



# CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



## Stop Domestic Borrowing-CSOs tell Government

## OUR WORK IN PICTURES

**“The interest rate is high because Government is borrowing domestically and if this is not revised, loans will be high.”**



The Head, Policy Analysis and Governance at the Uganda Debt Network, Imelda Namagga (C), Executive Director CSBAG, Julius Mukunda (L), and Uganda Tourism Board CEO, Lilly Ajarova during a panel discussion on Uganda’s debt sustainability at Kololo Independence Grounds on 7<sup>th</sup> June. | @CSBAG 2019



Dignitaries from the Finance Ministry, Civil Society, and the Uganda Revenue Authority flagging off the National Budget March at the Constitutional Square on 5<sup>th</sup> June. | @CSBAG 2019

Civil Society Organizations (CSOs) have implored Government to cease domestic borrowing to allow local companies access low interest credit facilities by commercial banks.

According to the CSOs under their umbrella, Civil Society Budget Advocacy Group (CSBAG), the continued domestic borrowing by Government has pushed interest rates on loans by commercial banks higher, which affects borrowing by local companies.

“Government should stop internal borrowing and explore external borrowing. When they borrow here, they will be competing with local companies. The interest rate is high because Government is borrowing domestically and if this is not revised, loans will be high,” Julius Mukunda, the Executive Director CSBAG said last Friday at Kololo airstrip during a service excellence exhibition attended by Government Ministries, Departments, and Agencies as well as CSOs.

Mukunda was joined by other panelists including State Minister of Transport, Gen. Katumba Wamala, Director Debt and Cash at the Ministry of Finance, Maria Wanyera, the Head, Policy Analysis and Governance at the Uganda Debt Network, Imelda Namagga and Lilly Ajarova from the Uganda Tourism Board to discuss the sustainability of Uganda’s debt.

### CSO concerns

The CSOs’ concern comes at a time, when Parliament, in April this year approved a shs380b loan by Government from Standard Chartered Bank to finance the extension of CCTV cameras in major cities around the country. Mukunda indicated the need by Government to set priorities for which it is borrowing as well as benefits.

“I don’t mind even if we borrow up to 100% but we must ask; why are we borrowing and to do what,” he said.

For inclusive borrowing, the CSOs want the government to develop an annual register indicating how much money government intends to borrow, for what use, and the project to enable Ugandans have prior information on particular loans Government intends to undertake, and for transparency and accountability purposes.

Namagga said; “We must always ask ourselves where the debt is coming from. We should also familiarize ourselves with the impact of the debt on the country.” She added that there is need to restructure borrowing saying Government is spending more money on debt servicing, which money should be used to improve service delivery. Namagga also added that there is a need to check how the borrowed money is being utilized.

### Debt repayment

According to the Sh40 trillion National Budget for FY2019/2020, Government has allocated over Sh10 trillion for debt repayment. Statistics indicate that Uganda’s debt as of December 2018, stands at USD 10.7b. However, according to Wanyera, Uganda’s debt is sustainable.

“Our debt will be sustainable if we continue to invest more

in productive sectors such as agriculture, infrastructure and tourism,” Wanyera said. She said that investments in infrastructure development and oil production will, in the medium term, help in economic growth and debt repayment.

Commenting on Uganda’s debt, Gen. Katumba defended Uganda’s debt portfolio saying there is no country in the world that does not borrow. He however warned about borrowing saying; “We should be cautious about why we are borrowing.”

### Uganda’s creditors

According to Ministry of Finance, Uganda’s major creditors are the World Bank. Uganda has also acquired concessional loans from china, for infrastructure developments in the road and energy sector. One of the recent projects funded by the Chinese is the newly commissioned Entebbe Express High way which was constructed using a loan from China.

“Ugandans should expect to start paying for the Entebbe Expressway because that is how the loan used to for its construction will be redeemed,” Katumba said.



(L-R) Prime Minister, Dr. Ruhakana Rugunda, Finance Minister, Hon. Matia Kasaija, Director Budget, Kenneth Mugambe visiting the CSBAG stall during the Service Excellence Exhibition at Kololo Airstrip on 5<sup>th</sup> June. | @CSBAG 2019



A section of youth participating in a training on how to develop policy instruments like position papers and policy briefs to increase the efficacy of their advocacy at CSBAG offices in Ntinda on 7<sup>th</sup> June. | @CSBAG 2019