UGANDA DEBT NETWORK

UGANDA: INDEPENDENT PUBLIC DEBT PROFILE

SEPTEMBER 2021

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September 2021

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Foreword

From December 2019 to-date in Uganda, the Corona Virus Disease (COVID-19) pandemic globally continued to unfold, translating into threatened economic functions, debt portfolios, lives and livelihoods of people. A similar scenario played at the broader East African Community (EAC) level. Indeed, with the advent of COVID-19 pandemic, East African countries' public debt situation worsened, having borrowed nearly $2.3 billion new loans in less than three months since reporting the first COVID-19 positive case. This not only added to the region's mounting debts at a time of shrinking tax revenue but also at respective national levels including Uganda. According to civil society actors, this made debt servicing across the respective EAC states at large and Uganda more challenging than before. Such realities paused continued prioritization of debt servicing by Governments, to the detriment of financing key social sectors at a time when citizens would require even Government support, to lessen the rate of vulnerability, inducing those areas where majority youths and women benefit from compared to their male counterparts.

Under the auspices of the East African Budget Network (EABN) as a civil society forum for all the 6 EAC States, there was support from OSIEA to implement a 1-year project titled *'Debt Transparency for Social Service Financing (DTSF) in EAC"* during 2021. The project involved 4 EAC states: Uganda, Rwanda, Tanzania and Kenya. The Goal of this undertaking was enhanced debt transparency and accountability for equitable and gender-responsive social services financing in EAC. The project was mainly anchored on civil society to profile public Debt stock for EAC states, independent of the usual Government reports that may at times supress the real country debt situation. It also aimed at enhanced access to public debt information for citizens and civil society engagement on Debt transparency with relevant public policy institutions like ministries of Finance and Parliament at national level, plus key EAC institutions and actors at regional level.

With mainly relying on secondary data sources, it is upon the above that this report presents the case of independent public debt profile for Uganda. UDN would like to thank OSIEA, CSBAG, Ministry of finance in Uganda and the EABN for the managerial and technical support of the project. The Report covers the composition of domestic and external public debt, stock of domestic arrears, contingent and PPP liabilities for Uganda from independent civil society profiling mainly as at December 2020. It also assess the costs and risks to Uganda's debt as well as COVID-19 related debt. It details the level of undisbursed loans and attendant commitment fees paid on as well as results of the most recent Debt Sustainability Analysis and policy proposals. The report further contains an analysis of the costs and risks characteristics of Uganda's public debt and debt related transactions.

Finally, UDN also appreciates th intellectual prowess and technical input of the following people that successfully delivered the assignment as a team including: Patrick Tumwebaze (Executive Director UDN), Nyorekwa Enock Twinoburyo, (PhD) a UDN member, Priscilla Naisanga (Communications officer UDN), Christine Byringiro (Program Manager UDN) and Julius Kapwepwe (UDN Director of Programs and Coordinator EABN). We also appreciate the support from other EAC civil society actors from Tanzania, Rwanda and Kenya that implemented the project alogside UDN.

List of abbreviations and acronyms

ATM	Average Time to Maturity
BoU	Bank of Uganda
EAC	East-African Community
EIB	European Investment Bank
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
HIPC	Highly Indebted Poor Country
IDA	International Development Association
IDB	Islamic Development Bank
IDF	African Development Fund
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
MDRs	Multi-lateral Debt Relief
MoFPED	Ministry of Finance, Planning, and Economic Development
OAG	Office of the Auditor General
OECD	Organisation for Economic Co-operation and Development
PDMF	Public Debt Management Framework
PFM	Public Finance Management
PPP	Public-Private Partnership
PV	Present Value
RCF	Rapid Credit Facility
SDRs	Special Drawing Rights
TDB	The Trade and Development Bank
UDN	Uganda Debt Network
UGX	Uganda Shilling
USD	United States Dollar

Executive Summary

From this public debt profiling, it was evident that a lot positive had been achieved by Uganda in improved public finance, plus public debt management and desired development pathways even if public debt was also growing. For instance, by the end of June 2020, total public debt disbursed and outstanding debt amounted to USD 15.6 billion, equivalent to 41.2 per cent of GDP. Public Debt composed of 68 per cent external and 32 per cent domestic debt. External debt was largely skewed towards concessional terms although commercial loans in the portfolio have continued to grow impacting the cost and risk profile including the average maturity period, grace period and average interest rate. Uganda did not have an up-to-date debt repayment track record which had led to the accumulation of arrears to the tune of UGX 4.1Trillion, also in context of COVID-19. Even so, the public debt, arguably, remained within the debt sustainability levels.

It should be noted that increased public expenditure had led to sustained high levels of borrowing leading to fast accumulation of public debt over the recent years, including mainly up to December 2020. The increase in the pace of borrowing heightened the risks and vulnerabilities associated with the debt trajectory, resulting in a shift in categorization from low to moderate risk of debt distress for the country. Moreover, Uganda's debt sustainability indicators were slowly cropping back to what triggered the HIPC in 1996 and MDR initiatives in 2005. While debt relief in form of delayed repayment, restructuring of loan repayment or swapping of debts for equity had been proposed, they created a window for aggregate unsustainable debt for Uganda. Uganda was already revenue constrained, with a towards debt unsustainability, unless urgent policy actions and practices were undertaken. One dilemma was that a complete debt write-off would bring substantial liquidity, to the extent that there was intentional constructive collective action in building and protecting Uganda's financial safety nets, where otherwise the people in low income quintile and depended mainly on public social sector services would be hurt most.

Uganda finds itself in a difficult dilemma of mitigating the health crisis associated with COVID-19, rebooting the economy to historical growth and targeted prospects while also delivering on sustainable development enshrined in the third National Development Plan, Vision 2040 and the Sustainable development goals as well as the in the Africa Union Agenda 2063. All these, require fiscal buffers both in revenue mobilization and public investment management. Currently, Uganda's revenue effort remains relatively low compared with other low-income economies.

In 2020, following the COVID19 associated downsides on the economy, the revenue ratios, fiscal balance and debt levels have deteriorated substantially. Following recent historical deviation from agreed fiscal anchors in both charter of fiscal responsibility and the Debt

Sustainability Frameworks, Uganda's debt risks are more pronounced both in the short term to medium term. In addition, limited fiscal space has further narrowed substantially and Uganda is likely not to have adequate fiscal in the next two years.

- The total outstanding and disbursed public debt commitment that had not yet been repaid or forgiven stood at USD 15.26 billion as at the end of FY2019/20 compared to 12.51 billion as at the end of FY2018/19. This reflects a 22.0 percent increment over the past financial year and 62.3 percent increment over the period under review (FY2016/17 to FY2019/20). ***Two thirds of current outstanding debt is external.***

- The combined disbursed and undisbursed debt as at the end of June 2020 is USD 20.55 Billion against the GDP of USD 34.1 Billion that ***is about 60.2% of current GDP.***

- ***Pace of accumulation is a concern:*** Over, last couple of years the fiscal deficits have increased since 2011 (reaching 8.9% in FY 2019/20) leading to public debt as share of GDP to more than double over the period, and expected to cross the 50% of GDP. IMF fiscal monitor shows that Uganda debt accumulation over the 2011 to 2020 has been faster than the average for Sub Saharan Africa.

- ***Declining concessionality and growing domestic debt increasing debt service***: Concessional debt has reduced from 74 percent of the total debt in FY2016/17 to 60.8 percent in FY2019/20. China Exim Bank now accounts for a third of the external debt, followed by World Bank (IDA) at 29%. Total interest payment (which is over two thirds related to domestic debt) in FY2019/20 was equivalent to 21.7 percent of the country's domestic revenue. This ratio compares with low income countries that are already in debt distress. Interest payments at UGX 5.5 trillion are slated to be largest share of the national budget in 2021/2022, a unique characteristic compared to other countries.

- ***Is there a case of crowding out?*** Compared to the public debt, the threshold for the private sector is 75% as enshrined in the Public Debt management framework. However, the Public domestic debt stock/Private Sector credit had increased to 106% in FY2019/20 compared to 98% in FY2016/17.

- ***Debt refinancing risk is pronounced.*** The weighted average time to maturity of all the principal payments in the external debt portfolio (ATM) is 11.9 years and 4.3 years for domestic debt in FY2019/2020. This is a reduction from 18.1 and 5.4 years in FY2016/17 for external and domestic debt respectively. Over the last 5 years since the enactment of the Public Finance Management Act 2015, ***domestic debt refinancing have increasing from about 4 trillion, and expected to reach UGX 7.7 trillion in FY 2021/22.***

- ***Domestic arrears on the rise remaining at over 3% of GDP, and only proportion is verified and validated.*** Only a small portion is budgeted for annually – less than the new arrears.
- The average Country Policy and Institutional Assessment (CPIA) score for Uganda on debt policy has tilted downwards from strong performer to moderate performer – with overall CPIA score reducing from 3.9 in 2008 to 3.7 in 2018.
- ***Uganda credit rating has been downgraded over the years and is averagely B, with negative outlook.*** Standard & Poor's --> B with stable outlook (update 2014). Moody's --> B2 with stable outlook (Nov 2016). Fitch's --> B+ with negative outlook (June 2020).

COVID19 and the vivid downside effect on economic activity is expected to increase fiscal pressure and further narrow the fiscal space – increasing debt sustainability risks. It has affected all Debt Sustainability parameters of growth, exports, and revenue. Consequently, rising debt and associated heightened risks, Uganda's debt stress has been upped to show moderate debt stress but sustainable. ***Medium term pronounced risks prevail.***

- Over the last decade, spates of deviation of the agreed targets in the debt sustainability frameworks (of 2013, 2016 and 2019). Thereby making the charter of fiscal responsibility not an effective anchor even in the short term for fiscal policy
- The realities of the fiscal adjustment in near term are suspect given the ambitious projects in the NDPIII.
- High interest rates over and above GDP, a measure of effective demand suggests medium term sustainability is a challenge.
- Exclusions from debt sustainability like contingent liabilities, due to lack of contingent liability management framework, poses a high risk in the event of materialization.
- ***Public debt has not led to optimal growth dividends and capital accumulation.*** The weak public debt and growth nexus is found in the incremental capital ratio estimated by World the World Bank (2016) findings that for every dollar invested in the development of public capital stock, it generates only 0.8 dollars' worth of economic activity

Policy pathways

- Having a clear direction for fiscal policy in adherence to fiscal charter would help budget planning and execution.
- Draft and negotiate a strategic short-term debt relief plan for Uganda, to allow liquidity ease and restructure current debt profile.

