

AFRICA RISK CONSULTING

Uganda Monthly Briefing July 2020

Uganda Summary 20 July 2020

Close to 20 'rebel' members of parliament from the ruling National Resistance Movement (NRM) meet with President Yoweri Museveni (1986-present) seeking pardon and reinstatement as party members. Uganda's gold exports increase on the back of global demand as investors view the mineral as a safer store of value, amid reports of illegal gold exports from East Africa to global markets through Uganda. The World Bank and European Union (EU) extend \$350m to Uganda to help combat the economic and humanitarian effects of the Covid-19 pandemic as cases of infection rise.

NRM 'rebel' legislators return to the party, meet with Museveni

Several popular legislators who defected from the ruling **National Resistance Movement (NRM)** party have made an about-turn and returned to the fold. The 18 members of parliament (MPs) met with President **Yoweri Museveni** (1986-present) on 13 July at **State House** in **Entebbe**.¹ Ugandan media refers to the legislators as "*rebel MPs*" because they have opposed some of NRM's positions in parliament, including the **Constitutional Amendment Bill (2017)** that removed presidential term limits, allowing Museveni an indefinite term of office.²

The legislators include popular political figures such as **Theodore Ssekikubo** (Lwemiyaga), **Barnabas Tinkasimire** (Buyaga West), **Mbwatekamwa Gaffa** (Kasambya), **Muyanja Ssenyonga** (Mukono South), **Kibalya Maurice** (Bugabula South), **Sylvia Rwabwogo** (Kabarole) and **Susan Amero** (Amuria).³ Speaking at the event, **Kumi MP Monica Amoding** sought Museveni's forgiveness on behalf of the "rebel MPs" for defying him and voting against the party in parliament.⁴

Museveni, who is also the NRM party chairman, welcomed the MPs back into the party and promised to present their request at the party's central executive council (CEC) meeting on 17 July.⁵ The CEC resolved to reintegrate the legislators into the party and foster a culture of unity and cohesion in the NRM.⁶ Speaking at the CEC meeting, Museveni stressed the importance of unity over divisive politics:

*"The issue [that] we are dealing with is not term limits or age limits, but survival of the African race. We do not have a strong black nation like the **United States [US], Russia, India and China**. Because people are now waking up, we are having a lot of food, sugar, milk, bananas, and so on. Do not talk about your tribe or religion but talk about prosperity and wealth creation."*⁷

However, analysts argue that the MPs' return to the party is largely based on their fear of losing their seats in the 2021 elections, since **Covid-19**-induced restrictions prevent them from conducting political rallies.⁸

"The elections will still be held, but all candidates have been barred from holding rallies. Instead, they are limited to conducting television and radio broadcasts and adverts. This has induced a

¹ Daily Monitor, 17 Jul 2020.

² New Vision, 17 Jul 2020.

³ Daily Monitor, 17 Jul 2020.

⁴ Daily Monitor, 17 Jul 2020.

⁵ Daily Monitor, 17 Jul 2020.

⁶ Daily Monitor, 17 Jul 2020.

⁷ New Vision, 17 Jul 2020.

⁸ Source, analyst, Uganda

sense of fear in them because, they are not guaranteed of electoral victories anymore. However, being in the ruling party provides a sense of safety and security, because it is common knowledge that the party's electoral victories are not attained freely and fairly.”⁹

The MPs' return to the NRM will bolster Museveni's and the NRM's political position ahead of the 2021 election. The election is likely to be hotly contested because of the rising tide of dissent against Museveni's extended stay in power, and the entrance of the popular **People Power** movement and its leader, **Bobi Wine**.¹⁰ However, Museveni's opponents also know that the government will have more control than usual over the electoral process, because of the Covid-19 restrictions, which further increases the likelihood of electoral defeat.¹¹

Gold boom for Uganda as reports of illicit trade surface

The **Bank of Uganda (BoU)** (central bank) has reported that Uganda's gold sector is on a recovery path since May, after recording poor results from January to April.¹² The increased export figures reflect a surge in demand as investors see gold as a safer store of value amidst the Covid-19 pandemic. The BoU reported that Uganda earned \$126m from gold exports in May.¹³ The country exported 2,470 kilograms of refined gold in May, up from 1,180 kilograms in April.¹⁴ Uganda exports most of its gold to the **Middle East**, particularly the **United Arab Emirates**.¹⁵

International investors see gold as a safer investment option compared to holding currencies that have faced declining value because of the economic effects of Covid-19.¹⁶ The establishment of the **Africa Gold Refinery**, a large-scale gold refiner located near the **Entebbe** airport that began operations in 2016, and several others throughout the country, have also helped to make Uganda a regional hub for gold refining and export.¹⁷

However, several reports show that Uganda has also become a hub for exporting illicit gold sourced from other **East African** states, especially the **Democratic Republic of the Congo (DRC)**,¹⁸ via Entebbe airport.¹⁹ The **Police Mineral Protection Unit** seized 93 kilograms of gold at Entebbe airport on 17 June as part of a countrywide investigation into gold smuggling.²⁰ The gold reportedly entered Uganda through its border with **Tanzania** at **Mutukula** border post, allegedly with the collusion of government employees.²¹ The gold reportedly belonged to **Amit Gandecha**, a Tanzania-based gold dealer who has smuggled gold through Uganda for an extended period.²² The police investigation was largely focused on small refineries in Uganda, which are responsible for the bulk of illicit gold exported from Uganda.²³

