INTERNATIONAL MONETARY FUND

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UGANDA

September 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR UGANDA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Uganda, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 6, 2024 consideration of the staff report that concluded the 2024 Article IV consultation with Uganda.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 6, 2024, following discussions that ended on May 9, 2024 with the officials of Uganda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 20, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Uganda.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR24/322

IMF Executive Board Concludes the 2024 Article IV Consultation with Uganda

FOR IMMEDIATE RELEASE

- Uganda has navigated the post pandemic recovery well due to sound macroeconomic policies. The economic recovery is strengthening with low inflation, favorable agricultural production, and strong industrial and services activity.
- Uganda should continue its efforts to create fiscal space through revenue mobilization and better expenditure discipline, vigilant monetary policy, and exchange rate flexibility, using future oil revenue to address growth impediments and improve social development while advancing governance reform and financial inclusion.

Washington DC, September 9, 2024: On September 6**,** the Executive Board of the International Monetary Fund (IMF) concluded the 2024 Article IV Consultation[1] with Uganda.

Uganda has navigated the post-pandemic recovery well due to sound macroeconomic policies. The economic recovery is strengthening with low inflation, favorable agricultural production, and strong industrial and services activity. Growth is estimated at 6 percent in FY23/24, up from 5.3 percent in FY22/23. Headline inflation has increased to 3.9 percent by June 2024, driven by rising energy prices and core inflation, though the latter remains below the Bank of Uganda's (BoU) target of 5 percent.

Elevated current account deficit and limited capital inflows have weighed on Uganda's international reserves. Despite strong coffee and gold exports, the current deficit remains high due to rising oil project-related imports. Tight global financial conditions and reduced external project and budget support have driven down gross international reserves, covering only 2.9 months of imports at the end of 2024 (excluding oil-project related imports).

The overall fiscal deficit continued to decline in FY23/24 but was less than planned due to revenue underperformance and higher current spending, while development spending fell short of expectations, worsening expenditure composition.

Looking ahead, growth is expected to strengthen, boosted by the start of oil production, which will make lasting improvement in the fiscal and current account balances. Inflation is expected to rise near the BoU's target of 5 percent in FY24/25. Risks are mostly on the downside, including continued fallout from the Anti-Homosexuality Act, which complicates the already tight external financing conditions, potential delays in oil production, and climate-related shocks. Upside risks to inflation come from commodity price volatility, weather conditions, and exchange rate depreciation pressures stemming from limited capital inflows.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Uganda:

"Executive Directors agreed with the thrust of the staff appraisal. They welcomed Uganda's robust post-pandemic recovery underpinned by sound macroeconomic policies and the favorable medium-term outlook due to the anticipated start of oil production. At the same time, they noted pressures on international reserves amid tight global financial conditions, as well as the elevated debt servicing costs accompanied by a shortfall in the country's development spending. Directors also highlighted the significant downside risks, including from the continued fallout from the "Anti-Homosexuality Act", which could exacerbate already tight external financing conditions, potential delays in oil production, sluggish reform implementation, and climate-related shocks. Against this background, they encouraged continued reforms, including those envisaged under the expired ECF arrangement, to rebuild fiscal and external buffers and boost inclusive and sustainable growth, supported by technical assistance from the Fund and other partners as needed.

"Directors encouraged strong efforts to create durable fiscal space, emphasizing the need to address significant spending demands in human capital, infrastructure, and climate resilience. They recommended continued revenue-based fiscal consolidation, improved expenditure discipline, and a prudent fiscal management framework to ensure effective use of oil revenues once production begins.

"Directors commended the Bank of Uganda's commitment to price stability and agreed with its tight monetary policy stance to anchor inflation expectations. They advised keeping monetary policy data dependent and emphasized the importance of continued exchange rate flexibility to help build up buffers and improve competitiveness. Directors called for continued efforts to enhance monetary transmission and central bank independence, including through full implementation of the 2021 Safeguards Assessment recommendations.

"While recognizing the resilience of Uganda's financial system, Directors called for vigilant monitoring of the rapid increase in the sovereign-bank nexus and significant cross-border exposure of the nonfinancial corporate sector, alongside multifaceted efforts to enhance financial inclusion.

