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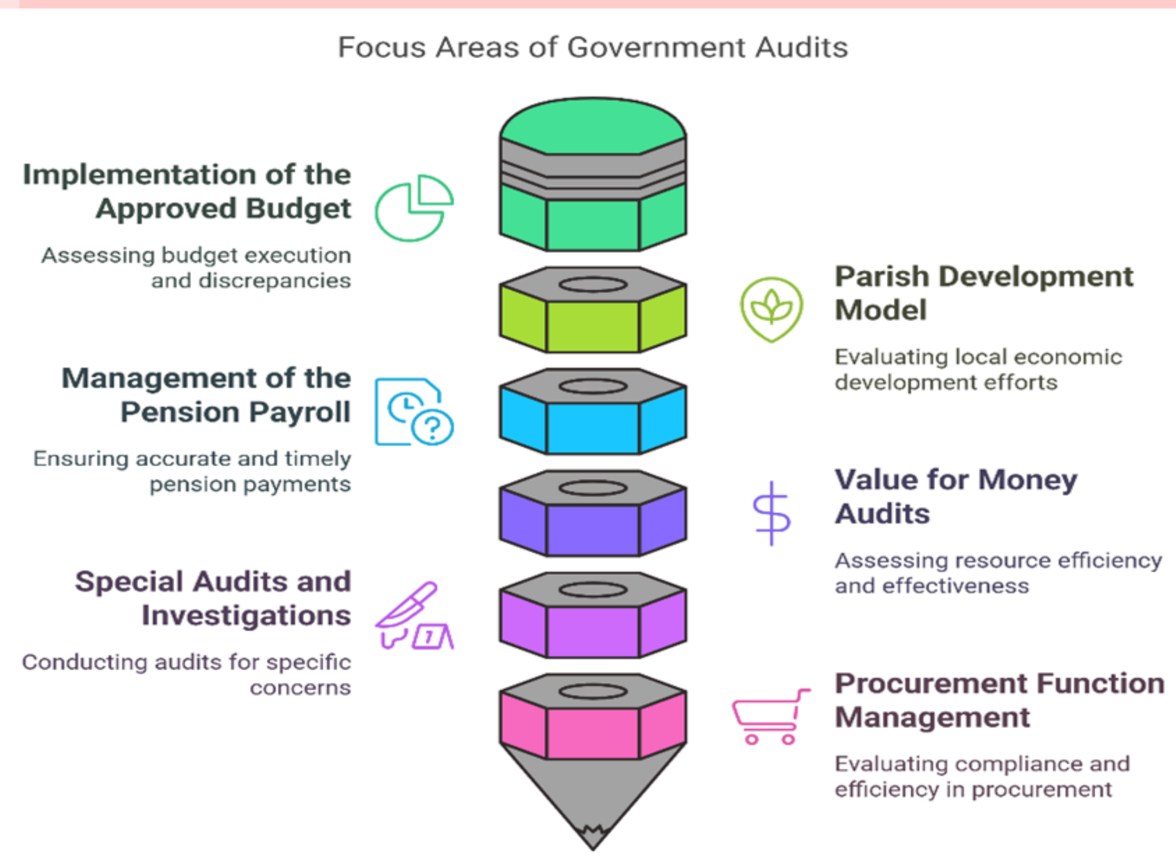
OAG REPORT: RISING DEBT AND POOR MANAGEMENT THREATEN FISCAL STABILITY

