Uganda

Debt summary

Uganda's debt accumulated from the 1970s onwards. Despite large loans, the majority of Ugandans saw little benefits from the money and a few private pockets were the best serviced. As the first country to complete the **Heavily Indebted Poor Countries** (HIPC) initiative in 2000, Uganda was seen as a flagship for economic growth and good governance. In reality, as the guinea pig of the programme Uganda's gains were limited and their debt burden only decreased by a negligible amount. It was not until 2006, when the **Multilateral Debt Relief Initiative** came into force that the benefits were felt with the debt burden falling from US$4.5 billion in 2005 to US$1.1 billion in 2007.

With International Financial Institutions (IFI) encouragement, as conditions of both the loans and debt cancellation, free market policies were implemented in Uganda. This included privatisation and trade liberalisation which gave the advantage to those with corporate interests and the beneficial impacts have not filtered down to wider population. These policies have not been beneficial for sustainable development or poverty reduction.

Impact of Debt cancellation

As the first country to receive debt relief under HIPC, Uganda suffered from miscalculations of the process. The IMF delayed the process by one year, costing the government an estimated US$192 million in lost relief, diverting funds from struggling social services.

When relief eventually went through, Uganda placed money saved through debt relief into a programme, the Poverty Action Fund, to be spent primarily on healthcare, education, agriculture and road construction. Whilst the money has not always been utilised for maximum effectiveness, some impressive results have been noted. The fund has led to access to clean water for 2.2 million people. The money spent on education has grown by 9%, with enrolment increasing from 62.3% to 86.5% and where there had previously between 20% fewer girls, girls and boys now attend school in equal numbers. Additionally, the percentage of Ugandan's living below the poverty line has decreased from 55% in 1993 to 24.5% in 2010.

Current situation

Economic growth in the country has been slow over recent years and although the IMF have classified Uganda as at a low risk of debt distress, they also acknowledge that this might prove to be a problem in the future. Economists from within Uganda paint a more negative picture. The debt stock has grown by 16.6% annually and the Uganda Debt Network are concerned that the return to high debt levels will compromise spending on social services. Interest payments alone make up a significant amount of the money paid out by the Ugandan government and in 2012, interest payments alone were almost equal to the countries healthcare budget.

Uganda has set up a Poverty Action Fund directing the savings from debt repayments towards poverty reduction. The Ugandan Debt Network monitor where this money goes to ensure this fund is correctly managed, and positive results can be seen. However, there are still suggestions that funds are cleverly diverted to private hands. In 2010, funds from foreign loans reportedly funded medical supplies for numerous non-existent facilities, proving that loans continue to be used inappropriately whilst generating further debts. Uganda continues to be caught in the debt trap, with growing debts and instances of misuse of public funds. Economic structures must change beyond single instances of debt cancellation, to be more responsible and transparent, in order for Uganda to avoid the same problems in the future.

Factfile

Population
33.6 million

Life expectancy
53 years

1
Doctor for every
10,000
people

24.5%
of the population live below the poverty line

Human Development Index rated
161
out of 187 countries

For every
£1
the poorest 10% earn, the richest 10%get
£15

Find out more about the Ugandan Debt Network, the active coalition working towards economic justice in the country at; www.udn.or.ug