



UGANDA

TECHNICAL ASSISTANCE REPORT—REPORT ON THE SECTORAL FINANCIAL ACCOUNTS MISSION

September 2017

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UGANDA

REPORT OF THE MISSION ON SECTORAL FINANCIAL ACCOUNTS

March 7–11, 2016

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This report incorporates inputs of previous technical assistance from the Balance of Payments, Financial Institutions, Government Finance, and Real Sector Divisions of the IMF's Statistics Department.

June 17, 2016

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ABBREVIATIONS

<i>2008 SNA</i>	<i>System of National Accounts 2008</i>
BOU	Bank of Uganda
CMA	Capital Markets Authority
FMD	Financial Markets Department, BOU
GFS	Government Finance Statistics
GGs	General Government Sector
IIP	International investment position
IRAU	Insurance Regulatory Authority of Uganda
MFI	Micro finance institutions
MOFPED	Ministry of Finance, Planning and Economic Development
NFC	Nonfinancial corporation
OAG	Office of Accountant General
ROW	Rest of the World
RSD	Real Sector Division of the Statistics Department of BOU
SACCO	Savings and credit cooperative organizations
SD	Statistics Department of BOU
STA	Statistics Department of the IMF
TA	Technical Assistance
UBOS	Uganda Bureau of Statistics
URA	Uganda Revenue Authority
URBRA	Uganda Retirement Benefits Regulatory Authority

EXECUTIVE SUMMARY

In response to a request from the Bank of Uganda (BOU) and in consultation with the African Department of the IMF, a mission visited Kampala, Uganda during March 7–11, 2016, to provide technical assistance (TA) on sectoral financial accounts. This mission followed up on a previous mission in January 2015 and the report builds on technical assistance provided on i) National Accounts (2015); ii) Balance of Payments (2013); iii) Monetary and Financial Statistics (2012 and 2015); and iv) Government Finance Statistics (2014).

The mission reviewed the sectoral financial stocks and transactions data for 2014 and noted that commendable progress has been made in compilation of annual financial accounts. The mission provided suggestions for public release of annual data for the years 2013, 2014, and 2015 by September 30, 2016. With this release of data, Uganda will be the first non-G 20 country in Africa to disseminate sectoral financial stocks and transactions data.

The progress on quarterly financial accounts compilation has been slow due to non-availability of source data for some sectors and capacity constraints. The mission recommends compilation of these data for internal purposes for those sectors and instruments with data availability. This process will help compilers to keep a check on annual accounts and maintain momentum on this project of sectoral financial accounts.

The mission also notes that the compilation work within the Statistics Department of BOU (SD) should not be the sole responsibility of the Real Sector Division (RSD). Identified staff from the external, monetary and financial, and fiscal statistics divisions should be operationally responsible to produce data for relevant sectors under the supervision of RSD.

A formal coordination among stakeholders should be established. We recommend that the BOU establishes a committee of senior staff from the key stakeholders - Ministry of Finance, Planning and Economic Development (MOFPED), Uganda Bureau of Statistics (UBOS), Uganda Revenue Authority, Uganda Retirement Benefits Regulatory Authority, and Insurance Regulatory Authority of Uganda - to effectively coordinate and to take forward the work on integrated sectoral financial accounts.

BENCHMARK ACTIONS

An updated work program with specific outcomes and timetable was developed and agreed with the authorities. Benchmark actions due for completion in the coming six to eight months are:

- Public release of annual financial accounts for three years (2013–15) by September 30, 2016.
- Establishment of an operations group and a committee of senior officials to facilitate the work on sectoral financial accounts in a time bound manner.

ACTION PLAN FOR DEVELOPING FINANCIAL TRANSACTIONS AND BALANCE SHEETS

OBJECTIVES

Description	Verifiable Indicators	Assumptions/Risk
Develop financial transactions and balance sheets by institutional sectors following the conceptual framework of the 2008 SNA to the extent possible.	<p>Annual stocks and transactions of financial assets and liabilities by institutional sectors.</p> <p>Quarterly stocks and transactions of financial assets and liabilities by institutional sectors.</p>	<p>Collaboration and support from different stakeholders (MOFPED, IRAU, URBRA, URA, CMA, etc.) is necessary for developing annual /quarterly stocks and transactions of financial assets and liabilities.</p> <p>Support and cooperation of the MOFPED is necessary for collecting annual / quarterly data for general government sector.</p> <p>Enhanced coordination with different departments of the BOU is necessary.</p> <p>Additional staff with sufficient knowledge of sectoral accounts frameworks will be needed.</p> <p>Technical assistance and training and improved capacity will be needed.</p>

OUTCOMES

Outcomes Description	Verifiable Indicators	Completion Date	Implementation Status/Assumptions
Experimental annual sectoral stocks and transactions of financial assets and liabilities are compiled following the conceptual framework of the 2008 SNA to the extent possible as per the template agreed.	Annual data are compiled for three years 2013–2015.	September 2016	<p>Use the existing data together with many other data sources identified during the mission to produce these accounts.</p> <p>Active collaboration with different stakeholders is needed to produce these accounts.</p>
Sources and methods of compilation are published on the annual sectoral stocks and transactions of financial assets and liabilities.	Sources and methods of compilation are published.	December 2016	

