UGANDA DEBT NETWORK

Reflections and Proposals for Uganda's debt strategy

April 2013

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Issues Paper No. 6

Improving competitiveness

From page 19

Because of the positive steps, Uganda moved up to second place after Rwanda in the World Bank's EAC Doing Business Report 2013 from third position.

Road ahead

A key challenge remains the slow pace of implementing change, which technocrats attribute to a skewed mindset of the technocrats who crave for the status quo as opposed to the business urgency of change advocated by the private sector.

The other challenge, officials concede, is having consensus from the different institutions and making them feel their power is not being taken away from them.

This point was also reiterated by the World Bank's investment climate advisory services programme manager, Carolyn Ndawula, who called for strong coordination between agencies and institutions.

Ndawula said governments are now moving away from informational websites to practical portals and the benefits of e-government are mainly for those that have invested in improving processes. She said for the process to be successful, there should be full commitment and ownership by the Government, champions, adequate resources and the active participation of the private sector.

Gerald Sendaula's Business Licensing Reform Committee found that there are close to over 50 licenses that should be removed, while about 70 should be merged.

Sendaula said the private sector would like to spend very little time and that following the recommendation of the private sector, most of the licenses should be merged or done away with.

"Let this not be another cause of delay, complete the exercise sooner than later." We were not rated very well, but we are now on the right path. Our neighbours are ahead of us and are highly rated," said Sendaula.

Way forward

A deliberate push by setting achievable timeframes and holding technocrats who do not deliver accountable will ensure that the reforms are treated with urgency.

Competitiveness and Investment Climate Strategy (CICS) secretariat head Peter Ngategize says having a consensus is still a challenge but the ministry of finance is keen to move the process forward.

The whole process still awaits a Cabinet decision in the form of new laws and regulations to allow the complete reform to take place. Ndawula has asked the indulgence of minister Kiwanuka, herself, a businessperson, to help make the Cabinet see the need and urgency of necessary legislation to enable complete reforms.

"We call upon you (Maria Kiwanuka) to help expedite the Cabinet decision," said Ndawula.

GOVT BORROWING PLAN GETS MIXED REACTIONS

From page 19

"I think too that if they are going to raise these monies via the Treasury bill auction it will be a lost opportunity to deepen the markets by employing another instrument, which would also give the market of a flavour of what's to come, especially in light of the huge investments we will need to make in the run up to the oil."

Other industry players, while recognising the implicit dangers in the Government coming more aggressively to the market, are positive about the move.

"They should have started borrowing to finance projects 10 years ago. We now have a steep learning curve ahead of us, especially how to balance the needs of the Government and the private sector without creating distortions in the market," said a senior banker at a leading bank.

Concerns also remain about how the Government will use the money it sources from the market and whether it might not run amok and jeopardise macroeconomic stability by fueling inflation on one hand and strangling the private sector with high borrowing costs.

"Some of the infrastructure developments will be funded by this borrowing so you can expect a 10- and 15-year bond next year and shorter maturity paper for recurrent expenditure, but how the programme will happen will be announced shortly," an official familiar with the plans said.

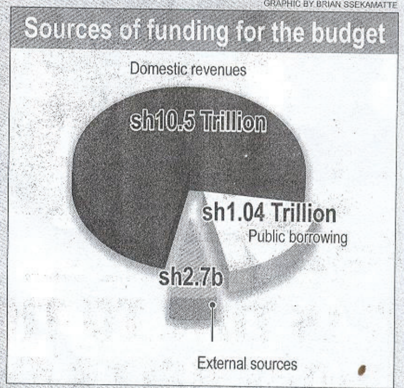
A donor pullout from Kenya in the early 1990s forced our eastern neighbours to not only shore up their revenue collections but also beef up their domestic resource mobilisation to the point that this year they expect to fund 95% of the budget.

Next year Uganda will finance 81% of the budget from locally generated resources, a far cry from a decade or so ago when up to half of the budget was shouldered by the donors.

"We have our priorities, which might not necessarily look like priorities to outsiders so it only makes sense to fund more of our budget. It will not be easy and there will be a lot of doubts, but any country with ambitions to being economically independent has to bite the bullet.

We have to grow up and move out of our parents' house," one senior banker said.

