UGANDA DEBT NETWORK
DEBT IS SLAVERY

WEEKLY UPDATE

VOLUME I. ISSUE III

30th April - 7th May 2017

EDITORIAL

UDN continue to stand for debt accountability in Uganda. One of the issues raised was the National Budget FY2017/18.

Out of UGX 28.9 trillion Budget, at least 30%/ at least UGX 8.7 trillion will be for Debt repayment- principal and interest (with elements of Domestic & External); larger than budgets of several Social sectors and others. The rest of Debt will be rolled-over, with gross adverse implication to service delivery for Ugandans.

EDITORIAL TEAM

Julius Kapwepwe—Director of Programmes

Jenice Ishimimaana & Priscilla Naisanga —Communications Office

UGANDA: Interest Rates take 3rd largest share of Financial Year 2017/2018 Budget.

Introduction

The National Budget Framework Paper for FY 2017/18 in alignment with the NDPII puts emphasis on infrastructure sector, with energy and works and transport sector to account for 35% of the budget. Nonetheless, the recurrent nature and development will remain nearly evenly split. This is also exhibited by the projected rise in both external and domestic borrowing respectively by 18% and 118% compared to FY 2016/17 .

Be worried of Domestic Borrowing

Domestic borrowing will finance only 20% of the deficit and this is usually relied on for meeting the recurrent nature activities of the budget. The fiscal deficit is expected to reach 7% of GDP for FY 2017/18, and this is higher than the 4.9% embedded in the assumptions of the last IMF debt Sustainability Assessment. The deficit of 7% also means that public debt to GDP expected to reach 38.6% in June 2017, will cross the 40% mark in 2017/18. Notably, 80% of the fiscal deficit is also externally financed and 65% of the external loan resources will come from the non-concessional sources of finance.

In terms of expenditure plans for FY 2017/18, interest rates will be the third largest share of the budget but looking at the domestic resource funded budget (65% of the total budget), interest payments are largest share. In principle, without any external finance, interest payments are Uganda's largest investment in FY 2017/18. Compared with Domestic Revenue, interest cost will reach 19% compared to the 15% threshold enshrined in the 2013 Public Debt Management Framework. 74% of the interest payments accrue to domestic debt and also the ratio of public domestic debt to private sector credit is now over 100% compared to 75% set out in the 2013 Public Debt Management Framework. This implies government of Uganda is largest borrower from the domestic market at the risk of crowding out the private sector (the major tax payers). In addition, 50% of the outstanding domestic debt – that is UGX 6,258 will be rolled over and this continued trend heightens the risk of refinancing in future. Notably domestic arrears, have also risen UGX 2.3 trillion shilling by end of FY 2015/16.

Conclusion

As CSOs we reiterate for strategic budgeting as opposed to simply the culture of incremental budgeting together for sustainable, gender responsive and Equitable National development.

UDN appreciates support by: Government, Members, DGF, DCA, IBP, USAID-PATH/ ABH, SAVE THE CHILDREN, IG AND TROCAIRE

A team of CSOs (UDN, CSBAG, and SEATINI) met the Danish Ambassador, His Excellency Mogen Pederson on 26th, April 2017 as a follow up on the discussions that took place on UDN's Debt symposium .

Discussions were ad-hoc around Uganda's current rising debt stock levels compared to the time of the HIPCs, debt contraction processes, cost of debt in relation to Uganda's ability, loan performance, non-adherence to legal and policy standards among other things.

The discussion was based on having CSOs sense of comparison between China loans on the above highlighted aspects visa-vis other creditors like WB/IMF, EU including their contribution to the total debt stock in addition to our comments on quality of their project implementation and also noted that Uganda's debt status is worrying and requires addressing soon than later to ensure sustainability.

Left – Right: ***(Daniel Lukwago (UDN Board Member), Jeff Wadulo (CSBAG) ,Julius Kapwepwe and Juliet Akello of UDN. SEATINI also participated.***

He shared his fear on China's style of doing business as shrewd and mentioned lightly that its a super power which is difficult to bring to a round table for critical discussion given the economic power it has gained.*UDN)*

In conclusion CSOs voiced out the need for development partners including his Embassy to rally behind us on Uganda's venture in the rising risky debt business during diplomatic engagements to indicate to government the future debt burden to the economy which he agreed to. Whether this will be done, we can't confirm but since this discussion has started, we shall spread it to other stakeholders individually and possibly have a joint meeting with them to hear their sense of argument and commitment to this through an action plan if agreeable.

MEDIA LINKS

1. **"Uganda loses part of its stake at the AfDB"**

https://www.youtube.com/watch?v=64yoJfwCWQs&feature=em-share_video_user

2. **Is Uganda-China debt relationship sustainable?**

http://www.newvision.co.ug/new_vision/news/1451432/uganda-china-debt-relationship-sustainable

3. **Will Uganda harness her public debt dividends**

http://www.newvision.co.ug/new_vision/news/1452089/uganda-harness-public-debt-dividends

4. **Is Uganda-China debt relationship sustainable?...**
http://www.newvision.co.ug/new_vision/news/1451432/uganda-china-debt-relationship-sustainable

5. **Abhor corruption like witchcraft**

http://www.newvision.co.ug/new_vision/news/1451430/abhor-corruption-witchcraft

Please visit/ talk to us at;

Uganda Debt Network

P.O. Box 21509, Kampala Uganda

Plot 153/155 Ntinda—Nakawa Road

Tel 256-414-533840/543974

E-mail: info@udn.or.ug, Web: www.udn.or.ug

facebook.com/ugandadebtnetwork

ugandadebtnetwork.blogspot.com

@ugandadebtnet

@ugandadebtnet