Outcomes Description	Verifiable Indicators	Completion Date	Implementation Status/Assumptions
Experimental quarterly sectoral stocks and transactions of financial assets and liabilities are compiled for the identified sectors /instruments.	Quarterly data are compiled from 2016 Q1-Q3.	December 2016	Use the existing data together with many other data sources identified during the mission to produce these accounts. Active collaboration with different stakeholders is needed to produce these accounts.
Annual current and capital accounts for General Government sector are compiled following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled starting from 2013 and aligned with revised base year revision exercise.	2017/18	TA may be needed to support UBOS. Active collaboration with the MOFPED required.
Annual current and capital accounts are compiled for the BOU and deposit taking corporations following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled starting from 2013 and aligned with revised base year revision exercise.	2017/18	TA may be needed to support UBOS. Active collaboration with the BOU necessary.
Annual current and capital accounts are compiled for the collective investment schemes, insurance and pension funds following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled starting from 2013 and aligned with revised base year revision exercise.	2017/18	TA may be needed to support UBOS.
Annual current and capital accounts are compiled for other financial corporations (except insurance and pension funds) following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled starting from 2013 and aligned with revised base year revision exercise.	2017/18	TA may be needed to support UBOS.
Annual current and capital accounts are compiled for nonfinancial corporations following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled starting from 2013 and aligned with revised base year revision exercise.	2017/18	TA may be needed to support UBOS.
Collaborate with IRAU to agree on data requirements, frequency (quarterly), timeliness, and data transmission arrangement for insurance companies.	IRAU will collect data from insurance companies and regularly transmit data to BOU according to specifications.	June 2015	Completed. However, IRAU agreed to provide annual data only.

Collaborate with URBRA to agree data requirements, frequency (quarterly), timeliness, and data transmission arrangement for pension funds.	URBRA will collect data from pension funds and regularly transmits data to BOU according to specifications.	June 2015	Completed. However, URBRA agreed to provide annual data only.
Collaborate with URA for financial reports of nonfinancial corporations and agree on regular transmission arrangements.	URA will collect data from NFCs and regularly transmit data to BOU.	June 2015	Ongoing. Further details on data classified according to ISIC are requested.
Collaborate with the CMA for provision of quarterly data on stocks and transactions on corporate bonds and equities, and financial reports of collective investment schemes and agree on regular transmission arrangements.	CMA regularly transmits the required data.	June 2015	Completed.
Collaborate with the MOFPED to agree on annual /quarterly data on government sector and transmission arrangements.	MOFPED regularly transmits data according to specifications.	June 2016	MOFPED has not provided the data agreed with the last mission. They agreed to provide annual balance sheets in the near future.
Collaborate with the Office of Accountant General (OAG) and Privatization Unit to agree on the specification of annual data on public nonfinancial corporations and transmission arrangements.	OAG and Privatization Unit regularly transmits data according to specifications.	June 2016	The OAG agreed to share the available data in near future.
Collaborate with the FMD (Central Depository) to agree on requirements for stocks and transactions data on Government securities.	FMD transmits data according to specifications.	June 2015	Completed.
Establish a committee of senior officials from different stakeholders for coordination of sectoral accounts activities.	Committee of senior officials established.	June 2016	
Additional staff are allocated for this project on compilation of financial transactions and balance sheets as required.	Team could be established with identified staff from Monetary, BOP, and Fiscal Statistics under the supervision of RSD.	June 2016	
Annual and quarterly sectoral stocks and transactions of financial assets and liabilities that are consistent with the nonfinancial accounts are compiled and disseminated through the website of BOU (including source data and methodologies).	Annual and quarterly data are disseminated regularly. Sources and methods of compilation are made available on the website of the BOU.	2017/18	

I. INTRODUCTION

1. As part of the technical assistance (TA) program of the IMF's Statistics Department (STA) and in consultation with the African Department, a mission visited Kampala, Uganda during March 7–11, 2016, to provide TA to the Bank of Uganda (BOU) on the development of financial transactions and balance sheet accounts by institutional sectors. This mission followed up on a previous mission in January 2015.
2. The mission reviewed the progress on sectoral financial transactions and balance sheets compilation and provided guidance for improvement of source data and compilation methods following the *System of National Accounts 2008 (2008 SNA)*. The Templates for Minimum and Encouraged Set of Internationally Comparable Sectoral Accounts and Balance Sheets (Templates¹) provided the basis for the discussions on developing these data.
3. The mission was conducted in the format of presentations/discussions on compilation and source data issues with the staff from the real sector, external, monetary and financial, and fiscal statistics divisions of the Statistics Department of BOU (SD). In addition to discussion on compilation issues, the mission also made a presentation on the analytical uses of sectoral financial accounts with specific examples from the Canadian financial accounts² to enhance awareness of the BOU staff on this topic. The presentation was well received and raised some interesting questions from the staff.
4. The mission together with the staff of BOU held discussions with senior officials of the Ministry of Finance, Planning, and Economic Development (MOFPED), Uganda Bureau of Statistics (UBOS), and Uganda Revenue Authority (URA). These agencies and the GFS mission agreed to resolve the issues identified by the mission and extend the necessary support for implementing the project on sectoral financial accounts for Uganda. An updated work program with specific outcomes and timetable were developed and agreed with the authorities. The list of officials met by the mission is provided in the Annex I.
5. The mission's advice builds on the previous TA³ on Government Finance Statistics (GFS), National Accounts, Monetary and Financial Statistics (MFS) and Balance of Payments (BOP), and also benefitted from consultations with the visiting IMF's East AFRITAC GFS mission.