"Directors stressed that accelerating structural reforms is crucial for achieving inclusive, sustainable, and private sector-led growth. They supported further efforts to strengthen enforcement of the anti-corruption framework, address remaining shortcomings in AML/CFT, enhance fiscal transparency, introduce regulatory reforms to support businesses, and implement an ambitious climate resilience agenda drawing on the recommendations of the C-PIMA.

The next Article IV consultation with Uganda will be held on the standard 12-month cycle."

Table 1. Uganda: Selected Economic and Financial Indicators, FY2021/22-2028/29[1,2]

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.	Act.	Est.	Proj.	Proj.			
	(Annual percentage change, unless otherwise indicated)							
Output, prices, and exchange rate								
Real GDP	4.6	5.3	6.0	6.2	10.8	8.7	6.1	6.0
Non-Oil real GDP	4.6	5.3	6.0	6.2	6.1	6.0	6.0	6.1
GDP deflator	4.9	6.7	3.7	4.3	5.3	4.7	4.5	4.5
Headline inflation (period average)	3.4	8.8	3.2	4.6	5.0	5.0	5.0	5.0
Core inflation (period average)	3.2	7.4	3.0	4.9	5.0	5.0	5.0	5.0
Terms of trade ("–" = deterioration)	3.6	-9.6	19.0	4.3	1.5	1.3	1.1	1.6
Exchange Rate (Ugandan Shilling/US$) ("–" = appreciation)	-2.4	5.1	...	...	...	...	...	...
Real effective exchange rate ("–" = depreciation)	3.6	4.2	...	...	...	...	...	...
Money and credit								
Broad money (M3)	10.0	6.6	12.2	11.2	17.0	14.2	11.5	11.2
Credit to non-government sector	11.0	6.6	8.2	12.1	17.2	16.3	15.6	15.0
Bank of Uganda policy rate (percent) [3]	7.5	10.0	...	...	...	...	...	...
M3/GDP (percent)	22.0	20.9	21.3	21.4	21.5	21.6	21.7	21.8
NPLs (percent of total loans)[3]	5.3	4.6	...	...	...	...	...	...
	(Percent of GDP, unless otherwise indicated)							
Central government budget								
Revenue and grants	14.1	14.5	14.3	14.7	16.2	17.6	17.9	18.3
Of which : grants	0.7	0.6	0.8	0.8	0.8	0.7	0.7	0.7
Of which : oil revenue	0.0	0.0	0.0	0.0	1.2	2.2	2.2	2.2
Expenditure	21.5	20.0	19.1	20.4	19.1	19.0	19.4	19.5
Of which: Current	13.1	13.7	13.5	15.0	13.8	13.6	13.4	13.2
Of which: Capital [4]	7.9	5.8	5.2	5.2	5.1	5.1	5.8	6.2
Primary balance	-4.3	-2.3	-1.5	-1.4	0.6	1.9	1.7	1.7
Overall balance	-7.4	-5.5	-4.8	-5.7	-2.9	-1.5	-1.5	-1.3
Of which: Net domestic borrowing	3.4	3.4	4.7	4.8	2.7	1.3	1.1	0.9
Public debt								
Public gross debt[5]	50.5	50.7	50.6	52.1	47.9	43.8	41.2	38.8
External[6]	31.3	29.9	27.6	26.9	24.1	22.0	20.9	19.8
Domestic	19.3	20.8	23.0	25.2	23.8	21.8	20.3	19.0
Investment and savings								
Investment	24.2	22.8	22.4	22.5	22.6	22.9	23.7	24.2
Public	7.9	5.8	5.2	5.2	5.1	5.1	5.8	6.2
Private	16.2	16.9	17.0	17.2	17.4	17.6	17.8	18.0
Savings	16.6	14.9	14.0	15.4	17.1	19.3	19.9	20.2
Public	0.1	0.0	0.2	-0.7	2.0	3.6	4.1	4.7
Private	16.5	14.9	13.8	16.1	15.1	15.7	15.9	15.5
External sector								
Current account balance	-7.6	-7.9	-8.4	-7.1	-5.5	-3.6	-3.7	-4.0
Current account balance (excluding grants)	-7.8	-7.9	-8.4	-7.1	-5.9	-4.0	-4.0	-4.3
Exports (goods and services)	12.0	11.6	14.0	14.0	15.5	16.4	15.4	15.0
Imports (goods and services)	22.5	21.7	24.3	22.9	22.9	21.4	19.6	19.4
Gross international reserves								
In billions of US$	4.1	4.1	3.2	3.5	4.0	5.2	6.2	6.7
In months of next year's imports of goods and services	4.0	3.3	2.4	2.3	2.6	3.5	3.9	3.9
Gross international reserves excluding oil project financing and investment related imports (in mths of imports)	4.6	3.7	2.8	2.7	2.9	3.6	4.0	3.9
Memorandum items:								
GDP at current market prices								
Ush. billion	162,753	183,000	201,087	222,675	259,945	295,691	327,633	362,898
US$ billion	45.6	48.8	53.2	...	...	...	...	...
GDP per capita (Nominal US$)	1,058	1,088	1,153	1,244	1,367	1,450	1,485	1,551
Exchange Rate (Ugandan Shilling/US$)	3,571.8	3,752.5	...	...	...	...	...	...
Population (million)[7]	43.1	...	...	...	...	...	...	...
Interest payments (in percent of revenue)	22.8	23.1	24.2	30.9	22.8	19.7	18.6	16.8

