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Auditor-general John Muwanga reveals that Uganda's public debt has grown by 22% in the 2018 fiscal year, as public concern over rising debt levels increases. The Uganda Police Force blocks independent legislator and musician Robert Kyagulanyi (popularly known as Bobi Wine) from performing at concerts, amidst government concerns about his rising political influence. President Yoweri Museveni (1986-present) criticises the Uganda Communications Commission (UCC) for reducing South Africa-based telecommunications provider MTN's licence renewal fee from \$100m to \$58m. Museveni launches the 20 MW Kabulasoke solar power plant in the central district of Gomba.

Public debt up by 22% in 2018

The auditor-general released a report on 4 January revealing that **Uganda's** public debt increased by 22% in the 2018 fiscal year.¹ This has given rise to concerns over the government's rate of borrowing, sustainability of the debt, and its potentially negative impact on the economy.² Auditor-general **John Muwanga** indicated that the government would need 65% of total revenue collected in the 2019-2020 financial year to service all the loans, and this surpasses the sustainability levels of 40%.³

*"Although Uganda's debt to gross domestic product (GDP) ratio of 41% is still below the **International Monetary Fund (IMF)**'s risk threshold of 50%, and compares well with other East African countries, it is unfavourable when debt payment is compared to national revenue collected, which is the highest in the region at 54%."*⁴

Muwanga also noted that interest payments on domestic and external debt during the 2017/18 financial year totaled 17% of the government's total revenue collections, which exceeded the 15% threshold that Uganda's **Public Debt Management Framework** (2013) set.⁵ The deputy auditor-general, **Keto Nyapendi Kayemba**, described the country's public debt situation as "worrying" and recommended that the government reform its borrowing and spending priorities.⁶ However, finance minister **Matia Kasaija** contended on 9 January that the government's debt is sustainable:

*"Uganda's debt remains sustainable with nominal debt to GDP of 41.5%, which is consistent with the findings of the auditor-general's report. This performance includes the financing of the flagship projects like the power generation plants at **Isimba** and **Karuma**, the development of the **Kabale** international airport, and the construction of the **Entebbe** express highway, among others... Uganda's public debt has been provided largely by multilateral creditors, who offer concessional terms that include a grant*

¹ The Observer, 4 Jan 2019.

² The Observer, 4 Jan 2019.

³ The Observer, 4 Jan 2019.

⁴ Excerpt from the auditor-general's report, quoted in The Observer, 4 Jan 2019.

⁵ The Observer, 4 Jan 2019.

⁶ The Observer, 4 Jan 2019.

element of more than 50%, with an average maturity of over 35 years, and a grace period of not less than six years, coupled with relatively low interest rates below 1.5% annually.”⁷

Uganda’s public debt has increased steadily over the years as a result of government borrowing for public expenditure, which mainly includes large-scale infrastructure.⁸ The government’s multilateral lenders include **China Exim Bank** and **Japan International Corporation Agency (JICA)**.⁹ Although the current debt is sustainable, the rate at which it has been increasing is a cause for concern, especially given the limited parliamentary oversight and transparency on the government’s spending, and rampant corruption.¹⁰ President Museveni’s hold on power depends largely on political patronage, funded through public funds.¹¹ Public concern is also growing, mainly over fears that the government will increase the tax burden on citizens to pay for the loans.¹² The government’s introduction of new taxes on social media usage and mobile money transactions lend credence to this concern.¹³ The new taxes are likely to contribute to increased public unrest in 2019, which may escalate in the run up to the next general election in 2021.¹⁴