- Debt transparency, Governance and Bank ability. The heightened accumulation of COVID19 loans and grants must be handled with utmost transparency. We re-iterate the model of on Extractive Industries Transparency Initiative Model where Governments declare what they receive and supporters declare.
- Focused attention to address the ability to invest. Important to continue focused reform on Public Investment Management ecosystem to ensure that the borrowed funds meet the intended role. Value for money is a MUST.

Finally, UDN believes that whereas this may not be exhaustive, the contents of this independent public debt profiling report provides additional input into the body of knowledge and public development financing policy for improved economic and Uganda's sustainable debt management, plus broader EAC.

CHAPTER ONE:
BACKGROUND

1.1 Fiscal historical context

At the time of independence in 1962, after 68 years of British rule, Uganda had one of the most vibrant and promising economies in Sub-Saharan Africa (World Bank, 1996)[1]. However, its potential for growth has been curtailed by more than 20 years of civil strife, especially between 1966 and 1986. The resultant economic mismanagement and civil war have had disastrous effects on the once-promising country.

Fiscal deficits is the difference between the government expenditure and its revenue. Cumulative fiscal deficits tantamount in public debt. The major land mark of Uganda's fiscal policy reform can be traced back to the early 1990s with the adoption of budget expenditure restraint and reform to ensure that the Executive does not have to borrow from the domestic banking system to finance budget deficits. Since 1992 Uganda's fiscal space has been limited, given the dismal level of revenue at 7.5 percent of GDP.

From 1995, government embarked on comprehensive Poverty Eradication Action Plans, with increased expenditure focus on social sectors. This coupled with other macro-economic reforms made Uganda the first country to qualify for debt relief worth of USD 347 million under the High Indebted Poor Countries (HIPC) initiative in 1998. The fiscal deficits (excluding grants) however continued on an increasing trend, nearly doubling from 6.5 percent of GDP in 1995/6 to 12.3 percent of GDP in 2001/02. Despite the donor grants increasing from 4.2 percent of GDP in 1995/6 to 7 percent of GDP in 2001/2, the deficit including grants also rose from 2.3 percent in 1995/6 to 5.3 percent in 2001/2. This left the debt levels high, leading Uganda into an Enhanced HIPC initiative in 2000, worth a net present value of USD 656 million. The surmountable decline in Uganda's debt however, only happened in 2006 when 100 percent of the external debt by World Bank, IMF and African Development Bank was forgiven under the Multilateral Debt Relief Initiative (MDRI), reducing Uganda's debt stock to USD 1.3 billion from the USD 4.5 billion.

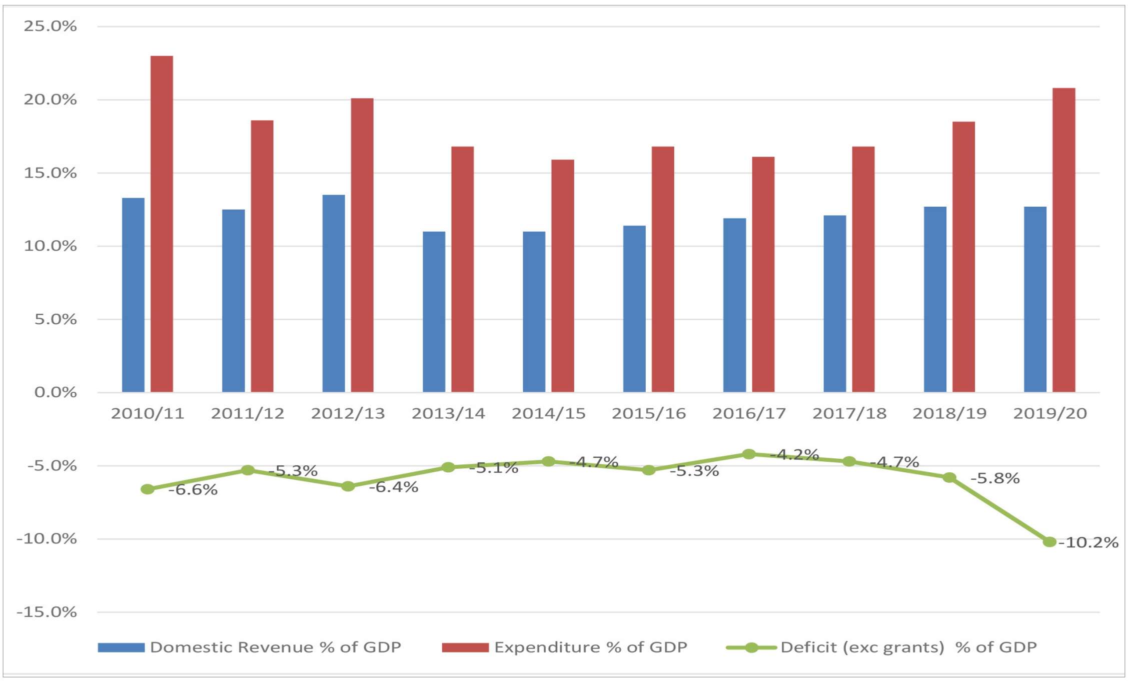
1 *World Bank (1996); The Challenge of Growth and Poverty Reduction in Uganda*

1.2 Fiscal developments Under NDP (National Development Plans)

Fiscal deficit has largely been driven by dismal revenue generation over the last decade. The average fiscal deficit between FY2010/11 and FY2019/20 was at 5.8 percent of GDP, owing largely to low levels of revenue that averaged at 12.8 percent of GDP. Notably the average government expenditure is still low compared to other regional counterparts. Uganda's total expenditure for FY 2019/20 is at 20.8 percent of GDP compared to Tanzania's 23 percent, Rwanda 29 percent and Kenya 30.6 percent. Uganda's overall deficit as a share of GDP for FY 2015/16 budget is highest in the region at 10.2 percent compared to 7.7 percent in Kenya, 7.5 percent in Tanzania, and 7.1 percent in Rwanda from (5.9 percent), which is indicative of low revenue collections relative to its regional counterparts and in contravention with the EAC convergence criteria. The Protocol on the establishment of the East African Community Monetary Union. Particularly; Article 2 (b) to attain the macroeconomic convergence criteria in article 6 (2) a ceiling on fiscal deficit, excluding grants, of 6% of GDP must maintained for 3 consecutive years before the establishment Monetary Union in 2024.

In all countries, the deficits are to be financed by domestic borrowing, external loans, and foreign direct investments. For the last decade, government expenditure has continuously exceeded government revenue. The ratio of government expenditure to GDP has reduced marginally to 20.8 percent in FY 2019/20 from 23.0 percent in FY2010/11, while the ratio of government revenue to GDP has instead reduce to 12.7 percent from 13.35 in FY2010/11 (Figure 1-1). This signifies a financing gap of about 10.2 percent of GDP in 2010/11 that has to be filled by other sources like borrowing and foreign aid.

Figure 1-1: Fiscal deficit (excluding Grants) as share of GDP (2010/11 – 2019/20)



Source : MoFPED; Background to the budget 2010/11-2019/20

1.3 Public debt slowly creeping back to pre-relief situation

Even though on average, debt levels are still slightly lower than the debt indicators that triggered the HIPC and MDR initiatives, the current rate of debt accumulation shows that Uganda will soon get back to pre-debt relief situation. Uganda's National Development plans show that the government is committed to addressing infrastructural constraints by constructing and rehabilitation of roads, railways, airports and Dams. These projects are largely financed through externally generated resources in the form of loans. This has also has coincided with low absorption capacities of the available resources and slowdown in the GDP growth that has been as low as 2.9 percent in FY2019/20.

Ambitious targets as stipulated in both the National Development Plans and Vision 2040 have mainly driven Uganda's debt. Uganda aims to transform its citizenry from peasantry to lower middle income in the medium term, then to an upper-middle-income category by 2032 and attaining per capita incomes of USD 9500 in 2040. Achieving these targets thus have propelled the government to invest in tremendous infrastructural such as dams, railways, and airports to unlock the productivity of physical and human capital.

Consequently, total disbursed debt in absolute terms has grown to over three times the pre debt relief 2006 levels. However, relative to GDP, the current debt remains lower than 2006 levels but is fast approaching. This fast-paced growth in debt has also coincided with sub optimal utilisation of these resources. Again, like public debt, the annualized growth has been over and above the growth of the economy, signifying long-term risks of meeting the planned obligations. Growth is a proxy for effective demand and economy's income. The inefficiencies and lack of proper accountability in government ministries, departments, and agencies (MDAs) has resulted into time and cost overruns of most of the projects. Thus increasing the cost of the projects and interest payments.

1.4 Macro-Economic Context

1.4.1 The economic indicators

Uganda has posted a 5.2 percent average rate of GDP growth for the last decade since 2010[2]; and even about 8% between 1990s and 2000s. The facilitators for this good performance included stabilization policies that restored macroeconomic stability and increased investor confidence in the economy

2 *World Development Indicators, 2021*

Despite this, poverty, inequality, climate change, weak private sector investments, unemployment as well as the vulnerability of the economy to internal and external shocks have remained the main challenges to achieving the desired level of development. Even so, the economy has remained resilient maintaining a stable macroeconomic environment and a positive investor confidence.

Since 2020, the COVID-19 pandemic has continued to unfold in Uganda, threatening both lives and livelihoods. The pandemic is inflicting tragic loss of life and direct human suffering from illness, in addition to eroding progress in poverty reduction (with an additional 2 million new poor) through serious impacts on incomes and jobs. In FY2019/20, for instance, economic growth averaged 2.9 percent lower than 6.1percent posted in FY2018/19. This, inter alia, built on pre-exisitng conditions to COVID-19 pandemic. These included the fiscal and current account deficits, plus other natural disasters (like locusts, floating islands that threatened electric energy production, landslides and mudslides that ate into the country's fiscal space and overall macroeconomic landscape). The twin shocks have had a negative effect on the food security, productivity and growth of agriculture and service sectors. The COVID-19 shock and fiscal responses have halted planned fiscal consolidation, accelerated borrowing for C-19 interventions (in addition to Donor Grants and national supplementary budgets) that contributed to rapid accumulation of public debt and a bit of distortion on some of the macroeconomic parameters.

Between January and December 2020, the inflation rate remained low, stable and within the government target range of 5 percent at 3.6 percent. . This was supported by low food prices, lower international oil prices and muted domestic demand pressures.

1.4.2 Fiscal balance (2016/17 to 2019/20)

The size of fiscal deficits both including and excluding grants has more than doubled over the research period as shown in Table 1-1. Consequently, the overall actual fiscal balance in the FY2019/20 was equivalent to 10.2 percent of GDP rising slightly above 7.6 percent recorded in FY2018/19 on the backdrop of COVID-19 pandemic. The deficit was financed through net external financing, net domestic financing and other domestic financing. The relatively high fiscal deficits are the key drivers to debt accumulation in the recent past.

