

UGANDA DEBT NETWORK

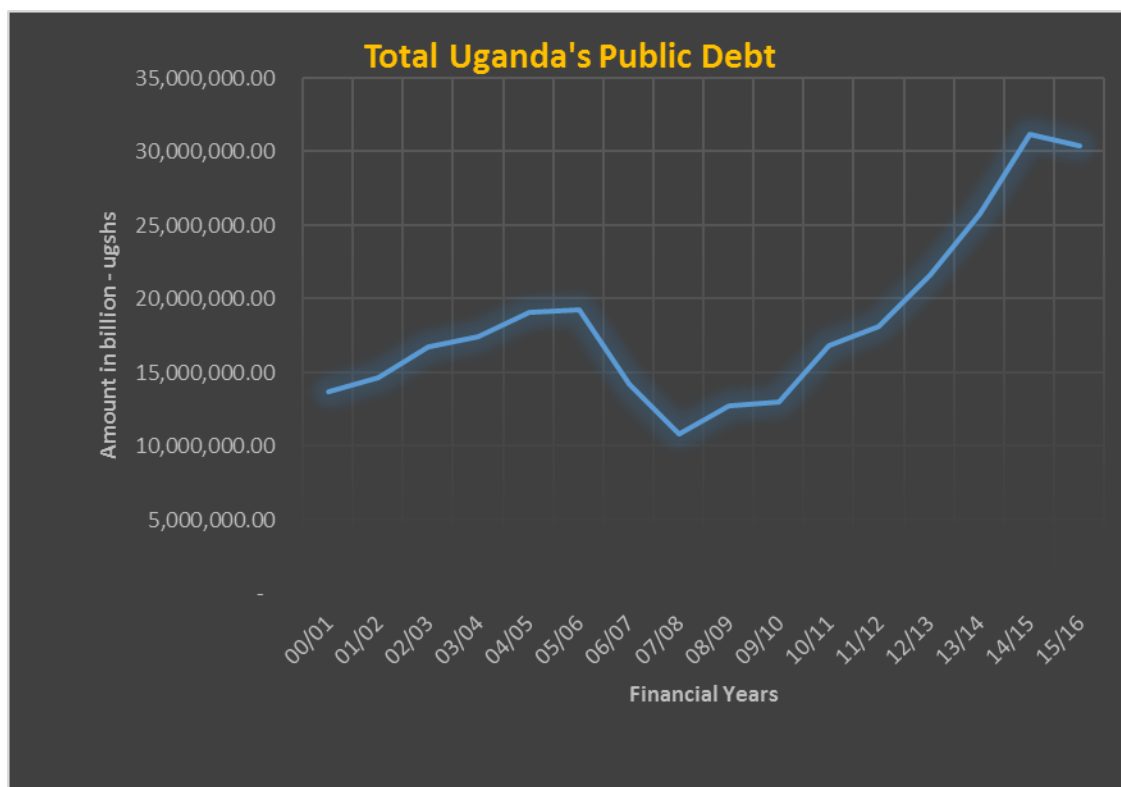
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A snapshot of Uganda's Public Debt Trends

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Fig.1 The Trend of Uganda's Public Debt for financial years (2000/01-2015/16)



Source: Author's computation from World Development Indicators, 2016

Notes: The Uganda's Public debt has been rising over years;