Police block Bobi Wine’s concerts

The **Uganda Police Force** has resorted to blocking popular musician and independent member of parliament (MP) for **Kyadondo East, Robert Kyagulanyi**, popularly known as **Bobi Wine**, from holding music concerts, as the crackdown on Uganda’s political opposition continues.¹⁵ The move demonstrates the government’s concern over Kyagulanyi’s considerable influence in Uganda’s opposition politics, which grew substantially in 2018.¹⁶ Kyagulanyi’s music provides an effective platform for criticising President **Yoweri Museveni**’s (1986-present) regime and its policies.¹⁷ Kyagulanyi, an afro-beat musician, launched his music career in 1999 and has become one of Uganda’s most popular artists, especially among the youth.¹⁸ He launched a political career in 2017, when he successfully ran for the Kyadondo East constituency seat.¹⁹ As a first-time independent candidate, he scored a landslide victory of 78% against the candidates of the two largest political parties, **Sitenda Sebalu** of the ruling **National Resistance Movement (NRM)**, and **Apollo Katinti** of the opposition **Forum for Democratic Change (FDC)**.²⁰

The government began blocking Kyagulanyi’s concerts in October, starting with his “**Kyarenga**” concert scheduled for the **Mandela National Sports Stadium in Kampala**.²¹ The government prevailed on stadium management to withdraw Kyagulanyi’s booking,

⁷ Finance minister Matia Kasaija quoted in Daily Monitor, 8 Jan 2019.

⁸ Source, analyst, London

⁹ Daily Monitor, 8 Jan 2019.

¹⁰ Source, analyst, London

¹¹ Source, analyst, London

¹² Source, analyst, London

¹³ Source, analyst, London

¹⁴ Source, analyst, London

¹⁵ The Observer, 28 Dec 2018.

¹⁶ The Observer, 28 Dec 2018.

¹⁷ Al Jazeera, 28 Aug 2018.

¹⁸ The Observer, 28 Dec 2018.

¹⁹ The Independent, 26 Aug 2018.

²⁰ Al Jazeera, 28 Aug 2018.

²¹ Daily Monitor, 20 Dec 2018.

saying that the stadium was “fully booked indefinitely”.²² When Kyagulanyi moved the concert to his private beach in **Busabala** on the outskirts of Kampala on 10 November, the army surrounded the beach, keeping close watch over the proceedings.²³ During the concert, Kyagulanyi urged the youths in attendance to begin preparing for the 2021 election, starting with obtaining national identity documents and registering to vote.²⁴ Police prevented Kyagulanyi from performing in the northwestern town of **Gulu** on 2 December, saying that he had not obtained the police clearance required for the concert.²⁵ Police similarly blocked him from performing in the resort town of **Jinja** on 15 December.²⁶

Security minister **General Elly Tumwine** indicated on 28 December that police would continue blocking Kyagulanyi’s concerts until he complies with their regulations.²⁷ Tumwine accused Kyagulanyi of having an “attitude of defiance” and refusing to abide by police instructions, which include using appropriate venues and correct estimations of crowd size, as stated in the **Public Order Management Act**.²⁸ Tumwine added that police will continue to “frustrate” Kyagulanyi until he chooses not to associate his music with political activism. Former police spokesman and ruling NRM MP for **Kasanda North, Simeon Nsubuga**, issued a more candid statement, indicating that Kyagulanyi had become a political threat:

“No government in this world [that] you put on notice... to unseat from power... would just look and allow you to operate freely to achieve both your economic and political interests... Our colleague may want to exercise his economic freedom, but the truth of the matter is that, if this conflicts with his political interests, where he has publicly indicated that he wants state power, and is determined to unseat the democratically elected government of NRM 2016-2021... he has to choose between either furthering his political ambitions, and lose his economic strength, or the other way round.”²⁹

Kyagulanyi has become Uganda’s leading opposition political figure, overshadowing former FDC president and veteran opposition activist **Kizza Besigye**.³⁰ Kyagulanyi benefits from the popularity he has garnered as a musician and the resonance that his life experience and message have with Uganda’s impoverished youth.³¹ Kyagulanyi grew up in Kampala’s **Kamwokya** slums but became wealthy through his musical talent. He has maintained links with Kamwokya, where he has located his recording studio.³² Uganda has one of the world’s youngest populations, with over 70% of the population below the age of 35.³³ Uganda’s youth relate better to Kyagulanyi than the more senior political leaders in both the opposition and ruling party.³⁴

Kyagulanyi does not pose a real threat to Museveni’s power, which Museveni derives primarily from the military.³⁵ However, Kyagulanyi may galvanise Uganda’s youth to be more

²² Daily Monitor, 20 Dec 2018.