GRAPHIC BY BRIAN SSEKAMATTE



Maria Kiwanuka

Good health aids business growth - insurers

BY ROSELYNN KARATSI

"If you are healthy you are wealthy," says Fabian Kasi, the managing director of Centenary Bank. Poor health affects business growth, which can lead to losses.

"If a family member's health is down, it affects our employees. We encourage our clients to invest in health insurance so that they can be able to clear their loans and have their businesses growing consistently," explained Kasi as he officiated at the launch of the gold room at AAR in Kampala.

He is one of many who echoed the sentiment that lack of proper health care forces employees to be absent from work, leading to poor performance.

"The health of employees is crucial for the proper functioning and growth of the company. A healthy employee is well motivated," said James Macharia, the general manager AAR Health Insurance.

"Without health insurance, the cost of the structure can be expensive in the long run as sickness cannot be predetermined and it's hard to determine the cost of health bills of employees."

Health insurance, he said, is also a work incentive, which draws employees to a company and keeps them there longer.

However, he explains that despite these benefits, health insurance is still operating at a low level in East Africa.

Most SMEs cannot afford to insure their staff because they are not firmly grounded financially, said Macharia.

Some of the companies have opted for company clinics because health insurance is abused.

"The bills become too huge for the health insurance companies," said Denis Tusabe, the administrative manager of Uganda Baati.

Tusabe added that Uganda Baati has managed to keep production and performance consistent through a company clinic that caters for the employees' and their families' medical issues.

Abuse of health insurance takes many forms, such as doctors who treat patients under someone else's records, especially if the person rarely visits the clinic.

Kamoga, an employee at a corporate body in Kampala, testified that he was shocked when the doctor disclosed his health history to him about cases that he had never been diagnosed with.

One company boss said to ensure health of his staff he tops up an allowance of about sh50,000 on the employees' salaries every month because some employees are polygamous and the company cannot cater for extremely large families.

"Ugandans need to learn to take health insurance seriously and start trusting insurance companies," advised Mark Ochola, the regional managing director of AAR Health Care.

He said many don't understand how insurance works, yet like any other business, terms and conditions apply.

"We can do more in educating our clients to avoid misunderstandings," he affirms.

18 NEW VISION, Monday, October 8, 2012

Comment

Constitutionalism best way forward

OPINION

Today is Constitutional day. It is the day when the 1995 Constitution was promulgated by the Constituent Assembly replacing the 1967 constitution.

The 1995 Constitution ushered in a new democratic dispensation that defined fundamental human rights and social justice, among other things. Great strides have been made in many fields, although there remain a few loopholes to be plugged. There has been progress towards gender balance and fair representation of the marginalised groups on all constitutional and other bodies. More significantly, the affirmative action has boosted the women's political, social and educational achievements.

There is marked improvement in the observance of rule of law and Parliament is vibrant.

There have been milestones in the judicial process. Courts have gained some degree of independence. But the judiciary still faces a challenge of improving the effectiveness and efficiency of the judicial officers at all levels.

Free and compulsory primary and secondary education has led to high enrolment rates, which have pushed up the literacy rates.

However, tough questions remain on governance. There is still a raging debate on corruption perpetrated by those in leadership positions. Although we have seen recent attempts to crack down on errant civil servants, more action is required to stamp out the vice

Let next 50 years be debt-free

Patrick Tumwebaze

Executive Director, Uganda Debt Network

As Uganda celebrates 50th Independence Day anniversary tomorrow, statistics indicate that by March 2012 the country was had a debt burden of $5.5b (about sh13.8trillion), having increased by nearly $1b from $4.7b in March 2011

I appreciate that limited economic resources often force the Governments to borrow – either externally or domestically - to finance government expenditures and public investments, especially in infrastructural development. While domestic borrowing relates to the transfer of resources within a country, external borrowing increases a country's access to resources, which, in most cases, is associated with vulnerabilities of debt crises in the absence of good governance.

Over the last 50 years, the country's debt burden has progressively grown, partly owing to the consequences of the economic and social collapse experienced between 1971 and 1985.

By1980, Uganda's public debt was $732.7m, which more than doubled to $2.2b by 1990. While the borrowed external financing exacerbated the country's debt stock, it was largely justifiable considering the urgent need to rehabilitate the war-torn economy amid declining export receipts.