Table 1-1: Fiscal Operations for the Period 2016/17 to 2019/20 (UGX Billions)

Description	2016/17	2017/18	2018/19	2019/20	2019/20
Revenues and Grants	13,897	15,281	17,839	22,546	18,469
Revenues	12,947	14,507	16,638	20,647	17,590
Grants	950	774	1,202	1,900	879
Expenditure and net Lending	17,438	20,202	24,268	33,111	28,810
Overall Fiscal Bal. (excl. Grants)	-4,491	-5,695	-7,630	-12,464	-11,220
Overall Fiscal Bal. (incl. Grants)	-3,541	-4,921	-6,428	-10,564	-10,341
Financing:	3,541	4,921	6,428	10,564	10,341
External Financing (Net)	2,609	3,493	3,680	7,486	6,723
Deposits	-	-	-	-	-
Disbursements	2,983	4,306	4,878	8,209	7,461
Budget Support Loans	573	141	188	575	3,773
Project Loans	2,411	4,165	4,690	7,634	3,688
Amortization	-375	-813	-1,198	-723	-737
Domestic Financing (Net)	603	1,360	2,465	3,079	3,617
Bank Financing (Net)	-297	260	1,256	1,794	2,358
Non-bank Financing (Net)	901	1,099	1,208	1,285	1,259
Errors and Omissions	329	68	283	-	0

Source: MoFPED annual Budget perfomance reports

1.4.3 Exchange rate

Exchange rate movements impact significantly on external debt service (MPRA, 2018)[3]. A case in point, the UGX has depreciated by 3% (UGX 105) since January 2020, which implies an additional increment of external debt in Uganda shillings of UGX 893 billion (USD 8.5 billion times 105) – equivalent to 4% of domestic revenue or two thirds of the Agriculture sector budget in FY 2020/21[4]. Between 1990 and 2000, the exchange rate depreciation of the shilling, for instance, against the US Dollar averaged 1.8 percent per annum. The Uganda Shilling has remained relatively stable compared to historical trend (2010 and 2016), where depreciation Vs the USD was averagely 5% per annum. As indicated in Table 1-2, UGX depreciated by 5.3 percent against the US Dollar between FY2016/17 and FY2019/20,

Table 1-2: Exchange rate movements (FY2016/17 to FY2019/20)

	2016/17	2017/18	2018/19	2019/20
Uganda Shillings per US $	3,528.30	3,658.72	3,736.82	3,714.60

Source: Bank of Uganda – exchange rate statistics

3 *MPRA (2018): External debts and real exchange rates in developing countries: evidence from Chad*
4 *UDN (2019). Public Debt Options for Uganda and Low Income Countries*

1.5 Public debt legal and policy framework

Section 36 (1) of the PFMA 2015 gives the Minister of Finance, Planning, and Economic Development (MoFPED) the authority to raise money by loan and to issue guarantees for and on behalf of the Government. Uganda also has the Medium-Term Debt Management Strategy 2020/21-2023/24, the 2015 Public Finance Management Act, Medium-term Debt Management Strategy 2015/16–2019/20, the 2013 Public Debt management framework, PPP policy and the 2015 PPP Act. . Uganda is currently developing the new Charter of Fiscal Responsibility (CFR) [2021 to 2025], following the expiry of the five year charter (2016-2020). The CFR set fiscal anchors for guiding fiscal discipline in line with debt sustainability. All these policies are put in place for the proper management of a country's debt.

CHAPTER TWO:
PROFILING THE CATEGORIES OF PUBLIC DEBT

An Ariel view of the US$1.7 Billion Karuma Hydro power project under construction (85% Loan China)

The total disbursed public debt stood at USD 15.26 billion as at the end of FY2019/20 compared to 12.51 billion as at the end of FY2018/19. This reflects a 22.0 percent increment over the past financial year and 62.3 percent increment over the period under review (FY2016/17 to FY2019/20). Two thirds of public debt is external.

2.1 Status of external debt

Public external debt stock increased to USD 10.4 billion in FY 2019/20 from USD 6.1 billion in FY2016/17, a rise of 69.3 percent. While the share of multilateral debt has reduced from 74 percent to 61.9, bilateral debt has increased from 26 percent to 31 percent in the same period. Commercial debt which was non-exisistent in FY2016/17 has since increased to 7 percent of the total external debt in the FY2019/20 (Table 2-1).

Table 2-1: External by creditor type (USD Million)

	2016/17	2017/18	2018/19	2019/20
Multilateral	4,528.2	4,903.0	5,339.9	6,421.3
Bilateral	1,596.9	2,238.8	2,919.7	3,202.7
Commercial		150.1	47	748.2
Total External Debt	**6,125.1**	**7,292.0**	**8,306.6**	**10,372.2**
Multilateral	74%	67%	64%	62%
Bilateral	26%	31%	35%	31%
Commercial	0%	2%	1%	7%

Source: Ministry of Finance, Planning and Economic Development

There is increased fiscal pressure has encapsulated in rising debt service. In the OAG 2019/20 report, it is revealed that 60% of disbursed External Debt is still under Grace Period (i.e. no payment of Principal amount) totaling to UGX.23,197 billion of which half (UGX.11,268 billion), will require servicing for the first time in the FY2020/2021. In the 2021/2022, Amortization of external debt is projected to increase to UGX 1,903 billion (equivalent to 1.1 percent of GDP) in FY 2021/22 from UGX 1,221 billion in the approved budget for FY 2020/21, and will average at 1.6 percent of GDP per annum over the medium term. Consequently, the ratio of debt service to domestic revenue is projected to increase beyond the 20 percent threshold set for debt sustainability in FY 2021/22.

2.1.1 Multilateral debt

The total multilateral credit increased by 41.8 percent between FY2016/17 and FY2019/20, compared to 69.3% growth of total public external debt over the same period. Consequently, Multilateral debt that accounted for 74% in 2016/17 reduced to 62% in 2019/20. Table 2-2 shows the major creditors are World Bank Group (IDA), African Development Fund (ADF), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IDB), International Monetary Fund (IMF), and European Investment Bank (EIB) with average weights of 60.7 percent, 24.0 percent, 4.3 percent, 2.8 percent, 1.9 percent, and 1.5 percent respectively over the 4 year period.

Table 2-2: Multilateral external debt classification by major creditors (USD Million)

Creditor Category	2016/17	2017/18	2018/19	2019/20
African Development Bank (ADB)	11.11	30.09	78.34	140.38
African Development Fund (ADF)	1,117.23	1,272.27	1,298.68	1,363.53
Arab Bank for Econ Development in Africa (BADEA)	42.40	47.05	48.22	61.45
East African Development Bank (EADB)	0.00		-	
European Development Fund (EDF)	0.00		-	
European Investment Bank (EIB)	61.72	78.82	82.98	105.11
International Bank for Recons and Dev (IBRD)			-	
International Development Association (IDA)	2,797.15	3,054.63	3,334.67	3,601.24
International Fund for Agriculture (IFAD)	208.96	222.13	228.82	247.98
International Monetary Fund (IMF)			-	497.58
Islamic Dev Bank (IDB)	69.54	100.39	166.00	295.74
OPEC Fund	34.75	41.53	49.21	58.10

Creditor Category	2016/17	2017/18	2018/19	2019/20
Nordic Development Fund (NDF)	56.65	56.15	53.03	50.19
Other	143.51	-	-	-
TOTAL	**4,528.20**	**4,903.04**	**5,339.93**	**6,421.31**
As a percentage of total multilateral external debt				
African Development Bank (ADB)	0.2%	0.6%	1.5%	2.2%
African Development Fund (ADF)	24.7%	25.9%	24.3%	21.2%
Arab Bank for Econ Development in Africa (BADEA)	0.9%	1.0%	0.9%	1.0%
East African Development Bank (EADB)	0.0%	0.0%	0.0%	0.0%
European Development Fund (EDF)	0.0%	0.0%	0.0%	0.0%
European Investment Bank (EIB)	1.4%	1.6%	1.6%	1.6%
International Bank for Recons and Dev (IBRD)	0.0%	0.0%	0.0%	0.0%
International Development Association (IDA)	61.8%	62.3%	62.4%	56.1%
International Fund for Agriculture (IFAD)	4.6%	4.5%	4.3%	3.9%
International Monetary Fund (IMF)	0.0%	0.0%	0.0%	7.7%
Islamic Development Bank (IDB)	1.5%	2.0%	3.1%	4.6%
OPEC Fund	0.8%	0.8%	0.9%	0.9%
Nordic Development Fund (NDF)	1.3%	1.1%	1.0%	0.8%
Other	3.2%	0.0%	0.0%	0.0%

Source: Ministry of Finance, Planning and Economic Development

2.1.2 Bilateral debt

The bilateral debt to Uganda is dorminated by China, followed by Japan, United Kingdom and Japan with avearage percentage shares of 76.2 percent, 11.2 percent, 3.6 percent and 3.1 percent respectively over the period under review.

Table 2-3: Bilateral external debt classification by major creditors (USD Million)

Non-Paris Club Bilateral Creditors				
	2016/17	2017/18	2018/19	2019/20
China, P.R. of	1,274.0	1,688.0	2,212.2	2,362.1
Nigeria	11.5	11.5	11.5	11.5
Iraq	0.0	0.0	0.0	0.0
Kuwait	29.2	33.2	35.2	35.6
Saudi Arabia	26.9	30.0	31.5	35.5
Abu Dhabi Fund			2.1	8.0
South Korea	23.2	26.8	25.6	24.4
Total Non-Paris Club	**1,364.9**	**1,789.4**	**2,318.2**	**2,477.1**
Paris Club Bilateral Creditors				
Austria	6.4	5.4	4.2	3.1
France	40.9	100.6	156.2	
Germany	1.9			167.3
Japan	182.3	290.3	315.5	310.5
United Kingdom		53.1	125.7	244.7
Belgium	0.4			
Total Paris Club	**232.0**	**449.4**	**601.5**	**725.6**
Total Bi-Lateral debt	**1,596.9**	**2,238.9**	**2,919.7**	**3,202.7**
As a percentage of total bilateral external debt				
China, P.R. of	79.8%	75.4%	75.8%	73.8%
Nigeria	0.7%	0.5%	0.4%	0.4%
Iraq	0.0%	0.0%	0.0%	0.0%
Kuwait	1.8%	1.5%	1.2%	1.1%
Saudi Arabia	1.7%	1.3%	1.1%	1.1%
Abu Dhabi Fund	0.0%	0.0%	0.1%	0.3%
South Korea	1.5%	1.2%	0.9%	0.8%
Austria	0.4%	0.2%	0.1%	0.1%
France	2.6%	4.5%	5.3%	0.0%
Germany	0.1%	0.0%	0.0%	5.2%
Japan	11.4%	13.0%	10.8%	9.7%
United Kingdom	0.0%	2.4%	4.3%	7.6%
Belgium	0.0%	0.0%	0.0%	0.0%

Source: Ministry of Finance, Planning and Economic Development

2.1.3 Public debt due to Public Private Partnerships (PPPs)

By the end of the year 2020, none of the PPP projects entered into after the enactment of the PPP Act 2015 had yet reached commercial or financial close. Therefore, Uganda is not exposed to any fiscal commitments and contingent liabilities from these projects. However, it should be noted that the GoU has entered into other PPP projects before the enactment of the PPP Act 2015, including the Bujagali Hydropower Generation project, Eskom Generation Concession, Umeme Power Distribution Concession, Kalangala Infrastructure Services, Kampala Serena Hotel, Kilembe Copper Mine Concession. When the proposed PPPs in table 3-5 11 are finalized, Government of Uganda will be exposed to extra USD 2,014.8 Million from these PPPs.

