

REMAIN CALM

Kasaija said there was no need to panic since the debt had not yet reached the risky 50% debt-to-GDP ratio

By Raymond Kamusiime and Moses Mulondo

Finance minister Matia Kasaija has allayed fears that Uganda's public debt has reached a level where it is no longer sustainable.

In the 2017/2018 financial year audit report, the Auditor General, John Muwanga, raised a red flag that the rate at which the Government is borrowing was not unsustainable.

The report indicated that currently, more than 65% of the total government revenue collection is spent on debt repayment.

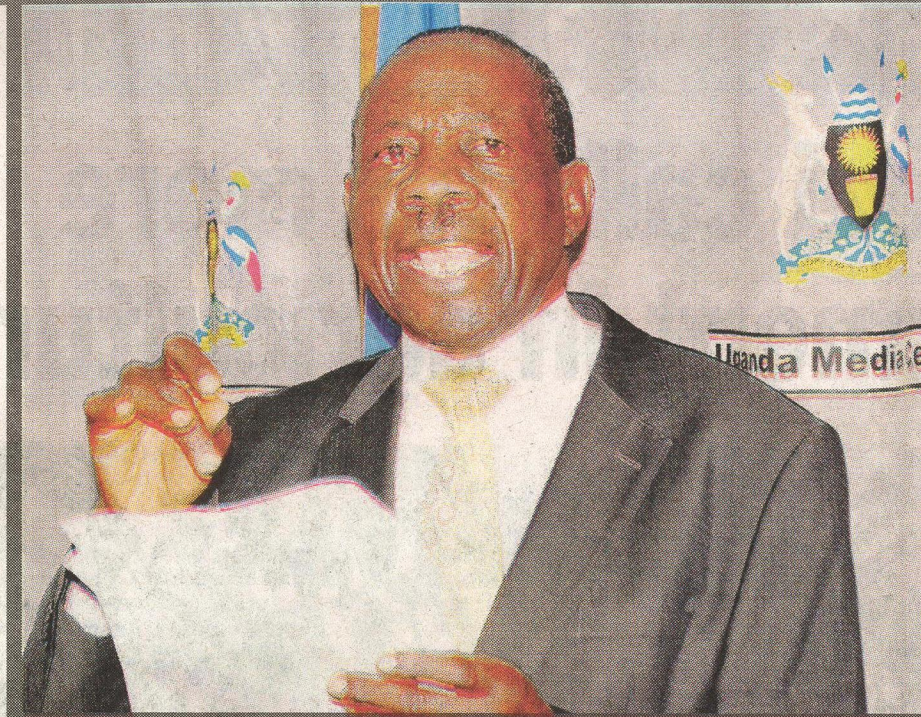
In the 2018/2019 national budget, sh10.6 trillion, which is 65% of the total revenue collection target, will be spent on debt repayment.

Documents from the finance ministry indicate that Uganda's public debt has been increasing for the last 10 years from \$1.9b in the 2008/2009 financial year, to \$10.7b as of June 2018.

Addressing journalists yesterday at Uganda Media Centre in Kampala, Kasaija said the public debt stands at \$10.7b (sh41.3 trillion), which is a debt-to-GDP ratio of 41.5%.

"As you can see, we have not yet reached the risky 50% debt-to-GDP ratio recommended internationally. I am, therefore, here to ask you to be calm. As long as we are still in charge, we shall not allow Uganda to get into the danger zone. If we realise that we are reaching 50%, we shall halt borrowing," Kasaija said.

The Auditor General also noted that several loans acquired by the Government have stringent conditions, which could have adverse effects on Uganda's ability to sustain its debt.



Kasaija addressing the press at Uganda Media Centre yesterday.
Photo by Mary Kansiime

Uganda's public debt sustainable – Kasaija

sovereignty immunity by government over all its properties and itself from enforcement of any form of judgment, adoption of foreign laws in any proceedings to enforce agreements, requiring Uganda government to pay all legal fees and insurance premiums on behalf of the creditor," Muwanga says in the report.

Concessional loans

However, Kasaija said the loans acquired by the Government are mostly concessional, which have a grant component and, therefore, will

"Uganda's public debt has been provided largely by multilateral creditors, who offer concessional terms that include a grant element of more than 50%, with an average maturity of over 35 years and a grace period not less than six years, coupled with relatively low interest rates below 1.5% annually," the minister said.

He said the bilateral creditors who give Uganda commercial loans constitute between 20% and 35% and these are dominated by China Exim Bank and the Japan International Co-

biggest lenders in this category.

Kasaija said the sh41.3 trillion debt the Government has accumulated was mostly for infrastructure projects, especially roads and energy projects, which have the potential to quickly expand Uganda's economy.

Financing projects

Arguing that the country has greatly benefited from borrowed money, Kasaija outlined the construction of Isimba and Karuma power dams, which he said will add onto the national grid more than 700MW of

DEBT REPAYMENT

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of roads, reconstruction of Mulago Hospital, construction of technical colleges, the building of 650 schools and many other projects as outcomes of borrowed money.

