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19th June, 2017

Hon. Matia Kasaija
Minister
Ministry of Finance, Planning and
Economic Development
KAMPALA

**RE: PUBLIC DEBT POSITION AND STATUS OF LOANS UNDER
VARIOUS STAGES OF CONSIDERATION**

I write in connection with the letter written to me by Hon. Bahati on the 24th of May, 2017, listing the loans that are being considered. This is the correct procedure. Hereafter, no loan should be forwarded to Parliament without my express approval. This is to avoid the overburdening of the State of Uganda with debts that, moreover, do not add any value to the GDP of the country.

To remind ourselves, it should be remembered that Uganda has been being developed by private sector-led growth ever since 1987 when our minimum recovery programme was launched. Wealth and jobs by the private sector are in four sectors: commercial agriculture; industry; services and ICT.

These wealth and job creation sectors cannot grow unless they benefit from the low costs of production. It is the low costs that will enable the wealth creators in the four sectors to make profits and expand. The cost pushers are mainly in infrastructure: roads, electricity, the railway, water transport, ICT, telephones, piped water and irrigation systems.

The efficiency of the Public Service Sector also, of course, impacts on the efficiency of the private sector. This, however, should be funded by our own resources. No need to borrow for this because the efficiency of the Public Service is needed continuously. Shall we borrow continuously? This is an area that we should fund ourselves.

Human capital (education, skills and health) is, of course, a factor in all production. Here, again, we should fund education, skills development and health by ourselves because the demands here are continuous. The only aspect of human capital formation that can be gainfully funded by loans is, again, some elements of infrastructure e.g. hospitals, government skills and science educational centres. Again, these are one time interventions that are not recurrent; but they create a durable capacity for health, education (academic) and skills (technical).

This, therefore, means that there should never be a loan contracted for Administration or for Social Sciences in Education. Coming back to our list of loans, it, therefore, means that any loan to be contracted should be for: some elements of the infrastructure, for science and technical education, equipment for value addition and funds for soft loans through Uganda Development Bank. Anything else, we should reject.

Using these criteria, my decisions are as follows in respect of the listed loans:


- (1) The following loans should be accepted:
 - (i) US\$14.4million for Navigation on Lake Victoria;
 - (ii) US\$9.54million for electricity inter-connection;
 - (iii) US\$50million for refugees – already communicated to you; this should be the last time we borrow for refugees; support for refugees should be grants.
 - (iv) US\$125.1million for electricity inter-connection; nevertheless, send me details so that I know the bottlenecks that are being solved.
 - (v) US\$44million for electricity transmission for Mbarara-Masaka.
 - (vi) US\$39million for electricity for Mbarara-Masaka transmission.
 - (vii) US\$49.1million for adding to the new Nile bridge in order to complete it.
 - (viii) US\$88 million for Kapchorwa-Suam road – for tarmacking.
 - (ix) US\$45million for Technical Education. The money, however, should be used strictly for building technical schools where they are not and equipping the old ones.

- (x) US\$2.9 billion for the Standard Gauge Railway subject to the resolving of the issues of the density of the steel, the efficiency of the signals and the cost per kilometer.
- (xi) US\$212.7million for extending electricity to the 287 Sub-counties that do not yet have electricity.
- (xii) US\$303million for the Oil roads.
- (xiii) US\$327million for Kabale International Airport.
- (xiv) US\$100million for Kampala roads.
- (xv) Euro40million for the Agago transmission line.
- (xvi) US\$11.5 for cancer treatment.

(2) I do not accept the following loans:

- (i) US\$13.79million for the Islamic University in Uganda. This University is private. If we guarantee their loans, how about Mukono, Nkozi, Ndejje, Basajjabalaba, etc., etc?
- (ii) US\$30million from Korea for Agriculture. I do not accept the vague description of “commercialization and enhanced productivity.” What do these mean?
- (iii) US\$100million Islamic Development Bank for “poverty reduction”, etc. What do these mean? If it is for Technical Schools, it should go to Education. If it is for industrial equipment and machine tools, it should be in State House or Ministry of Industry and we should have the freedom to buy equipment from the best sources.
- (iv) I reject the loan of US\$200million for “fiscal transfers and fiscal management”. Do we need a loan in order to learn how to transfer money?
- (v) I reject the US\$40million for the vague target of Gender based violence. How will you know which women fought with which husband? Let us get equipment for women groups to do maize milling, wine-making, etc. Equipment for value-addition, not seminars. The survivors of violence, if confirmed, can be supported by our own budget.
- (vi) I reject the US\$60million for “nutrition, incomes, climate change” etc., for Eastern and Central Africa (No. 19 on Hon Bahati’s list). This is vague.
- (vii) I reject the US\$60million (No. 20 on Hon. Bahati’s list) because it aims at vague elements such as “hunger, eradication of poverty, quality of education, clean water, health, well-being”, etc., etc. How can you meaningfully address all these elements? Let the money be used for irrigation. I will support it, then.

- (viii) I reject loan No. 22 of US\$101million because of the nebulous aims of “household incomes, food security, sustainable natural resources management”, etc.; if it is for agriculture, let us use it for irrigation.
- (ix) Kampala-Jinja Expressway of US\$200 million and of US\$100million should not be guaranteed by the State. The money should be recovered through the road tolls. The loan is good but no guarantee.
- (x) I reject the US\$60million of farming on computers (ICT). This is too much *maridadi* (fancy). The farmers need good farming practices, fertilizers, irrigation, bush-clearing, ploughing, etc. and not computers because, even without computers, we know how much we produce.
- (xi) I reject loan No. 26 of US\$50million for “enhancing value chain of agriculture” etc. What do these mean? They want a “consultant” for “country strategy paper”!! Really!! Do we need a strategy paper? Our Manifesto is the strategy paper.



Yoweri K. Museveni

P R E S I D E N T

Copy to: H.E. the vice President
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Rt. Hon. Deputy Speaker of Parliament
Rt. Hon. Prime Minister
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