Table 2-4: Public-Private partnership liability

#	PPP Project	Total Cost (USD)	GoU contribution (Loans for Viability Gap Funding[1])
1	Kampala- Jinja Express Way Toll Project	USD 1,200 million	USD 400 million
2	Mulago Car Parking Project	USD 19.2 million	-
3	Kampala Waste Management Project	USD 64.3 million	-
4	Redevelopment of Uganda National Cultural Centre (UNCC) Properties	USD 174.3 million	-
5	Redevelopment of Uganda Post Limited Properties	USD 400 million	-
6	Information Technology (IT) Park	USD 157 million	-
	Total	**USD 2,014.8 million**	

Source: Project documents

2.1.4 Public debt from private-sources

The major source of commercial debt for Uganda is commercial banks as reflected in table 2-5:

Table 2-5: Public debt from commercial banks

Source	2016/17	2017/18	2018/19	2019/20
Commerzbank	0.0	0.8	2.4	2.4
Standard Chartered	0.0	41.2	36.3	121.4
AKA	0.0	7.4	8.3	8.2
PTA (TDB)	0.0	100.7	0.0	336.1
SBSA	0.0	0.0	0.0	280.1
Other Loan Category (2)	0.0	0.0	0.0	0.0
COMMERCIAL	**0.0**	**150.1**	**47.0**	**748.2**

Source: Ministry of Finance, Planning and Economic Development

According to OAG report for FY2019/20, over the 2017 to 2020 period, loans from Commercial banks that are non-concessional grew from UGX.192, 626,916,387 to UGX.2, 806,000,504,924, representing a 1357% spike over the past three financial years. The interest rates from the commercial banks were floating, pegged to the LIBOR/EURIBOR rate plus a premium. Contracting debt at non-concessional terms has exposed the Government to high-interest rates and refinancing risk. About 82% (UGX.2.8tn) of this amount was used for budget support and not infrastructure development as laid down in the strategy.

2.1.5 Debt attributed to COVID-19

A deserted Taxi park in Kampala during the Covid-19 induced Lockdown in April 2020

COVID-19 has not only increased public expenditure needs but is also reducing the revenue collection potential of the government. As a result, parliament has approved UGX 3,729.7 billion (8 percent of total budget) for supplementary expenditurure. The source of funding the supplementary expenditure has been indicated as additional borrowing.

Already, the Government of Uganda received emergency financing from the IMF under the Rapid Credit Facility (RCF) in the amount of 361 SDRs equivalent to about USD 498.7 Million. Of this USD 340 million went to help the Bank of Uganda in bridging the gap in the balance of Payments position and USD 159 Million (UGX 557.4Bn) was utilized as Budget support to finance Government's COVID-19 response plan.

Additionally, the World Bank also provided the Government of Uganda with USD 300 Million (UGX 1, 117.9 Billion) as part of the economic crisis and recovery development policy financing. This too went to support Government's efforts in dealing with the negative impact of the pandemic.

The total budget support from the RCF and the DPO is therefore equal to UGX 1,675.3Bn some of which has been spent as shown in Table 2-6.

Table 2-6: Expenditures for the Budget Support from IMF and World Bank

Vote	Reference	UGX (billion)	Details
008	Ministry of Finance, Planning and Economic Development	455,180	Funding for transfer to Uganda Development Bank to support the manufacturing, agriculture and agro-industrial sectors that were adversely affected by the COVID-19 pandemic
		50,000	Funding for transfer to the Microfinance Support Centre Limited to support micro and small-scale enterprises through SACCOs and Micro Finance Institutions
		110,000	Funding for "Emyooga" (Support for vulnerable groups in informal businesses)
010	Ministry of Agriculture, Animal Industry and Fisheries	10,000	Funding to enhance households' capacity for food security including the provision of inputs and support to the e-voucher system
014	Ministry of Health (MoH)	89,340	Funding to MoH towards responses to COVID-19
015	Ministry of Trade, Industry and Cooperatives	100,000	Funding for transfer to Uganda Development Corporation to support businesses that will be adversely affected by the COVID-19 pandemic
023	Ministry of Science, Technology and Innovation	31,032	Funding to support scientists and innovators engaged in COVID-19 Interventions
145	Uganda Prisons Service	10,775	To cater for costs arising out of the increasing numbers of prisoners as a result of contravening measures which were put in place to control COVID-19
	Various Central Government Votes	223,000	To cater for clearance of domestic arrears under various Central government Votes

The balance of UGX 596Bn was allocated cater for revenue shortfalls that resulted from the effects of the pandemic. Other loans and grants to counter COVID-19 pandemic are reflected in Table 2-7;

Table 2-7: COVID-19related loans and grants

Source	Receive (USD million)	Type of financing
International Monetary Fund	300.0	Loan
World Bank	491.0	Loan
French Development agency	64.9	Loan
African Development Bank	20.0	Loan
Islamic Development Bank	13.8	Loan
P.R China	1.3	Loan
Total Loans	**891.0**	
European Union	6	Grant
World Bank pandemic emergency Facility	14.8	Grant
US Embassy	1.3	Grant
USAID	2.3	Grant
GOU/WB CERC	15.0	Grant
GFTAM	7.6	Grant
GAVI	2.8	Grant
GFTAM C19RM	18.9	Grant
GOU / WB UCREPP	15.3	Grant
Total – grants	84.1	
In-kind and cash donations	109.7	Donation
TOTAL COVID FINANCING	**1,084.8**	

Source: COVID-19 Intervention reports and funding agencies

2.1.6 Debt stock by Concessionality

Uganda's debt stock is still majorly concessional. However, the level of concesssionality[5] has reduced overtime. Concessional debt has reduced from 74 percent of the total debt in FY2016/17 to 60.8 percent in FY2019/20. At the same time, non-concessional/commercial debt has increased from to 19.9 percent from 11%

Table 2-8: Debt stock by Concessionality

	Debt stock by Concessionality (Billion USD)				Share of Debt stock by Concessionality			
	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20
Concessional	4.5	5.1	5.4	6.3	74%	70%	65.1%	60.8%
Semi concessional	0.9	1.5	1.5	2.0	15%	21%	18.5%	19.2%
Non Concessional	0.7	0.7	1.4	2.1	11%	9%	16.4%	19.9%
Total debt stock	6.1	7.3	8.3	10.4	100%	100%	100%	100%

Source: Ministry of Finance, Planning and Economic Development

2.2 Total historical public debt trends (disbursed and outstanding debt)

The total oustanding and disbursed public debt commitment that had not yet been repaid or forgiven stood at USD 15.26 billion as at the end of FY2019/20 compared to 12.51 billion as at the end of FY2018/19. This reflects a 22.0percent increment over the past financial year and 62.3 percent increment over the period under review (FY2016/17 to FY2019/20).

2.2.1 Disbursed debt

Table 2-9 shows total disbursed debt from domestic and external sources

Table 2-9: Debt Disbursed (Billion USD)

	2016/17	2017/18	2018/19	2019/20
Total Debt Stock (Billions US $)	**9.4**	**10.7**	**12.51**	**15.26**
External Debt Stock (US $ Billions)	6.1	7.3	8.3	10.4
As a % of total debt	64.9%	68.2%	66.3%	68.2%
Domestic Debt Stock (US $ Billions)	3.2	3.5	4.2	4.9
As a % of total debt	34.0%	32.7%	33.6%	32.1%

Source: Ministry of Finance, Planning and Economic Development

5 *Concessional loans are loans extended on terms substantially more generous than market loans. Concessionality is achieved either through interest rates below those available on the market or by longer grace periods, or a combination of these. Concessional loans typically have long grace periods, and mainly from Multi-lateral agencies with interest rate of 0.75%, with a 40 year maturity and 10 year grace period. Non-concessional on the other end are acquired at higher (market) rates, with a shorter maturity. Semi concessional is a blend of concessional and non-concessional terms.*

The East African Community (EAC) Charter of fiscal responsibility recommends the ratio ceiling of debt to GDP in Net Present Value terms of 50 percent. Although total outstanding debt remains below the statutory debt ceiling, total debt including committed undisbursed balances is edging closer to the ceiling. The combined disbursed and undisbursed debt as at the end of June 2020 is USD 20.55 billion against the GDP of USD 34.1 Billion, translating into 60% of GDP.

2.2.2 Undisbursed debt

The Undisbursed public debt represents debt that is committed and agreed upon but is yet to be released to government for different expenditure needs.

Table 2- 10: Uganda's Undisbused debt (Billion USD)

	2016/17	2017/18	2018/19	2019/20
Bilateral	2.08	1.71	1.74	2.40
Multilateral	2.79	2.87	2.76	2.74
Private Bank	0.06	0.04	0.13	0.15
Total	**4.93**	**4.62**	**4.62**	**5.29**

Source: Ministry of Finance, Planning and Economic Development

2.2.3 Total disbursed and undisbursed debt

The total public debt exposure for Uganda is reflected in Table 2-11

Table 2-11: Uganda's total disbursed and undisbursed debt (2016/17 to 2019/20)

	2016/17	2017/18	2018/19	2019/20
Disbursed debt	9.4	10.7	12.51	15.26
Un-Disbursed debt	4.93	4.62	4.62	5.29
Total	**14.33**	**15.32**	**17.13**	**20.55**

Source: Ministry of Finance, Planning and Economic Development

The totals in Table 2-6 suggest that combining disbursed and undisbursed debt would put Uganda's debt to GDP ratio at 55 percent by the end of the FY2019/20 considering Uganda's GDP of UGX 138,841 Billion at the time.