INTRODUCTION

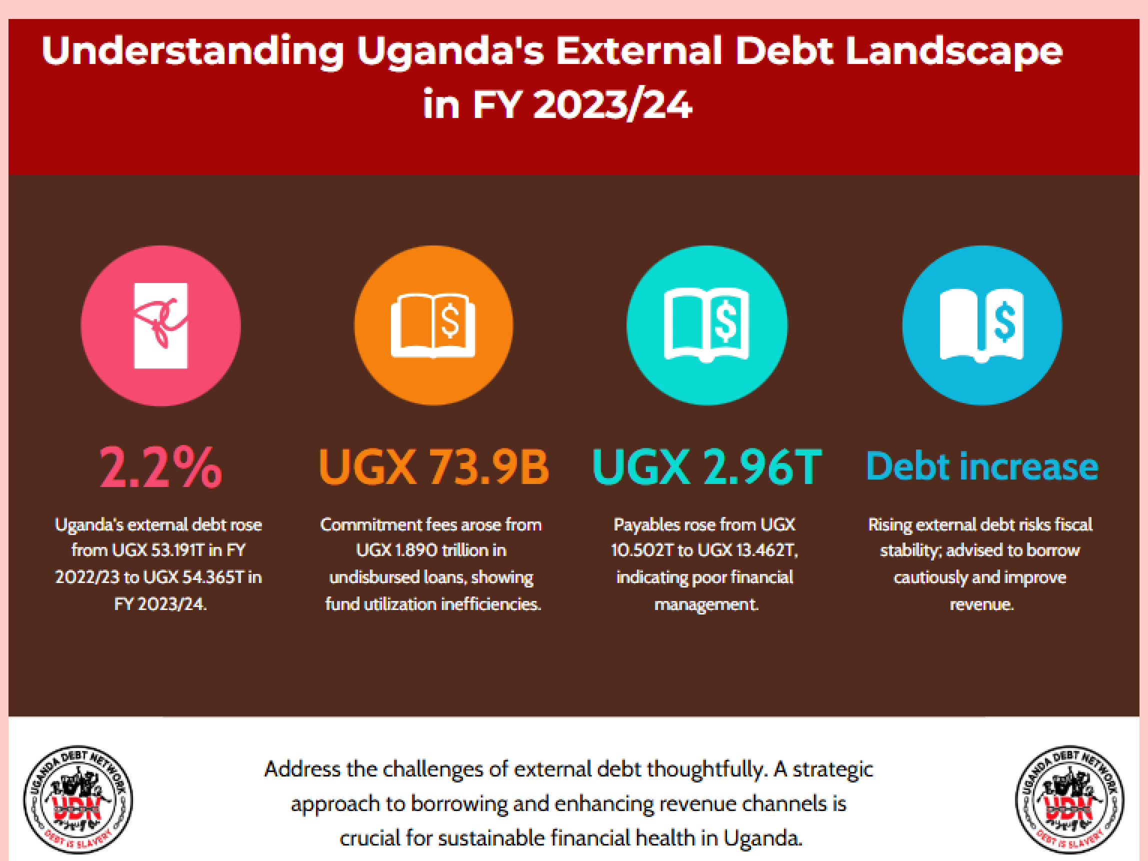
Annual Report of the Auditor General for the Republic of Uganda for the audit year ending December 31, 2024 was releases. This report highlights key achievements, ongoing initiatives, and the commitment to promoting good governance and service delivery across the nation. It emphasizes the importance of integrity, professional competence, and stakeholder engagement in enhancing the effectiveness of audits. We hope you find the insights valuable and inspiring as we work together towards a better future for Uganda

The main focus areas of the audits conducted by the Auditor General include:



The Annual Report of the Auditor General (OAG) for the Fiscal Year 2023/2024 sheds light on Uganda's financial management, debt sustainability, and inefficiencies in public fund utilization. The report highlights key concerns, including the rising cost of unutilized loans, growing external debt, and increasing domestic arrears, all of which pose significant challenges to fiscal stability.

1. Increase in External Debt:
Uganda's external debt rose from UGX 53.191 trillion in FY 2022/23 to UGX 54.365 trillion in FY 2023/24, indicating a growth of 2.2%. This growth is mostly attributed to an increase in debt from multilateral creditors, while debt from commercial banks and bilateral creditors decreased, raising concerns about long-term fiscal sustainability.



2. **High Commitment Fees**:
There was a notable increase in undisbursed loans, amounting to UGX 1.890 trillion, which led to government spending UGX 73.9 billion in commitment fees. These fees are reflective of inefficiencies in fund utilization, suggesting that funds remain unutilized, thus increasing the cost of servicing debt.

3. Increased Payables and Domestic Arrears:
The report indicates a significant rise in payables, from UGX 10.502 trillion to UGX 13.462 trillion. The accumulation of domestic arrears is happening at a much higher rate than payments, which reflects poor financial management and budgeting practices.

4. Concern for Fiscal Sustainability:
The continued increase in external debt raises alarms about Uganda's fiscal sustainability, potentially limiting resources available for domestic spending. The government is advised to take a cautious approach to future borrowing and improve revenue mobilization to mitigate these risks.

These above issues illustrate the significant challenges Uganda faces in debt management, highlighting the necessity for improved fiscal policies and practices to ensure sustainable economic growth.

Urgent Need for Reform;
The findings from the Auditor General's report highlight the urgent need for strategic financial reforms. The government must:

These recommendations aim to improve the management of public debt, enhance budget efficiency, and ensure that fiscal strategies are sustainable in the long term.

Conclusion
Uganda's rising debt, coupled with inefficiencies in loan utilization and financial management, poses a major challenge to the country's economic future. Without decisive action, the burden of debt servicing will continue to grow, limiting the government's ability to fund crucial development programs. Implementing the Auditor General's recommendations is critical to ensuring sustainable financial management and reducing unnecessary financial losses.

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Please visit/ talk to us at; Uganda Debt Nework ,
P.O. Box 21509, Kampala -Uganda,
Plot 153/155 Ntinda—Nakawa Road , Tel +256-414-533840/543974
Website: www.udn.or.ug

EDITORIAL TEAM:
Gilbert Musinguzi- gmusinguzi@udn.or.ug ; Ishimimaana Jenice- communications@udn.or.ug