Economic and political developmental impact of US private sector engagement in Uganda: Case of US Information and Communication Technology sector

Abstract

Non-governmental forms of American engagement in the Republic of Uganda have economic and political impacts. This paper will investigate American Information and Communication Technology (ICT) firms in particular and closely study their patterns of engagement in Uganda to understand economic and political development impacts. Two hypotheses are identified and closely evaluated against observations. The first hypothesis explores the relationship between the engagement of American ICT firms in Uganda and the impact of such engagement on the economic development of Uganda. A positive correlation is identified between the two variables. The second hypothesis explores the relationship between the engagement of American ICT firms in Uganda and the impact of such engagement on the political development of Uganda. A negative correlation is identified between such engagement and short-term political development outcomes; whereas a positive correlation is identified between such engagement and the long-run political development outcomes. This paper concludes with key recommendations on how the US State Department can leverage the engagement of US-based ICT firms in Uganda, to improve both economic and political development outcomes.

United States and Uganda

The diplomatic relationship between the United States and Uganda dates back to 1962, when Uganda gained its independence (US Department of State, 2019). Despite continued support and ongoing cooperation between the two countries through the decades, “power and infrastructure

constrains, corruption, underdeveloped democratic institutions and human rights deficits", continue to plague the Republic of Uganda (US Department of State, 2019). So to investigate the impact and effectiveness of US governmental and non-governmental forms of engagement in Uganda is urgent and necessary for future developmental gains. For the purpose of this paper, non-governmental, US private sector engagement will be closely studied, focusing on the Information and Communication Technology sector in particular. Two hypotheses will be studied through this paper. The first hypothesis explores the correlation between US-based ICT sector engagement in Uganda and political development in Uganda. The second hypothesis explores the correlation between US-based ICT sector engagement in Uganda and economic development in Uganda. After careful evaluation of the literature and theory, a positive or negative relationship will be assigned between the variables.

Literature Review

US-based ICT firms have been an active force of influence in Ugandan society, both economically and politically. A key economic development impact of US-based ICT firms in Uganda is that of scaling Uganda's telecommunication infrastructure and networks. Among all, prominent US-owned ICT firms - Google and Facebook, have contributed the most towards telecommunication infrastructure building in Uganda. According to the latest report by the International Trade Administration (2021), "since 2015, Google has laid over 1,000 km (621 miles) of fiber optic cable in the Kampala metro area". Facebook, in partnership with Airtel Uganda, "has laid over 800 km (497 miles) of fiber optic cable throughout Uganda, primarily in the northern town of Gulu, aiming to target remote areas and to provide internet access to nearly 3 million people" (International Trade Administration, 2021; PC Tech, 2017). Facebook has also

partnered with non-profit organization Internet Society to develop Internet Exchange Points (IXP) throughout Africa (Internet Society, 2018). This program could effectively keep domestic Internet traffic local, spur interest in hosting content locally, and in effect make internet access faster, more affordable and reliable (Kende, 2020). ICT infrastructure investments are considered largely positive for economic growth as they aid in increasing "productivity of inputs, lowering transaction costs and facilitating the creation of knowledge" (Haftu, 2019, p.89). In fact, the outlook on ICT-led economic growth is especially promising given its fast scale-up and reduced marginal costs. According to Uganda Communication Commission's report (2020), by September 2020, Uganda achieved a total of 20 million internet subscriptions, reaching roughly 50% of internet penetration. In July 2021, the cost of commercial internet (25 Mbps+/mo) service also dropped to $40, from about $300 only four years ago (International Trade Administration, 2021). With extensive support from other entities, including American technology companies, Uganda's ICT sector has grown 19.7 percent on average, each year since 2013, which added 2.5 percent annually to the gross domestic product (GDP). This indicates that US-owned ICT sector has to a substantial extent, contributed to the country's economic development. By building better ICT infrastructure, the firms have improved access to information, knowledge and communication, subsequently resulting in job creation and, consequently poverty reduction, in addition to boosting trade (Centre du Commerce International, 2018).

In 2015, Google launched Digital Skills for Africa – a digital skills training program preparing workers for careers in digital marketing and data analysis, and helping prepare the technically literate workforce for the potential surge in labor force demand for digital roles in Africa (Banjo, 2016). A study by International Finance Corporation (2019) found a huge increase for labor force demand in digital skills that could translate to potentially 650 million training

opportunities and roughly a $130 billion worthy market. This program successfully trained 500,000 African people within 6 months and built an online portal to connect talent to the market (Banjo, 2016). Through its accelerator program, "Google has supported more than 80 startups in seed to Series A stages with equity, mentorship and resources, which collectively raised over $100 million in venture capital" (Baruna, 2021).