In 1996, Uganda Debt Network was established as an ad hoc coalition of organisations and individuals to campaign for debt relief for Uganda under the Highly Indebted Poor Countries (HIPC) Initiative of the World Bank and IMF.

The Jubilee 2000 Coalition campaign, involving UDN alongside other national and international CSOs, resulted in Uganda becoming the first country in April 1998 to benefit from debt relief from the multilateral organisations, during which 79% of the country's foreign debt stock of $3.7b was forgiven.

Despite this huge debt relief, Uganda's public debt stock had risen to $4.7b in 2004. This rapid rise occurred largely due to the absence of an effective strategy or discipline in the management of external debt. It is laudable that the Government has since 2005 put in place the necessary legal frameworks to regulate foreign debt contraction. This is crucial because weak regulations can have a devastating impact on the future of generations of Ugandans, who bear the burden of servicing such loans, and especially, if the Government is bent on financing lavish and opulent lifestyles of the leaders at the time.

It is, therefore, commendable that the Parliament of Uganda has the constitutional mandate to approve all loans sought by the Government.

An increasing external borrowing habit raises the cost of macroeconomic management since it raises the Government's expenditure on external debt principle and interest payments. Should its debt burden become unsustainable, the Government may not be able to finance its repayments, triggering a budget and balance of payments crisis as experienced in Uganda in the 1980s. The Government needs to urgently address public concerns over the limited tax base as well as the growing levels of financial indiscipline manifest in all sectors of the Government. Excessive spending - especially on unproductive sectors of the economy - extends the current unsustainable debt burden to future generations.

With the oil discoveries in the Albertine region, if proceeds from oil revenues are to be used prudently to finance a greater part of the national budget to substitute public borrowing, there is a greater likelihood that the country will be free of debt in the next 50 years. For this to be true, however, we need to depart from and stamp out the unprecedented levels of corruption that has marred all public sectors.

The Government is currently developing the 2040 national vision that is expected to propel Uganda to an uppe middle income country.

However, this may remain largely a dream unless the Government demonstrates patriotism by cutting expenditures on largely non-productive sectors, including the soon out-of-contro cost of public administration arising out of the rapid creation of new districts.

As the country starts its journey to the next 50 years, we need to tighten our belts and prudently spend our scarce resources so that we can guarantee that the next 50 years are debt-free.

Table of Contents

Abbreviations/Acronyms

AG	Accountant General
BOU	Bank of Uganda
CBOs	Community Based Organisations
CSOs	Civil Society Organisations
DMAAC	Debt Management Advisory and Advisory Committee
GoB	Government of Burundi
GoU	Government of Uganda
MDAs	Ministries, Departments and Agencies
MDRI	Multi-lateral Debt Relief Initiative
MoFPED	Ministry of Finance Planning and Economic Development
NDP	National Development Plan
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
PFAA	Public Finance Accountability and Act
UDN	Uganda Debt Network
WB	World Bank

1.0 Introduction

Uganda remains a developing country. Limited economic resources encourage States to borrow to finance their expenditure and public investments. Uganda has partly relied on both external and domestic borrowing to finance her development and poverty reduction initiatives. In 1980, Uganda's public debt was US$732.7million amidst a decline in the foreign exchange earning capacity as a result of a fall in international coffee prices[1].

In 1991, the Government of Uganda (GoU) developed the 1st integrated debt management strategy to control high debt levels. This strategy focused on; i) the pursuit of debt relief, ii) how to approach each creditor for rescheduling, iii) limiting overall borrowing, iv) prioritising grant financing and, v) encouraging more concessional loans. The Debt Strategy was reviewed in 1995 with a focus on; i) reducing the multilateral debt service burden, ii) increasing the concessionality of new borrowing and, iii) raising the quality of loan financed investments, thus making it more comprehensive[2]. In 2007, the Debt Strategy was revised and its scope expanded to include all aspects of Government fiscal liabilities and to enhance the management of external and domestic borrowing[3]. This strategy also expired in 2012 and was under review by the MoFPED.

