WHO BOUGHT THE SHARES?

The real buyers of shares worth over sh86b remain a mystery, after the two entities the Government named as the buyers denied knowlege of them

By Pascal Kwesiga

An aerial view of Kinyara Sugar Works in Masindi district in 2010. Photo by Jimmy Adriko

Ghosts buy sh86b govt shares in Kinyara Sugar

The Government has sold the 30% shareholding it still held in Kinyara Sugar Works in a transaction that has kicked up controversy.

The real buyers of the over 11 million shares remain a mystery, after the two entities the Government named as the buyers denied knowledge of the transaction, amounting to over sh86b. The facility in Kinyara, Masindi district, was reportedly sold to Bunyoro Kitara Kingdom and Rai Group Holdings Limited.

According to the finance ministry's privatisation unit, Government has sold the 10% stake, equivalent to 3,827,113 shares, to Bunyoro Kitara Kingdom for over sh28.7b.

An additional 20% stake, which is equivalent to 7,654, 226 shares, was sold to Rai Holdings for over sh57.4b.

In the 1990s, the Government sold 51% shares to Rai Group Holdings Limited when it privatised the plant and retained 49% shareholding.

During the divestiture process at the time, the Government said it had reserved 10% shares for Bunyoro Kitara Kingdom, 10% for the cane farmers and 10% for the factory employees and other members of the public. Under that arrangement, the Government was supposed to retain only a 19% stake in the factory.

However, about five years ago, the Government transferred an additional 19% shareholding to Rai Holdings to enable the company, owned by Asians, expand its sugarcane processing capacity from 2,500 tonnes to 4,000 per day.

Notice of transaction

According to the finance ministry, the latest transaction was concluded on June 30, 2017.

A notice the ministry sent to the Government Printer for publication in the *gazette* noted that the Government's 30% shares in Kinyara Sugar Works have been sold to Rai Holdings and Bunyoro Kitara Kingdom. The kingdom is also the owner of the land on which the plant is located.

The Government explained that the shares were sold after valuation and authorisation by Deloitte Uganda and the divestiture reform and implementation committee on June 30. Each share was sold at sh7,500.

"In accordance with section 22 of the Public Enterprise Reform and Divestiture Act (PERD Act) and in accordance with paragraph 12 (7) of the second schedule to the PERD Act, thirty (30) per cent shares of Kinyara Sugar Limited were divested by the privatisation unit," the notice said.

Finance minister Matia Kasaija on Monday confirmed that the Government sold its entire stake in Kinyara and that the transaction was closed last month. He said the buyers were Bunyoro kingdom and Rai Group.

Kasaija first revealed the Kinyara shares sale while visiting the financially struggling Atiak Sugar Factory over the weekend. He said the Government had sold 'part' of its stake in Kinyara for $5.2m (sh18.6b) and that the money was used to bail out Atiak factory investor Amina Hersi Moghe.

Hersi has also been given an additional $12.5m from the Agricultural Credit Facility (ACF) to complete the plant. Work at the plant had grounded to a halt after Hersi, the proprietor of Oasis Mall, failed to pay back a Crane Bank loan she had secured for the sugar plant construction works.

MUSEVENI LETTER

In a July 11, 2008 letter, President Yoweri Museveni directed the finance ministry to expedite the process of giving the kingdom its shares.

"The purpose of the letter, therefore, is to direct you to expedite the process of giving 10% shares in Kinyara Sugar Works to Bunyoro Kitara Kingdom," Museveni directed.

In a February 2010 letter, the President directed that since the kingdom had failed to raise the money to purchase the shares, the Government should take on the responsibility of buying for them the shares. Following Museveni's directive, the finance minister sought legal advice on the matter.

On February 13, 2012, the Solicitor General replied that the shares in Kinyara are public property and could only be disposed of by sale.

"There is no legal basis upon which the Ministry of Finance... shall use public funds and pay for shares on behalf of Bunyoro Kitara Kingdom, a non-governmental organisation under a corporation sole," the Solicitor General's the letter read.

Kingdom, Rai Holdings deny

However, Rai Holdings general manager at Kinyara, R. Ravi, yesterday denied knowledge of the transaction, insisting that he is only aware of the 70% the company holds in the plant.

"I know we own 70% and Government owns 30%. I have no information about the latest development," Ravi told *New Vision* on telephone.

Bunyoro kingdom prime minister Norman Lukumu said the institution failed to raise sh28.7b to purchase the shares and was still engaging Government about the same.

Asked about the kingdom being listed as the buyer, Lukumu said: "Those people (in Government) are mixing up issues. We thought it was an entitlement, but they asked us to buy and we did not have the money."

The kingdom's attorney general, Robert Irumba, expressed surprise at the development. "I am totally green about it," Irumba stated.

But Kasaija explained that although it was thought by some people in Bunyoro that the kingdom was entitled to shares in the plant and President Yoweri Museveni had indeed directed that shares be given to the kingdom, it was later established that the Government could not donate shares to the institution.

"Government had remained with 30%, and 10% of those had been reserved for the kingdom. As far as I know, Bunyoro kingdom did not have the money to buy and they got someone and sold. They got an investor and I do not know who that is," the minister said.

Asked why the kingdom is named as the buyer, Kasaija said: "As far as I know, Bunyoro sold."

No share certificate

The kingdom's deputy attorney general, Muzamil Bikanga, who confirmed that he had been part of an effort to get the Government to deliver the shares allocated to the kingdom, said it is baffling to suggest that the institution could have sold the shares it never possessed.

"Bunyoro kingdom was denied a share certificate and did not have the shares in Kinyara. Bunyoro cannot sell what we do not have," Bikanga added.

He explained that the finance minister had informed the kingdom team that the Government could not donate shares to the institution.

"We gave up because we did not have money. We had thought of borrowing the money to buy shares, but then we asked ourselves what would happen if the factory declared losses each year," Bikanga explained.

Our shares still intact, farmers say

Meanwhile, the 6,015 sugarcane outgrowers in Masindi are up in arms, arguing that the decision to dispose of the shares without their knowledge is illegal.

"As far as we know, the 10% that was allocated to us is still intact and we are going to buy it. We have not been asked to buy it and failed," Robert Atugonza, the chairman of the outgrowers, said.

Solomon Kaahwa, the chairman of the business arm of the outgrowers association, said the farmers agreed to sell their cane cheaply to the plant in the 1990s, when it was privatised on the understanding that they would get shares.

"The share sale is a big disappointment to us since we cannot set up our own factory. We are not even paid for the byproducts from our cane such as molasses and bagasse," Kaahwa said.

For many years, the company sold a tonne of sugar at an average of sh400,000, with farmers getting sh100,818 from it. The share of the farmers was only increased last year when they started getting sh128,318 for each tonne of sugar sold for about sh400,000.

The firm has set up another factory in Hoima and is establishing another in Kiryandongo.