in February.<sup>13</sup> The diplomatic summits are a result of the establishment of the **Ad Hoc Commission for the Normalisation of Relations Between Uganda and Rwanda**, which emerged out of a **Quadripartite Heads of State Summit** that **Angola’s** President **João Lourenço** (2017-present) hosted in **Luanda** (Angola) in 2019. **Democratic Republic of the Congo (DRC)** president **Felix Tshisekedi** (2018-present) joined presidents Museveni, Kagame and Lourenço at the 2019 summit.<sup>14</sup>

Uganda’s foreign minister, **Sam Kutesa**, chaired the 4 June virtual meeting, with a delegation led by Rwanda’s foreign affairs minister, **Vincente Biruta**, as well as DRC deputy prime minister **Gilbert Kankonde Malamba** and Angola’s foreign minister, **Tete Antonio**, in attendance.<sup>15</sup> Anonymous reports attributed the stalemate to the Rwandese delegation’s refusal to reopen the border until Uganda has resolved all its concerns, including the release of 180 Rwandese prisoners held in Ugandan jails.<sup>16</sup>

*“Uganda’s stance in the meeting was that the border opens as the issues raised by **Kigali***

<sup>6</sup> VOA, 15 Jun 2020.

<sup>7</sup> Colonel Bantariza quoted by VOA, 15 Jun 2020.

<sup>8</sup> Source, analyst, London

<sup>9</sup> Source, analyst, London

<sup>10</sup> Daily Monitor, 7 Jun 2020.

<sup>11</sup> Daily Monitor, 7 Jun 2020.

<sup>12</sup> Source, analyst, London

<sup>13</sup> Daily Monitor, 7 Jun 2020.

<sup>14</sup> Daily Monitor, 7 Jun 2020.

<sup>15</sup> Daily Monitor, 7 Jun 2020.

<sup>16</sup> Daily Monitor, 7 Jun 2020.

*are discussed further... which Rwanda vehemently shot down..."*<sup>17</sup>

Despite the stalemate, both parties agreed to continue discussions around the outstanding issues, and reiterated their commitment to protecting and respecting the human rights of each other's citizens, observing the rule of law, international humanitarian law, and ensuring due process.<sup>18</sup>

The tensions between Uganda and Rwanda emanate from long-standing mutual distrust. Both Museveni and Kagame entered into office and have sustained their rule largely through military force.<sup>19</sup> This has caused heightened states of vigilance and sensitivity to prospects of armed uprisings, which partly account for the suspicion and aggressive rhetoric that both leaders often exchange.<sup>20</sup> The border closures have had a considerable economic impact in both countries because of the cessation of trade. The **Covid-19** pandemic (see below) and resulting lockdown has given both parties more time to engage in further negotiations and confidence building exercises, and may see the reopening of the borders later in 2020.<sup>21</sup>

### Finance minister releases \$12.3 billion budget

Finance minister **Matia Kasaija** unveiled the 2020/2021 budget statement in parliament on 11 June, which focuses on economic revival amidst the Covid-19 pandemic, floods, and desert locusts.<sup>22</sup> The budget, entitled "*Stimulating the economy to safeguard livelihoods, jobs, businesses, and industrial recovery*", is valued at US\$45 trillion (\$12.3 billion).<sup>23</sup> Kasaija said that domestic sources will fund 52% of the budget, while local and foreign debt will account for the remainder.<sup>24</sup> Outlining the budget's priority areas, Kasaija said,

*"The focus of the budget for the next financial year places emphasis on supporting livelihoods and the recovery of business enterprises, without losing focus on our long term development initiatives. To this end, the government will support the private sector to scale up production, and sustain and increase employment."*<sup>25</sup>

The budget will mainly provide support to businesses through tax relief measures, such as deferred payment of **Corporate Income Tax and Presumptive Tax** for small to medium businesses and larger corporate entities to September 2020.<sup>26</sup> Companies that have a turnover of over US\$500m (\$135,287) per annum will have both taxes, which were due on 1 April, deferred to 30 June.<sup>27</sup> This will provide businesses, particularly in the tourist, manufacturing, horticulture and floriculture industries with a short-term boost in cash flow and continued operations.<sup>28</sup> Kasaija said the government will also defer payment on pay-as-you-earn (PAYE) tax in these business sectors until 30 September.<sup>29</sup> The government will waive interest payments on tax arrears and fines that companies incurred before 1 July for all companies that are required to pay outstanding taxes within the deferred period.<sup>30</sup> The

<sup>17</sup> Anonymous source, quoted by Daily Monitor, 7 Jun 2020.

<sup>18</sup> Daily Monitor, 7 Jun 2020.

<sup>19</sup> Source, analyst, London

<sup>20</sup> Source, analyst, London

<sup>21</sup> Source, analyst, London

<sup>22</sup> Daily Monitor, 12 Jun 2020.

