Yoweri Museveni, America’s Great Foot Soldier in East Africa, Is Desperately Seeking a Bail-Out

By Mary Serumaga

It has been a hectic couple of months for the Ministry of Finance and the IMF. Uganda is one of those countries desperately in need of a bailout and November/December saw end-to-end meetings. On the agenda were Uganda’s or President Museveni’s desire to proceed with his legacy projects and the IMF’s objections.

Gone are the days when Uganda was described as the IMF success story, “a virtual textbook of the International Monetary Fund’s structural adjustment program: free markets, a convertible currency, an independent central bank, selling off state-owned companies, tight budget, and downsizing the civil service and the army.” ” ~ Bill Berkeley, Atlantic Monthly

For instance, in 2018 the Central Bank cannot anymore be described as independent as the ongoing Parliamentary investigation in to the sale of four banks under supervision orders shows. The Central Bank belongs to one Justine Bagyenda, former head of Bank Supervision and her unknown handlers. According to leaked bank statements she is a dollar millionaire after 32 years in the civil service.

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> textbook of the International Monetary Fund's structural adjustment program…For instance, in 2018 the Central Bank cannot anymore be described as independent as the ongoing Parliamentary investigation in to the sale of four banks under supervision orders shows.

Bagyenda is unable to explain to parliament's Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) why she autonomously and illegally sold a bank under supervision or the basis upon which she discounted bank assets by 93%. She insists she does not remember. Unfortunately, there are no records either because Bagyenda was caught on security cameras one night removing a sack of documents from the bank. Her accomplices (bodyguard, driver and bank security guards) were all remanded in custody but she remains a free woman.

Twenty years after divestment of state enterprises, there has been no report on profits or losses made. Fraud was detected in the sale of the national airline and other assets. The 'cash budget' is characterised by massive arrears and supplementary budgets are made throughout the year to overspending ministries. Finally, the civil service has ballooned from 22 ministries (after downsizing) to over 75, plus an additional twenty-nine specialist agencies causing service delivery to suffer.

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In their letter to the Administration, the senators asked, "As the largest contributor to the IMF, how can the United States use its influence to ensure that bailout terms prevent the continuation of ongoing BRI projects, or the start of new BRI projects?"

All of this is going on over the heads of the Ugandan people who are not included in the planning and will not be involved in oversight of any transactions. They just want public resources to be used honestly and in the most efficient and effective manner possible. With an upward trend in undernourishment, the introduction of new taxes and announcements scaling back universal primary and secondary education programmes, Ugandan docility is becoming a thing of the past. Although 2018 has been plagued by persistent civil unrest, resistance to state brutality led by the People Power movement is growing.

Turning to the specifics of the various competing interests, President Museveni's agenda includes building the planned oil pipeline and oil refinery. These require major road construction in the oilfields of Buliisa. Problem number one – there are no funds available to construct the roads and they will need to be borrowed.

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For the refinery, a partnership with an investor should secure 60% of the cost, but that still leaves 40% to be sourced by the government of Uganda. Similarly the only source is another loan. A proposed partnership in the pipeline would provide 85% of the cost. The remaining 15% would have to be borrowed by government.

All of this is against the background of the energy sector. Isimba and Karuma hydro-electric power plants are complete. The generated power can only be evacuated and distributed among consumers with a huge investment in the necessary infrastructure. At this stage there is no time to begin the long process of cultivating a public private partnership and the entire amount – US$ 3.5 billion – to fund transmission and distribution has to be borrowed. Note that Isimba and Karuma were built with non-concessional loans

Sources state that there are lower-interest, longer term concessional loans available from the UK and Europe, however, Uganda's ability to repay is compromised by its being over its head in semi-concessional debt to China and domestic banks. Hence the need for an IMF bailout.

Now with the upper hand, the IMF has raised its own concerns the first of which is the sustainability of the public debt.

This is a turnaround from their Debt Sustainability Analysis (DSA) of 2016 in which they pronounced the economy healthy and debt levels manageable, "Government finances remain on a sound footing, though expenditure composition can be of concern." That conclusion contradicted the Auditor General's report in which he warned that interest on loans from domestic banks (much higher and repayable in much shorter periods than loans from International Financial Institutions) was approaching unsustainable levels. In 2016 and 2017 he also outlined significant failures in agricultural projects and health service delivery.

