

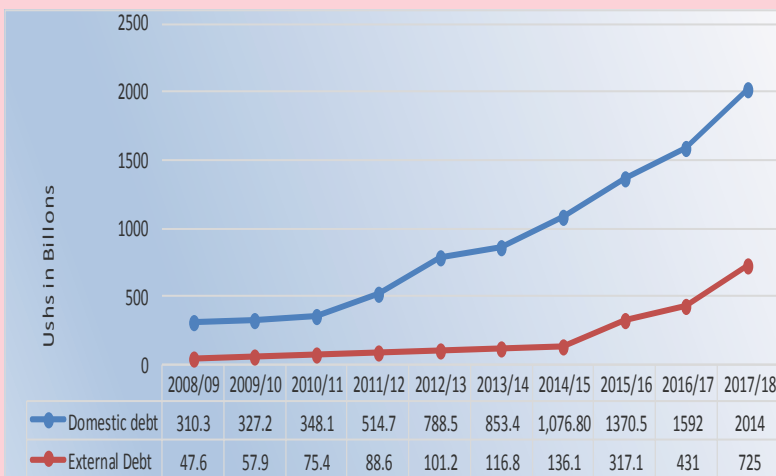


## Uganda's Public Debt Interest Payments are Chocking Social Services

### 1. Introduction

A trend analysis of growth in interest payments in the last 10 years depicts increasing government expenditure with an annual average percentage of 78.5%. Allocation of resources to interest payments at such a rate deprive the already underfunded social economic sectors thereby exacerbating the plight of citizens whose recurrent social economic needs remain unmet. Notwithstanding the anticipated long term benefits of loan funded projects for example in Roads and Energy sectors, sacrificing citizen's current social economic priorities at such a rate is too high a price to pay. The magnitude of ever increasing budget allocation to loan interest repayments calls for stricter scrutiny, increased restraint and moderation regarding loan contraction. On this note Civil Society applauds the recent refusal by the president to approve the 11 loans that were clearly not all that crucial. Here we briefly analyze Uganda's interest payments on public loans and their implications on the citizenry.

### 2. Rising trend of Interest payments



Source: Computation from Various MoFPED

While interest payments accounted for Shs 309.4 billion in FY 2007/2008, the amount allocated for interest payments has now increased almost nine fold to Shs 2,739 billion slated for FY 2017/18, which is an exponential increase of 785.3% in the said period. For that, 74% of the payments is for domestic debt and 26% on external debt. In FY2016/17, total payments on interest alone amounted to over Shs. 2,014 billion which is approximately what government intends to spend on

domestic interest payments alone in the current FY 2017/18.

### 3. Increased prioritization of Interest payments on debt by Government:

Uganda's expenditure on interest payments consumes a huge chunk of national resources thereby encroaching on human development and service delivery efforts. Interest payments are increasingly becoming a priority, took 2<sup>nd</sup> position in FY2017/18 (12.2%) compared to 4<sup>th</sup> position in FY2015/16 and FY2016/17, with an average share of 10.4% of government expenditure.

This implies that the huge share of locally mobilized revenues are to be devoted to interest payments thus suffocating other sectors.

### 4. Slow growth rate versus Interest Payments

In ideal conditions government may never need to rise taxes or cut spending to reduce the deficit; it can pay off interest and maturing debt by issuing new debt. However this can only be feasible if and only if the economy is able to grow its way out of the debt by a higher growth rate of GDP than the interest rate, making the debt-to-GDP ratio fall over time. Unfortunately, this is not the case for Uganda where the average cost of debt (interest rates) is trending upwards – more so with the introduction of domestic debt, contraction of debts on non-concessional terms. This is further compounded by the unstable economic growth rate of currently at less than 5%. All these, undermine Uganda's debt sustainability and economic growth projections in the near future.

### UDN Recommendations:

- ◆ Parliament should restrain government from excessive borrowing especially for loans with non-concessional terms.
- ◆ Government should streamline the already existing loan projects alongside identifying growth drivers in which to invest to generate economic dividends.
- ◆ In terms of prioritization, any subsequent loan contraction approvals should be those that focus on financing projects that can generate income within a reasonably period to pay off the debts.

## UDN IN PICTURES



**Left - Right:** UDNs Julius Kapwepwe raising issues of ASP– EU Cotonou Agreement and possible lessons learnt from different regions, Next to him is Agnes Kirabo (ED, Food Rights Alliance) during the High level civil society African wide consultative meeting on WTOMC11 and the ACP-EU Post Cotonou Partnership by SEATINI on 21st – 23rd August 2017 in Entebbe.



**Above:** UDNs Peninnah Mbabazi giving her opinion in regard to the Post-Cotonou in the context of the Contemporary Global Geopolitical Dynamics during the High level civil society African wide consultative meeting .



**Right :** “UDN’s Christine Byiringiro making a presentation at the 10th Annual Review Anti-Corruption Public Private Partnership (ACPP) meeting on Research and Evidence based Advocacy for Improved Service Delivery at Ridar Hotel-Seeta (24th– 25th August 2017). It was attended by anti-corruption CSOs and Government Accountability Sector Institutions. Left is Rev. Fr. Simon Lokodo, State Minister for Ethics and Integrity the Inter Agency Forum Coordination agency.”



*Please visit/ talk to us at;*

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