

**REMARKS BY DR ENOS S. BUKUKU, DEPUTY SECRETARY GENERAL
(PLANNING & INFRASTRUCTURE), EAST AFRICAN COMMUNITY,
DURING THE OFFICIAL OPENING OF THE MEFMI PARLIAMENTARIANS'
SEMINAR ON PUBLIC DEBT MANAGEMENT, MOUNT MERU HOTEL,
ARUSHA, TANZANIA, ON 8TH DECEMBER 2014**

**Dr. Caleb Fundanga, Executive Director of MEFMI,
Honourable Members of Parliament from EAC,
MEFMI Secretariat Staff,
Facilitators from Crown Agents and UNCTAD,**

Ladies and Gentlemen!

It is a great pleasure for me to preside over the opening session of this important Parliamentarians' Seminar on Public Debt Management. May I take this opportunity to thank MEFMI for choosing Arusha, the Headquarters of the East African Community as the host for this seminar! Let me extend a warm welcome to you all. A special welcome is extended to MEFMI and the Resource Persons from the Crown Agents and United Nations Conference on Trade and Development (UNCTAD) who have worked together to ensure that we all meet here for this important Seminar.

At the outset, I would like commend MEFMI for organising this important regional Seminar. I am informed that this is the first time MEFMI is offering a training targeting honourable members of Parliament. As you may be aware, both the Legislature and the Executive have distinct but complementary roles to play in public debt management. The National Assembly sets the legal framework that governs borrowing. Unfortunately, less attention in terms of capacity building has been given to this very critical arm of government. It is, therefore, gratifying to note that our Parliaments and MEFMI have recognized this need and taken the initiative to organize this seminar. This demonstrates MEFMI's dynamism and commitment in creating awareness on pertinent issues to all stakeholders.

This seminar is very relevant and timely for the East African Community (EAC) region because our member states are currently implementing substantial development projects, most of them financed through borrowing. For our region, most of the infrastructure such as roads, railways, airports, seaport expansions and power generation were and continue to be largely financed through borrowing, and our legislators need to be enlightened on whether such borrowing is appropriate and if there are alternatives to what our governments are doing in terms of borrowing.

Ladies and Gentlemen: While borrowing can support economic growth and transformation, public debt carries considerable costs and risks for our economies. Our memories are still fresh on how borrowing led to unsustainable external debt positions of most EAC member states in the 1980s and 1990s. High debt servicing deprived countries of the resources needed to provide basic social services to the poor population as well as to invest in long-term economic development initiatives. It is against this background that the international community came up with the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) through which most of the outstanding debts owed by the heavily indebted countries were cancelled beginning in the late 1990s to mid-2000s. From the EAC region, Burundi, Rwanda, Tanzania, and Uganda received debt relief, which reduced their external debt drastically.

Despite the debt reduction and the associated benefits, recent trends indicate that there has been a rapid build-up in external debt in the EAC countries. The latest figures show that external debt stocks in these countries have already reached, and in some cases surpassed, the pre-HIPC debt levels. This build-up needs to be closely watched so that the EAC member states do not accumulate unsustainable debt levels.

It is worth noting that until the 1990s, multilateral and bilateral creditors represented the most significant source of foreign borrowing for developing countries. However, our governments have increasingly turned to semi-concessional and commercial creditors as alternative sources of financing. For example, there have been bond issuances on the international capital market by Rwanda and Kenya from the EAC region, and private placements by Tanzania. Other countries are also considering issuing such types of debt. At the same time, many countries are increasingly relying on domestic borrowing in order to finance their budgets.

Despite the obvious benefits of these alternative sources of borrowing, their cost and risks can be significant for our economies. I hope the facilitators will outline to the Hon. Members the merits and demerits of these different sources of loans so that in future the Legislative and Executive arms of governments in East Africa can have informed discussions on these options.

Apart from discussing these aspects, I have been informed that the seminar will cover the following key aspects of public debt management:

- Recent developments in public debt management in Africa;
- Borrowing and macroeconomic linkages;
- The borrowing process - decision making, sources and instruments used;
- Understanding key clauses of loan agreements;
- Legal and institutional framework for effective public debt management;
- Principles of responsible sovereign borrowing and lending; and
- Debt sustainability and debt strategy formulation.

The seminar certainly provides a good platform for Parliamentarians to network and learn from the experiences of other countries within the EAC. This knowledge is crucial as the countries represented here are trending towards common monetary union. I encourage you to share the experiences among you and brainstorm on the ways of coordinating government financing mechanisms while minimizing the inherent costs and risks. Please make full use of this opportunity.

With these ideas taken home, I believe the Parliamentarians present here will be in a good position to guide our Governments in their endeavours to finance budget deficits and effectively manage the resulting sovereign debt whilst avoiding odious and illegitimate debt.

Before concluding my remarks, Ladies and Gentlemen, I would like to wish you all a pleasant stay in Arusha. I hope you will spare some time from your busy schedule and limited time to visit areas of interest around Arusha.

With those remarks, it is my pleasure to declare this high level seminar officially opened.

- Thank you -