²³ Daily Nation, 12 Nov 2018.

²⁴ Daily Nation, 12 Nov 2018.

²⁵ Daily Monitor, 3 Dec 2018.

²⁶ Daily Monitor, 3 Dec 2018.

²⁷ The Observer, 20 Dec 2018.

²⁸ The Observer, 20 Dec 2018.

²⁹ Ruling NRM legislator Simeon Nsubuga quoted in Softpower, 27 Dec 2018.

³⁰ Source, analyst, London

³¹ Source, analyst, London

³² Source, analyst, London

³³ Source, analyst, London

³⁴ Source, analyst, London

³⁵ Source, analyst, London

politically active, and participate in elections and other civic activities.³⁶ This could result in short-lived episodes of political instability, which Museveni has to date managed to contain through deploying the army and police, imprisoning political leaders who orchestrate political activities, or keeping them distracted by court cases.³⁷ Museveni allows political processes such as elections, and legislative and judicial procedures to function, but only in so far as they do not threaten his political power and the security of his administration.³⁸

Museveni criticises MTN's reduced licence fees ...

President Museveni has criticised the **Uganda Communications Commission (UCC)** for charging **South Africa**-based telecommunications company **MTN Uganda** \$58m in licence renewal fees, instead of \$100m.³⁹ The criticism demonstrates the extent of Museveni's involvement in Uganda's business operating environment and micro-management in Uganda by the executive branch.⁴⁰ In a letter addressed to information, communication, technology and national guidance minister **Frank Tumwebaze**, Museveni described the UCC's decision to grant a reduced fee to MTN Uganda, the country's largest telecommunications company, as "*astonishing*".⁴¹ Museveni said that MTN had earned substantial profits over its 20 years of operating in Uganda, accusing the company of repatriating most of its profits offshore.⁴²

MTN applied for a 10-year extension after its 20-year licence expired in October.⁴³ The UCC gave it a 60-day interim renewal, pending the eventual granting of the actual licence.⁴⁴ This includes the company having to list its shares on the **Uganda Securities Exchange**.⁴⁵ The UCC said it had reduced MTN's licensing fee to \$58m because MTN needed to invest approximately \$200m to upgrade its infrastructure as part of Uganda's new **Broadband Policy Goals**.⁴⁶ The new policy requires that all telecommunications companies operating in Uganda invest in infrastructure that guarantees high quality of voice calls and high data speeds across the entire country.⁴⁷ Tumwebaze had announced in September that the cabinet had approved the deal to reduce MTN's licence fees to allow the infrastructure upgrades.⁴⁸ The UCC said it had agreed to the revised fee after benchmarking it against other **East African** countries' licensing fees.⁴⁹ **Kenya**, with a population of 49 million, charges \$27m for a 15-year licence for a telecommunications company; **Tanzania** has a population of 57 million and charges \$800,000 for a 25-year licence, while **Rwanda**, with a population of 12 million, charges \$500,000 for a 13-year licence.⁵⁰ Uganda's population is 42 million.⁵¹

Analysts have described President Museveni's intervention as unreasonable, given that the required infrastructure upgrades, which include rural areas with little profitability, would be

³⁶ Source, analyst, London

³⁷ Source, analyst, London

³⁸ Source, analyst, London

³⁹ Reuters, 15 Jan 2019.

⁴⁰ Reuters, 15 Jan 2019.

⁴¹ Reuters, 15 Jan 2019.

⁴² Reuters, 15 Jan 2019.

⁴³ Moneyweb, 15 Jan 2019.