Government continues to pay a significant amount on loan **commitment fees**. OAG report for the FY2019/20 identifies commitment fees on three undisbursed loans of EURO.2, 211,284.7 (approx. UGX.9, 241,334,679). It is important to note that some of these loans are nearing maturity while others have reached maturity without disbursement.

2.3 Public debt by sector

Works and transport as well energy and mineral development sectors continue to account for more than half of all external funding. However, the share energy and mineral development sector has reduced (Table 2-12) as most of the big infrastructure projects in the sector are nearing completion.

Table 2-12: Sector shares of Public debt (2016/17 – 2019/20)

#	Sector	2016/2017		2017/2018		2018/2019		2019/2020	
1	Works and Transport	578.426	20.4%	589.7	22.8%	1,995.0	25.8%	3,045.0	32.4%
2	Energy and Mineral Development	983.083	34.7%	1,020.9	39.5%	1,873.8	24.2%	2,227.3	23.7%
3	Health	531.986	18.8%	214.9	8.3%	1,070.0	13.8%	1,119.3	11.9%
4	Public Sector Management	215.186	7.6%	166.7	6.4%	533.1	6.9%	877.4	9.3%
5	Water and Environment	109.373	3.9%	199.4	7.7%	825.7	10.7%	523.6	5.6%
6	Security	0	0.0%	-	0.0%	359.2	4.6%	362.9	3.9%
7	Agriculture	120.86	4.3%	137.8	5.3%	211.2	2.7%	333.3	3.5%
8	Education	166.369	5.9%	97.0	3.8%	336.9	4.4%	316.3	3.4%
9	Accountability	85.013	3.0%	90.6	3.5%	153.3	2.0%	197.0	2.1%
10	Justice, Law and Order	0	0.0%	-	0.0%	-	0.0%	118.9	1.3%
11	Lands, Housing and Urban Development	45.424	1.6%	45.2	1.7%	136.2	1.8%	91.2	1.0%
12	Science, Technology and Innovation	-	0.0%	-	0.0%	114.4	1.5%	83.3	0.9%
13	Social Development	0	0.0%	-	0.0%	19.3	0.2%	46.7	0.5%
14	ICT and National Guidance	0.73	0.0%	24.4	0.9%	94.4	1.2%	42.2	0.4%
15	Trade and Industry	0	0.0%	-	0.0%	12.1	0.2%	17.0	0.2%
16	Legislature	-	0.0%	-	0.0%	-	0.0%	-	0.0%
17	Public Administration	-	0.0%	-	0.0%	-	0.0%	-	0.0%
18	Tourism	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Total	**2,836.5**		**2,586.5**		**7,734.6**		**9,401.5**	

Source: compiled from MoFPED budget framework papers

2.4 Status of Domestic Debt

Domestic debt constitutes 32 per cent of the total debt stock. However, domestic arrears are not yet included in Uganda's public debt accounting

2.4.1 Domestic Arrears

According to the Public Debt Management Framework (PDMF), Public debt is composed of external debt (Debt denominated in foreign currency) and domestic debt (stock of shilling denominated liabilities). The definition, however, excludes domestic arrears, pension liabilities which are on the rise across government.

The existing data on domestic arrears is variant from different sources. The most recent OAG report FY 2019/20 indicates that domestic arrears have increased from UGX.3,335 billion in 2019 to UGX.3,839 billion in 2020 constituting a 15% increase. The amount represents 9% of the revised budget of government of Uganda for the financial year 2019/2020. This is an indication of the failed commitment control system. The growth trend appears unsustainable and on the rise. The OAG 2019/20, report also reveals undisclosed domestics arrears of UGX UGX.641, 306,907, leading to overstating of expenditure for FY 2019/20. Additionally, UGX.9, 436,110,584 domestic arrears not well supported with invoices, goods received notes, completion certificates etc. to confirm delivery of goods or services.

The most recent disaggregated data on domestic arrears is a far back as 2019, where the Audit by Office of the Auditor General on the Consolidated Financial Statements for FY 2018/19 verified UGX 3,626,57 billion (see Table 2-13). Of the verified domestic arrears, UGX 2,254.44 billion (65 percent) was classified as valid.

Table 2-13: Verified stock of domestic arrears

Expenditure Category	Amount (000)	Share (%ge)
Utilities	65,524	1.8%
Rent	213,023	5.9%
Contributions to International Organizations	166,519	4.6%
Court awards and Compensations	982,932	27.1%
Taxes and Other deductions	27,384	0.8%
Goods & Services	870,938	24.0%
Pension	291,868	8.0%
Other Recurrent & Development	1,008,381	27.8%
Total	**3,626,567**	

Source: Audited Consolidated Financial Statements

2.4.2 Domestic debt instruments

The trend on domestic debt instruments holding has been consistent since the fiscal year 2016/17 with treasurl bonds taking the lead. Treasury bills and treasurl bonds holding accounted for 24 percent and 76 percent of the total outstanding domestic debt respectively for the FY2019/20 against FY2016/17 holdings of 27 percent and 73 percent respectively (Table 2-14).

Table 2-14: Uganda's domestic debt trend (FY2016/17 to FY2021/22)

	2016/17	2017/18	2018/19	2019/20
T-Bills	3,149	3,523	3,706	4,456
% of Total	27%	26%	24%	24%
T-Bonds	8,447	9,863	11,806	13,792
% of Total	73%	74%	76%	76%
Total	**11,595**	**13,386**	**15,512**	**18,248**

Source: Bank of Uganda (BoU)

2.4.3: Composition of Domestic Debt by Holder

Majority of government securities are held by banks as well as pension and provident funds especially the National Social Security Fund (NSSF). Other investors in government securities include offshore investors, insurance companies, financial institutions and individual investors (See Table 2-15)

Table 2-15: Annual Stock of Government Securities by Holder (UGX Billion)

Holder	2016/17		2017/18		2018/19		2019/20	
Category	**Cost**	**% Cost**	**Cost**	**% Cost**	**Cost**	**% Cost**	**Cost**	**% Cost**
Banks	4,848.00	41.81%	5,541.90	41.40%	6,308.00	40.66%	7,390.44	40.50%
Pension & Provident Funds	4,732.30	40.81%	5,577.80	41.67%	6,513.70	41.99%	7116.72	39.00%
Offshore	1,098.10	9.47%	937.9	7.01%	837.6	5.40%	1405.096	7.70%
Bank of Uganda	19	0.16%	-	0.00%	161.1	1.04%	18.248	0.10%
Insurance companies	230.3	1.99%	294	2.20%	342.6	2.21%	602.184	3.30%
Other financial institutions	438.4	3.78%	637.6	4.76%	842.8	5.43%	948.896	5.20%
Retail	149	1.29%	205.4	1.53%	271.6	1.75%	465.324	2.55%
Other	80.2	0.69%	191.7	1.43%	234.8	1.51%	301.09	1.65%
Total Bills	**11,595.30**		**13,386.30**		**15,512.20**		**18,248.00**	

Source: Bank of Uganda

2.4.3 Debt Redemption

The government has dedicated future dates for repaying domestic and external debt. The redemption profile indicates that a large share of domestic debt matures in 2021, which points to refinancing risk associated with this type of debt. This is due to the short-term nature of government securities. The redemption profile for domestic debt becomes smooth in subsequent years, except in 2030, when a number of 10 and 15- year treasury bonds are scheduled to mature.

Table 2-15: Redemptions, Interest, and Net Domestic Financing (UGX Billions)

Year	2016/17	2017/18	2018/19	2019/20
Interest	1,957	1,936	2,016	2,624
Redemptions	5,374	4,789	5,391	6,453
Net Domestic Financing	627	1,795	2,465	3,878

Source: Ministry of Finance, Planning and Economic Development– Budget estimates

The maturity period for most of external debt is much longer, reflecting the dominance of concessional debt in the portfolio. Figure 2-1 depicts that maturities of external debt will peak in the years 2021 and 2030, when a number of securities are scheduled to mature

Figure 2-1: Redemption Profile as at the end of FY 2019/2020 (UGX Billion)

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

Source: Bank of Uganda

Note: About 75% of domestic is meant to service redemptions (debt rollover) which creates a high dependence on the securities market (OAG, 2021)[6]. This in turn increases interest rates interest rates and refinancing risks. At the same time commercial banks prefer lending to government as opposed to the private individuals which reduces credit available to the private sector.

2.5 Status of Contingent liabilities

A contingent liability is an obligation that arises from a particular discrete but uncertain future event (i.e. one that may or may not occur) that is outside the control of the Government. The occurrence (trigger event), value, and timing of a payment may all be unknown or cannot be definitively determined (IMF, 2008)[7]. Such liabilities include: guarantees on specific risk variables e.g. exchange rate, inflation, prices and traffic; force majeure; termination payments; and, credit guarantees, etc.

6 *OAG (2021): Auditor General's report to Parliament for the Financial year 2019/20*

7 *IMF (2008); Contingent Liabilities: Issues and Practice*

Contigent liabilities have been raising over time from UGX 7.5 trillion in FY2015/16 to UGX 10.8 trillion in FY2018/19 reflecting an increase of 44 percent. The trend appears unsustainable in the event that a significant percentage crystallizes into liabilities.

Table 2-16: Trend of contingent liabilities in UGX Billion(2015/16 to 2018/19)

2015/16	2016/17	2017/18	2018/19
7,522	8,768	9,551	10,782

Source: Reports of the Auditor General to Parliament

2.6 Publicly guaranteed debt

The PFM Act, 2015 section 41 require that any money paid by the national treasury in respect of a guarantee shall be a debt to the national government by the entity and is recoverable from the borrower whose loan was guaranteed.

Table 2-17: Guaranteed Debt stock &Government Exposure as at the end of December 2020

#	Creditor	Sector	Year signed	Guar-anteed Amount (USD)	Tenure	Disbursed & Outstanding (USD)		Govern-ment Exposure 2020 (USD)
						Dec-19	Dec-20	
1	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2004	4,302,676	25	2,127,064	2,223,673
2	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2010	983,888	20	688,518	718,990
3	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2018	13,790,000		100,000	160,000
4	Uganda Development Bank Limited	BADEA (Trade Finance)	Financial	2017	10,000,000		10,000,000	
5	Uganda Development Bank Limited	BADEA (Private Sector Development)	Financial	2017	6,000,000	10	6,000,000	4,874,900
6	Uganda Development Bank Limited	Islamic Development Bank (IDB)	Financial	2017	10,000,000	8	2,170,484	2,304,716
7	Uganda Development Bank Limited	African Development Bank	Financial	2019	15,000,000	10	7,430,095	15,000,000
8	Uganda Development Bank Limited	Exim India	Financial	2019	5,000,000	7	-	3,052,857
	TOTAL				**65,076,564**		**28,516,161**	**28,335,136**

Source: Ministry of Finance, planning and economic development

At the same time, non-guaranteed debt and other liabilities of public Corporations/ state owned enterprises (SOEs) and Extra Budgetary Units (EBUs) excluding GoU on-lent loans has seen a an increase of 30 percent between financial years 2018/19 and 2019/20 having innitially declined by 23 percent between financial years 2017/18 and 2018/19.

