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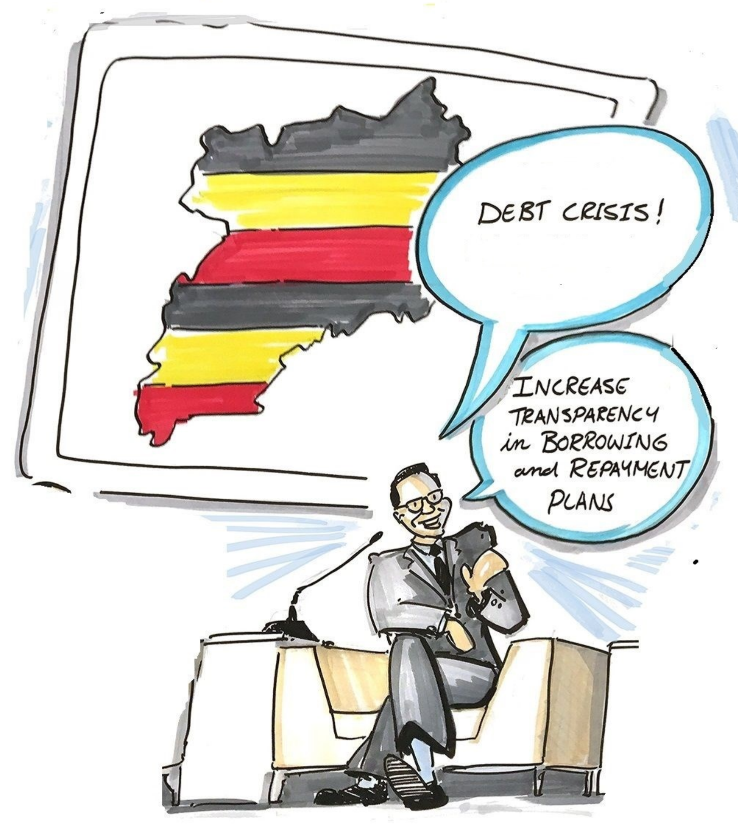
ATTAINING MIDDLE INCOME STATUS AMIDST UGANDA'S GROWING DEBT

1. PREAMBLE.

Uganda aspires to become an upper-middle-income country by 2040. This is classified by the World Bank as a country with Gross National Income per capita income above $4,096. That's far and above Uganda's latest figure of under $1,000. UDN commends Governments efforts towards economic growth, poverty reduction policies, and program and project interventions, however all is still not well with Uganda's economy as Inequality and multidimensional poverty remain prevalent. The Gini coefficient – the measure of the degree of income inequality shows, a wide income gap between the poor and the rich in Uganda and has remained largely constant at 0.41 for over nine years. Using a scale of 0 to 1; zero being an equal income distribution and 1 denoting perfect income inequality.

2. Uganda's current Debt burden



The level of Uganda's public debt is growing amidst inequitable growth, increasing poverty and no shared prosperity. In a period of 1 year, Uganda's total public debt increased by 16.5% from Shs. 63,352.8 billion as at October, 2021 to UGX 65 trillion as at December 2020 to Shs. 73,789.1 billion (in nominal terms) at the end of October 2021 (state of the economy reports). The increase in debt was due increase in domestic debt.

Furthermore, COVID-19 not only increased public expenditure needs but is also reducing the revenue collection potential of the government. As a result, parliament in 2021 approved UGX 3,729.7 billion (8 percent of total budget) for supplementary expenditure. The source of funding the supplementary expenditure was indicated as additional borrowing; thus Government of Uganda acquired to a tune of USD 1084.8 Million (USD 891 million as loans, USD 84.4 million as grants and in kind cash donations worth USD 109.7 million) inform of loans, grants and donations to save the economy from pressures cause by the pandemic. ***"How then, are Uganda's debts expected to pay off if increased borrowing is followed by increasing poverty?"***

3. Widening inequality in Uganda

Uganda's inequality has been aggravated by the COVID-19 pandemic, uneven land distribution and the complex land tenure system. Other factors are household sizes, disparities in access to education, inequalities in employment opportunities, urbanization and generational poverty.

According to the latest National Household Survey, Uganda's monetary poverty level (proportion of the population earning below US$1.04 per day) has deteriorated in the last nine years, from 19.7% in 2012/13 to 21.4% in 2016/17. The number of poor reached 8.7 million people in 2019/20, from 6.6 million in 2012/13. This, despite economic growth averaging 4.7% over the period.

4. Towards sustainable development

1. Uganda is far from being self-sustainable in economic development. It continues to be heavily reliant on foreign aid, however any new borrowing must demonstrate how it directly contributes to poverty reduction and household incomes in both the short-term, medium and long-term reduced.

2. Government should look more to indigenization of the economy through policy reversals where there is greater and renewed attention to Domestic Direct Investment (DDI) through investment vehicles that allow even the majority Ugandan citizens to be shareholders in selected and key public sector investments such as electricity, railways and others. This financing approach will reduce the country's debt burden by leveraging indigenous resources that are then supplemented by borrowing, rather than the current perception and practice where Government runs to foreign lenders before mobilizing indigenous resources through shareholding investment in public entities.

3. Government of Uganda should effectively implement the provision enshrined in the requisite legal and policy regimes as well as implementation manuals, while dealing with corruption, for prudent use of borrowed and other public resources in Uganda, for expansion of the economy to sustain debt management in development financing equation.

5. CONCLUSION.

To achieve and maintain the middle-income status in Uganda, it is crucial to improve the wellbeing of the entire population. This is particularly true for poor and vulnerable groups. Inclusive growth facilitates equitable access to economic opportunities. It provides equal access to vital services such as education and health. It also empowers the population through financial resources and skills development.

UDN IN PICTURES.

Above; UDN's ED Patrick Tumwebaze making remarks during the 3 day Media training on Debt and Development at Hotel Africana in March 2022.

Above; Journalists attend an online session at AFRODAD Media Training (AFROMEDI) hybrid workshop organized by AFRODAD in partnership with UDN, SEATINI and YTJN.

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