¹ The Templates are available at: <http://www.imf.org/external/np/sta/templates/sectacct/index.htm>.

² Canada has a very well developed system of financial accounts including a fully integrated set of sector accounts produced quarterly.

³ The mission consulted the following TA mission reports: i) GFS (July 8–18, 2014); ii) MFS (March 26–April 6, 2012 and January 12–22, 2015); iii) National Accounts (July 23–August 4, 2015); and iii) BOP (February 4–15, 2013).

6. The Director of the SD conveyed his appreciation for the TA from STA on sectoral financial accounts and commitment of BOU to implement this project. The mission would like to express its appreciation for the cooperation and support extended by the authorities of the BOU, MOFPED, UBOS, URA, and the East AFRITAC GFS mission.

II. INSTITUTIONAL AND LEGAL SETTING

7. The responsibilities for compilation of different elements of the institutional sector accounts need to be clarified between BOU and UBOS. The mission learned that UBOS was responsible for compiling external sector statistics, but it has delegated that responsibility to the BOU through a Memorandum of Understanding signed by the two institutions. Similar arrangements need to be worked out for compilation of sectoral accounts between these two institutions. Based on the consultations of the mission with the senior staff of UBOS, it is noted that UBOS appeared willing to develop integrated sectoral accounts and align the compilation with the proposed base year revision of GDP to 2015 which may be implemented in 2017/18. At the same time, UBOS is of the opinion that a formal coordination mechanism among stakeholders is needed to work on this project. The mission suggests that the BOU be responsible for the financial accounts and UBOS be responsible for the current and capital accounts. These integrated accounts can be released jointly by these agencies as per an agreed schedule.

8. The mission notes that the collaboration and support from various source data agencies is encouraging except the MOFEPD. The mission held a meeting with the MOFEPD and explained the importance of sectoral financial accounts and the need for general government sector (GGS) data. The senior management of MOFPED responded positively and agreed to extend complete cooperation to supply the available data to the BOU.

9. The mission observes that a formal coordination among stakeholders seems to be lacking, which is vital for successful implementation of this project. Therefore, to ensure coordination with different stakeholders and to take forward the work on integrated sectoral financial accounts systematically, the mission suggests constituting a committee with senior officials from the Capital Markets Authority (CMA), MOFPED, UBOS, URA, Uganda Retirement Benefits Regulatory Authority (URBRA), Office of the Auditor General (OAG), and Insurance Regulatory Authority of Uganda (IRAU) and include BOU (Statistics and Financial Markets Departments). The mission recommends that this committee meets quarterly and that the first meeting be held as soon as possible to maintain the momentum which has been established during the individual meetings of the mission with the stakeholders. This committee will facilitate work at operational level among the different stakeholders and endorsement of the work of the compilers (discussed below).

10. For effective coordination among the compilers, the mission suggests that an operational group coordinated by the real sector division (RSD) of the SD be established with

compilers from SD (including external, monetary and financial, and fiscal statistics), MOFPED, UBOS, URA, OAG, URBRA, and IRAU. Initially, this group may meet once a month until the first public release of annual financial accounts on September 30, 2016. This will continue the significant progress which has been made so far. The mission also notes that the compilation work within SD should not be the sole responsibility of the RSD. Identified staff from the external, monetary and financial, and fiscal statistics should be operationally responsible to produce data for relevant sectors under the supervision of RSD.

11. The mission notes that one of the compilers from RSD benefitted from the IMF Head Quarters course on “Balance Sheets and Accumulation Accounts.” However, there is a need for training more compilers on this topic so that the compilation could progress at a faster pace which will present the possibility for quarterly financial accounts compilation eventually.

12. **The mission recommends the following:**

- *The BOU shall establish a committee of senior staff from different stakeholders (MOFPED, UBOS, URA, OAG, URBRA, and IRAU) to effectively coordinate and to take forward the work on integrated sectoral financial accounts.*
- *An operational group, coordinated by the RSD, shall be established with compilers from SD, MOFPED, UBOS, URA, OAG, URBRA, and IRAU to implement the work on sectoral financial accounts.*
- *Collaborate with MOFPED to agree on transmission arrangements and frequency for supply of financial flows and stocks data on GGS.*

III. SECTORAL FINANCIAL TRANSACTIONS AND POSITIONS

A. Current Situation

13. The mission noted that significant progress has been made in the compilation of annual sectoral financial positions and transactions for the year 2014 using the various datasets identified during the last mission. In addition to the various datasets available from the SD (1SR, 2SR, balance of payments, and international investment position), the RSD collected data from all other sources within BOU and external sources (such as CMA, IRAU, URA, URBRA). Only exception is the financial balance sheet data for the GGS. The MOFPED did not provide the required data for GGS as agreed with the last mission.⁴ As a result, financial transactions and positions for the GGS for 2014 are based on counterpart data available from other sources (mainly 1SR, 2SR, external debt, and data on holdings of government securities). The mission notes that the sectoral financial positions and transactions data for 2014 are compiled broadly following the sectoral and instrument breakdown prescribed in the Template. At this stage, financial transactions are derived as

⁴ Last mission in this report refers to STA’s sectoral financial accounts mission of January 5–16, 2015

differences of positions data without adjusting for the revaluations and other volume changes.