As of 30th April 2011, Uganda's external debt exposure was US$5.4bn, of which US$2.83bn was debt outstanding and disbursed. Of this, US$2.6bn was committed but yet to be disbursed, including $669million that was contracted in the month of April 2011 alone. According to a report by the MoFPED on Loans, Grants and Guarantees in June 2013, by 31st March 2013, Uganda's external debt exposure had increased to US$ 5.805bn from US$5.6bn the same time of which, US$ 3.527bn was outstanding and disbursed. An amount of US$2.277bn was committed but yet to be disbursed; showing an increasing trend[4]. Whereas the external debt has been increasing rapidly, Debt Sustainability Analysis reports in 2012 by IMF/WB and MoFPED confirm that the debt was still sustainable. Debt was forecasted to remain sustainable in the medium and long-term, largely because most of the loans are on concessional terms[5].

With the existence of the National Development Plan (NDP), borrowing was bound to increase to finance priorities identified for enhancing development. The discovery of oil resources was likely to compel the Government to borrow more to invest in the development of the sector.

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[1]UGANDA DEBT NETWORK(2011), Review and Analysis of the Status of Uganda's External Debt,pg 2.
[2]UGANDA DEBT NETWORK (2001), Review of the Status of Uganda's External Debt, , pg 9&10.
[3]MoFPED (2007), Debt Strategy.
[4]MoFPED (2013), Report on Loans, Grants & Guarantees, pg 3.
[5]Joint IMF/WB (2012), Debt Sustainability Analysis Update on Uganda.

2.0 UDN's Reflections and Proposals for better debt management in Uganda.

A debt strategy is important to facilitate prudent borrowing and for the effective management of national debt with the objective of keeping it at sustainable levels. Poor financial management and lack of control surrounding borrowing financial resources whether domestically or externally however contributed to Uganda's debt problems. UDN reviewed the Debt Strategies and provided recommendations for discussion and Government considerations as below[6];

1). **Objectives of the new Debt Strategy**

Issue: The objectives of the current Debt Strategy (2007 – 2012) were to ensure that; a) Government debt does not become unsustainable, b) Government meets its dues in a timely manner, c) Fiscal Policy facilitates private sector development and, d) borrowing by Government is geared towards investments that generate growth and employment in Uganda.

Recommendation:

While UDN upholds the above objectives, the new debt strategy should also capture a long term objective of reducing to minimum Uganda's dependency on foreign financing for the country's own development agenda. Government frugality strategies should as such be reflected in the future debt strategy and emphasis more on domestic borrowing.

2). **Limit on Amount of Debt incurred by Government**

Issue: While UDN acknowledges Government's efforts to ensure that the country's debt is sustainable, this could be through responsible borrowing and clarity on the purposes for which the country should borrow. Limits on the amount that the country should borrow are not explicitly stipulated, whether as a percentage of Gross Domestic Product (GDP) or other considerations. For instance, for the period between June 2003 and June 2011, domestic debt stock increased by 177.9% to UGX 4.54 trillion; showing an average annual growth rate of 16.6%[7]. This gap places the country in a precarious situation of limitless borrowing and looking at this as an often quick option by the Executive.

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[6]UDN wishes to extend her appreciation to the Policy Officer, Ms. Juliet Akello and Director of Programmes, Mr. Julius Kapwepwe Mishambi for tirelessly carrying out the review of previous Debt Strategies to inform the review of the national debt strategy (2013) carried out by MoFPED and Ms. Pamela Kamusiime, the Communications Officer, who ensured production of this document. Special gratitude is also extended to the Senior Economist/Finance Officer in the Macroeconomic Policy Department (MoFPED), Mr. Martin Anthony Nsubuga for his guidance during the development of this paper.

[7] UGANDA DEBT NETWORK (2013), Review and Analysis of the Status of Uganda's Domestic Debt, pg 8.

Recommendation:

The new debt strategy for Uganda should explicitly provide for upper limits on the amount of debt that the country should contract within a given year. This should apply for both domestic and foreign debt.

