



## MONTHLY BRIEFING SERIES

03/07

March 2017

### Overview

**Andrew Felix Kaweesi**, an Assistant Inspector General of Police and the force's spokesperson, was gunned down about a mile from his home. Kaweesi was murdered together with his driver and bodyguard, both police officers. Several arrests have been made, but police are yet to apprehend the killers.

**Annual headline inflation** for the year ending March 2017 declined to 6.4% compared to the 6.7% recorded in the year ending February 2017. The decline was due to a fall in annual **core inflation** to 4.8% versus the 5.7% recorded in the year ended February 2017.

**China National Offshore Oil Corp**, one of the firms exploring for oil in Uganda, expressed interest in acquiring half of the 21.57% shares **Tullow Oil** announced it was selling to Total E&P Uganda in January. Cnooc's interest was revealed by Tullow. The transaction is subject to regulatory approval.

### Politics & Policy

**Andrew Felix Kaweesi**, an Assistant Inspector General of Police and the force's spokesperson, was gunned down about a mile from his home. Kaweesi was murdered together with his driver and bodyguard, both police officers. He was shot in the morning on his way to work. Eyewitnesses say Kaweesi was killed by two gunmen on two motorcycles driven by accomplices.

Several arrests have been made, but police are yet to apprehend the killers. Several motives have been floated, including rivalries within the police force and that he was murdered by ADF rebels. The police spokesperson says investigators are looking at several angles.

Kaweesi's murder is the latest in a string of similar assassinations. Previous victims

include a prosecutor, **Joan Kagezi**, who was assassinated in March 2015 and several Muslim religious leaders. Before Kaweesi, a UPDF major and former ADF rebel, **Major Muhammad Kiggundu**, was assassinated in a similar way last November (see November report). Police maintains that the ADF is behind the murders, but is yet to convict anyone.

**Asan Kasingye** was appointed as the new police spokesperson, replacing Andrew Kaweesi. Mr Kasingye was also named as the force's political commissar. He was serving as the Director of International Police and Peace Support before the appointment. He was replaced by Assistant Inspector General of Police **Fred Yiga**.

The cabinet postponed Local Council polls yet again, citing lack of money. The elections were to be held in January, but were pushed to March. Now the government says other priorities mean they can't be held this financial year.

Two senior ministry of finance officials were arrested for allegedly soliciting for bribes from investors. Their arrest was ordered by the president after the investors complained to him.

The contract of the current KCCA Executive Director **Jennifer Musisi** is set to expire on 14 April. Ms Musisi has held the position for six years, serving two three-year terms. The executive director is appointed by the president, who could decide to renew Ms Musisi's contract.

**Beti Kamy**, the Kampala minister, asked Police for 300 officers to support Kampala Capital City Authority enforcement officers. A letter by the minister to the police chief said the current "political environment" in Kampala "promotes contempt of the law and incites the population against KCCA law enforcement officers," making their work more intensive and riskier, hence the need for more numbers.

Bank of Uganda governor, **Emmanuel Tumusiime-Mutebile** criticised a government initiative promoting local content and exports dubbed Buy Uganda Build Uganda. Mr Mutebile said the "protectionist" campaign goes against Uganda's East African Community commitments because it flouts common market and customs union stipulations with its use of "trade-distorting non-tariff measures". Trade minister **Amelia Kyambadde**, however, said the campaign does not restrict imports but ensures that government agencies and ministries source 30% of their goods and services locally.

The government is exploring "alternatives" to the railway route through Kenya to the coast, according to works minister **Monica Azuba**. Ms Azuba was quoted by the Daily Monitor in a story that said President Museveni has instructed technocrats to look at the possibility of building a line through Tanzania instead of Kenya because it

seems cheaper than the current plans.

Tanzania's planned railway will cost \$1.5m (Shs5.6bn), while Uganda's is set to cost \$7.3m (Shs25b) per kilometre - which intrigued Museveni. In case Uganda changes course, the Tanzanian line would run from Dar es Salaam to the inland port at Mwanza. As a result, Uganda is also looking at reviving its inland ports at Port Bell, Bukasa, and Jinja. Tanzania earlier convinced Museveni to change what looked like set plans to construct an oil pipeline to the coast through Kenya; it is now planned to go through Tanzania.

Police seized 600 copies of a book critical of the state's handling of last year's general elections. Titled *Controlling Consent: Uganda's 2016 Elections*, the book was published by the Centre for Basic Research, a think tank based in Kampala. Police said as they were brought into the country, the books had been falsely declared as educational yet they were political.

After the Finance Ministry said there was no money to buy cars for Members of Parliament, the House slashed the budgets of its committees. Shs5.5bn of the Shs22.7bn budgeted for Parliament Committees was diverted to buying cars for the legislators.

A January 2016 government order banning the exportation of labour was lifted by the Cabinet, the First Deputy Prime Minister and deputy leader of government business in Parliament, **Gen Moses Ali**, told the House. The ban was instituted after several instances of Ugandans being mistreated by their employers in the Middle East. Gen Ali intimated that the ban was lifted some time back.