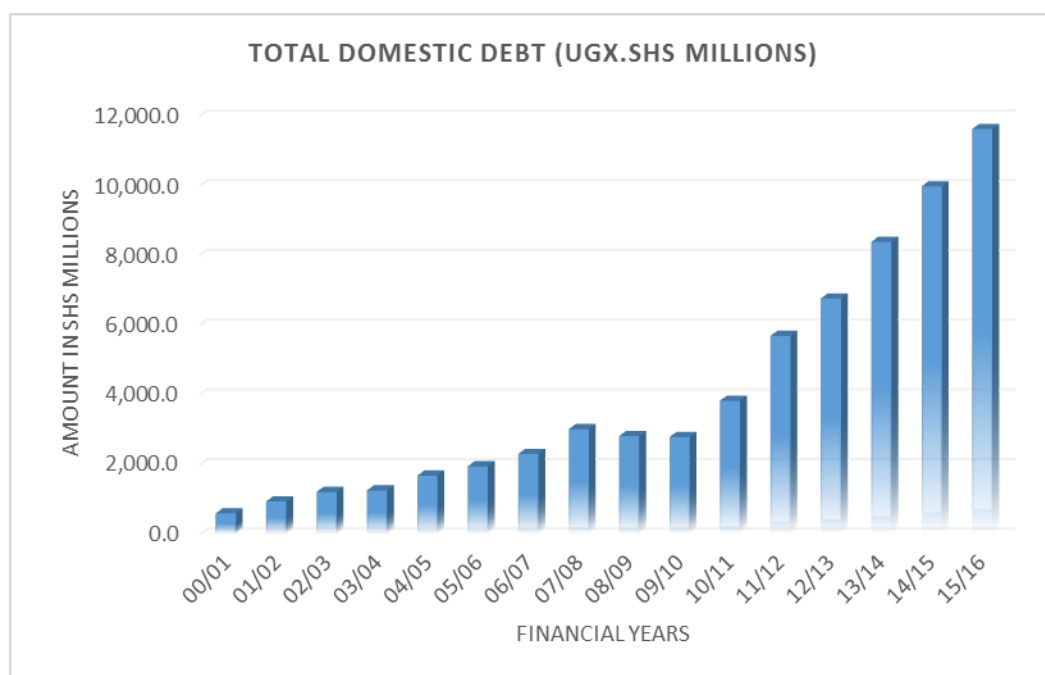
- Uganda was the first country to benefit from the debt relief for Highly Indebted Poor Countries Initiative in 2000 and Multi-lateral Debt Relief initiative in 2006.
- Between January 2010 and June 2016, Government signed 96 loan agreements worth USD 8.8billion
- Most of these loans have been contracted for infrastructural development (as per vision 2040)
- For three consecutive financial years (2015/2016 to 2017/18,), the government prioritized interest payment on accumulated debts. For instance in the Revised Budgetary framework FY 2017/18, domestic and external interest payment will take 12.2% of the FY budget.
- Interest payment currently in 2017 stands at 19%, the rate above the set threshold of 15% in the 2013 Public Debt Management Framework medium-term benchmarks.

Table 1: Total Public Debt in Billion UGX Shs

Financial Year	Total Public Debt (Billion Ugx)	Financial Year	Total Public Debt (Billion Ugx)
00/01	13,663,320	08/09	12,730,410
01/02	14,607,120	09/10	12,962,730
02/03	16,756,080	10/11	16,814,160
03/04	17,467,560	11/12	18,124,590
04/05	19,115,580	12/13	21,580,350
05/06	19,224,480	13/14	25,733,070
06/07	14,186,040	14/15	31,167,180
07/08	10,791,990	15/16	30,343,170

Source: Author's computation from World Development Indicators: 2016

Fig 2: The Trend of Uganda's Domestic Debt for financial years (2000/01-2015/16)



Source: Author's computation from World Development Indicators Report: 2016

Note;

- ✓ In FY 2017/18 budget, 50% of the current domestic debt stock is to be rolled over- MFPED(2016)
- ✓ The government is the largest borrower in the domestic market at UGX 12.4 trillion compared to UGX 12.1 trillion of Private Sector Credit.
- ✓ Domestic public debt to private sector credit ratio is now over and above 100%.