3). Management of Unplanned Debt Repayment

Issue: The Debt Strategy (2007) identifies fiscal indiscipline as the main cause of debt arrears[8]. This is the failure to stick within the available resources due to under-budgeting, diversion of resources to non-budget expenditures, or inability to accommodate in-year budget cuts. According to the Auditor General's (AG) report of 2010, in 2007 the GoU decided to make debt repayments to the Government of Burundi (GoB) before the scheduled period. Of the debt balance worth US$5,166,466 which was supposed to be paid in four equal annual installments; effective August 2006 to August 2009, three of the repayments were effected earlier than the scheduled dates of 30th August 2007, 30th August 2008 and 30th August 2009 respectively. Yet all the full payment, each of US$1,291,617 was made on 20th July 2007[9]. This creates pecuniary mischief and leaves room for abuse by the individuals involved in such a transaction. Thus a potential for the country to lose financially or unjustifiably through budget re-allocation.

Recommendation:

The new debt strategy should provide for a section for debt management in circumstances that would warrant early debt repayments by the Government. This will improve the transparency and prudent management of Government cash flows to settle debt obligations and adherence to Government financing priorities.

4). Full documentation of debt information

Issue: The Government publishes debt information on an annual basis and not on a quarterly or semi-annually. This makes it difficult for stakeholders to track or monitor the country's debt levels in a timely manner. Moreover, the report produced by Government mainly contains information on Government's external debt and very little or scanty information on domestic debt, which undermines Parliamentary oversight capacity and function on overall debt management and level of indebtedness.

[8] MoFPED (2007), Debt Strategy, pg. 5
[9] AUDITOR GENERAL (2010) , Annual Report: Vol.2 Central Government, pg 22.

Recommendation:

a) The new debt strategy should provide for quarterly or semi-annual capture of information on both internal and external debt with full explanation on why the accumulation of arrears; and proposed plans to ameliorate such undesirable situations.

b) The new debt strategy should include a clause on the publication of adequate and detailed debt information (both internal and external), which should be done every quarter.

c) Government departments should also provide explanations for the accumulation of arrears and propose plans to ameliorate such undesirable situations.

5). Transparency

Issue: The AG is expected to publish on a quarterly basis a shame list of those ministries and accounting officers who over commit Government in borrowing without authority[10]. No list has so far been published or at least not been made public (as part of public accountability).

Recommendation:

The new debt strategy should provide for/uphold the adherence to the quarterly "name and shame", with punitive measures for the accounting officers who commit Government without authority or beyond budget lines.

6.) Extend Parliamentary oversight role to debt management

Issue: Article 159 of the 1995 Constitution of Uganda mandates Parliament to approve loans except borrowing for Treasury and Monetary policy management, as stipulated under (Part III, Sub-section 2) (b) of the Public Finance Accountability and Act (PFAA) of 2003. Parliament does not have an explicit mandate or provision for overseeing the utilization of the specific loans it approves in a given previous period; upon which to inform approval of new loans.

In a Value for Money Audit by the AG in March 2010, eight debt funded projects delayed for a period ranging from 2 to 7 years due to Uganda's discussion with creditors' conditionalities contributed to the slow rate of implementing the project's activities[11]. These factors risk translating into no-

[10]MoFPED (2007), Debt Strategy, Pg 14.
[11]AUDITOR GENERAL (2010), Value for Money Audit on Project Management: A case study on Eight Debt

value-for-money, absorption challenges, diversion and mismanagement of loan resources. Moreover, despite initiatives such as Nepal terms, HIPCs and Multi-lateral Debt Relief Initiative (MDRI), Uganda's external debt was about US$ 5.8bn by end of 2012; with only US$3.3bn disbursed, leaving US$2.3bn lying idle (un-utilized). Given the amortization/debt serving Uganda donates money to the creditors and comes out as a net loser in such instances.

Recommendation:

a) The new debt strategy should explicitly provide for Parliament to discuss the status, performance and outcomes of previous loans; upon which new loans can be approved.

b) Parliament should authorize the contraction of domestic debt and representatives should be included on the Arrears Committee to take responsibility for approving loans.

7). Increased debt due to Petroleum Revenues

Issue: While the apparent debt levels for Uganda so far oscillates within impressive debt sustainability indicators and around 10% of GDP, there is an overall growing domestic and external debt trend that could later worsen the thresholds of such indicators. This will be compounded by Uganda's petroleum-related debt stock that is poised to reach US$15bn by 2017 through recoverable costs by oil companies. Yet oil revenues suffer from high volatility of the markets and being finite.

