# UGANDA DEBT NETWORK

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## PRESS STATEMENT ON THE CALL FOR DEBT CANCELLATION OWED BY LICs INCLUDING UGANDA

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1. ***Preamble:*** We the members of Uganda Debt Network (UDN) gathered here at our offices in Ntinda- Kampala- East Africa, on this day 6th September, 2020, appreciate that development discourse of Low Income Countries (LICs), social protection strategies and economic outlook are faced with a myriad of challenges, given the global context of Corona Virus Disease (COVID-19) and full debt situation.

2. ***Summary Recommendations:*** As such, UDN calls for two -fold Approach **i)** Total Debt Cancellation (and not just debt service suspension) of outstanding debt owed to the G.20, IMF, World Bank Group, Regional banks; as well as Bilateral creditors (e.g. under Paris Club), Private external creditors (e.g. under London Club) and China **ii)** A 10-year action of no-interest on new debts by Uganda; and LICs at large. The two-fold approaches would consign the LICs into more public expenditure investments tagged to protecting the rights and social protection of the citizens, economic recovery, improved healthcare and others. Uganda Debt Network implores the IMF, WBG and G.20 (world's richest countries) during 2020 to coordinate such a compelling broad global participation of all global actors to this two-fold approach to revival of economies of the LICs, including Uganda.

3. ***What are the issues?*** Uganda Debt Network (UDN) appreciates that the previous escalating debt burden situation for LICs including Uganda resulted into debt relief programs such as the Highly Indebted Poor Countries (HIPC) Initiative in Financial Year (FY) 1995/96 and the Gleneagles- Scotland's Multilateral Debt Relief Initiative (MDRI) in FY 2005/2006. Of course, questions may arise on how then did we face another debt burden against past Debt relief programs?
   a) In the case of Uganda, for instance, the country has faced recent calamities like: Floods, Floating islands, Desert locusts, Landslides and mudslides, COVID-19 pandemic and other such infectious diseases as Ebola, Yellow fever and Marburg.

b) Such calamities have compounded the pre-existing economic and healthcare conditions in LICs and Uganda in particular. COVID-19 has also meant increased borrowing, e.g. with about 16 loans acquired for COVID-19 and other interventions in the economy, just between January and August 2020. Those loans exclude the Grants and Supplementary budgets at end of FY 2019/20.

c) With COVID-19 calamity alone, Uganda's abject poverty levels have between January and August 2020 been elevated from the prior 21% to a projection of 25%, with over 2.6 million people likely to slip into poverty by December 2020. Numerally, this will add onto the 8 million poor people at pre-COVID-19 time; thus, totaling up to nearly 11 million people (out of total of 43 million) in 2020 alone, even higher if vulnerability numbers (due to job loss, shrunk salaries and wages, excess production capacity of firms) were to be included.

4. The above state of affairs is what is generally presented across the LICs, while increasing inequalities and social unrest that oftentimes disproportionately affect the vulnerable poor, especially the youths and women, across the 6 East African Community States (Uganda, Rwanda, Burundi, Tanzania, Kenya, South Sudan) and Africa at large. While transparency and accountability of the respective Governments and State machinery especially in Africa remain highly wanting and infested with marauding run-away corruption and abuse of public resources led by the political class, a Debt cancelation move remains most viable for healthcare and economic recovery over the short-term, medium-term and long-term in the greater call for social justice in the COVID-19 contextual outfit.

1. So, like in previous years in the said 1990s and 2000s, UDN in April 2020 joined over 250 other Civil Society Organizations (CSOs) globally towards *"The renewed Call for Debt Cancellation"* mainly for the Low-Income Countries (LICs) such as Uganda[1]. The view of the call was that some of the LICs had pre-existing economic, health and related undesirable conditions, so that the purpose of the Call was to enable the LICs to ably support investment capacity for recovery of their economic and healthcare systems due to new adverse conditions occasioned by COVID-19. There is, for instance, a need to see a reversal from this IMF observation where "Sub-Saharan Africa is heading for its deepest recession in 50 years" due to COVID-19[2].

2. ***Debt Service Suspension Initiative (DSSI) issue***; Meanwhile, UDN recognizes that indeed in April 2020, the World Bank's Development Committee and the G.20 Finance Ministers endorsed the Debt Service Suspension Initiative (DSSI) following a call by the World Bank and IMF to grant debt-service suspension to the poorest countries of the world; so that these countries manage the otherwise severe impact of the COVID-19 pandemic[3]. In-other-

[1] https://jubileedebt.org.uk/a-debt-jubilee-to-tackle-the-covid-19-health-and-economic-crisis-2
[2] https://www.imf.org/external/pubs/ft/fandd/2020/08/debt-relief-for-the-poorest-kevin-watkins.htm
[3] https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

words, UDN is aware of efforts of the global development partners such as the World Bank Group (WBG), International Monetary Fund, European Union, G.7 and G.20 in this respect, for instance, if the recent Grants, concessional loans and frameworks like the IMF[4] the WBG-G.20 Debt Service Suspension Initiative (DSSI) for a 6-month debt moratorium till December 2020 to benefit 73 countries is anything to go by. In reality, this consideration merely deals with concessional loans and new debts, leaving out the Private external lenders (i.e. commercial creditors who usually provide Loans at high interest rates) and China. The implication is that the move will only benefit LICs like Uganda up to about 20% of the debt burden so far, thus only a drop in Lake Victoria-like waters. We wish that the net DSSI net captures all categories of Creditors, in the Debt Cancelation call as well.