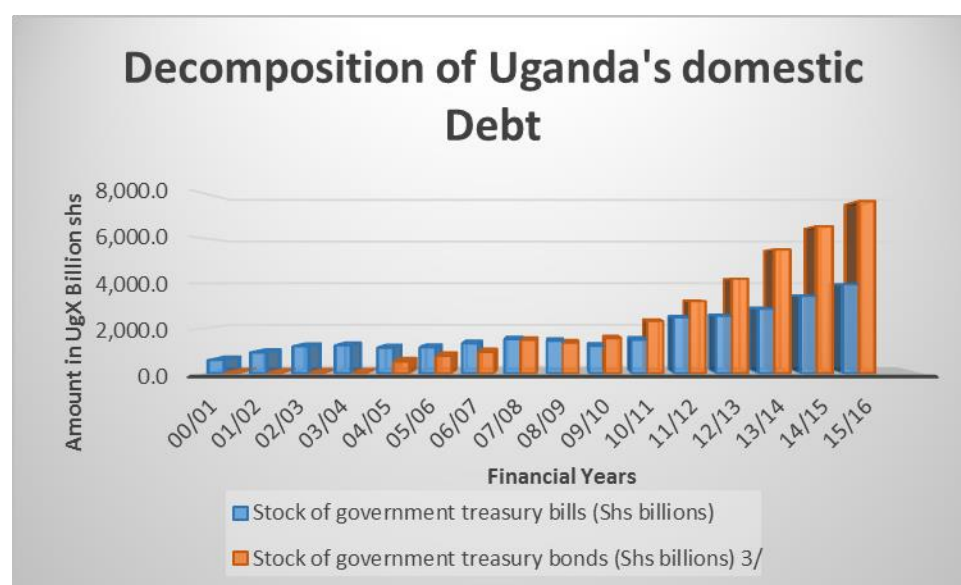
- ✓ Domestic debt is expensive and as such, interest payments will account for the largest share of FY 2017/18 budget at 12.2%.(Revised Budgetary Framework paper approved by Parliament on the 4th of April 2017)
- ✓ Increased domestic borrowing by Government push up interests which increases the cost of doing business in the private sector(Crowding out Private sector)

Table 2, Total Domestic Debt in Billion UGX Shs

Financial Year	Total Domestic Debt (Million Ugx)	Financial Year	Total Domestic Debt (Million Ugx)
00/01	589.4	08/09	2,806.0
01/02	928.5	09/10	2,778.3
02/03	1,202.6	10/11	3,820.5
03/04	1,248.0	11/12	5,678.0
04/05	1,670.3	12/13	6,750.3
05/06	1,938.8	13/14	8,374.9
06/07	2,293.4	14/15	9,968.8
07/08	3,002.7	15/16	11,612.7

Source: Author's computation from World Development Indicators Report: 2016

Fig 3: The Trend of Uganda's Domestic Debt (Treasury Bonds and Bills) for financial years (2000/01-2015/16)

