

Government to cut borrowing as 2020/21 budgeting begins



Finance Minister Matia Kasaija (extreme right) chats with Uganda's Ambassador to Denmark Nimisha Madvan (left). Looking on is Rama Omonya, the Programme Advisor at CSBAG. This was during 2020/21 national budget conference on September 12, 2019. |@CSBAG2019

Government will in the next Financial Year 2020/2021, start reducing on its borrowing and instead focus on enhancing domestic revenue mobilisation for public investments, Finance Minister Matia Kasaija has said.

"You borrow because you have got an urgent need to meet, but particularly in infrastructure, so much of it has already been handled particularly roads and bridges. The only big infrastructure which is still pending is the Standard Gauge Railway, we need it badly and we don't have the money, so we have to borrow for that," he stated.

According to Kasaija, other public investments such as small roads will be

financed through revenues mobilised domestically, contractor-facilitated financing or Public Private Partnerships where tolling system will be used.

"We have developed a Domestic Revenue Mobilisation Strategy (DRMS), which is as a result of a long period of collaborating working, from wide range of Government institutions, our development partners and the business community. The strategy aims to raise ratio of revenue to Gross Domestic Product (GDP) from 15.5% in 2018/2019 to over 18%-20% in the next five years, bringing Uganda closer to its revenue potential," said the minister.

Kasaija said this during the National Budget Conference for Financial Year 2020/2021 that took place at Serena International Conference Centre, in Kampala on Thursday September 12, 2019. The conference which was live broadcasted was organised by Ministry of Finance, attended by ministers, permanent secretaries, heads of Uganda's Diplomatic Missions abroad, LCV chairpersons, Resident District commissioners and Civil Society Organisations (CSOs).

The "burden" of borrowing

A report by Parliament's Committee on National Economy released recently unearthed that Uganda's debt servicing had surpassed the country's income. This implies a future risk for the country's debt repayments. Currently, Uganda's total debt stock (both external and domestic) is \$107.b, which translates into 41.5% debt to GDP ratio, although International Monetary Fund early this year predicted that the ratio could increase to 49.5% in the next two years.

Several economists, CSOs and other members of public have in the recent past warned the government about huge appetite for acquiring debts.

"Even for domestic borrowing, we are going to scale down the rates, our local revenues have grown over decades; if I told you what government was collecting in 1986 and what we are collecting currently, there is a very huge change," said Kasaija.

Rama Omonya, the Programme Advisor at CSBAG said Uganda and other low developed countries got a debt reprieve from development partners in 2005 but from 2008 to 2018. He, however said, since 2008 Uganda's debt has increased to almost 900%, which poses a great risk to the country.

"By 2008, our loan was about \$1.7b dollars. However, between 2008 and 2018, Uganda's loan portfolio increased from \$1.7b to almost \$10b, yet since that time our revenue growth rate has been at around 5%. If our revenue is growing at 5% and the loan has grown at 900%, how do you pay back that money?" he wondered.

'A cut in borrowing rates, a good move'

Omonya, who at the FY 2020/21 national budget conference represented CSBAG Executive Director Julius Mukunda backed the Government on the move to reduce borrowing rates. According to him, government should reduce on borrowing, work on domestic revenue and begin structuring borrowing.

"As of now, it is risky to continue borrowing yet the revenues aren't expanding at similar rate. Our concern is that if Government intends to reduce stop borrowing from private sector, it has to plan systematically on how it should be done so that it doesn't affect private sector players," he stated.

Meanwhile, the Uganda Local Governments Association vice president Patrick Kayemba asked central Government to invest in instituting a National level and Countrywide Consultations geared towards strengthening decentralization with a purpose of repositioning Local Governments to be able to deliver their constitutional mandate.