UGANDA DEBT NETWORK — DEBT IS SLAVERY

Weekly Edition

Vol: 390 30th-3rd June 2022

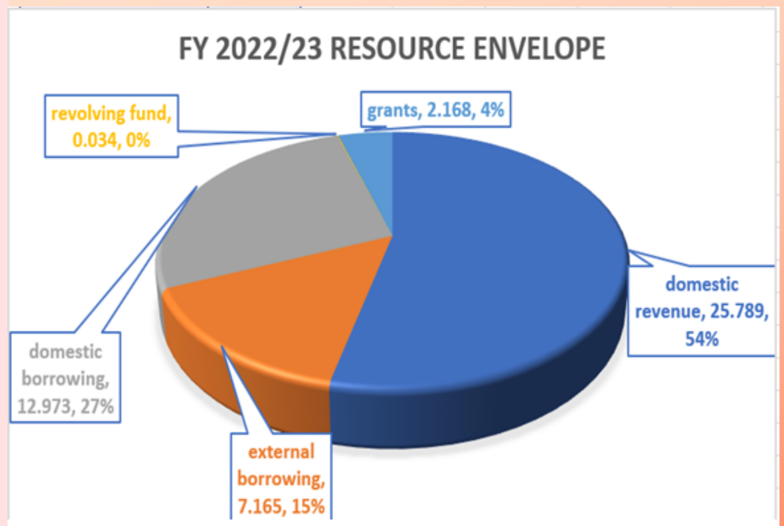
Reviving economic growth and fiscal discipline should be the focus of FY2022/23 Budget

1. PREAMBLE.

At the heart of a nation's prosperity is prudent public financial management, and this begins with a well-planned and balanced budget. The financial year 2022/23 national budget comes at a very interesting time in our country in many ways, Uganda's prevailing economic situation is currently characterized by the high- rising cost of living, unemployment, rising trade deficit and the growing public debt burden.

2. FINANCIAL YEAR 2022/23 NATIONAL BUDGET

On 20th May, 2022, Parliament of Uganda passed the Shs48.13 Trillion budget for the FY 2022/23 under the theme "Industrialization for Inclusive growth, Employment and Wealth Creation." This indicates an increase in Government expenditure by Shs5 trillion from the previous financial year. 54% of the FY 2022/23 resource envelope will be derived from domestic revenues that is tax (Shs23.75 trillion) and non-tax revenue (Shs993.7 billion), 27% will be from domestic borrowing and 15% will be from External borrowing. Furthermore, 4% will be generated from grants while the revolving fund will contribute only 0.034%.



Source: Report on annual budget estimates FY 2022/23 by the Budget committee

3. DEBT SERVICING TAKES A BIG CHUNK IN FY2022/23

Debt In FY 2022/23, Debt servicing (Domestic Refinancing, External Debt Amortization, and Interest Payments) will take the lion share (36.12%) as compared to social service Programs like Human Capital Development (18.6%). The Monetary Policy Report (February) 2022 by Bank of Uganda highlights that the total nominal public debt at the end of December 2021 stood at Shs73.6 billion, a 5.6% increase from June 2021. The increase was mainly because of a 9.1% increase in the public domestic debt. Furthermore, debt sustainability indicators have not been adhered to, for instance; the Parliamentary Budget committee report on annual Budget computations for FY 2022/23 budget indicates that the estimates are not consistent with the Charter of Fiscal Responsibility (CFR) in regards to Nominal Debt to GDP and Debt Interest payments to Revenues. The Stock of Nominal Public Debt to GDP is projected at 55.1% in the FY2022/23, which is higher than the CFR provision of 53.1% in the FY2022/23. Furthermore, Total interest payments on domestic debt to total revenues (excluding grants) is projected at 18.7% in the FY2022/23, which is higher than the CFR provision of 14.6% in the FY2022/23. Non adherence to these debt sustainability indicators will lead to growth of Uganda's Debt to unsustainable levels and also affect Uganda's credit worthiness.