14. On quarterly financial stocks and transactions compilation, progress has been slow due to non-availability of data on NFCs, GG, insurance corporations, and pension funds on quarterly basis. The authorities agreed to compile experimental quarterly accounts using available data for the rest of the world, central bank, and depository corporations. In addition, debt securities and non-money market funds data by counterpart sectors will be used in improving these accounts.

B. Review of Source Data and Methods

15. The mission reviewed the source data and methods for compilation of sectoral financial positions and transactions and provided suggestions for improving these data.

Nonfinancial corporations (NFCs)

16. In Uganda, NFCs sector consist of a large number of private corporations and a small number of public corporations. There is no regular and comprehensive data source that provides information to compile financial transactions and positions of this sector. The previous mission identified some useful counterpart data sources. In addition to the counterpart data sources, URA is one of the most useful sources for financial balance sheets data of NFCs. As agreed during the previous mission, URA provided data on financial positions for specific financial instruments for two years 2013 and 2014. These data provide combined information for financial and nonfinancial corporations. In general, the URA data provides detailed breakdown for some financial instruments (for example, secured and unsecured loan liabilities by counterparty) and can be mapped to *SNA* financial instruments easily. It is apparent from comparison between asset and liabilities categories where expected relationships between assets of financial corporations and liabilities of nonfinancial corporations are not evident, that this database would benefit from additional work. For example, URA informed that the data pertains to both the financial and nonfinancial corporations, deposit assets are found to be insignificant which requires clarification. In addition, data lacks clarity in some cases (for example, composition of other current assets and other current liabilities). Other current liabilities appear to be very large and it could be due to misclassification of other financial instruments under this category. The mission met the URA and highlighted the data inconsistencies, and the need for segregation of financial and nonfinancial corporation's data. The URA informed that they have limited understanding on the data requirements for financial accounts and requested further guidance on possible links between *SNA* financial instruments and financial assets /liabilities in company reports to allow them to prepare data as per the requirements of financial accounts compilation. The mission suggested that the database would benefit from a review of the mapping between the accounts of URA and the financial instruments of the *SNA*. They agreed to provide these data following the economic activity classification (ISIC ver. 4.0) so that data for NFCs can be

identified separately. The mission suggested that a review of the methods used for the assignment of industry classifications may be warranted so that the mapping of industries to the SNA sectors could be verified. Annex II provides guidance for mapping financial assets and liabilities in company reports to SNA financial instruments mainly for NFCs. The list provided in Annex II is not exhaustive, but covers important financial instruments that are required for developing financial accounts for NFCs in Uganda. The mission suggested that the URA data need to be cross-checked with counterparty information on assets (in deposits (2SR) and government debt securities (FMD) and rest of the world securities (IIP) and investment fund shares (CMA) and rest of the world equities (IIP)) and liabilities (on loans (2SR) and rest of the world equities (IIP)) before putting it to use in financial accounts compilation. The mission also noted that the MOFPED has compiled and published income, expense, and financial asset and liabilities for around 25 public NFCs in the Statistical Abstract with some time lag. The mission noted from its discussion with the staff of the OAG that they are compiling financial balance sheets data for public corporations (both financial and nonfinancial). These sources could be useful to supplement the data from URA on public NFCs. It should be noted that work on the database based on URA administrative data could take considerable effort to significantly improve usability. However, eventually this database could yield benchmark data for the financial accounts of nonfinancial corporations as well elements of the current and capital accounts.

17. The mission recommends the following:

- *Validate the URA data for specific financial instruments (deposit assets /loan liabilities, etc.) with counterparty information prior to their use in the financial accounts compilation. A detailed mapping exercise should be conducted linking the URA data with SNA financial instruments.*
- *Collaborate with the OAG and MOFPED to obtain the financial positions and transactions data for public NFCs.*
- *Obtain revised data from URA and improve the estimates of financial positions and transactions for NFCs.*

