

Don't peg borrowing on oil cash – Mutebile

Caution. The central bank governor says Uganda needs to be very careful about its public debt to avoid mistakes made by several countries.

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KAMPALA. The governor Bank of Uganda, Mr Emmanuel Tumusiime-Mutebile, has asked government not to borrow with hopes of using the country's expected oil earnings to pay off such public debt.

Uganda's public debt has been growing rapidly due to high domestic and external borrowing by government to finance recurrent expenditure and infrastructure projects.

Mr Mutebile, who was speaking at the release of Regional Economic Outlook by the International Monetary Fund on sub-Saharan Africa on Monday evening at the Sheraton Kampala Hotel, said: "Even when Uganda begins to produce oil, it must avoid becoming dependent on oil exports as the major source of foreign exchange earnings and

public revenue."

"The countries which were overly dependent on oil or minerals - Nigeria, Chad, and Angola, suffered recessions when global commodity prices fell sharply in 2014 and 2015. That means we must protect our existing export industries, especially by providing real effective exchange rate overvaluation," he added.

Mr Mutebile said Uganda needed to be very cautious about its public borrowing if it is to avoid the mistakes made by several countries in the region which are now at risk of debt distress.

Debt distress

The central bank, Mr Mutebile said, is financing large infrastructure projects because the projects rarely directly generate the foreign exchange needed to service the loans used to build them.

The IMF regional Economic outlook for sub-Saharan Africa indicates that about 40 per cent of low income countries are now in debt distress or assessed to be at high risk of debt

distress. While the causes of these increases are country-specific, in part it represents the much-needed investment in infrastructure and development spending to yield growth and social outcomes.

The new regional economic outlook for sub-Saharan Africa by the IMF puts economic growth for sub-Saharan Africa at 3.4 per cent in 2018, up from 2.8 per cent it says the region registered last year.

Mr Mutebile said the Regional Economic Outlook paints a mixed picture of economic prospects in sub-Saharan Africa.

"Real GDP growth has begun to recover in the region, but average growth across the region of only 3.4 per cent in 2018 is only slightly higher than the rate of population growth," he said.

The resident representative of IMF, Ms Mira Clara, said the increase in debt level is mainly a consequence of government's strategy to tackle infrastructure bottlenecks to lay the foundation for future growth and develop oil sector.