3. ***WB, G.20 Finance Ministers actions not adequate;*** Even when dismal at the April 2020 meeting, plus the subsequent meeting in July 2020, *"the G20 Finance Ministers failed to build on commitments made earlier this year where they pledged up to $12 billion in debt suspension[5]"*. UDN contends that the G.20 still has an opportunity to deliver their commitment and Debt cancellation of outstanding Debt for LICs like Uganda, as early as 2020. As such, UDN, calls for the full-scale Debt cancellation rather than partial or piecemeal approach to the problem. At UDN, we believe that global actions can deliver local solutions like filling the gaps where Uganda has about 40 districts without district hospitals (e.g. Alebtong and Dokolo- Lango; Amuria- Teso; Buyende and Luuka- Busoga; Isingiro and Kamwenge- Nkore; Rubanda- Kigezi), etc. Such public investment will also prepare the country better for pre-existing such infectious diseases as Ebola, Yellow fever and Marburg, plus any other future epidemics.

4. ***Size of public debt elusive;*** As development actors like UDN call for the Debt cancellation, this cannot impact positively to LICs including Uganda, unless there is computation of the full-scale or magnitude of the debt burden. Uganda's public Debt stock value, for instance varies from the figures of Bank of Uganda, Ministry of Finance or even global economic ranking entities like Fitch, Moody's and Multilateral Financial Institutions (MFIs) like IMF. UDN implores Government of Uganda institutions not only to harmonize their debt stock figures but also be a bit more truthful and transparent about the debt burden. Then our campaign efforts can be in perspective of the real debt problem that we are inviting Governments and Creditors to resolve. Uganda seems to address itself largely to i) Outstanding Debt stock ii) Disbursed Debt and iii) Domestic Arrears (eventually and more recently around two years now).
5. Recalling that any country's debt is that which a county owes to other Governments, MFIs and the Private sector- both domestic and foreign, Uganda Debt Network contends that other forms of public debt should not be forgotten or pretended about, including iv) Recoverable Debt (e.g. owed to oil and gas prospecting commercial companies) v)

[4] Under the Rapid Credit Facility, IMF on May 6, 2020 provided $491.5 million in emergency financing; for BOU reserves and Fiscal support through a Concessional Loan and Grant components.
[5] JUBILEE DEBT CAMPAIGN (London), **Coronavirus: Cancel the Debts**, July 2020

Undisbursed Debt vi) Land compensations by Government vii) extent of Contingent liabilities.

6. ***Debt servicing burden for LICs;*** In case of Uganda, debt repayment has remained a key constraint to comfortable Fiscal space and liquidity positions. Uganda, for instance, paid $42.8 million[6] (including $ 4,488 i.e. nearly 5 million USD interest payment) between January and December 2019 as external debt servicing alone. This translated into an approximate UGX 160 billion off estimated UGX 19 trillion domestic revenues under the UGX 40 trillion total national budget for fiscal period 2019/20. The repayments were to;

   a) Official multilaterals (AfDB, Asian Dev't. Bank, Inter-American Dev't Bank, IMF, World Bank-IBRD, World Bank-IDA and others)
   b) Official bilaterals (Austria, China, Germany, Japan, France, Kuwait, Saudi Arabia, UK and others)
   c) Non-official (Belgium, Germany, UK)-

   As highlighted in Table 1 below, Uganda is paying more to debt servicing than to Healthcare, Social Development and Agricultural sectors.

**Table 1: Uganda's Debt servicing Budget allocations compared to key sectors, between FYs 2017 and 2021**

| Sector/ category | FY 2017/18 (UGX) | FY 2018/19 (UGX) | FY 2019/20 (UGX) | FY 2020/21 (UGX) |
|---|---|---|---|---|
| Debt servicing | 8.58 trillion | 8.68 trillion | [illegible].03 trillion | 12.43 Trillion |
| Health | 1.88 trillion | 2.36 trillion | 2.59 trillion | 2.73 Trillion |
| Social development | 177.81 Billion | 218.22 Billion | 221.35 Billion | 172.50 Billion |
| Agriculture | 866.76 Billion | 944.71 Billion | 1.05 Trillion | 1.30 Trillion |

*Source: Several Government documents*

7. ***In conclusion;*** no LICs including Uganda should prefer debt repayment at expense of scaling-up the respective healthcare systems to avert deaths and social protection to avert destitution under the ethical imperative; or even the Social Contract between Government and citizens. UDN reiterates the position of United Nations that, the choice is no longer between Debt default and continued Debt-service payments, but rather a wave of either unilateral defaults or orderly payment cancellations that should be agreed between the LICs and the Creditors. UDN recommends that the UN Summit in September 2020. IMF-WB Spring meetings in October 2020 and the G.20 Heads of State meeting in November 2020 should more profoundly stand for Debt cancellation for LICs like Uganda; for apparently it in the best interest of both the Lenders and Borrowers now under COVID-19 and in the fore-going.

[6] See: https://datatopics.worldbank.org/debt/ids/DSSIMTables/M-DSSI-UGA.htm