General Government Sector

18. The MOFPED compiles the financial flows and stocks for the central government following the 2008 SNA financial instrument classification with counterparty information for total resident and ROW sectors. The flows are derived as the difference between opening and closings positions, and thus, also include other economic flows. The MOFPED agreed with the previous mission to provide these data to the BOU for sectoral financial accounts compilation. The mission was informed that the required data were not supplied to the BOU even after repeated reminders. In the absence of direct information on GGS, the BOU used the counterpart information on assets (in deposits (1SR/2SR) /equity (1SR)) and liabilities (on debt securities (FMD)/ loans (1SR/2SR)). The mission notes that the MOFPED submitted the annual financial stocks data for budgetary central government to STA (GFS

table 6) for the period 2005–12. A comparison of financial stocks of GGS derived from the counterparty data with the GFS Table 6 shows some inconsistencies. Annex III provides a summary of such inconsistencies. The mission raised these data inconsistencies with the MOFPED and visiting IMF, East AFRITAC GFS mission. In addition to the inconsistencies listed in Annex III, the mission highlighted the issue of central government equity assets in public corporations and lack of clarity on its estimation. As most of the public corporations are unlisted, the mission suggests valuation of stocks of unlisted shares using own funds book value. The MOFPED agreed to resolve these issues during a meeting scheduled for March 16, 2016.⁵

19. The mission recommends the following:

- *Follow up with the MOFPED to obtain financial balance sheets information for the central government and to resolve the data inconsistencies identified in the Annex III on priority.*

Other sectors (Financial corporations, Household and NPISHs, and Rest of the World)

20. For central bank and commercial banks, 1SR and 2SR data are used respectively for financial stocks data. It is noted that the BOU does not revalue its holdings of government debt securities to market price. Therefore, taking differences in positions as a proxy for (net) transactions is appropriate. However, for balance sheet purposes, it is suggested to record debt securities at market prices. In addition, equity liabilities of central bank and commercial banks be valued using the own funds at book value approach. The CMA provided the funds under management by Fund Managers (mainly non-MMF investment funds) licensed by them for 2013 and 2014. These data provide assets of these funds with breakdown into deposits, short-term/long-term debt securities, and listed equity. However, no information on holdings of non-MMF investment funds is provided. For insurance, IRAU has provided detailed financial positions data separately for life and non-life insurance sub-sectors for two years 2013 and 2014. The RSD mapped these data to SNA financial instruments in consultation with IRAU. URBRA provided detailed data on financial stocks, income and expenses for pension funds for 2013 and 2014. In general, these data are found to be consistent and of good quality. However, the mission suggested to cross-check the pension fund's investments on government securities with the information from FMD. It is observed that there are considerable differences between holdings of government securities by pension funds available from both the sources. It could be due to valuation differences. The mission noted that no data are available for micro financial institutions (MFIs) and saving and credit cooperative organizations (SACCOS). The availability of data for these sub-sectors will depend on 4 SR form data collection by the monetary and financial statistics division of the

⁵ The mission was informed that the BOU team presented the data inconsistencies highlighted in Annex 2 to the MOFPED and IMF, East AFRITAC GFS mission on March 16, 2016. Action points and staff responsibilities for resolving different issues were agreed with the MOFPED.

SD. It is understood that there is some delay in collecting the required information from the identified SACCOS and MFIS.

21. For household and NPISHs, financial assets and liabilities are compiled using the counterpart information from different sources. Deposit assets and loan liabilities are taken from 2SR, assets in government debt securities from FMD, unlisted equity assets from the URA data, and insurance and pension fund assets from IRAU and URBRA respectively. The mission noted that a significant part of the financial positions and transactions of households will remain missing as the financial positions and transactions data for SACCOS and MFIs are not available. The mission noted that data collection for survey on other financial corporations (4SR form) has not yet started.

22. The RSD compiled the positions and transactions data for rest of the world (ROW) sector using the international investment position (IIP) and financial account of the balance of payments (BOP) respectively. The external sector statistics division of SD provided these data following the SNA instrument classification in Ugandan shillings. The mission noted that there is some confusion in understanding the links between the BOP and ROW. The mission explained to the compilers that BOP financial account and IIP are presented from the perspective of the domestic economy, whereas the ROW data are presented from the point of view of the ROW. In simple terms, the IIP assets of Uganda are ROW liabilities and vice-versa.

23. **The mission recommends the following:**

- *Government debt securities assets of the central bank shall be valued at end of the year/quarter market prices obtained from the FMD.*
- *Equity liabilities of central bank and commercial banks be valued using the own funds at book value approach.*
- *Follow up with monetary and financial statistics division of SD and incorporate the information on financial positions and transaction for SACCOS and MFIS whenever the data becomes available.*
- *Follow up with the CMA to collect information on issue and holdings of non-MMF investment funds on quarterly /annual basis.*

C. Adjustments for Revaluations and Other Volume Changes

24. At present, sectoral financial accounts are compiled by taking differences of stock positions for different financial instruments without adjusting for the revaluations and other volume changes. To derive transactions from changes in positions, it is necessary to adjust for revaluation and other volume changes between the opening and closing positions. Exchange rate adjustments need to be carried out for foreign currency denominated financial instruments (foreign currency deposits and loans), price adjustments for instruments such as debt securities and equities, and write-off adjustments for loans.

