



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



IMF Completes PSI Review for Uganda, urges settlement of external arrears

“More needs to be done to better manage public investment, enhance social spending, and improve the business environment. Despite slowed growth, infrastructure and oil investments can revive strong growth.”



IMF Deputy Managing Director, Mr Tao Zhang. The IMF says Uganda’s medium-term outlook looks favourable.

Debt sustainability

The IMF also noted that safeguarding Uganda’s debt sustainability necessitates continued domestic revenue mobilization and sound project implementation to realize the envisaged growth dividend from infrastructure investment hence the need for authorities to target the projected debt trajectory as a fiscal anchor. The statement also noted progress on structural reforms, particularly the approval of the Anti-Money Laundering and Combating the Financing of Terrorism legislations will support Uganda’s exit from the Financial Action Task Force’s “grey” list. The IMF however expressed regret over delays of some reforms, such as amending the Bank of Uganda Act.

Economic growth

Uganda’s recent economic performance has been sound, notwithstanding a slowdown in growth. Real GDP growth is estimated to have slowed to 3.9 percent in FY2016/17, reflecting domestic factors and external headwinds, including the drought in the Horn of Africa. The banking sector remains well-capitalized overall. However, elevated non-performing loans have constrained bank lending which contributed to the growth slowdown.

Food price inflation increased due to the drought, but core inflation was 5.1 percent in May, in line with BoU’s target. The current account deficit narrowed, reflecting lower-than-expected investment-related imports. With steadfast policy implementation and assuming improved weather conditions, growth could accelerate to 5 percent in FY17/18. Over the medium term, infrastructure and oil sector investments could yield growth rates of 6 to 6 ½ percent. With the planned infrastructure investments, public debt would increase but remain manageable, assuming that the investments lead to higher growth and the government continues to increase its revenue collections. The IMF welcomed focus on promoting growth through planned infrastructure and oil sector investments but emphasized that sound and steadfast implementation of policies and reforms will be important to foster inclusive and stronger growth.

Settle outstanding external arrears

They also noted the large under-execution of the externally-financed investment budget which could undermine growth prospects. Directors regretted the government’s recourse to central bank financing this year, noting its inconsistency with the inflation targeting framework. They called on government to settle outstanding external arrears expeditiously, while taking measures to prevent any recurrence. IMF also welcomed plans to increase revenue collection, and recommended identifying specific measures. They emphasized that the tight current expenditure envelope in the upcoming budget will require strong spending controls and efficiency gains to avoid the need for supplementary budgets or renewed arrears.

UPCOMING CSO EVENTS

Event: Session on Public Financing of the Agriculture sector at the National Agricultural and Trade Show

Convener: Civil Society Budget Advocacy Group

Venue: Jinja show grounds

Date: Thursday, 20th July 2017

Event: Annual Bankers’ Conference

Convener: Uganda Bankers’ Association

Venue: Kampala Serena Hotel

Date: Wednesday, 19th July 2017

OUR WORK IN PICTURES



CSO representatives with the Leader of Opposition, Hon Winnie Kiiza (seated second right). This was during a learning visit to Parliament that was organized by CSBAG last week. |@CSBAG2017



CSBAG Budget Policy Specialist, David Walakira presenting the CSO statement on Public Finance Management (PFM) reform strategy at a Ministry of Finance organized event last week. |@CSBAG2017



CSBAG staff meeting with officials from Diakonia during a monitoring visit at the CSBAG head office in Ntinda, Kampala last week. |@CSBAG2017