Besides, with expectation of increased revenues, Uganda is likely to have more creditors through large scale borrowing since it will be considered more creditworthy. It may also be difficult for Government to reduce on her expenditure patterns when oil production and revenues begin to decline; leading to public debt problems given the record of rampant misuse, abuse and mismanagement of public resources in Uganda.

***Recommendation*:**

a) The new debt strategy should include a separate section for specific management of debt contracted for oil sector investment. This will help to ensure that present spending does not adversely affect future generations.

b) To minimize the risk of adverse debt implications on Uganda's development ambitions, the new debt strategy should urgently offer precautionary measures.

Funded Projects, Pg 6.

8). **Debt Management Advisory and Arrears Committee (DMAAC)**

Issue: The Arrears Committee as was in the Debt Strategy of 2007, to handle issues of domestic arrears with representatives from relevant institutions and roles outlined is good[12]. Even with this Committee in existence, Uganda's debt stock has continued to increase hence the need for an advisory board to assess borrowing proposals before Government can commit itself to avoid debt accumulation.

***Recommendation*:**

a) The new debt strategy should provide for a DMAAC as one entity[13]. The roles of the Arrears Committee be maintained as per the 2007 Debt strategy, but combined with clear and mandate of the advisory roles.

b) The DMAAC should have Parliamentary representation and also take into account representation of the political parties in Parliament. The DMAAC can also provide the MoFPED with strategic and considered advice on Government's existing and future borrowing requirements to enable effective execution of his/her role in Part III, section 20 of the PFAA (2003), or even the Public Finance Bill/ law in future.

c) The DMAAC should on a quarterly basis review developments in debt management. The DMAAC should also conduct a pre-assessment of proposals for borrowing and advise Government, as one of the measures to responsible borrowing, before eventual Parliamentary assessment. This arrangement will act as a check and balance mechanism.

d) The period within which the DMAAC will serve should be clearly stipulated.

9). **Involvement of development partners in public debt management**

Issue: Public debt is a potential financing option to meet the financial requirements of national development plans and strategies. Public Financial Management however, has been a challenge to the Government with the evidence of rampant corruption cases. For instance, the recently reported scandals in the Ministry of Public Service over pensions in 2012 which was estimated at about Shs. 69bn and in the Prime Minister's office over the Peace Recovery Development Programme (PRDP) funds (about 30Bn) which

12Departments in the directorates of Budget, Economic affairs, Accountant General's office and Ministry of public service

[13]The DMAAC should be comprised of representatives of BOU, MoFPED, Parliament, donors, CSOs and pprivate sector (under PPP)agencies; to contribute to increased transparency and accountability.

were not yet accounted for. These have raised substantial donor attention and mistrust in the governance system. Such scandals also raise eye-brows of the citizens over safety of public resources in Uganda.

The scandal in the Prime Minister's office saw a number of donors openly withdraw their funding to Uganda unless the responsible officers are held accountable. This compelled the Government to refund up to about 4mn euro (US$5.25mn) to the Ireland Government in January 2013 which was drawn from budget cuts from different sectors[14] to the detriment of deserving citizens of Uganda.

Recommendation:

a) The new debt strategy should also consider extending borrowing to finance productive sectors and other priorities identified in the NDP like promoting Science, Technology and Innovation; research and skills development in tertiary institutions; promotion of Tourism, Trade and industry; and the development of the manufacturing sector[15]. These sectors will encourage job creation by private individuals and companies which will reduce the pressure on Government to provide employment and increase the multiplier effect in the whole economy.

b) Government should adopt a joint collaboration mechanism between donors, CSO groups and Government departments in debt management with a view of recovering stolen public resources. Technical personnel from the other institutions in collaboration with public servants can be selected to directly participate in debt management processes to ensure ownership and accountability by all parties. This will boost the efforts in overseeing procurement and anti-corruption hence relying heavily on citizen involvement and participation.

[14]http://www.bbc.co.uk/news/world-20935149

[15]Productive sectors include; Agriculture, Environment and Natural Resources; and Tourism and wild life management

10). Domestic Debt Management

Issue: According to the AG's Report of June 2010, outstanding operating commitments totaled Shs.176,452,334,312/= representing 3.2% of Ministries, Agencies, Referral hospitals and Embassies total approved budget. Some Agencies however chose deliberately not to disclose domestic arrears in the financial statement at the end of the year. For instance, Ministry of Defense had utility arrears of Shs.11bn which were not disclosed in the financial statement because the Integrated Financial Management System could not allow their capture due to lack budgetary funds for their commitment on the system[16].

