



# CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity

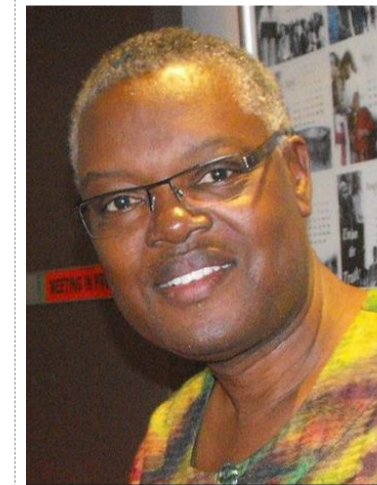


## How Parliament decided on Government Loan Requests

### HOW PARLIAMENT DECIDED ON LOAN REQUESTS

Loan purpose	Loan Amount	Parliament Decision
Agriculture cluster development	USD 150m	Deferred for repackaging
Farm income enhancement and forest conservation programme	USD76.6 m	Approved
Multinational lakes Edward and Albert integrated Fisheries and water resources project	USD 7m	Approved
Industrial parks substation and transmission line project	USD 84.9m	Approved
Construction of 44.7 megawatts Muzizi hydropower project and associated transmission line	Euro 85m	Approved
Water supply and sanitation programme phase II	USD 92.37m	Approved
Stabilizing the exchange rate	USD 200 m	Rejected

## TRIBUTE TO WARREN



*CSBAG Board, Members and the staff join the other Civil Society Organizations to mourn a very dear*

*friend Mr. Warren Nyamugasira who passed on this week. At CSBAG, we shall always cherish and honor Warren's contribution to the entire CSO fraternity and to us as CSBAG particularly.*

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GOD BLESS YOU WARREN.

MAY HIS SOUL REST IN PEACE (RIP)

### This week we bring you details on Parliament's action on the various Loan requests that were debated by Parliament 7<sup>th</sup>- 8<sup>th</sup> January 2016

#### Agricultural Loans

Basing on the recommendation by the Parliament Committee on National Economy, Parliament rejected Government proposals to borrow US\$ 150m (over Sh 506b) from the International Development Association of the World Bank Group to fund the agriculture cluster development project in different districts of the country. The loan if approved was meant to raise farm productivity and yields around the country.

The loan which was tabled before Parliament in 2015 was scrutinized by the Parliament Committee on National Economy. The Committee in its report to Parliament this week opposed the approval of the loan saying the selected districts were not representative of the country. Some of the districts that had been lined up as beneficiaries include Masaka, Mpigi, Rakai, Iganga, Bukwo, Mbarara, Soroti, Serere, Kabarole, Kibale, Hoima, Kiryandongo among others.

"Some regions were completely left out in drafting this project, and many of the districts that have been listed to benefit from the project, have already benefited in the previous agricultural programs," said Xavier Kyooma, the Chairperson Parliament's Committee on National Economy. The MPs proposed that Government repackages the project and cover districts that are in need of agricultural empowerment, before it can be approved by the House. "The project should be redesigned to include other beneficiaries, we are not satisfied with the packaging," said Kyooma.

The MPs also expressed concern over the project saying it was not in line with the National Development Plan and Vision 2040. "Government has continued to bring loans here which are project based. All the loans should stick to NDP and Vision 2040," advised Geoffrey Ekanya the Shadow Minister Finance.

Defending the loan request, State Minister for Finance in charge of privatization Aston Kajara, asked the House to approve the loan saying it would help promote value additional and linkage to the market of the agricultural produce. After facing resistance from the MPs, Government agreed to withdraw the request, for further repackaging.

"We want this loan approved as soon as possible but since the committee wants us to repackage it, let us look at that," said Vincent Ssempijja the state minister for Agriculture.



Meanwhile the House approved USD\$ 76.6M (Sh 256b) loan request from the African Development Bank, to finance farm income enhancement and forest conservation .

The MPs also approved USD\$84.9m (Sh 283b) from the African development Bank, to support the multinational lakes Edward and Albert integrated fisheries and water resources management. However the MPs asked Government to ensure that the approved money is used on time, and for the intended projects.

#### US\$ 92.37 Water Supply Loan approved

Parliament Okayed Government's request to borrow US\$ 92.37m from the African development Bank (ADB) for financing the water supply and sanitation program Phase II. The proposal to borrow the money, was presented to Parliament by Government in December last year, and referred to the parliament's committee on National economy for scrutiny.

The Committee in its report to the House on Thursday supported the borrowing saying it would improve the access to safe water and hygiene to 25 town water supply and sanitation systems, 10 large gravity flow schemes in rural areas and 70 solar powered water mini schemes located across the country. The target regions include East, Northeast, north central and western regions in the country.

Nationally, safe water access remains below 70% and merely two thirds of children live more than a 30 minute round trip from nearest water source. This loan would also contribute to improved health and productivity of the population through provision of safe water and sanitation services to a target population of 1.43m people out of which 51.4% are women.

The total cost of the program is estimated at USD\$ 102.63M where the ADB will contribute USD\$ 92.37m (90%) and Government of Uganda counterpart funding shall provide approximately USD\$ 10.26m (10%). Government shall provide budget allocation for all applicable taxes in each financial year in additional to the 10% Government counterpart contribution to the program.

#### Euro 42.5m for inland Port rejected

Parliament rejected the loan request by Government to borrow Euros 42.5m for the development of an inland port at Bukasa Kirinya in Wakiso district.

#### US\$ 200m foreign exchange loan request withdrawn

Faced with pressure from Parliament, Government withdrew the request to borrow US\$ 200m from the Eastern and Southern African trade and Development Bank (PTA) for a revolving foreign exchange facility to stabilize the exchange rate in the country. The loan was also to finance the balance of payment deficit which was US\$ 353million as at June 2015 and to tame increased domestic borrowing.

The loan request was scrutinized by the Parliament's committee on national economy after its submission to Parliament in November last year. Although the Committee had made a recommendation for the US\$ 200m to be approved it had observed that the loan facility is based on market rates, making it more expensive than some other commercial loans that parliament has approved for projects whose interest rates have been 2% on average.

Justifying the borrowing, State Minister in charge of Investments Aston Kajara told the MPs that the money would help stabilize the exchange rate saying interventions by Bank of Uganda have not been helpful. MPs ignored the Minister's pleas, stating that Government cannot stabilize the foreign exchange through borrowing. "The country has to be innovative and see what sectors to improve on and increase production to bring in more dollars than borrowing," said MP Abdul Katuntu.

In his minority report, MP William Nzoghu noted that the continuous borrowing to finance projects will continue to weaken the value of Uganda's currency. Nzoghu appealed to Government to find other viable alternatives for stabilizing the country's exchange rate citing increased production and providing incentives to improve the country's exports, marketing and branding Uganda's exports internationally.

Minister Aston Kajara noted that the increased production cited by MPs cannot be in the shortest possible time hence a need for the loan as the shortest intervention for the situation. This however fell on deaf ears and it is upon this backdrop that he withdrew the motion for Government to borrow noting that they are to make further consultations with a view of bringing it back on the floor of Parliament.