Table 2-18: Non-guaranteed debt and other liabilities of State owned enterprises and extra budget units (UGX Millions)

	Financial Years		
	FY2019/20	FY2018/19	FY2017/18
Domestic Borrowing	2,146,892	1,635,444	2,170,195
External Borrowing	108,974	99,850	80,515
Other debt (including, lease contracts and overdrafts)	19,195	18,574	13,944
GoU On-Lent	6,825,944	6,255,813	3,685,256
Total outstanding debt including GoU on-lent loans	**9,101,004**	**8,009,681**	**5,949,910**
Total debt excluding GoU on-lent loans	**2,275,061**	**1,753,868**	**2,264,654**
Debt ratio (Total debt/total assets)	**26.69%**	**20.26%**	**25.02%**
Liabilities from grants and GoU contributions	2,187,877	2,496,609	1,362,214

Source: Ministry of Finance, planning and economic development

CHAPTER 3:
IMPLICATION OF PUBLIC DEBT ON UGANDAN ECONOMY

3.1 Cost of debt (domestic and external)

Ongoing works at the Site of construction of the sh295 billion first phase of the Kampala Fly Over project. ***(Photo credit UNRA)***

The cost of debt is largely determined by; the average interest payments, maturity period of the debt. Interest payments as a percentage of GDP continue to rise, from 1.8 percent in the FY2016/17 to 2.3 percent in FY2020/21. This is brought about by increased accumulation of both domestic and external debt. Domestic interest payments continue to form the bulk of interest payments (78.3 percent of total) owing to the high interest rates associated with domestic debt compared to external debt.

On average, yields on government securities have reduced overtime in part reflecting increased reduced confidence and reduced economic and financial uncertainty. At the shorter end, the 91-day, 182-day and 364-day Treasury bill rates declined to 8.7 percent, 10.3 percent and 12.1 percent, respectively in FY2019/20 from 10.7 percent, 11.8 percent and 13.6 percent respectively in FY2016/17.

At the longer end, yields on 2-year, 3-year, 5-year, 10-year and 15-year Treasury bonds also moved to 13.5 percent, 15.3 percent, 15.4 percent, 14.8 percent and 14.2 percent in the FY2019/20 from respective rates of 12.8 percent, 13.2 percent, 14.2 percent, 15.9 percent and 15.1 percent in the FY2016/17 (Table 3-1). This reflects volatility in the financial markets

Table 3-1: Secondary Market Yields on T-bills and T-bonds

	2016/17	2016/17	2017/18	2018/19	2019/20
Treasury bills	91 Days	10.7	9.8	9.5	8.7
	182 Days	11.8	11.0	10.9	10.3
	364 Days	13.6	12.6	11.4	12.1
T-bonds	2 Years	12.8	16.2	13.0	13.5
	3 Years	13.2	16.5	13.8	15.3
	5 Years	14.2	14.7	15.1	15.4
	10 Years	15.9	17.3	15.9	14.8
	15 Years	15.1	17.8	14.4	14.2

Source: Bank of Uganda

On the other hand, the average interest on external debt has increased to 1.4% in FY2019/20 from 0.8% in FY2017/18 and 0.9 percent in FY2018/19. The increase in the external interest is because of increased contraction of debt on non-concessional / commercial terms and reduced grant element in the new loan arrangements. At the same time, the average repayment period has reduced to 26.8 years in FY2019/20 from 28.2 years in FY2016/17 (Table 3-2).

Table 3-2: Cost and risk indicators of Uganda's public debt

Indicator	2016	2017	2018	2019	2020
Average maturity on new external debt commitments(years)	28.2	25.0	26.6	35.1	26.8
Average time to maturity – Domestic Debt	5.4	5.4	4.1	3.9	4.3
Domestic debt maturing in one year as a percentage to the total debt	-	-	-	36.0%	10.8%
External debt maturing in one year as a percentage to the total debt	-	-	2.9%	1.9%	1.9%

Indicator	2016	2017	2018	2019	2020
Average grace period on new external debt commitments (years)	6.4	5.3	5.9	8.9	5.3
Average grant element on new external debt commitments (%)	33.9%	38.4%	41.5%	55.0%	37.8%
Average interest on new external debt commitments (%)	2.1%	0.8%	0.9%	0.6%	1.4%
Interest payments on external debt, (US$)	65,091,965	90,576,834	106,755,499	134,042,822	139,021,893
Debt service on external debt, (US$)	844,447,358	187,852,537	528,667,694	300,061,750	1,698,004,794
Domestic interest payments	407,558,871	528,940,227	523,344,478	544,743,748	642,974,978
Total Interest Payments	472,650,836	619,517,060	630,099,977	678,786,570	781,996,870
Domestic revenue			4,496,700,000	5,107,913,514	4,784,564,865
Domestic interest payment to domestic revenue ratio	-	-	11.6%	10.7%	13.4%
External interest payment to domestic revenue ratio	-	-	2.4%	2.6%	2.9%
Total Interest payments to domestic revenue ratio	-	-	14.0%	13.3%	16.3%

Source: Computed from international debt statistics database

3.2 Public debt risks

3.2.1 Refinancing / Rollover risk

The weighted average time to maturity of all the principal payments in the external debt portfolio (ATM) is 11.9 years and 4.3 years for domestic debt in FY2019/2020. This is a reduction from 18.1 and 5.4 years in FY2016/17 for external and domestic debt respectively. This is explained by the low maturity profile of the domestic debt following the issuance of more longer dated domestic securities.

Domestic debt maturing in one year is 10.8 percent of the total domestic debt, down from

36.0 percent in FY2016/17. This is explained by government's attempt to issue longterm securities. External debt maturing in one year as percentage of the total also decreased from2.9 percent in in FY2016/17 to 1.9 percent in FY2019/20 due to completion of repayment of shortterm PTA loan..However, debt maturing in one year as a percentage of GDP increased from 4.2 percent in FY2016/17 to 5.5 percent FY2020/21. This increase reflects the higher size of public debt as a share of GDP, and was observed in both domestic and external debt. The average time to maturity of the external debt stock has been decreasing over time due to contraction of external loans with shorter maturities.

Table 3-3: Public debt risks

Risk Indicators		2016/17			2017/18			2018/19			2019/20		
		Dom	Tot	Ext	Dom	Tot	Ext	Dom	Tot	Ext	Dom	Tot	Ext
Cost of debt risk	Interest Payment as % GDP	0.3	2	2.3	0.4	1.9	2.3	0.4	1.8	2.2	0.5	1.8	2.3
	Weighted Average Interest rate (%)	1.4	15.6	6.3	1.5	13.8	5.6	1.7	13	5.7	1.8	13.8	5.6
Refinancing Risk	Average Time to Maturity years	16.1	3.7	11.9	14.4	4	10.9	14.1	3.9	11	13.1	4.3	10.9
	Debt maturing in 1yr (% of total)	2.7	38.4	14.8	2.3	36.6	13.8	1.7	37.1	12.3	1.9	37	10.8
	Debt maturing in 1yr (% of GDP)	0.6	4.8	5.4	0.6	5.1	5.8	0.5	4.6	5.1	0.7	4.8	55
Interest rate Risk	Average Time to Re-fixing (ATR) years	15.8	3.7	11.7	13.9	4	10.6	13.5	3.9	10.7	12.5	4.3	10.4
	Debt Re-fixing in 1 Year (% of total)	6	38.4	17	9.3	36.6	18.4	10.3	37.1	18.3	10.3	37	17
	Fixed rate Debt (% of total)	96.6	100	97.8	92.9	100	95.3	91.3	100	93.9	91.3	100	93.5
Foreign Exchange	FX debt (% of total debt)						66.3			66.6			68.4

Source: Compiled from International debt statistics

3.2.2 Interest Rate Risk

A bigger proportion of the Uganda's external debt stock (89 percent) by end June 2020 was contracted at fixed interest rates. It will take on average 10.4 years for all the principal payments in the total debt portfolio to be subjected to a new interest rate. For external debt, it will take on average 13.5 years for all the principal payments to be subjected to a new interest rate while for domestic debt is 4.0 years. This shows that the total average time to refixing has deteriorated as it reduced from 15.8 years in FY2016/17 to 10.3 years in FY 2019/20. This means that Government's external debt on average will be subjected to changes in interest rates in a shorter period (less by 1.7 years) from the 14.2 years in

June 2019. This is largely on account of an increase in the volume of variable rate loans, particularly from commercial lenders.

As it has been before, the exposure to the interest rate risk of the domestic debt portfolio still remains high following the short maturity of the domestic debt especially T-bills. However, the interest rate risk in the domestic debt portfolio has reduced as shown by a reduction in the share of the T-bills to T-bonds.

On the domestic front, the ratio of bills to bonds improved to 24:76 in FY2020/21 from 42:58 in FY2019 largely on account of implementation of Government's strategy to increase the issuance of longer-dated paper

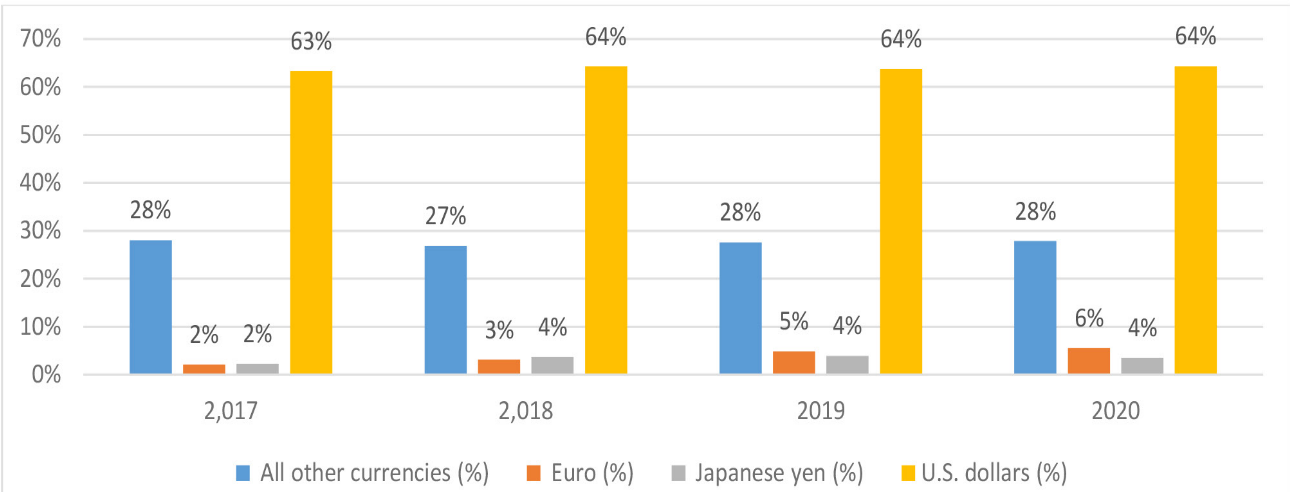
3.2.3 Exchange rate risk

A greater share of Uganda's public debt (66.3 percent) is denominated in foreign currency leaving only 34 percent of the debt in local currency. The remaining 66.3 percent are denominated in other foreign currencies like Chinese Yuan, Japanese Yen, Euros, British Pound, and others. This clearly indicates that Uganda is highly exposed to risks associated with exchange rate shocks. At the same time, there are cross-currency transaction risks where a loan is secured in different currency from the currency of project implementation.