In addition, the AG report of 2010/11 pointed out that of the 99 votes audited, MDAs had accumulated domestic arrears (excluding salary and pension) despite the fact that arrears accumulation is prohibited by the PFAA (2003). Ten (10) Votes/MDAs contributed 82.6% of the total outstanding domestic arrears. This stifles the growth of the private sector and further raises the cost of money (e.g. private sector borrowing) in the economy. Government is mandated to clear these arrears since it deprives service provision in other sectors because part of the resources has to be allocated for their clearance.

Recommendation:

a) The new debt strategy should be explicit about efficient and timely management of domestic arrears in MDAs. All MDAs also should be compelled to disclose arrears as per the accounting policy requirements and for fiscal prudence. A clear penalty for none compliance by accounting officers should be determined and such an offence could be qualified under abuse of office by the offenders.

b) *Clearance of domestic arrears:* The new Strategy should limit clearance of domestic arrears to only 12 months after commitment and should be first priority in each year's annual budget allocations to the MDAs, including court awards.

[16]AUDITOR GENERAL (2010), Annual Report: Vol 2; Central Government, pg. 42 & 43.

Table 1: MDAs with the biggest share of Domestic Arrears by 30th June 2010

Ministries/Agencies	Amount in [UGX)	%age
Uganda National Roads Authority	148,042,066,129	28.73
Ministry of Finance, Planning & Economic Development	56,624,699,410	10.99
Ministry of Justice & Constitutional Affairs	51,009,997,832	9.90
Police	37,539,870,764	7.28
Ministry of Defence	32,992,314,098	6.40
Ministry of Foreign Affairs	32,930,408,660	6.39
Makerere University	31,678,649,641	6.15
Ministry of Internal Affairs	15,233,191,995	2.96
Ministry of Agriculture, Animal Industry and Fisheries	10,182,098,504	1.98
National Agricultural & Research Organisation	9,379,110,577	1.82

Source: Auditor General's Report, 2010/2011-Vol 2

3.0 Conclusion

UDN notes that Uganda's debt is currently sustainable although its increasing trend is worrying. It is therefore imperative that the process for a new debt strategy is expedited to plug the current gaps since borrowing is continuing even after the expiry of the Debt Strategy 2007 - 2012. Despite financial scandals and abuse of financial related laws, policy guidelines by some technocrats and high profile political authorities, the extent of Government's willingness to prove its commitment to citizens could still provide room for enhancing fiscal prudence in a new debt strategy. This would considerably add value to macro-economic stability, gender responsiveness and equitable national development in Uganda.

4.0 References

Auditor General

1. AUDITOR GENERAL (2010), Annual Report: Vol 2; Central Government.
2. AUDITOR GENERAL (2010), Value for Money Audit on Project Management: A case study on Eight Debt Funded Projects.

IMF/WB

1. Joint IMF/WB (2012), Debt Sustainability Analysis Update on Uganda.

MoFPED

1. MoFPED (2013), Report on Loans, Grants & Guarantees.
2. MoFPED (2007), Debt Strategy.

UDN

1. UGANDA DEBT NETWORK (2013), Review and Analysis of the Status of Uganda's Domestic Debt.
2. UGANDA DEBT NETWORK(2011), Review and Analysis of the Status of Uganda's External Debt.
3. UGANDA DEBT NETWORK (2001), Review of the Status of Uganda's External Debt.

Web-link

http://www.bbc.co.uk/news/world-20935149

UDN's Profile

UDN is a policy advocacy organization working to promote and advocate for poor and marginalized people to participate in influencing poverty-focused policies, demand for their rights and monitor service delivery to ensure prudent, accountable and transparent resource generation and utilization. UDN works at the local levels with LGs and Community Based Organizations in 61 sub-counties in 18 districts. At the national level, the organization engages with various Government MDAs among which are Parliament, Bank of Uganda, the MoFPED and the Ministry of LG on issues of service delivery, public sector accountability, budget processes and policy options.

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