Beyond Google's efforts in providing digital skill training and entrepreneurship investment, other US-based ICT firms have also promoted economic and political development. WhatsApp, for example, developed a strong partnership with the Ugandan Government during the COVID-19 crisis to disseminate relevant and timely information and to front Q&A sessions between Ugandans and the Ministry of Health, 24 hours a day. Data and information on COVID prevention, symptoms, the latest number of cases, advice on staying at home, travel advisory, fighting disinformation and misinformation, kept the local citizens informed and helped the government with decision-making, saving lives (Business Week, 2020).

Politically, Kalyango and Adu-Kumi (2013) find that socially engineered online communication technologies have allowed for a solid grass-root level civic engagement in public spaces, also allowing for mass political and electoral mobilization, at little to no cost. US-based ICT platforms also facilitate political activism allowing Ugandan communities to fight against corruption and demand for accountability and transparency in governance (Kasadha, 2019). Kamp (2016) finds that these platforms also give more visibility to the marginalized and facilitates social change in Ugandan society. Social media is also widely used for political campaigns, and to shape trust between citizens and representative institutions and politicians (Gibson et al., 2008). Many politicians and political parties own social media accounts which become important battlegrounds during elections. The tenth former Prime Minister of Uganda, Amama Mbabazi, for example, used

YouTube to announce his bid to run for president, and subsequently President Yoweri Museveni used the same platform a day later (Daily Monitor, 2015; Kamp et al., 2016). While politicians actively use social media for their own political goals, average citizens also connect through social media for political participation, including for elections. Studies have found positive correlations between the use of social media and persuading others to vote for a given candidate or party (Kasadha, 2019).

Although such grassroots movements could be considered positive for political development in the long run for improving participatory governance and for holding the government more accountable, they inevitably trigger short-term political backlash from the ruling government in power. Controversies during last year's election is a good example. Facebook removed the reelection campaign information for the incumbent president Yoweri Museveni, classifying the information misleading (Dahir, 2021). Consequently, foreign social media platforms were asked to be shut down right before election night and Facebook was banned for another six months (Olukya, 2021). It has been estimated that the Facebook ban alone depressed Uganda's local Internet bandwidth production by 30% (Spencer, 2022). This was not the first time US-based ICT firms, including Facebook, have engaged in disputes with the Ugandan government with respect to misinformation on political issues. In 2011, Uganda Communications Commission quietly asked internet service providers to block communication on Facebook and Twitter messaging platforms for 24 hours during the Walk-to-Work protest that involved opposition candidates who had been defeated during the 2011 elections (Hadji, 2016).

The government has also exploited the expansion of the digital space and sought to make revenue and rent-seeking in this sector. Starting in July 2018, the government started to collect social media tax: a daily tax of 200 shillings ($0.055) to use any one of the 50 mobile

communication apps such as Facebook, Twitter, and WhatsApp. Facebook usage fell by roughly 60 percent immediately upon the implementation of the tax, and over the subsequent three months, the number of users paying the social media tax fell by 1.2 million or roughly 15 percent (BBC, 2018). But many people succeeded in escaping those taxes, by using VPN and other means. As a result, the government raised only 13.6 billion Ugandan shillings during the first three months, much below their expectations (BBC, 2018). As a consequence, the government shifted to a 12% price increase for all data purchases, compared to previous year, which posed an even higher cost and binding deal for Ugandans using the Internet (Kafeero, 2021). This action harms businesses and individuals alike, especially small firms, making them hard to survive. Such a move is also socially regressive as it disproportionately harms the poor and excludes them from participating in the digital economy. These examples explain that the political development outcomes of US-based ICT firms is complex – while positive for long-term political development, they have negative consequences in the immediate short term.

Furthermore, despite bilateral grants from US to Uganda being one of the largest source of aid flows, there is little evidence of any cooperation between U.S. ODA and the investments made by US-based ICT firms indicating a fragmented approach between governmental and non-governmental forms of engagement in Uganda.

Drawing on theoretical frameworks

Measuring political development is complex. Social mobilization and political participation are often seen as primary indicators of political development but the growth of political institutions receives relatively lesser attention (Huntington, 1965). Mobilization must be

supported by institutionalization for political development to have impact (Huntington, 1965). Furthermore, political development is multidimensional, and is a combination of many facets of change, ranging from constitutional development, national integration, political stability, responsive institutions, grassroots democracy among others (Taylor, 1972). Measuring economic development on the other hand is, relatively less complex, and is unanimously agreed by economists to be measured by either generation of wealth and welfare (Taylor, 1972). However, Fleurbaey (2009) strongly criticizes, a country's GDP to be an appropriate measure of economic development, given that it ignores individual well-being and social welfare and calls for alternative measures to GDP. Based on the theoretical foundations around political and economic development, this paper has identified measure of political development as: human development and well-being; social inclusion; social mobilization; political participation and political stability. This paper further identifies, wealth and welfare generation as critical to economic development and has identified separate indicators for economic development as a measure of wealth generation, and economic development as a measure of welfare. For indicators of wealth generation, this paper has identified indicators as: infrastructure development, MSME development, job creation and poverty reduction. For indicators of welfare, this paper identifies, quality of life, institutional strength, good governance and a healthy opposition.