The United States is calling off the hunt for LRA Commander **Joseph Kony** after his rebel army was reduced to "irrelevance". General **Thomas Waldhauser**, head of the US military's Africa Command, said the operation was being called off because the LRA no longer posed a threat even though Kony is still at large. The US president signed a law in 2010 that deployed 100 American Special Forces soldiers to help in the hunt for Kony. The Americans worked with and trained regional armies as part of the operation.

The Court of Appeal upheld a lower court ruling nullifying the election of **Moses Walyomu** as MP for Kagoma County in Jinja. Meanwhile, the Electoral Commission said by-elections for the Kamuli Municipality, Aruu North County and Moroto District Woman MP seats will be held in April.

In Kamuli, the NRM party is fronting the same candidate whose election was annulled for lacking the required education. **Rehema Watongola** says she went back and acquired A-Levels. FDC's **Salaam Musumba** who successfully appealed Watongola's

election is also contesting for the Kamuli Municipality seat.

The government said it is [taking over the management of Uganda Telecom Limited](#) after its majority shareholders, Libya Posts Telecommunications & IT Company, said they would no longer fund the cash-strapped telecom.

Additionally, Uganda Revenue Authority seized Shs1.1bn from the company's accounts, its board chairman told a Parliamentary committee investigating its management. Mr Kaboyo also told the committee that UTL's debt exceeds Shs500bn, much of it owed to Airtel and MTN in interconnection fees. Government agencies owe the company Shs18bn in unpaid fees.

Cabinet appointed PricewaterhouseCoopers to assess the business viability of the telecom, according to a report in the Daily Monitor newspaper. PwC was given three months to complete the appraisal.

## **The Economics**

### **Inflation**

**Annual headline inflation** for the year ending March 2017 declined to 6.4% compared to the 6.7% recorded in the year ending February 2017.

The decline was due to a fall in annual **core inflation** to 4.8% versus the 5.7% recorded in the year ended February 2017, according to data from the Uganda Bureau of Statistics.

A fall in services inflation to 4.7% versus 5.9% in the year ending March was responsible for the decline in core inflation, which is closely tracked by the Central Bank.

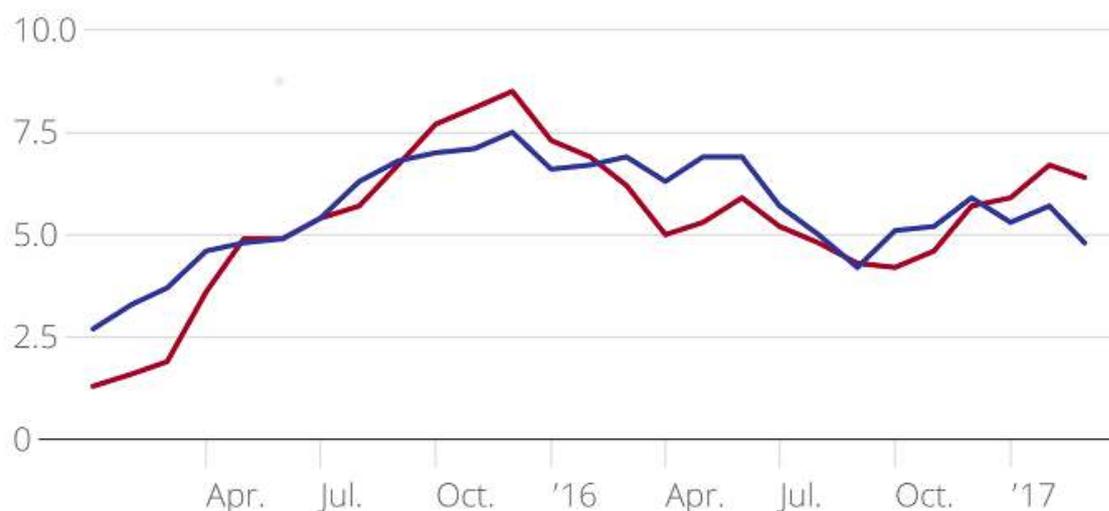
“The key sector that led to the decline [of services inflation] was education inflation that dropped to 11.8% for the year ending March 2017 compared to 20.2% recorded during the year ended February 2017,” according to a statement from the statistics bureau.

March's headline inflation is the second-highest in one year after February's headline rate.

**Read More:** <http://ugbusiness.com/3045/economy/inflation-falls-to-6-4-in-march>

## Annual Headline and Core Inflation from 2015

■ Annual Headline ■ Core



The Numbers

Uganda Business News

Data: Uganda Bureau of Statistics

	February 2017	March 2017
Headline	6.7%	6.4%
Core (excludes food and energy prices)	5.7%	4.8%
EFU (Energy, fuel and utilities)	1.0%	3.8%
Food crops and related items	18.8%	20.7%
<b>Central Bank Rate</b>	11.5%	11.5%

## Currency Markets

Exchange Rates	March 01		March 31	
	Buying	Selling	Buying	Selling
US Dollar	3583.36	3593.36	3609.29	3619.29
Pound Sterling	4459.49	4471.94	4507.64	4520.13
Euro	3807.32	3817.95	3873.85	3884.58

## Revenue Collections

Not released.