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The IMF's only caveat in the DSA was that for continued debt sustainability a) project selection and implementation would have to be strengthened b) commencement of oil production would have to commence on schedule in 2020. They are not keen on either the pipeline or the refinery as priorities – their priority is debt servicing.

Oil production has now been pushed back to 2023. Uganda discovered oil before Ghana but Ghana has been producing for years. During that time Uganda has been embroiled in legal battles over the sale of concessions. It is very interesting that in the recently concluded trial in which one Patrick Ho was convicted of bribing President Museveni and his foreign minister Sam Kutesa, correspondence revealed that Patrick Ho understood that after he had paid them, the sale of oil concessions would be reversed in order to sell them to China's CEFC of which Ho was a representative.

Now the IMF is of the view that commercial debt servicing consumes resources that would otherwise be available for development.

They are also concerned about domestic arrears, payments owed to local suppliers, which continue to climb and reached an unpayable US$267 million in 2018. Suppliers of foodstuffs to the police force formed an association and suspended all supplies until their arrears were cleared.

The third barrier to a new IMF package is the high recurrent cost of public administration.

Mushrooming local government entities and specialist agencies hived off from their parent ministries has meant in 2018 that many civil servants have been or are yet to be paid in arrears. Service delivery has been characterised by shortages, the most important of which is drug stock-outs. Belatedly, government has resolved to reduce the number of ministries, departments and agencies although action has yet to be taken.

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Supplementary expenditure will be the toughest nut to crack. Expenditure over budget is in direct relation to the political clout of the overspending entity. Predictably State House and the Ministry of Defence are the biggest culprits. State House has been known to exhaust its annual budget in the first quarter of the year, requiring supplementaries that are carved out of the budgets of less powerful votes.

A study by the Alliance for Campaign Finance Monitoring (ACFIM) in 2016 showed that overexpenditure peaks during election periods, it also showed that State House is a serial offender, indications that the government diverts funds from service delivery to election campaigns and regime preservation.

These are the current barriers to a new IMF programme. It is clear that all of Uganda's economic problems stem from poor governance, in the words of one source, "The problems are not economic but institutional failures, lack of accountability."

However, although the IMF's arguments may sound plausible, it would be a mistake to conclude that their interests are one and the same as those of the Ugandan people. An oil refinery would mean a break from the tradition of exporting raw materials, but it is no accident that no serious effort has been made to refine coffee, cotton or any other more easily accessible local produce despite the eternal presence of 'development partners'. If anything IMF structural adjustment decimated the young local textile industry making the average Ugandan dependent on imported used clothing. It is therefore highly unlikely that they would support Uganda in refining oil when with a little pressure they can get the raw material more cheaply.

Official talk about corruption is diversionary. Museveni and Kutesa have been hawking public assets for three decades with the knowledge of the development partners. It was accepted while the goose continued to lay golden eggs and service already unsustainable Western debt. It is only because those repayments are threatened by Chinese extortion and the growing indignation of the Ugandan polity that the IMF and partners are putting on their ethical investor disguises.

Part of that is to rehabilitate President Museveni's image if not his character. In December 2018, the month in which the IMF talks were concluded and during which concrete evidence was presented in a New York court proving Museveni and Kutesa had received bribes from Patrick Ho, and during which COSASE revealed the Central Bank to be as corrupt as other public institutions, Ugandans were stunned to wake up to the news that the head of Transparency International had travelled to Uganda and given Museveni an award for 'fighting corruption'.

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At the event, he announced yet another anti-corruption initiative to be unveiled on 10 December. Suspended BRI infrastructure projects and a renewed anti-corruption drive are elements of Kenya's new SAP programme smuggled in earlier this year.

In 1994, Linda de Hoyos wrote, "In exchange for his handing Uganda back to such entities as Windsor Holdings, Museveni has been given the franchise as the marcher lord for East Africa. While the "social sector" is starved of funds, Museveni has poured millions into the military, his only political base of support."

It seems although damaged, Museveni is still useful to the West.

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