⁴⁴ Moneyweb, 15 Jan 2019

⁴⁵ Moneyweb, 15 Jan 2019

⁴⁶ Reuters, 15 Jan 2019.

⁴⁷ Reuters, 15 Jan 2019.

⁴⁸ Chimp Reports, 14 Jan 2019.

⁴⁹ Chimp Reports, 14 Jan 2019.

⁵⁰ Chimp Reports, 14 Jan 2019.

⁵¹ Chimp Reports, 14 Jan 2019.

costly for MTN:

*“Someone... [would] have to pay for the [non-commercial coverage]... much richer nations like the UK and the **United States (US)** do not demand it on the grounds that it is simply uneconomic... the revenue from providing the infrastructure is definitely less than the cost of doing so... nothing that President Museveni says about this is going to change this simple fact...”⁵²*

President Museveni’s intervention in MTN’s licensing highlights an established trend of his direct involvement in the business sector, as with every other sector in Uganda.⁵³ His criticism of MTN’s licensing fee demonstrates his nationalistic approach to engaging with foreign-owned businesses in Uganda, demanding substantial reinvestment in the country, as well as hefty licensing fees and transaction taxes.⁵⁴ This approach has resulted in international arbitration in the oil sector, such as the 2011 lawsuit brought by **Canada**-based **Heritage Oil** over the government’s withholding of a \$404m farm-down tax.⁵⁵ The Ugandan government is also currently embroiled in a tax dispute with UK-based **Tullow Oil** regarding paying tax on its farm-down agreement with the **China National Offshore Oil Company (CNOOC)** and **France**-based **Total E&P**.⁵⁶ If the trend continues, it is likely to discourage new investment and diminish Uganda’s economic growth potential.

... and launches Kabulasoke 20 MW solar project

President Museveni launched the **Kabulasoke Pilot Solar Park** in the central district of **Gomba** on 9 January.⁵⁷ The solar project is the largest in the East and **Central African** region, and will substantially improve power supply in Uganda.⁵⁸ The solar park is connected to the national grid and will produce 20 megawatts (MW) of electricity.⁵⁹ The park consists of 68,000 solar panels and will supply electricity to 5 million people in rural areas.⁶⁰ **Germany**-based Ugandan scientist **David Alobo** developed and installed the project through a joint venture between his **Xsabo Group of Companies** and **United Kingdom (UK)**-based **Great Lakes Africa Energy (GLAE)** at a cost of \$24.5m.⁶¹ Kenya-based entrepreneur **Humphreys Kariuki** holds a majority stake in GLAE, which is reportedly the lead financier and technical partner in the Kabulasoke solar plant.⁶² GLAE has a 20-year power purchase agreement with the **Uganda Electricity Transmission Company (UETC)**.⁶³

Ziria Tibalwa Waako, CEO of Uganda’s national power regulator, the **Electricity Regulatory Authority**, said that the government is preparing to commission another 10 MW plant in **Mayuge** district, which will result in a total of 50 MW of solar-produced electricity in Uganda.⁶⁴ Alobo indicated that the Xsabo Group will invest in five more more solar parks in Uganda with a total production of 150 MW, which will cost \$200m.⁶⁵ Xsabo will set up the

⁵² United Kingdom-based analyst Tim Worstall quoted in The Continental Telegraph, 16 Jan 2019.

⁵³ Source, analyst, London

⁵⁴ Source, analyst, London

⁵⁵ New Vision, 2 Sept 2011.

⁵⁶ The East African, 21 Oct 2018.

⁵⁷ Xinhua, 10 Jan 2019

⁵⁸ Xinhua, 10 Jan 2019

⁵⁹ Xinhua, 10 Jan 2019

⁶⁰ Xinhua, 10 Jan 2019

⁶¹ Daily Monitor, 10 Jan 2019.

⁶² The Standard, 11 Jan 2019.

⁶³ The Standard, 11 Jan 2019.

⁶⁴ Daily Monitor, 10 Jan 2019.