## Coffee Exports

Uganda exported 397,883 60-kilo bags of coffee worth \$48.50 million in February 2017, a 46.31% increase in volume and 93.57% rise in value compared to the same period in 2016.

Robusta exports were 301,756 bags worth \$34.63 million, according to data from the Uganda Coffee Development Authority. Exports of the more valuable Arabica crop were 96,127 bags worth \$13,86 million.

In the year to February, 3.74 million bags of coffee valued at \$412 million were exported compared to 3.60 million bags worth \$382 million in the same period last year. This represents an increase of 3.79% and 7.69% in quantity and value respectively.

Meanwhile, the government contracted **McKinsey & Company**, a global management consulting firm, to help in the crafting of a roadmap that will outline how Uganda can increase coffee production and exports by 2020.

McKinsey was brought on board to work on an initiative called the “Coffee 2020 Lab,” which started on 13 March and will run to 7 April 2017.

The initiative is meant to “articulate realistic but ambitious goals for our coffee sector, identify roadblocks that have prevented us from growing faster up to now, and develop a tangible action plan that considers lessons from the identified roadblocks.”

**Read More:** <http://ugbusiness.com/2957/politics-policy/mckinsey-to-advise-uganda-on-coffee-policy>

### **Bank Financials**

**Dfcu Bank Limited** increased after-tax profit by 25% to Shs46 billion in the year to December 2016 despite a tumultuous year for the banking sector, according to audited summary financials released on Tuesday.

Total income rose 15% to Shs257bn from Shs224bn in 2015, while total expenditure increased by 13% to Shs197bn versus Shs175 bn the previous year.

**Read More:** <http://ugbusiness.com/2964/markets/financials/dfcu-bank-profits-up-25-in-2016>

**Stanbic Bank**, Uganda’s largest bank, registered a 27% increase in net profit, a solid performance in a challenging year for the banking sector.

Net profit for the year rose to Shs191bn compared to Shs151bn in 2015. Total income increased by 21% to Shs693bn, while total expenditure (excluding income tax) rose 18% to Shs439bn.

**Read More:** <http://ugbusiness.com/3010/markets/financials/stanbic-bank-reports-27-rise-in-2016-profits>

## **Energy, Oil & Gas**

**China National Offshore Oil Corp**, one of the firms exploring for oil in Uganda, expressed interest in acquiring half of the 21.57% shares **Tullow Oil** announced it is selling to Total E&P Uganda in January. Cnooc's interest was revealed by Tullow. The transaction is subject to regulatory approval.

Uganda is seeking a \$500 million loan from China to build ten "critical" roads in the Albert Graben region where Uganda's oil deposits are found. As is custom in China for such financing, if approved it will be disbursed by the state-owned China Exim Bank. Finance minister **Matia Kasaija** told the Daily Monitor newspaper that \$564 million is needed for the roads - the rest will come from the Petroleum Fund and from a 10% budget cut affecting government ministries and agencies.

The minister of lands cancelled all land titles issued for 5090 hectares of land in Buliisa district between December 2010 and February pending a review of the transactions. Buliisa lies in the oil-rich Albert Graben region. The move intends to stem land wrangles and alleged land grabbing by rich and powerful speculators.

**Ziria Tibalwa Waako** was named the new chief executive of the Electricity Regulatory Authority, replacing **Benon Mutambi** who was appointed permanent secretary of the Internal Affairs ministry last year. Ms Waako has been acting CEO since last November.

## **Regional**

An August 2016 report by the **East African Community secretariat** says intra-EAC trade fell by 13% in three years, with total value dropping to \$5.06 billion in 2015 from \$5.8 billion in 2013. It fell by 8.3% in Kenya, 20% in Tanzania and 27.5% in Rwanda, but rose in Uganda and Burundi. One of the causes of the decline, in Tanzania at least, was the closure of Uchumi Supermarkets which saw imports from Kenya fall 63%. The report recommended reducing the cost of business, the development of a coherent approach to attract investment, investment promotion policies, and the conclusion of trade and investment agreement agreements to improve trade.

Kenya's budget was read two months early because its Parliament will be in recess in June, when it is usually read. The five East African Community countries read their budgets on the same day after a 2007 agreement aimed at harmonising taxation regimes. The parliament will be dissolved 60 days before general elections in August.

Burundi applied to join the Southern African Development Community, a move said to be in protest at the East African Community's stance on its political situation. Burundi's president **Pierre Nkurunziza** cooled on the EAC after securing a third term

last year. Tanzania is already a member of the SADC and EAC.

South Sudan raised permit fees for foreigners from \$100 to \$10,000 for professionals, \$2,000 for blue collar workers, and \$1,000 for casual workers. Ugandans and Kenyans were to pay \$100 from \$50, however. But authorities in the country have said they will review the new charges following complaints from aid organisations, which rely on foreign labour.

**What to watch for:**

**Bank of Uganda's** Monetary Policy Committee will meet to set the **Central Bank Rate** for the next two months on **12 April**.