On measures the Government is taking to ensure the public debt does not cross the red line, Kasaija said they will ensure that borrowing is only done for projects with high economic returns, undertake measures to enhance government revenue, increase the country's exports to stabilise the exchange rate and improve loan absorption.

On the loan absorption improvement, the minister said the rate has improved from 40% in 2014/2015 to 76% in the 2017/2018 financial year.

About two years ago, the Auditor General released a report which indicated that over sh18 trillion the Government had borrowed was lying idle due to delayed implementation of government projects by the responsible entities.

The minister also said the Government would be cautious so that borrowing does not outstrip the country's capacity to pay back.

Figures disputed

Uganda Debt Network, in their communication recently said Uganda's public debt stands at \$15.3b, which would mean that the debt-to-GDP ratio is way above the 50%.

Uganda Debt Network also said if the major projects in the pipeline, such as the oil refinery (\$4b), the Standard Gauge Railway (\$12.5b) and the oil pipeline, which is worth \$4b, are implemented, Uganda's public debt will rise far beyond the

Govt releases sh5.6 trillion for ministries, districts

By Angella Nalwoga
and Moses Mulondo

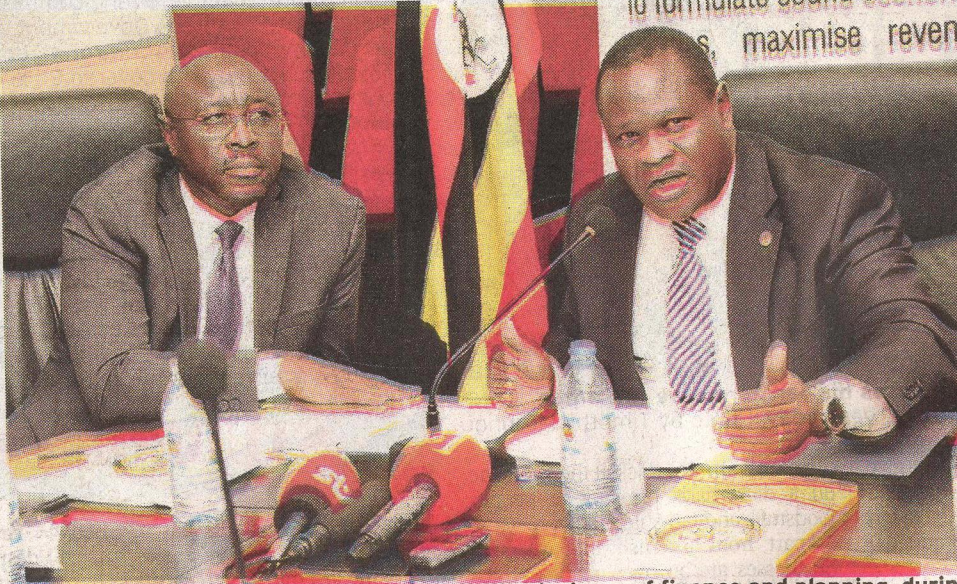
The finance ministry has released sh5.6 trillion to be spent by various government entities in the third quarter of the current financial year. The quarter covers the months of January, February and March.

The money released includes sh319b that will be used to pay pension and gratuity to retired civil servants.

The figures also includes sh29b to cater for the salary arrears of lecturers in public universities.

"With the sh29b to cater for the salary arrears of public universities, there should be no strikes. It is now a settled matter. The staff of public universities should go back to work," said Deputy Secretary to the Treasury Patrick Ocailap during a press conference at the finance ministry.

The press conference was also



Ocailap (right) with James Wokadala, the commissioner of finance and planning, during the briefing at the ministry headquarters yesterday. Photo by Mpalanyi Ssentongo

attended by representatives of civil society organisations under the Civil Society Budget

Advocacy Group (CSBAG).

The Government has given the National Medical Stores

sh51b for the procurement of essential medicines for the public health facilities.

BETWEEN THE LINES

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Out of the total release of sh5.6 trillion, the biggest portion, amounting to sh2 trillion, which is 38% of the total amount, will go towards debt repayment.

Salaries

A total of sh1070b is for wages and salaries of government workers covering the months of January, February and March. The total amount of money government expects to spend on payment of wages and salaries for the whole financial year is sh4.2 trillion. Sh844b was also released for local governments countrywide.

Ocailap said a total of sh19.8 trillion has so far been released

by the Government, out of the overall sh32.7 trillion budget for the 2018/2019 financial year.

Good performance

On revenue collection, Ocailap said sh6.3 trillion had been collected from July to the end of November, which is above the target of sh6.1 trillion that the Government had set for the period. He said the figures of revenue collected last month were yet to be finalised.

Ocailap commended Bank of Uganda for controlling inflation at a low rate of 3% as of November 2018, which is below the 5.1% inflation rate projected for the 2018/2019 financial year.

CSBAG's Julius Mukunda expressed concern that the finance ministry had not provided information on plans to restructure government and merge some entities as earlier promised, yet this is important for the Government to eliminate wasteful expenditure.