Data and hypothesis evaluation

On economic development outcomes: Our data evaluation reveals that US-based technology firms have contributed substantially on both wealth generation and welfare. In terms of wealth generation, we find investments in ICT infrastructure development with both Google and Facebook investing in strengthening the penetration of fiber optic cable through Uganda,

improving internet penetration rates and making the cost of commercial internet affordable. Establishment of Internet Exchange Points has also helped in extending internet service to those often marginalized. US-based ICT firms in Uganda have also been observed to contribute towards skilling, reskilling and upskilling the workforce for the digital economy, through free training programs, filling the education to employment gap in the market, and helping Uganda prepare for the surge in new digital jobs. Increased investment of US-based ICT firms in accelerator and seed funding helped Uganda in improving entrepreneurship opportunities as well in MSME development. Digital marketing and eCommerce opportunities extended by US-based ICT firms have particularly helped MSME firms survive through the Covid-19 pandemic. Overall, our hypothesis evaluation suggests that there is a positive correlation between US-based ICT engagement in Uganda and economic development outcomes, both in terms of wealth generation and welfare.

On political development outcomes: Our data evaluation reveals that in the short run, the US-based ICT firms in Uganda lead to political instability. While the firms improve access to information, provide a platform to express dissent and a space for social activism, such citizen political and social participation threatens the government in power and leads to backlashes that may hinder freedom of speech and expression. In Uganda, the government introduced a social media tax, a regressive measure, perceived as a tactic to reduce citizen participation in the digital economy. Making a common public good, less accessible and less affordable undermines democratic values and leads to a culture of poor governance practices and weakens institutions. Political institutions and political parties are also seen as exploiting the US-based ICT platforms by conducting misinformation campaigns to manipulate electorates and induce noise to fragment support and polarize the electorate during election campaigns.

In the long-run, our data evaluation reveals that US-based ICT firms provide an effective means for public communication in emergency settings. The Covid-19 pandemic saw a strong partnership between the government and US-based ICT firms for information dissemination and knowledge and awareness building, to prevent rise in Covid-19 cases and improve vaccination rates. It has also been observed that with strong privacy measures and safety-nets institutionalized, the US-based ICT firms may help in building a safe space for social and political activism as well as ensuring greater transparency in electoral mobilization during election campaigns. US-based ICT firms also empower citizens, independent journalists and activists to hold the government and its institutions accountable, as well as in building a strong and healthy opposition. If the firms continue to strive towards upholding democratic values, it can act as a strong determinant of social inclusion, political participation and political stability. Overall, our hypothesis evaluation suggests that there is a negative correlation between US-based engagement in Uganda and Uganda's short-term political development outcomes but there is a positive correlation between US-based engagement in Uganda and long-term political development outcomes.

Recommendations

Following the data analysis, this paper makes recommendations for improving both economic development outcomes in terms of wealth generation and welfare as well as political development outcomes in the short and long term. In terms of economic development outcomes: The first recommendation is to improve coordination and cooperation between US-governmental and non-governmental engagement in Uganda. Ongoing Overseas Development Assistance (ODA) in Uganda and the US-based ICT sector investment in Uganda are currently not coordinated leading to increased propensity for fragmentation and duplication of efforts. The two

forms of engagement must reinforce each other to maximize economic and political development outcomes in Uganda. Support for MSMEs must be institutionalized and strengthened in partnership with local governments and communities such that the economic benefits of digitalization are accrued equally across society. Continued investments in start-ups and entrepreneurship and digital skilling efforts will encourage youth entrepreneurship and help Uganda leverage its demographic dividend. This paper also recommends effective partnership with the local, provincial and national governments to institutionalize support for economic development.

In terms of political development outcomes: this paper recommends that to mitigate the short-term negative developmental impact of US-based ICT firms engagement in Uganda, an institutionalized rule-of-law political campaigning policy be established to avoid misuse and manipulation of the social media platforms. Furthermore, privacy and safety-nets must be institutionalized to create safe spaces for dissent and political activism. It would be in the benefit of social media platforms and the citizens to organize fact-checking workshops and training programs to educate citizens about misinformation and disinformation. In the long-term, a strong partnership between the government and US-based ICT firms must be institutionalized to draw out effective public communication mechanisms and strategies to deploy during emergency and non-emergency settings. To avoid the negative externalities of digitalization in a country that may have weak digital rights and regulations, privacy measure must be consistently strengthened. Finally, drawing guidelines targeted towards respective audience segments – citizens, independent journalists, activists and political parties and politicians would help in ensuring that US-based ICT sector engagement in Uganda supports social inclusion, cohesion, citizen participation while maintaining political stability.

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