⁶⁵ Daily Monitor, 10 Jan 2019.

solar plants in **Kasese** (20 MW), **Lira** (20 MW), **Soroti**, (50 MW), and **Mubende** (50 MW).⁶⁶

Year-round sunshine and an abundance of land suitable for the construction of the relatively vast solar plants make Uganda an excellent candidate for solar power generation.⁶⁷ The government is taking advantage of growing global investment in renewable energy, which emanates from a gradual global shift away from fossil fuels.⁶⁸ The growth of the solar energy sector is unlikely to undermine the growth of Uganda's oil and gas sector.⁶⁹ Electricity generated from hydropower and solar mainly supplies household and light industrial consumption, while oil and gas supplies the transport sector, some household use, especially for cooking, and heavy industries.⁷⁰

Increased power generation in Uganda will have a positive economic impact, particularly through increasing opportunities for electricity-powered business in rural areas.⁷¹ It will also result in lower electricity tariffs, in turn contributing to lower inflation rates.⁷² Increased power supply in rural areas will be a crucial political feat for President Museveni since the rural electorate, his primary support base, is likely to attribute the development to his personal initiative.⁷³

Planner

19 Feb 2019 **Kampala (Uganda)** Uganda Trade Expo;
 March 2019 Final Investment Decision on oil and gas sector;
 2 Oct 2019 **Kampala (Uganda)** Uganda International Trade Fair;
 2023 **(Uganda)** Uganda general election;

Chronology

15 Jan 2019 **Kampala (Uganda)** *Reuters*. President **Yoweri Museveni** criticises the **Uganda Communications Commission (UCC)** for reducing the licence renewal fee for **MTN Uganda** from \$100m to %58m;

12 Jan 2019 **Kampala (Uganda)** *New Vision*. Inspector general of police **Okoth Ochola** replaces spokesman **Emilian Kayima** with **Fred Enanga**, who held the position in 2016;

11 Jan 2019 **Kampala (Uganda)** *Creamer Media*. The **Electricity Regulatory Authority** plans to impose fines on the country's sole power distributor, **Umeme Limited**, for any prolonged power outages, starting in March;

10 Jan 2019 **Gomba (Uganda)** *Xinhua*. President **Yoweri Museveni** launches the **Kabulasoke** solar power plant, the largest in **East and Central Africa**;

⁶⁶ Daily Monitor, 10 Jan 2019.

⁶⁷ Source, analyst, London

⁶⁸ Source, analyst, London

⁶⁹ Source, analyst, London

⁷⁰ Source, analyst, London

⁷¹ Source, analyst, London

⁷² Source, analyst, London

⁷³ Source, analyst, London

8 Jan 2019 **Kampala (Uganda)** *Daily Monitor*. Finance minister **Matia Kasaija** states the government is not concerned about the increasing public debt, because at 41.5% of the nominal GDP to debt it is sustainable;

4 Jan 2019 **Kampala (Uganda)** *The Observer*. Auditor-general **John Muwanga** releases his 2018 report, which indicates that Uganda's public debt has increased by 22% since June 2017;

3 Jan 2019 **Entebbe (Uganda)** *CNN*. An **Ethiopian Airlines** flight carrying 139 passengers skids off the runway at **Entebbe International Airport**, but all passengers disembark safely;

3 Jan 2019 **Kampala (Uganda)** *Bloomberg*. The finance ministry says its budget deficit may narrow to 6% of gross domestic product in 2019-2020, because of investments in two large-scale hydropower projects;

27 Dec 2018 **Kampala (Uganda)** *Daily Nation*. The **Uganda Police Force** blocks independent legislator and musician **Robert Kyagulanyi**, also known as **Bobi Wine**, from holding a concert;

25 Dec 2018 **Kampala (Uganda)** *The East African*. Mining and energy development minister **Irene Muloni** says the government will revise the projected oil and gas volumes and push forward the expected date of oil production because of investors' delays in making final investment decisions;

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