

Ugandans to the rescue



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Do you ever wonder where Balaba gets his wealth or who he works for?

Posted by Musa

ANSWER: Government has secretly been paying businessman Hassan Basajjabalaba part of Shs46 billion he claims in compensation for city markets that were leased to his company and then taken back. The money, much higher than what the businessman spent on premium fees for the leases, has not been independently verified, and has been done without the knowledge of some concerned government agencies, including the Central Bank.

A Daily Monitor investigation uncovered details of the payments after reporting last week that the businessman had missed a six-month deadline to pay back \$11.5 million he owes Bank of Uganda in interest-free guarantees to two local commercial banks.

Central Bank officials confirmed to this newspaper last week that Basajjabalaba had not paid back the money despite agreeing to do so in a consent agreement signed at the end of January. After publication of the story, the businessman's lawyers contacted this newspaper and revealed that it was government that owed Mr Basajjabalaba money, not the other way round.

Bbumba pleads

This newspaper has now obtained documents which show that the government promised to pay Mr Basajjabalaba's Haba Group of Companies Shs46b in compensation for the two cancelled leases on Owino and Nakasero markets in downtown Kampala.

In a June 7 letter on the subject of 'Compensation to Haba Group of Companies', Finance Minister Syda Bbumba asked the Governor, Bank of Uganda, Emmanuel Tumusiime-Mutebile to "please provide any assistance" he deems fit for Mr Basajjabalaba to recover the amount he claims. "I have been requested to assist Mr Basajjabalaba regarding his indebtedness to various banks, who are threatening legal action.

The Solicitor General in his letter dated March 5, 2010 requested for a supplementary of Shs46,236,701,612, to compensate Haba Group of Companies. We have indicated part of this money in [Financial Year] 2010/11 to cover indebtedness to government of Uganda and Uganda Development Bank," Ms Bbumba's letter reads in part.

A week later, Ms Bbumba wrote to Mr Basajjabalaba assuring him that government had allocated money in the current budget to pay off the businessman's loans to Uganda Development Bank and to Bank of Uganda. More provisions would be made in subsequent budgets, Ms Bbumba added.

Mr Keith Muhakanizi, the deputy secretary to the Treasury, yesterday confirmed knowledge of the correspondences between the government and Haba Group of Companies but said the Finance Ministry did not determine who to pay and how much to pay.

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Finance explains

“We are a simple payment system,” Mr Muhakanizi said. “Those amounts are determined by the office of the Attorney General. They can explain better. What I think we are paying for is the markets Basajjabalaba had bought.”

Mr Basajjabalaba was first offered a lease on Nakasero Market in 2007 but abandoned the venture following an uproar by market vendors, backed by area MP Erias Lukwago, who claimed that the law gave sitting tenants a first right of refusal to any redevelopment projects.

The businessman, however, was offered the market again in 2009 for a premium of Shs3 billion and he took it over after paying Shs2.2 billion. Government was forced to intervene and cancel the lease after the vendors protested again and threatened violence.

Mr Basajjabalaba had earlier been offered a chance to redevelop the iconic and historic Constitutional Square, so named after the country promulgated a new Constitution in 1995, into a shopping mall. He was forced to abandon the project after public criticism and anger over the proposed redevelopment.

Move opposed

In January Kampala City Council rejected the businessman’s claim of Shs100 billion in compensation and lost income from the proposed redevelopment of Nakasero Market and the Constitutional Square. Members of Parliament at the time described Basajjabalaba’s demands as a ploy by the government to misuse taxpayers’ money under the pretext of compensation.

Fact: About eight years ago, Mr Hassan Basajjabalaba hit the national headlines touted as one of the richest businessmen in Kampala. Apart from his hides and skins business, not much was known of the reclusive trader’s dealings—with matters neither helped by his distaste for the media.

But before long, Mr Basajjabalaba had become a household name. In 2004, his business empire, composed of hotels, education institutions and markets, was struggling—and help came in handy—from the President. The Shs20b bail-out by the Central Bank was later to become a sticking matter as the nation debated his luck.

Basajjabalaba had come out of the closet. In 2006, together with other senior Muslim leaders, he was dragged to court for allegedly mismanaging the faith’s property. He was acquitted but the nation was recently treated to drama when Basajjabalaba took on his colleague in the docket—Mufti Ramathan Mubajje—with both protagonists “firing” each other from their positions. His critics think he is a businessman who has only managed to stay afloat because of links with the State, while his loyalists point to the need for support of home-grown entrepreneurs, their mistakes notwithstanding.

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Party man

But for a man who heads the ruling party's Entrepreneurs' League, maybe only he knows what fusion of state and private enterprise can offer—and this latest cash flow of Shs46b—could be testimony to this.