3.2.3.1 Currency composition of External Debt

The currency composition of external debt has not significantly shifted over the years. In 2017, the USD constituted 67% of the total external debt. The share of USD in Uganda's external debt has since increased slightly to 68% in 2020. Other currencies in 2020 are the EURO (6%), the Japanese Yen (4%) while other8 currencies account for 28%

Figure 3-2: Currency composition of Uganda's external debt (2017-2020)



Source: International debt statistics

8 Other currencies include: British Pound(GBP), Danish Kroner(DKK), Iraq Dinar(IQD), Korean Won(KRW), Kuwait Dinar(KWD), Norwegian Kroner, Pakistan Rupee(PKR), Saudi Riyadh(SR), Swedish Kroner(SEK), and Swiss Franc(CHF)

3.3 Debt sustainability

3.3.1 Underlying assumptions

Despite growth slowdown in 2020 related to global shock caused by COVID-19 crisis, Ugandan economy has been fast growing at average rate of 4.9 percent for the past 4 years. Medium to longterm growth prospects remain favourable with projected growth of 4.5 percent in 2020/2021 and 6.0 percent in 2021/20229. Key investment projects, improved public investment management, oil prospects and improvements in business environment will support growth in the near and medium term (OECD, 2020). Inflation is expected to remain below the 5 percent target range in the near and medium term (Bank of Uganda, 2020)10.

The overall fiscal balance is expected to worsen in the medium term from 10.6 percent to 11.5 percent in FY 2021/2022. Tax revenue is projected to decline as a share of GDP over the medium term from 12.8 percent in FY2019/20 to 12.5 percent as COVID-19 continues to disrupt global trade and other revenue sources.

3.2 Public debt sustainability analysis

3.2.1 Domestic Debt Sustainability

Table 3-4: Domestic debt sustainability indicators

	Benchmark	2016/17	2017/18	2018/19	2019/20
Domestic interest /Domestic revenue (excluding grants)	<12.5	15.1	13.3	12.1	13.7
Domestic interest/Total Government Expenditure	<10	11.2	9.6	8.3	8.3
Debt Service/Domestic Revenue (Excluding grants)	<20	21.1	21.2	22.4	21.7
Total Debt Service/ Total Government Expenditure		15.7	15.2	15.3	13.2
Public domestic debt stock/ Private Sector credit	<75	95.7	99.9	102.8	105.9

Source: International debt statistics and MoFPED

The total debt service-to-revenue debt burden indicator does not have an indicative threshold in the DSA. This ratio averages 21.5 percent because of the large share of domestic debt that has short maturities and very high interest rates (13-14 percent). The analysis of domestic debt service against some of the benchmarks contained in the PDMF reveals vulnerabilities relating to high and increasing domestic interest burden on the budget and domestic revenues. The analysis also points to public domestic borrowing crowding out the private sector.

9 *MoFPED (2020); Background to the budget – Fiscal year 2020/21*
10 *Bank of Uganda (2020); Monetary policy statement for December 2020*

The indicator of domestic interest cost to domestic revenue measures the extent to which revenue resources are allocated to domestic interest payment. The results indicate that interest payments for domestic debt are taking up an increasing share of domestic revenue (13.7 percent of total expenditure in FY 2019/20, above the PDMF benchmark of 12.5 percent), and thereby limiting the amount of resources left for allocation to welfare-enhancing areas of the budget. This hampers service delivery and slows poverty alleviation.

Additionally, total debt service in FY2019/20 was equivalent to 21.7 percent of the country's domestic revenue. This ratio compares with low income countries that are already in debt distress. An increasing debt service burden constrains fiscal space in the budget, accentuating the need for more borrowing, which in turn implies more debt service expenses for the future periods

3.2.2 External Debt Sustainability

The ratios for external debt sustainability remain below the indicative threshold (Table 3-5). Only PPG Debt service-to-revenue ratio breaches the threshold in FY2016/17 and FY/2017/18

Table 3-5: External Debt Sustainability

Indicators	Thresholds	2016/17	2017/18	2018/19	2019/20	2020/21
PV of debt–to-GDP ratio	**40**	-	-	17.9	22.5	24.5
PV of debt-to-exports ratio	**180**	-	-	101.9	165.3	173.7
PPG Debt service-to-exports ratio	**15**	14.4	14.8	9.4	9.7	13.1
PPG Debt service-to-revenue ratio	**18**	19.5	19.9	12.7	10.2	14.1

Source: IMF Country Report No. 20/156, May 2020

3.2.3 Total Public Debt Sustainability Analysis

Total public debt as a share of GDP is projected to reach 49.9 percent in FY2020/21 before raising to 52.4 percent in FY2021/2022 on the back of the COVID-19 global shock. However, the PV of debt-to-GDP is projected to remain below the indicative benchmark in PV terms (Table 4-3). The public debt to-revenue ratio has significantly increased to 318.9 percent in FY2019/20 from 244.9 percent in FY2018/19.

Table 3-6: Uganda's Public debt sustainability

Financial Year	18/19	19/20	20/21	21/22	22/23	23/24
Nominal debt to GDP	35.3	41.2	49.9	52.4	54.1	53.4
PV of Debt to GDP	26.7	31.8	39.3	41.7	42.9	42.3
Debt service-to-revenue and grants ratio	22.4	21.7	-	-	-	-
Public debt-to-revenue and grants Ratio	244.9%	318.9%	-	-	-	-

Source: computed from international debt statistics and MoFPED data bases

3.2.4 Uganda's Fiscal Space: Narrowing and inadequate

Fiscal space is defined as the difference between a country's debt limit and current debt level at two total public debt limit thresholds: 50 per cent of GDP, as recommended by the IMF for developing countries, and 40 per cent, the African average (UNECA 2019)11

At the 40% fiscal threshold, Uganda does not have adequate fiscal space. Moreover, 50% threshold, Uganda had small and narrowing positive fiscal space, which is inadequate given the financing gap for development, project implementation plan and sustainable development. Despite the rebasing effect, Uganda's Debt to nominal GDP revealed a 7% increase from 35% last year to 41% in the year. In current budget planning figures for 2021/2022, it is indicated that debt is projected to increase further over the near term amounting to 49.9 percent of GDP by end June 2021, and peaking at 54.1 percent in 2022/23

11 *UNECA (2019). Fiscal Policy for Financing Sustainable Development in Africa*

CHAPTER 4:

CONCLUSIONS & RECOMMENDATIONS TO DEALING WITH DEBT PREDICAMENT

4.1 Conclusion

Food items to be sold at Nakasero Market in Kampala. (Photo credit AFP)

Even though Uganda's debt is still considered sustainable. The risk of external debt distress has moved to moderate from low due to the impact of the global COVID-19 crisis, which has worsened existing vulnerabilities. The COVID-19 crisis has led to a decline in exports and economic growth. Addressing the crisis required a strong fiscal response from the Government that led to increased budget deficits. Consequently, a number of debt indicators worsened. External and public debt vulnerabilities also reflect the high deficits of the past, including due to a decline in tax revenues as a share of GDP in recent years.

It is expected that the debt indicators will improve as exports rebound after the global shock goes away. The analysis highlights the need for sustained fiscal consolidation to reduce the level of public debt to more prudent levels over the medium term. The debt sustainability analysis suggests that Uganda is susceptible to export and market financing shocks, and more prolonged and protracted shocks to the economy would present downside risks to the debt outlook. Economic impact and policy response to the COVID-19 crisis are rapidly evolving and global risks are heavily skewed to the downside.

The analysis indicates that concessional borrowing should continue to play an important role in financing investment projects due to its lower cost and longer maturity profile, while non- concessional borrowing should be limited to financing those projects with high social and economic returns. Uganda has about USD 5.3 billion of committed but undisbursed official development assistance. To reduce payment of commitment fees on undisbursed funds and reduce reliance on commercial financing, measures are expected to be taken to unblock the low-cost financing. Regarding the future, public investment in infrastructure will be critical to raise growth and export potential, both of which will support Uganda's external debt sustainability.

4.2 Proposals for debt sustainability

Strengthening public investment management through key measures; namely fact based project selection using standardized technical and financial feasibility diagnostics; streamlining delivery of infrastructure by improving the rigor of project designs, contractor selection and management; and more effective use of existing infrastructure, via effective project monitoring, adequate maintenance, and cost-reflective infrastructure tariffs. Others include strengthening multi-year budgeting and infrastructure governance and technical capabilities. Diagnostics, such as public investment management assessments and public expenditure reviews should be undertaken periodically to inform requisite remedial reform measures. It is also important to build and strengthen technical capacity for project appraisals, as well as strengthening public sector capacity to oversee or implement large-scale infrastructure projects. At the same time, it is crucial to sequence the infrastructure loans other than front-loading the loans

Increasing **domestic revenue mobilization**, by simplifying the registration process for businesses, leveraging new technologies to modernize the tax collection system, deepening regional integration and tax coordination, are necessary elements of a broad-based strategy to broaden the tax base. Measures to design new tax codes, digitisation of tax systems, including capacity to levy taxes on e-commerce and related transactions should be undertake. At the same time, mechanisms to reach the informal sector through appropriate mapping of the untaxed segments of the economy.