25. Regarding exchange rate adjustments to foreign currency denominated deposits and loans, the opening and closing balances should be converted to the original currency and then the difference should be taken, and then this should be re-converted back to Ugandan shillings. In addition, when the assets or liabilities of deposits and loans are denominated in several foreign currencies, it is important to try to obtain the amounts for each instrument by currency because different currencies will move by different amounts against the Ugandan shilling. If the exact amounts by currency are not available, it is preferable to obtain an approximation so that the above calculation can be done for each. With respect to price adjustments, the mission noted that this applies mainly to long-term debt securities and equities. First priority should be the price adjustment for debt securities that are not intended to be held to maturity. The mission explained these adjustments resulting from exchange rate and market price changes, and also write-offs with examples. Annex IV provides sample compilation worksheets. The mission suggested⁶ to the RSD to discuss with the FMD for transactions data on government debt securities and the fiscal statistics division (FSD) of SD for loans from the ROW.

26. **The mission recommends the following:**

- *Derive transactions as differences in positions adjusted for exchange rate /price change, and write-offs as relevant for different financial instruments.*
- *Follow up with FSD and FMD, and collect transactions data on i) loans from the ROW from the FSD and ii) central government debt securities from the FMD.*

D. Horizontal and Cross-sector Consistency

27. Horizontal balancing requires that the sum of all transactions and positions of each financial instrument on asset side must be equal to the sum of all transactions and positions on liability side. The mission noted that there are large differences in sum of transactions and positions on assets side and sum of transactions and positions on liability side for most of the financial instruments. These differences mainly arise from inconsistencies in the URA data, non-availability of data for GGS and other financial corporations (mainly SACCOS and MFIs), and use of counterparty data for households and NPISHs. The mission suggests to the compilers to work on sectoral financial positions first and achieve horizontal consistency to the extent possible. For all the cases (financial instruments) where there are differences in sum of positions on asset side and sum of positions on liability side, reasons for such differences be presented. The next step will be working towards horizontal consistency of financial transactions.

28. The mission highlighted the importance of cross-sector consistency for different financial instruments in improving the sectoral financial positions /transactions. It is noted that in the present sectoral financial transaction accounts for 2014, there are many cross-

⁶ FMD and FSD informed the previous mission that they can provide transactions data on central government debt securities and loans from the ROW respectively.

sectoral consistency issues that need to be resolved. For example, government debt securities holdings of different institutional sectors need to be validated with counterparty data on government securities from CMA. Similarly, deposits assets and loan liabilities data of different institutional sectors need to be cross-checked with information available from 1SR and 2SR. The mission discussed different cross-sector consistency issues with the compilers and provided necessary guidance for choosing the suitable data in each case.

29. The mission recommends the following:

- *Ensure horizontal consistency of different financial instruments giving priority to positions data followed by transactions.*
- *Ensure cross sector consistency for different financial assets /liabilities for improving the sectoral financial positions and transactions.*

E. Unlisted Equity

30. The mission reviewed methods for the valuation of unlisted equity with the staff of SD. It is noted that in economies with foreign direct investment, the value of equity for the resident subsidiaries where the equity of these subsidiaries is not traded can lead to significant understatement of the market value of equity for the corporate sector. As the Ugandan stock exchange does not currently have a wide range of companies which are listed, it was noted that if untraded equity is to be valued like the traded equity of similar representative firms, it may be necessary to use the valuation data for a wider range of exchanges including others in East Africa. This process would allow the equity of a firm where the equity is not listed to be compared with a firm with similar characteristics particularly from an industry dimension and a size dimension. The mission suggested that the work on unlisted equity valuation could be of long-term duration and that using the method of valuation of equity of own funds at book value initially is most appropriate.

31. The mission recommends the following:

- *Unlisted equity be valued on the basis of own funds at book value as an interim method of valuation.*

IV. DATA INPUTS AND DISSEMINATION ISSUES

32. The mission noted that the present arrangements for data supply from different source data agencies are more informal. There is need for the operational group members from different agencies to agree on the data requirements and formats including frequency, timeliness, and data transmission arrangements. These arrangements should be reviewed and endorsed by the committee of senior officials. The mission notes that new MOUs may be required between stakeholders where necessary or there may be updates to existing MOUs. The mission also suggests that production schedules be agreed with operational group members and committee of senior officials for release of the sectoral financial positions and

transactions data for three years (2013–15) by September 30. The mission suggested to the compilers to develop experimental quarterly estimates for those sectors where it is possible starting with the first three quarters of 2016 (90 days after the quarter end). These experimental sectors could include the rest of the world, central bank and depository corporations. In addition, the debt securities could be placed in the matrix as part of the GGS. The mission notes that completing these experimental accounts will help maintain momentum on the project for compilers with BOU.

33. After the first release of annual sectoral financial accounts on September 30, the operational group shall consider a schedule for revisions so that updated input files for back periods can be incorporated regularly at the same time each year so this work can be planned into the schedules of compilers. The dates of release of annual sectoral accounts and revision schedule shall be placed on the website of the BOU. Finally, the sources and methods document for compilation of annual sectoral financial accounts be prepared and released towards the end of 2016.

34. It is agreed that the experimental quarterly accounts for the first three quarters of 2016 will be compiled by December 31, 2016 and will not be disseminated. The mission notes that regular compilation of such experimental quarterly accounts internally will help compilers to keep a check on annual accounts and maintain momentum on this project of sectoral financial accounts.