<sup>23</sup> Daily Monitor, 12 Jun 2020.

<sup>24</sup> Daily Monitor, 12 Jun 2020.

<sup>25</sup> Finance Minister Kasaija, quoted by Daily Monitor, 12 Jun 2020.

<sup>26</sup> Daily Monitor, 12 Jun 2020.

<sup>27</sup> Daily Monitor, 12 Jun 2020.

<sup>28</sup> CGTN, 12 Jun 2020.

<sup>29</sup> CGTN, 12 Jun 2020.

<sup>30</sup> CGTN, 12 Jun 2020.

finance minister also emphasised the government's commitment to speedily paying all outstanding VAT refunds due to businesses.<sup>31</sup> Companies that made donations to the government's efforts to combat the coronavirus pandemic will also earn tax deductions.<sup>32</sup>

Uganda-based analyst and country team leader for the accounting firm **Ernst and Young Ltd., Muhammad Ssempija** said these tax relief measures are inadequate.<sup>33</sup> Ssempija argues that businesses would benefit more from an outright tax waiver instead of deferral, since the coronavirus lockdown has considerably weakened most businesses, especially small- to medium-sized enterprises.<sup>34</sup> He indicated that businesses would require at least six months of financial support to rebuild their cash flow, in addition to tax relief.<sup>35</sup>

The budget increases excise and duty fees on fuel from US\$1.20 to 1.35 (\$0.32-0.36 respectively), which is likely to lead to price increases in many sectors.<sup>36</sup> Kasaija also announced that the government will impose higher tariffs on goods, especially agricultural products that can be locally produced in Uganda, as a measure to boost manufacturing.<sup>37</sup> Commenting after the release of the budget statement, President Museveni criticised it as "*wasteful*" in parts, indicating it will be subject to review in order to redirect more funds towards efforts to mitigate the adverse effects of corona virus.<sup>38</sup>

The budget statement comes amidst severe economic decline in Uganda. The **Uganda Bureau of Statistics** reported on 8 June that it expects Uganda's economic growth rate to slow down to 3.1% during the financial year to June 30 as a result of the corona virus crisis.<sup>39</sup> This is less than half the 2019 financial year growth rate of 6.8%, and reflects the impact of the global pandemic on Uganda's economy.<sup>40</sup>

Uganda's economic downturn largely emanates from a sharp decline in demand for its export products.<sup>41</sup> Mining revenue decreased by 2.8% between March and May, in contrast to its expansion by 33.4% in the year ending June 2019.<sup>42</sup> The economic decline also resulted in the **Bank of Uganda** (central bank) slashing its policy rate by 100 basis points to 7% to drive up liquidity in the economy.<sup>43</sup>

Although inadequate, the tax relief measures will provide some assistance to most of Uganda's businesses, which have experienced sharply reduced earnings and cash flow since the suspension of economic activities in March. The easing of the lockdown may see several businesses, especially those that are not dependent on the influx of external consumers such as tourism, begin to make sales that will improve cash flow in the short to medium term.<sup>44</sup>

### **Covid-19 cases continue to rise**

Uganda's health ministry announced on 15 June that it had confirmed nine new cases of coronavirus, bringing the number of recorded cases in its population of roughly 45.5 million

<sup>31</sup> CGTN, 12 Jun 2020.

<sup>32</sup> CGTN, 12 Jun 2020.

<sup>33</sup> Daily Monitor, 12 Jun 2020.

<sup>34</sup> Daily Monitor, 12 Jun 2020.

<sup>35</sup> Daily Monitor, 12 Jun 2020.

<sup>36</sup> CGTN, 12 Jun 2020.

<sup>37</sup> CGTN, 12 Jun 2020.

<sup>38</sup> Daily Monitor, 12 Jun 2020.

<sup>39</sup> Reuters, 8 Jun 2020.

<sup>40</sup> Reuters, 8 Jun 2020.

<sup>41</sup> Reuters, 8 Jun 2020.

<sup>42</sup> Reuters, 8 Jun 2020.

<sup>43</sup> Reuters, 8 Jun 2020.