PROGRAMME ALLOCATIONS	Annual Budget estimates FY 2022/23	% as a share of the total budget
Human Capital Development	8,740.43	18.16%
Governance & Security	7,030.24	14.61%
Integrated Transport Infrastructure & Services	4,171.65	8.67%
Sustainable Development of Petroleum Resources	1,606.64	3.34%
Agro-Industrialisation	1,269.05	2.64%
Regional Balanced Developmet	1,190.18	2.47%
Developmet plan Implenetation	1,231.61	2.56%
Legislation, Oversight & Representation	724.61	1.51%
private sector Development	1,597.84	3.32%
natural resources, enviroment, climate change, land and water	617.40	1.28%
sustainable urbanisation and housing	344.23	0.72%
Innovation, Technology Development and Transfer	20.73	0.04%
Public sector transformation	206.28	0.43%
Sustainable Development of petroleum resources	863.72	1.79%
Administration of justice	393.50	0.82%
Tourism Development	197.10	0.41%
Digital Transformation	83.18	0.17%
Mineral Development	31.25	0.06%
Manufacturing	352.80	0.73%
community mobilisation and mindset change	73.46	0.15%
Domestic Refinancing, External Debt Amortization, & Interest Payments	17,384.71	36.12%
Total (excl arreara & AIA LG)	**48,130.61**	100.00%

Source: Report on annual budget estimates FY 2022/23 by the Budget committee

5. RECOMMENDATIONS/CONCLUSION.

i) The political leaders to support efforts towards effective deficit and debt reduction. Such investments by the government should aim at ensuring macroeconomic stability, access to credit, good infrastructure, a favorable regulatory environment and a skilled workforce. These would in turn support private sector expansion and enable business firms to overcome their specific challenges while creating jobs for the labour force.

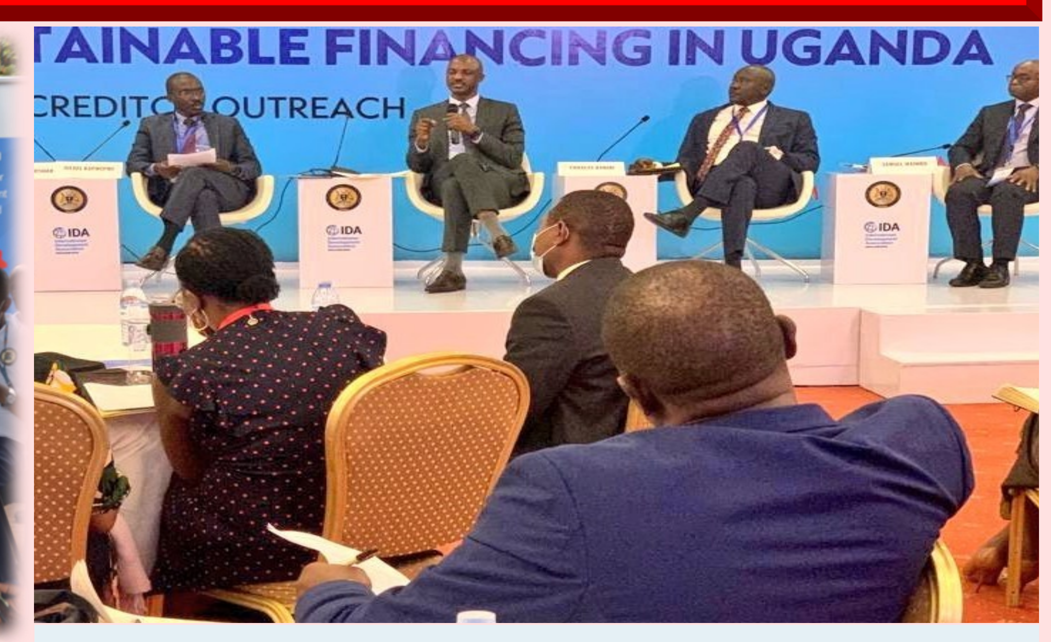
ii) The public to demand for accountability from government especially concerning the ever-increasing expenditures and borrowed funds.

iii) The government to make sure that it prioritizes investments in areas that will enable the economy to achieve its growth potential.

In conclusion, in addition to funding essential services such as health, security and education, the national budget makes a fundamental decision on the level of resources that the government will take from its citizens to finance itself. Therefore, governments must allocate resources judiciously, whilst bearing in mind a country's economic performance and the most pressing needs of its citizens.

UDN IN PICTURES.

Above; Minister of Finance, Hon. Matia Kasaija addressing the media during the Launch of the National Budget Month that runs from 10th May to 9th July 2022



Above; UDN's Julius Kapwepwe (1st Left) seated on a panel of discussants at the World Bank High-Level Creditor Outreach Conference for Uganda held on Wednesday, 25th May 2022 at Serena Kampala Hotel .

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

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