Weekly Edition Vol: 345 11th - 15th May 2020

BEYOND RCF LOANS IMF CAN DO MORE TO SUPPORT LICS AGAINST COVID-19 PANDEMIC

1. PREAMBLE

UDN would like to appreciate IMF support in March, April and May 2020 through Rapid Credit Facility (RCF) in the COVID-19 situation to enable the economies (especially in Africa) keep alive whether in Ethiopia ($411 million support), Rwanda ($109.4 million), Nigeria ($3.4 billion), Kenya ($739 million), Uganda ($491.5 million) and others. Ideally the RCF instrument is a quick financial breath on concessional terms, to a Low-Income Countries (LICs) when they face negative but urgent balance of payment challenges.

Ugandan currency courtesy of Business Focus.

2. IMF CAN DO MORE SUPPORT FOR SUSTAINABLE ECONOMIC FUNCTIONS OF LICs

From the debt and development financing paradigm, UDN observes that arising from the 2020 Spring meetings, IMF in April 2020 cancelled six months of debt payments for world's 25 poorest countries. Uganda does not fall in this category, because since 2014 it had graduated to Policy Support Instrument -PSI program). The G.20 countries also concluded a moratorium that stopped collecting debt for 73 countries through 2020, as African Finance Ministers were looking for immediate $44 billion in debt relief. UNCTAD , meanwhile, has called for $1 trillion in debt cancellation for some countries to survive the COVID -19 situation. (see ***https://www.barrons.com/articles/the-worlds-poor-are-drowning-in-debt-heres-how-to-help-them-51588896716).***

A UDN compendium of works recognize that even prior to COVID-19, over 40% of Low-Income Countries were in debt distress. This is further confirmed not only by actors like IMF, World Bank (see **https://www.barrons.com/articles/the-worlds-poor-are-drowning-in-debt-heres-how-to-help-them-51588896716)**, Jubilee Debt Campaign, Erlassjahr- German, IBIS, Tanzania Coalition on Debt and development, Jubilee USA, EURODAD; and according to AFRODAD some them in Sub Saharan. It is, therefore, critical to take some major actions in reversing the trend of further unsustainable debt occasioned by COVID-19, for instance, through increased Public / Sovereign debt and Household debt.

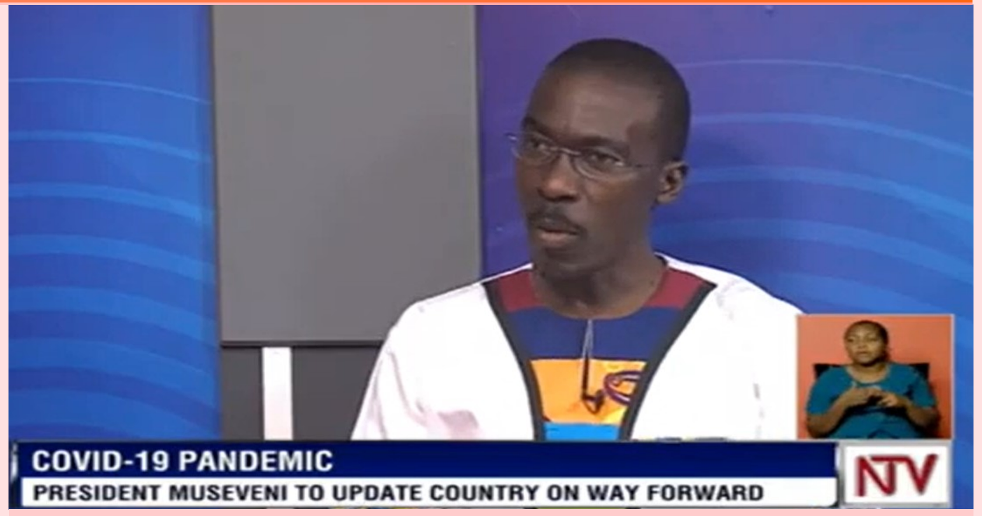
The situation, certainly, compounds the Corporate debt as well, given the multivariate level shocks- at global, continental, regional inter and intra- economic depressed functions. In the case of Uganda, there are predictions that the country's GDP will shrink from an earlier projected 6.4% to about 3.3% in Financial Year (FY) 2019/20. That there is hope for growth rebound after 1st half of FY 2020/21, we could achieve more through the following recommendations.

3. RECOMMENDATIONS

1) While some Multilateral Financial Institutions (MFIs) have provided support by drawing down from their global reserves known as Special Drawing Rights (SDRs) in, for instance, financing the Rapid Credit Facility (RCF) loan, the RCF loans should have been Grants. IMF still has an opportunity to spearhead this COVID-19 situation where the RCF loans should convert into Grants to Uganda, some EAC States and others on African continent.
2) IMF should spearhead all other types of creditors (banks, private and commercial entities, plus Bilateral lenders under Paris Club; and China) to negotiate debt redemption and interest payment cancellation for LICs. This will avail African countries with more fiscal legroom to mitigate the COVID-19 effects and jumpstarting economies during and in the post COVID-19 Africa.
3) IMF should support the position of Uganda Debt Network and other actors that the 1st phase of IMF's Rapid Facility and the G.20 debt moratorium for 73 countries becomes a debt relief package and not a mere suspended payback.

4. CONCLUSION

Uganda Debt Network and partners will not only appeal to IMF but also continue to target the forthcoming G.7 meeting in July 2020, IMF-WB Annual meetings in October 2020 and OECD and similar forums during 2020. It is incumbent on us all who claim to love Africa to stand tall now and seek resources to protect the most vulnerable sections of people and other packages like debt cancellation.



Above: *UDN's Julius Kapwepwe speaking on the Economic Impact, of COVID-19 PANDEMIC, follow or click on the links below:*

1. *https://youtu.be/l45nWpnIPHg: Economic Impact of COVID 19 Pandemic*
2. *https://youtu.be/Qww5fQrTAAo : Government extends COVID 19 lockdown, will Uganda's economy take the heat*

UDN appreciates support by: UDN Membership; DCA; DGF; Save the Children in Uganda; Inspectorate of Government; IBP and Trocaire.

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