<sup>44</sup> Source, analyst, London

to 705.<sup>45</sup> The latest cases resulted from tests conducted on 2,677 samples, with truck drivers at points of entry accounting for four of the cases, while five were a result of contact tracing in the **Tororo, Amuru, Kyotera** and **Entebbe** areas.<sup>46</sup>

The Covid-19 epidemic has struck close to home for Uganda's political leadership. Prime minister **Ruhakana Rugunda** entered self-isolation on 5 June after coming into contact with staff members in the prime minister's office who were subsequently diagnosed with the virus.<sup>47</sup> Rugunda temporarily stepped down from his position as chair of Uganda's **National Covid-19 Task Force** during his self-isolation.<sup>48</sup> Rugunda announced his decision in a **Twitter** post:

*"Friends, I have gone into isolation after some of my contacts tested positive for Covid-19. My own test result is negative. However, I have taken this decision as a health recommended measure."<sup>49</sup>*

President Museveni instructed all cabinet ministers to carry out Covid-19 tests as a precautionary measure, indicating that ministers who failed to do so would be excluded from weekly cabinet meetings.<sup>50</sup>

Covid-19 infections have risen steadily each week in Uganda. The health ministry attributes new infections to truck drivers from the **East African Community** region, particularly **Kenya** and **Tanzania**.<sup>51</sup> However, Uganda has eased some restrictions the government had imposed to contain the spread of the virus, and the increased mobility of people may now be accelerating the spread of the virus.<sup>52</sup>

### Planner

23 Sep 2020 **Kampala (Uganda)** Uganda International Oil and Gas Summit  
 2020 **(Uganda)** Final Investment Decision on oil and gas sector  
 2021 **(Uganda)** Uganda General Election scheduled, now subject to postponement

### Chronology

15 Jun 2020 **Kampala (Uganda)** *VOA*. Popular opposition leaders **Robert Kyagulanyi**, aka **Bobi Wine**, and Dr. **Kizza Besigye** establish an alliance, the **United Forces of Change** in the run up to the 2021 election;

12 Jun 2020 **Kampala (Uganda)** *Daily Monitor*. Finance minister **Matia Kasaija** unveils a \$12.3 billion budget for the 2020/2021 fiscal year that will focus on economic recovery, following **Covid-19**-induced economic decline;

15 Jun 2020 **Kampala (Uganda)** *The Independent*. Health ministry says confirmed cases of corona virus in **Uganda** have risen to 705 as of 14 June;

7 Jun 2020 **Kampala (Uganda)** *Daily Monitor*. A virtual bilateral meeting on 4 June intended to resolve tensions between **Uganda-Rwanda** ends in stalemate;

<sup>45</sup> The Independent, 15 Jun 2020.

<sup>46</sup> The Independent, 15 Jun 2020

<sup>47</sup> Softpower, 6 Jun 2020.

<sup>48</sup> Softpower, 6 Jun 2020

<sup>49</sup> Prime Minister Ruhakana Rugunda, quoted by Softpower, 6 Jun 2020

<sup>50</sup> New Vision, 5 Jun 2020.

<sup>51</sup> Softpower, 6 Jun 2020

<sup>52</sup> Source, analyst, London

- 8 Jun 2020 **Kampala (Uganda)** *Reuters*. **Uganda Bureau of Statistics** reports Uganda's economy will decline by 2.8% as of 30 June because of effects of Covid-19 pandemic;
- 8 Jun 2020 **Kampala (Uganda)** *The New York Times*. The **Bank of Uganda (BoU)** (central bank) cuts its benchmark lending rate by 100 basis points to 7% to support the country's ailing economy;
- 6 Jun 2020 **Kampala (Uganda)** *Softpower*. President **Yoweri Museveni** orders cabinet ministers to take mandatory **Covid-19** tests before each cabinet meeting, as a safety precaution to prevent his contracting corona virus;
- 6 Jun 2020 **Kampala (Uganda)** *Softpower*. Prime minister **Ruhakana Rugunda** goes into self-isolation after staff at his office test positive for the virus;
- 4 Jun 2020 **Kampala (Uganda)** *Reuters*. President **Yoweri Museveni** announces a raft of tax waivers and deferments to assist businesses to remain afloat after the adverse effects of the **Covid-19** pandemic;
- 2 Jun 2020 **Kampala (Uganda)** *Reuters*. President **Yoweri Museveni** says Uganda will lose \$1.6 billion worth of earnings from the tourism sector in 2020 as a result of the **Covid-19** pandemic;
- 29 May 2020 **Nairobi (Kenya)** *The East African*. Truckers' union suspends the movement of trucks to neighbouring **Uganda** until they are assured of their safety, citing **covid-19**-related stigma and harassment;
- 27 May 2020 **Kampala (Uganda)** *Africa Global Funds*. **East Africa**-focused agribusiness investment management firm **Pearl Capital Partners**, which manages the **Yield Uganda Investment Fund**, makes a seventh investment of 4.6 billion Ugandan shillings (\$1.2m) in seed producer, processor and distributor **Naseco**;
- 21 May 2020 **(East Africa)** *World Bank*. **World Bank** approves the \$500m **Emergency Locust Response Programme** to help countries in **Africa** and the **Middle East** fight the locust swarms that are threatening the food security and livelihoods of millions of people; first countries to be financed under the initial phase of the programme are **Djibouti, Ethiopia, Kenya** and **Uganda**, with a total financing package of \$160m;

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