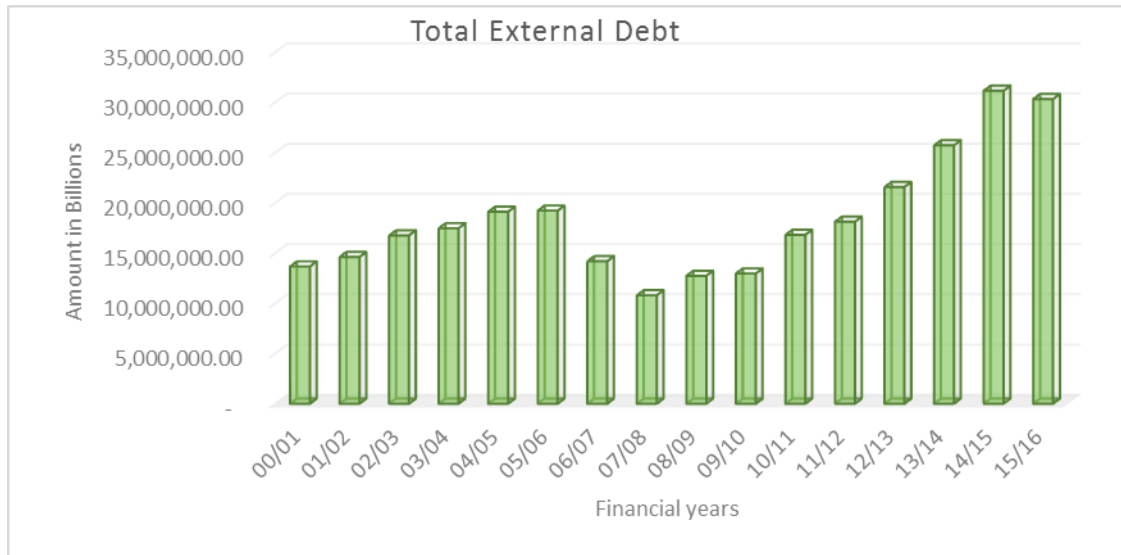


Source: Author's computation from Bank of Uganda statistics, 2016

Notes

- The trend of Uganda's borrowing through treasury bonds is on exponential increase.
- Treasury Bonds are issued with maturities of 2, 3, 5 and 10 years.
- Treasury bills are issued with maturity of 91 days, 182 days and 364 days.

Fig 4, The Trend of Uganda's External Debt for financial years (2000/01-2015/16)



Source: Author's computation from World Economic Indicators Report: 2016

Notes:

- External public debt accounts for 73% of the total debt portfolio.
- External borrowing has risen over the years from USD 2.86 billion in FY) 2008/09 to USD 9.66 billion FY 2015/16.
- China through her EXIM Bank is the largest creditor to Uganda at 29% of the total loans,
- The World Bank is the second at 27% a
- African Development Bank is the 3rd at 21%.
- Other creditors account for 23% (BADEA, EIB, France, Germany, IFAD, Japan, Kuwait, OPEC, South Korea and Saudi Arabia).
- China through its EXIM Bank committed \$350 million for Entebbe-Kampala Expressway, \$100 million to improve road networks, \$483 million for Isimba hydropower plant and \$1.4 b for Karuma

Table, 3 Total External Debt in Billion UGX shs

Financial Year	Total External Debt (ugx shs Billion)	Financial Year	Total External Debt (ugx shs Billion)
00/01	13,662,730.56	08/09	12,727,603.97
01/02	14,606,191.50	09/10	12959951.72
02/03	16,754,877.40	10/11	16,810,339.47
03/04	17,466,312.04	11/12	18,118,912.01
04/05	19,113,909.65	12/13	21,573,599.74
05/06	19,222,541.18	13/14	25,724,695.14
06/07	14,183,746.57	14/15	31,157,211.16
07/08	10,788,987.2571	15/16	30,331,557.26

Source: Author's computation from World Economic Indicators Report: 2016

Challenges with Uganda's Public Debt Management:

- Low Loan absorption- By end of June 2016, the total debt outstanding was at 52% of GDP, of which only 34% of GDP was disbursed.
- In addition in FY 2015/16 loans worth UGX 18 trillion remained undisturbed and attracted commitment fees of UGX 20billion
- Continued Government contraction of loans before parliamentary approval.
- Increased contraction of loans on Non concessional terms and from a single source (China)
- Procurement delays; eg loan disbursements were on average delayed by 356 days in infrastructural related projects as a result of procurement of works, designs and project consultants (Auditor General's report-2015)
- Budget and plan syndrome is becoming a continuous practice. (obtaining a loan before a clear plan of utilising it)

Key policy Recommendations

- ✚ Technocrats should thoroughly scrutinize the terms and conditions attached to loans especially those to be contracted on concessional terms
- ✚ Proper management of the already acquired poor performing loans before acquiring new loans to avoid future unsustainable debts.
- ✚ Independent and competent evaluators to re-enforce capacity but also to play a supplementary oversight role on proposed loan funded projects.
- ✚ Approval of loans by Parliament should be based on readability of the project with detailed designs, resettlement costed action plan, environmental impact assessment as well as guaranteed budgetary provisions for the government counterpart funding.

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