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NEW DEBT AND DEVELOPMENT CONVERSATION FOR UGANDA REQUIRED

1. PREAMBLE

Uganda like many other developing countries has a long history of borrowing from both multilateral and bilateral countries.

Public debt question remains critical in the country's development trajectory, debt stock has kept on increasing from UGX 14.257 trillion ($5.5 billion) in 2000 to the current USD 15.26 billion as at the end of FY2019/20 excluding sections of COVID-19 loans; and it is projected to continue increasing in the short to medium term given the robust NDPIII core projects and priorities which are set to attract more borrowing.

2. DEBT EATING A HUGE PIE OF THE REVENUE CAKE:

UDN's Julius Kapwepwe speaks on Africa's Debt Spiral on DW Business Africa. Click on link below to watch the interview: https://www.dw.com/en/dw-business-africa/av-56718893

A sample of Financial Year 2017/18 showed UGX 28.9 trillion Budget with about UGX 15 trillion domestic revenue, with over UGX 8.7 trillion to Debt repayment- principal and interest (with elements of Domestic & External).

The World Bank also projected Uganda's economic growth in 2020 would plunge to as low as 0.4% from 5.6% the previous year, battered by the impact of Covid-19.

3. A COBWEB OF UNSUSTAINABLE DEBT RISKS

Uganda projects public debt will surge to nearly half its annual economic output by June this year, driven by fresh borrowing to fund financial stimulus packages for its COVID- 19 economic recovery.

Details contained in the Debt Sustainability Analysis report by the Ministry of Finance, indicates that public debt is projected to increase to 49.9 per cent of Gross Domestic Product by June 2021, before peaking to 54.1 per cent after FY 2022/23 .

4. WAY FORWARD

1) So; Uganda needs Total cancellation (by all creditors) of all outstanding external debt given COVID-19- to a new lease for economic recovery and viable domestic revenue mobilization rejuvenation.
2) Simultaneously deal with Borrower issues like wasteful expenditure, huge Recurrent Budgets and stealing (corruption) away the little revenues collected and some of the borrowed resources.
3) Government of Uganda should consider to - scale down Domestic borrowing; e.g. profits guaranteed under Securities market create laziness for alternative investments that increase production that expands GDP and taxable base for domestic revenue mobilization.

5. CONCLUSION

In conclusion, the government needs to put on hold borrowing altogether, do debt stock and carry out institutional reforms including restructuring with a view of weeding out wasteful expenditures.

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