A **United Nations (UN) Security Council** report in June named Uganda as a key transit point for gold smuggled from the DRC.²⁴ UN experts indicated that DRC law enforcement officials have facilitated the export of illicit gold and other natural resources from the country to international destinations via Uganda.²⁵ The report also indicated that smugglers transferred Congolese gold,

⁹ Source, analyst, Uganda

¹⁰ Source, analyst, London

¹¹ Source, analyst, London

¹² S&P Global Jul 2020.

¹³ S&P Global Jul 2020.

¹⁴ S&P Global Jul 2020.

¹⁵ S&P Global Jul 2020.

¹⁶ Daily Monitor, 8 Jul 2020.

¹⁷ Daily Monitor, 8 Jul 2020.

¹⁸ S&P Global Jul 2020.

¹⁹ New Vision, 21 Jun 2020.

²⁰ New Vision, 21 Jun 2020.

²¹ New Vision, 21 Jun 2020.

²² New Vision, 21 Jun 2020.

²³ New Vision, 21 Jun 2020.

²⁴ AP News, 19 Jun 2020.

²⁵ AP News, 19 Jun 2020.

“... to regional refineries and other international destinations, and found that some refineries acted as brokers, used cash payments, undertook refiner-to-refiner trading, and used corporate networks to obscure ownership, thereby inhibiting supply chain accountability.”²⁶

The gold sector has emerged as a leading source of revenue for the government of Uganda, in light of economic woes induced by the Covid-19 pandemic.²⁷ If the volume of gold exports increases, this will have a positive impact on Uganda’s currency, which will appreciate relative to the US dollar.²⁸ However, the government needs to strengthen mechanisms for transparency in the gold value chain to prevent criminalisation of the sector, which could attract a ban on gold exported from Uganda to global markets and result in lost revenue for Uganda.²⁹

World Bank and EU extend over \$300m to Uganda to fight Covid19...

The **World Bank** gave Uganda a cash injection on 30 June of \$300m to fund the government’s efforts to revive the economy and combat the Covid-19 virus.³⁰ The World Bank said it gave the funds to Uganda under its Covid-19 **Economic Crisis and Recovery Development Policy Financing**, and is the first financing of its kind since 2014.³¹ The World Bank also stated that the funds would plug Uganda’s fiscal financing deficit, supporting the government’s relief efforts to individuals and businesses that the pandemic has adversely affected.³² The government’s measures to curb the spread of Covid-19, including restrictions on people’s movements, closure of businesses and a curfew, have resulted in a sharp decline in economic activities, which has driven some companies out of business.³³ World Bank country manager for Uganda **Tony Thompson** stated:

“The Covid 19 pandemic has had a significant impact on the economy and livelihoods. This budget support operation will enable the government to provide vital services, social safety nets, and a more robust shock-responsive system for the long term, and the economy to recover faster.”³⁴

The World Bank indicated that approximately 3.15 million Ugandans are at risk of extreme poverty, and this would add to the 8.7 million already living below the poverty line.³⁵ A locust invasion, which affected the entire East African region, and flooding account for the pre-existing levels of acute poverty in Uganda.³⁶

Given its focus on poverty alleviation, the World Bank required the Ugandan government to implement policy measures aimed at benefitting low-income households.³⁷ The government will provide farmers with access to agricultural inputs, seeds and fertilizers, in order to boost food security and nutrition.³⁸ The government will also expand its social protection programmes, mainly through cash-for-work schemes and labour intensive public works programmes, and expand the **Senior Citizens Grant** to assist the elderly in an additional 77 districts.³⁹

The **European Commission** announced on 14 July the disbursement of 24m euros (\$27.4m) in humanitarian assistance for the poor and vulnerable, especially refugees and their host communities, in Uganda.⁴⁰ EU commissioner for crisis management **Janez Lenarcic** said,

²⁶ UNSC report quoted by AP News, 19 Jun 2020.

²⁷ Source, analyst, London

²⁸ Source, analyst, London

²⁹ Source, analyst, London

³⁰ The Observer, 10 Jul 2020.

³¹ The Observer, 10 Jul 2020.

³² The Observer, 10 Jul 2020.

³³ The Observer, 10 Jul 2020.

³⁴ World Bank country manager for Uganda, Tony Thompson quoted by The Observer, 10 Jul 2020.

³⁵ Daily Nation, 2 Jul 2020.

³⁶ Daily Nation, 2 Jul 2020.

³⁷ Daily Nation, 2 Jul 2020.

³⁸ Daily Nation, 2 Jul 2020.

³⁹ Daily Nation, 2 Jul 2020.

⁴⁰ European Commission Press Release, 14 Jul 2020.