35. **The mission recommends the following:**

- *Establish a production schedule for release of the first set of annual financial accounts for three years on September 30, 2016.*
- *Establish a schedule for supply of data inputs by different source data agencies.*
- *Establish a dissemination schedule for annual sectoral financial accounts in consultation with the operations group and committee of senior officials.*
- *To improve the transparency and trust in the sectoral financial accounts data released by the BOU, the sources and methods document for compilation of these accounts be made available on the website of the BOU.*
- *Compile quarterly sectoral financial accounts regularly for those sector and instruments with data availability.*

Annex I: List of Officials Met by the Mission

Bank of Uganda

Mr. Kenneth Egesa	Director, Statistics Department
Mr. Kezekia Kizito	Assistant Director
Mr. Daniel Kaggwa	Division Head, Real Sector Division
Mr. Hudson Bunya	Real Sector Division, Statistics Department
Ms. Franklin K Sozi	Real Sector Division, Statistics Department
Ms. Grace A Tinyinondi	Fiscal Statistics Division, Statistics Department
Ms. Natasha Karugaba	External Sector Statistics Division, Statistics Department
Ms. Solome K Irumba	Monetary Statistics Division, Statistics Department

Uganda Bureau of Statistics

Mr. Ekyoku Samuel	Head, National Accounts Division
Mr. Bright Richard	Senior Statistician, National Accounts Division
Ms. Margaret K Nakirya	Senior Statistician, National Accounts Division
Ms. Audrey Kemigisha	GFS Division

Ministry of Finance, Planning and Economic Development

Mr. Albert Musisi and other staff

GFS Mission

Mr. Robinson Brooks	GFS Advisor, AFRITAC East
Mr. Clement Ncuti	GFS Expert, STA

Uganda Revenue Authority

Staff of the Statistics Division

Annex II: Mapping between SNA Financial Instruments and URA Data

SNA financial instruments	Assets (URA data)	Liabilities (URA data)
Currency and deposits	Cash on hand Balances with banks	-----
Loans	Loans to employees Loans to subsidiary corporations Loans to others <ul style="list-style-type: none"> • Obtain data separately for the above categories, if possible. No need to distinguish between secured and unsecured loan assets. This item is also listed as: -Advances to subsidiary companies - Employees -Others <ul style="list-style-type: none"> • Provisions for bad and doubtful debts - do not include them as they are not recognized in the <i>SNA</i>. 	Unsecured loans - from banks, government, others Secured loans – from banks, government, others <ul style="list-style-type: none"> • Above items may include debt security liabilities (which shall be deducted and include with debt security liabilities) • Loans are also included sometimes under the item ‘borrowings’ in the balance sheets of companies.
Debt securities	Investment in -Government debt securities -Debentures /bonds (domestic / abroad) <ul style="list-style-type: none"> • Normally, balance sheets of companies have an item called investment. It includes investments in debt securities (govt. and others), shares (listed and unlisted equity), and shares in subsidiary companies, etc. Therefore, total investment can’t be classified under debt securities or equity. Identifying these instruments separately. 	Debt securities (bonds /debentures, etc.) issued by companies <ul style="list-style-type: none"> • As mentioned above, loans liabilities could include debt security liabilities. Need to be careful in classification.
Equity	Investment in -listed equity and - unlisted equity Above comment on investment (under debt securities) applies here as well.	Include all reserves and paid up capital

<p>Other accounts receivable /payable</p>	<p>Mainly consists of other current assets (may not be all the items)</p> <ul style="list-style-type: none"> -Sundry debtors (trade and credit advances). <p>May include debts outstanding and other debts.</p> <ul style="list-style-type: none"> - Interest accrued, but not received (may be on government securities, bonds, deposits) - Similarly, dividend due, not received 	<p>Mainly consists of other current liabilities (may not be all the items)</p> <ul style="list-style-type: none"> - Sundry creditors (trade and credit advances) - Creditors for capital goods (other accounts payable) - Interest accrued /due, but not paid (if not included in the value of the asset on which interest is payable) - Similarly, dividend due, not paid - Advances from customers (trade and credit advances) - Other payable <p>In addition, deferred tax liability is to be included here.</p> <ul style="list-style-type: none"> • Note that current tax payments shown in the profit /loss account are not included here.
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Annex III: Summary of Data Inconsistencies for General Government Sector

Change in Assets / liabilities (2014) in Billions of Shillings

<i>2008 SNA Financial instrument</i>	Assets	Liabilities
Currency and deposits	GFS table 6 provides positive figures in all the years since 2005. For example, in 2012, change in assets was 2790. Counterparty data from Monetary and Financial Statistics (1 SR and 2SR) provide - 6399.49 for 2014.	GFS table 6 shows a positive figure in all the years since 2005. For example, in 2012, change in liabilities was 1519. This could be due to wrong classification of deposits /loans. Needs clarification.
Loans	GFS table 6 shows loans to domestic sectors. What are the counterpart sectors? Does this include loans to employees and public corporations? It is understood that this does not cover loans to other levels of government (as the data is expected to be consolidated).	GFS data shows loan liabilities from ROW only. What about loans from central bank? Counterpart data from 1SR shows loan liabilities of central government.
Debt securities	GFS provides data on this item under the category “securities other than shares” consistently since 2005 (with domestic counterpart sectors). What is this exactly?	GFS shows all the liabilities under domestic counterpart sectors. What about debt securities held by ROW? Data from FMD and IIP has such information.
Equity assets	Central government equity in Central Bank (590 in the year 2014) is available from 1SR. However, data on equity in public corporations (financial/non-financial) is not available. GFS data reports a similar figure (566.45 in 2012). However, assets of 218.25 are reported under foreign. IIP shows no such investments. This needs clarification.	-----