Channel the borrowed resources to productive sectors. Creating fiscal space also requires assessing all public spending to ensure not only that it is directed towards improving productivity but also that it is aligned to the achievement of the SDGs. Additionally, governments will need to leverage public-private partnerships to enhance resource mobilization and investment in priority areas

Develop innovative tools to finance development. Support the development of the domestic capital markets, potentially through the introduction of safe assets, with senior tranches potentially guaranteed by the MDBs and marketed to international investors as a mezzanine, investment-grade exposure to frontier market debt. The government should also put across stringent targets to reduce domestic debt that is not only expensive in terms of interest paid but also crowds the private sector.

Reduce reliance on risky and volatile debt sources. Developing innovative and alternative mechanisms of development financing such as Public Private Partnerships (PPP), securitization of infrastructure assets, privatization as recently demonstrated by Ethiopia. In addition, creation of an asset class for public projects, using the leverage afforded by safe capital from multilateral institutions is equally important. However, it is important to adequately quantify and mitigate the underlying fiscal risks from PPPs and government guarantees.

Appeal to multilateral organisations for total debt cancellation. While debt relief in form of delayed repayment, restructuring of loan repayment or swapping of debts for equity have been proposed, they may not be sustainable for Uganda. Uganda is already revenue trapped which will consequently lead to debt default. Complete debt write-off will bring substantial liquidity, and represents constructive collective action in building and protecting Uganda's financial safety nets.

Greater transparency in debt management, including commitment by governments to release in real-time all data on old and new debt from all sources. This will require efforts to standardize data gathering practices and developing data collection systems. Other measures include addressing data gaps, notably in the accounting of state owned enterprises-related liabilities and contingent liabilities arising from sovereign guarantees to individual projects, and consolidate government accounts, agencies, ministries and institutions. At the same time, government should reveal all loan conditions including the required guarantees and collateral that put national assets at stake.

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(Footnotes)

1 Viability Gap Financing represents a grant from government to support projects that are economically justified but not financially viable

Who are the biggest lenders to Uganda?

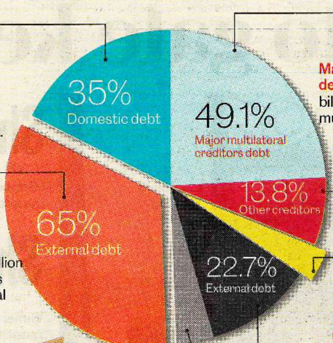
$11.67

Out of the total $11.67b of external debt, 49.1 per cent equivalent to $5.73 billion is a share held by major multilateral creditors.

Commercial banks held 79.7 per cent totaling to Shs3.6 trillion, followed by other financial institutions at Shs284.4 billion. Pensions and provident funds hold Shs213.8 billion in government securities. Pension provident funds, meanwhile, are the biggest investors in the treasury bonds at Shs6.8 trillion followed by commercial banks at Shs3.5 trillion while microfinance and Saccos are at Shs110.8 billion

Domestic debt: 35% equivalent to $6.3 billion (Shs22.9 trillion) was on account of domestic debt.

External debt: 65% amounting to $11.7 billion (Shs42.6 trillion) was attributed to external debt.



Major multilateral creditors debt: 49.1% equivalent to $5.73 billion is a share held by major multilateral creditors

Other creditors: Other multilateral creditors held 13.8%, equivalent to $1.61b.

Commercial banks: held a share of 7.6% an equivalent of $890 million.

External debt: An equevalent of $2.65 billion falls under the external debt.

External Debt: Bilateral creditors categorised into Paris club and non-Paris club took up 6.8% ($790 million).

ANALYSIS FROM THE GOVERNMENT RECORDS FROM THE MINISTRY OF FINANCE INDICATE THAT MULTILATERALS AND OTHER MULTILATERAL CREDITORS ARE THE BIGGEST LENDERS TO UGANDA, ACCOUNTING FOR 64 PER CENT, FOLLOWED BY BILATERAL AGENCIES.

Who lends money to Uganda?

The country borrowed more than Shs15 trillion in 2020, the single largest borrowing in a year.

BY FRANKLIN DRAKU & ISMAIL LADU

After months of brushing off concerns about the growing national debt, Finance minister Matia Kasaija yesterday said government will seek to reschedule payments, on the day this newspaper revealed each Ugandan now owes Shs1.5 million.

In an interview with *Reuters* news agency, Mr Kasaija revealed that repayments of the debt, now at $17.96 billion (Shs66 trillion) if domestic debt is included, might have to be renegotiated with major creditors, including China and the World Bank.

"I will approach them. I will not hesitate to approach them and say, 'you guys can we suspend servicing these loans for, say, maybe two years?" *Reuters* quoted him as saying.

On Friday, Mr Kasaija also expressed frustration with the high levels of borrowing but claimed he was powerless to stop it.

"I am not a fan of borrowing," he said, "but the current situation has made it difficult to survive without borrowing."

The current national debt represents 47.2 per cent of the Gross Domestic Product, the measure of all economic output in the economy in a given year, and is close to the 50 per cent level that some experts believe is a borrowing ceiling.

Last year alone, Uganda borrowed more than Shs15 trillion, the single largest borrowing in a year, owing to the Covid-19 pandemic and reduced tax revenues. Uganda was the first country to benefit from the Heavily-Indebted Poor Countries (HIPC) initiative, which offered a number of low-income countries an opportunity to negotiate a reduction of their external debt.

In 1998, the country received $650m in debt relief from its external creditors following reforms demanded by the World Bank and the International Monetary Fund (IMF).

In the early 2000s, another $1.3 billion was written off to allow the country to use its resources to reduce poverty.

However, the debt relief created room for a new borrowing spree, officially for infrastructure investments but many projects have been riddled with corruption or missed deadlines and come in above budget.

The Civil Society Budget Advocacy Group (CSBAG), an advocacy group, says the rising debt level is becoming unsustainable.

"We are right to be concerned about our growing debt levels and we should focus on whether we can repay our obligations without unduly hurting our development ambitions and are we borrowing for the right reasons?" it said in a statement.

"We note that under-absorption of loans has led to an increase in the cost of loans hence leading to low returns on public investments," the civil society organisations noted.

"We, therefore, call upon government to improve on efficiency in public investment management by exercising due diligence and addressing issues relating to project identification, appraisals and absorptive capacity of public debt financed projects," the CSOs said.

The Uganda Debt Network, which campaigns against public debt, warned that debt was rising faster than economic output.

The network's director of programmes, Mr Julius Kapwepwe, said borrowing locally to pay off public debt had almost doubled, from about Shs4 trillion in 2015 to Shs7.7 trillion this financial year, despite government promises to reduce it.

Mr Kapwepwe said government must reverse the policy of selling off state-owned enterprises (SEOs) and take the lead in kick-starting high-value but capital-intensive investments, such as in iron and steel manufacturing, as well as recapitalise entities such as the army-run National Enterprise Corporation.

"Operation Wealth Creation (OWC) must be more aggressive and take lead in fostering profitable public enterprises in liaison with Uganda Development Corporation through strict monitoring of the implementation of strategic state-led enterprises for purposes of revenue generations to the budget in order to lessen government borrowing over the medium term," he said.

OWC is a military run agro-enterprise initiative that has posted mixed results.

Mr Kapwepwe called for a smaller and more efficient government to use borrowed money more effectively.

Some of Uganda's creditors
IDA - 3.4 billion,
China - US$ 2.6 billion.
ADB/F - 1.4billion
Stanbic Bank and the Trade and Development Bank (TDB) - $725.7M
IMF - $491.5 Million
Trade and development Bank - $300 million
World Bank - $300 million Covid-19 budget support loan
Japan - 300million
Germany - unknown
France - unknown
Korea - unknown

Our creditors

The Finance ministry says multilateral creditors are the biggest lenders to Uganda, accounting for 64 per cent, followed by bilateral agencies.

"Out of the total $11.67 billion of external debt, 49.1 per cent equivalent to $5.73 billion is a share held by major multilateral creditors, while other multilateral creditors held 13.8 per cent, equivalent to $1.61 billion," according to the Status of Debt Report from December 2020.

Bilateral creditors categorised into Paris club and non-Paris club took up 6.8 per cent ($790 million) and 22.7 per cent ($2.65 billion) respectively, whereas commercial banks held a share of 7.6 per cent an equivalent of $890 million.

At the end of last year, external debt was $11.7 billion (Shs42.6 trillion, or 65 per cent) while domestic debt, at 35 per cent, was equivalent to $6.3 billion (Shs22.9 trillion).

The biggest lenders include the International Development Association ($3.4b), China Exim bank ($2.6b) and African Development Bank ($1.4b) as of March 2020.

On the domestic front, commercial banks held 79.7 per cent in government securities totalling Shs3.6 trillion, followed by other financial institutions at Shs284.4b. Pensions and provident fundshold Shs213.8b. Pension and provident funds are the biggest investors in long-term domestic debt at Shs6.8 trillion followed by commercial banks (Shs3.5 trillion) and microfinance and Saccos (Shs111b).

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UPDF promotes 1,393 more officers

BY FRANKLIN DRAKU

KAMPALA. The Uganda People's Defence Forces (UPDF) have promoted 1,393 more officers to various ranks in addition to the 40 earlier promoted.

Those promoted include the deputy army spokesperson, Lt Col Deo Akiiki, and Lt Col Edith Nakalema, both promoted to full colonels.

"The UPDF fraternity continues to congratulate the promoted officers for their patriotic service to our motherland Uganda," UPDF spokesperson, Brig Gen Flavia Byekwaso, said in a statement.

Those promoted include 106 officers to Colonel, 191 officers from Major to Lieutenant Colonel and 173 from Captain to Major.

PROMOTED TO COLONEL

Sam M Karego	James B Rukundo
Godfrey K Bizibu	Nicholas G Mpadwa
Francis M Mudaka	David Opeero
Abdu Nasser	Richard O Kidega
Valent ino Okot	David Ocitti Kidega
Chris Twebaze	John B Kwoba
Wilson Twesigye	Moses Buwaso
Robert Ruteinama	Joseph E Okalebo
Deo Twesigye	Emmanuel Ewama
Sam K Musinguzi	Francis O Aragamoi
Fred Batumbya	Emuron A Godfrey
Chris Tumushabe	John Vincent Arigye
Stephen B Lubulwa	Amon Biryomuruwe
Henry Turyatunga	Christopher Tumwine
Charles Malinga	Paul W Namawa
Robert Kakande	Deus K Taremwa
David R Edimu	Patrick M Mutone
Badru Lumumba	Armstrong Ndugga
James K Kasule	Davis A Rwangoga
Sam B Twine	Anech Mubangizi
Charles Odong	Gilbert Owamagyezi
Jimmy S Senkungu	John S Katama
Deo Mandevu	Franklin Namanya
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