*“EU humanitarian support in Uganda is making a difference to the lives of many refugees who have fled **South Sudan** and the Democratic Republic of the Congo (DRC). EU aid will provide food and health assistance, access to water and sanitation, as well as education programmes. We remain committed to continuing our support in Uganda, all the more so in these challenging times.”⁴¹*

The World Bank and EU funding will support Uganda’s efforts to revive its economy while alleviating poverty.⁴² Uganda is traditionally a ‘donor darling’ and has had access to loans and grants from the World Bank, **International Monetary Fund** and the European Union, and other bilateral funding throughout President Museveni’s term of office.⁴³ However, there are concerns about entrenched and systemic corruption in Uganda’s public sector and the misappropriation of funds, given that the government can exercise its discretion regarding the beneficiaries of the funds.⁴⁴

... as Covid 19 cases soar

The health ministry announced on 18 July that Uganda’s Covid-19 infections had risen to 1,062, after the ministry registered six new infections.⁴⁵ The new infections were recorded from returnees from **South Africa** and India and the infected individuals have been placed under quarantine.⁴⁶ The country has reported 984 recoveries and is yet to register a Covid-19-related death.⁴⁷ The government began mass testing of all 426 MPs and 400 staff for coronavirus on 16 July.⁴⁸ Parliamentary spokesperson **Helen Kawesa** said the MPs requested the tests because their work involves frequent meetings, putting them at high risk of contracting the disease.⁴⁹

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

18 Jul 2020 **Kampala (Uganda)** *Daily Monitor*. **Uganda’s Covid-19** infections rise to 1,062 as five returnees from **South Africa** test positive and are placed in quarantine;

17 Jul 2020 **Kampala (Uganda)** *Daily Monitor*. “Rebel members of parliament” from the ruling **National Resistance Movement (NRM)** meet with President **Yoweri Museveni** to ask for and readmission into the party, fearing they will lose their seats in the upcoming 2021 election;

16 Jul 2020 **Kampala (Uganda)** *Daily Monitor*. **Anglo-Irish Tullow Oil Plc** shareholders vote by 99% majority to sell the company’s entire stake (33.33%) in Uganda’s oil fields and the proposed **East African Crude Oil Pipeline (EACOP)**;

16 Jul 2020 **Kampala (Uganda)** *CGTN Africa*. The health ministry test all legislators and parliamentary staff for **Covid-19**;

14 Jul 2020 **Kampala (Uganda)** *European Commission*. The **European Union** announces a 24m euro (\$27.4m) aid package for **Uganda** to fund humanitarian assistance for vulnerable communities affected by **Covid-19**;

⁴¹ EU Commissioner for Crisis Management, Janez Lenarcic, quoted by European Commission Press Release, 14 Jul 2020.

⁴² Source, analyst, London

⁴³ Source, analyst, London

⁴⁴ Source, analyst, London

⁴⁵ Daily Monitor, 18 Jul 2020.

⁴⁶ Daily Monitor, 18 Jul 2020.

⁴⁷ CGTN, 14 Jul 2020.

⁴⁸ Times Live, 17 Jul 2020.

⁴⁹ Times Live, 17 Jul 2020.

10 Jul 2020 **Kampala (Uganda)** *Business Day*. The **Committee to Protect Journalists (CPJ)** reports that the **Ugandan** government is increasingly targeting journalists whose reports are critical of President **Yoweri Museveni** in the run up to the 2021 election;

10 Jul 2020. **Kampala (Uganda)** *The Observer*. The **World Bank** extends \$300m to **Uganda** to support the government's efforts to mitigate the **Covid-19**-induced economic decline and acute poverty;

9 Jul 2020 **Kampala (Uganda)** *Reuters*. The **Bank of Uganda (BoU)** (central bank) threatens to cap interest rates that commercial banks can charge borrowers, following banks' failure to lower loan rates in accordance with the BoU's cuts to benchmark rates;

9 Jul 2020. **Kampala (Uganda)** *Reuters*. The **Uganda** shilling strengthens as low consumer demand resulting from the **Covid-19**-induced economic slump reduces importer demand for the **United States** dollar;

9 Jul 2020 **Kampala (Uganda)** *Wall Street Journal*. **United Nations** experts say that armed groups, criminal syndicates and corrupt law enforcement officials in the **Democratic Republic of the Congo (DRC)** and **Uganda** have been smuggling gold from the DRC through **Entebbe** airport and Uganda-based refineries;

8 Jul 2020 **Kampala (Uganda)** S&P. The **Bank of Uganda (BoU)** (central bank) reports that gold exports from **Uganda** increased in May, fetching \$126m as global demand grows and the number of refineries in Uganda increases;

1 Jul 2020 **Kampala (Uganda)** *CGTN Africa*. State finance minister **David Bahati** says the government has established seven cities across the country (**Fort Portal, Mbarara, Masaka, Arua, Gulu** and **Mbale**) to decongest the capital, **Kampala**;

16 Jun 2020 **Kampala (Uganda)** *Bloomberg*. **Electoral Commission** chairman **Simon Byabakama** says **Uganda** will hold a presidential election between 10 January and 8 February and that political parties must use media-based campaigns to canvas support rather than public rallies, to stem the spread of the **coronavirus** pandemic;

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