1SR: Balance sheet of central bank by counterpart sectors

2SR: Balance sheet of deposit taking corporations except central bank by counterpart sectors

Annex IV: Adjustment for Deriving Transactions from Positions Data

Example 1: Exchange rate adjustment for deposits denominated in foreign currencies

Step 1: Calculate proportion of each currency using average of deposit

Type of currency	Average of deposit (2014)	Proportion (2014)	Average of deposit (2015)	Proportion (2015)
US dollar	700	0.7	800	0.64
Pound Sterling	50	0.05	75	0.06
Euro	50	0.05	75	0.06
Kenyan Shilling	150	0.15	250	0.2
South African Rand	50	0.05	50	0.04
TOTAL	1000	1	1250	1

Step 2: Calculate share of each institutional sector's deposit (for example households / NFCs) by using proportion of currencies. Then calculate transactions.

Type of currency	Proportion (2014)	Proportion (2015)	Exchange rate 2014		Fin stocks 2014		Exchange rate 2015		Fin stocks 2015		Transaction		Revaluation
			End of period	average	In UGD shillings	In Foreign currency	End of period	average	In UGD shillings	In Foreign currency	In Foreign currency	In UGD shillings	In UGD shillings
(1)	(2)	(3)	(4)	(5)	(6)=Total* (2)	(7)=(6)/(4)	(8)	(9)	(10)=Total* (3)	(11)=(10)/(8)	(12)=(11)-(7)	(13)=(12)* (9)	(14)=(10)-(6)-(13)
US dollar	0.7	0.64	3200	3150	70000	21.88	3400	3300	96000	28.24	6.36	20989	5011
Pound Sterling	0.05	0.06	4500	4200	5000	1.11	4700	4500	9000	1.91	0.80	3617	383
Euro	0.05	0.06	4800	4100	5000	1.04	5000	4900	9000	1.8	0.76	3716	284
Kenyan Shilling	0.15	0.2	0.03	0.028	15000	500000	0.035	0.034	30000	857142.86	357142.86	12143	2857
South African Rand	0.05	0.04	0.0046	0.0041	5000	1086956.52	0.0047	0.0046	6000	1276595.74	189639.22	872	128
TOTAL	1	1			100000				150000			41337	8663

Example 2: Exchange rate and write-off adjustment for loans provided by banks in foreign currencies

Type of currency	2014			2015								
	Exchange rate end period	Fin stocks		Exchange rate		Fin stocks		Transaction		Other flows		
		UGD shillings	in Foreign currency	End period	Average	UGD shillings	in Foreign currency	in Foreign currency	UGD shillings	Write off in UGD shillings	write off in Foreign currency	Revaluation in UGD Shillings
(1)	(2)	(3)	(4)=(3)/(2)	(5)	(6)	(7)	(8)=(7)/(5)	(9)=(8)-(4)-(12)	(10)=(9)*(6)	(11)	(12)=(11)/(6)	(13)=(7)-(3)-(10)-(11)
US dollar	3200	7000000	2187.5	3400	3300	8000000	2352.9	13.9	45956	500000	151.5	454044
Pound Sterling	4500	400000	88.9	4700	4500	500000	106.4	17.5	78723	0	0.0	21277
Euro	4800	400000	83.3	5000	4900	500000	100	16.7	81667	0	0.0	18333
Kenyan Shilling	0.03	15000000	500000000	0.035	0.034	16000000	457142857	-42857142.9	-1457143	0	0.0	2457143
South African Rand	0.0046	5000000	1086956522	0.0047	0.0046	6000000	1276595745	188552266.4	867340	5000	1086957	127660
		27800000				31000000			-383456	505000		3078456

Example 3: Exchange rate and price adjustment for securities of central government and owned by ODCs in Ugandan Shillings and foreign currencies

Securities	2014			2015							
	Positions in UGD shillings	Exchange rate end period	positions in foreign currency	positions in UGD shillings	price changes*	Exchange rate end period	Exchange rate - average	positions in foreign currency	Price changes in FC	Transaction	Others
	(1)	(2)	(3)=(1)/(2)	(4)	(5)	(6)	(7)	(8)=(4)/(6)	(9)=(5)/(7)	(10)=(4)-(1)-(5) and ((8)-(3)-(9))*(7)	(11)=(4)-(1)-(10)
in UGD shillings	25000000	3200		28000000	-50000	3400	3300			3028000	-28000
denominated in USD					-28000						
in foreign currency	20000000		6250	22000000	-22000			6471	-6.7	749941.2	1250059

*Total price change is known