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30.

[2] All figures are based on the 2016/17 rebased GDP.

[3] Latest available data. NPLs: June 2023; BoU policy rate: June 2023.

[4] Capital expenditures include net lending and investment on hydropower projects, and exclude BoU recapitalization.

[5] Debt is on a residency basis.

[6] External debt includes publicly guaranteed debt.

[7] Based on revised figures after the 2014 census by the Uganda Bureau of Statistics.

INTERNATIONAL MONETARY FUND

UGANDA

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

August 16, 2024

EXECUTIVE SUMMARY

Context. Uganda's economic recovery is strengthening on the back of low inflation, favorable agricultural production, and strong activity in industrial and services sectors. The envisaged start of oil production in late 2025 is expected to further boost growth and improve fiscal and external balances in the medium term. Risks are mostly on the downside, including continued fallout from the Anti-Homosexuality Act (AHA), which complicates already tight external financing conditions, potential delays in oil production, and climate-related shocks.

Fiscal policy. While public debt is sustainable, low tax revenues constrain Uganda's fiscal policy space. Strengthening domestic revenue mobilization and budgetary and cash management practices are key to securing a durable fiscal space. Ensuring prudent management of future oil revenues will require adoption of a rules-based framework that allows for part of the revenues to be used to support growth and social development, and the rest saved for the benefit of future generations.

Monetary, financial, and external sector policies. The Bank of Uganda's (BoU) tight monetary policy stance has helped anchor inflation expectations and counter external sector pressures. Going forward, monetary policy should remain data driven to ensure price stability and further financial deepening. Continued flexibility of the exchange rate is important to build up adequate foreign exchange reserves. The financial sector remains resilient, although a rising sovereign-bank nexus and significant cross-border exposures of non-financial corporates require vigilance.

Structural reforms. Addressing governance deficiencies and regulatory burdens and enhancing regional trade integration are critical to unlocking Uganda's growth potential. Progress in addressing key AML/CFT deficiencies has led to a successful exit from the FATF grey list, but enforcement of the anti-corruption framework should be stepped up.

Approved By
Catherine Pattillo (AFR) and Jay Peiris (SPR)

The mission team consisted of Ms. Rahman (head), Messrs. Qu and Tchaidze (AFR), Ms. Armas (MCM), and Ms. Zhang (SPR). Mr. Bannister contributed to the preparation of the mission. The mission was assisted by Ms. Karpowicz (Resident Representative) and Ms. Sozi (local economist). Mr. Mengistu (OED) participated in official meetings. Discussions were held remotely from Washington D.C. during April 22-26, 2024, and in Kampala during April 28-May 9, 2024. The team met with Mr. Atingi-Ego, Deputy Governor of the Bank of Uganda (BoU), Mr. Ggoobi, Permanent Secretary and Secretary to the Treasury, and other senior officials of the government and the BoU. Staff also held discussions with representatives of development partners and the private sector. Ms. Khandelwal and Lertprasert, and Mr. Vaval Pierre-Charles provided excellent assistance for the preparation of this report.

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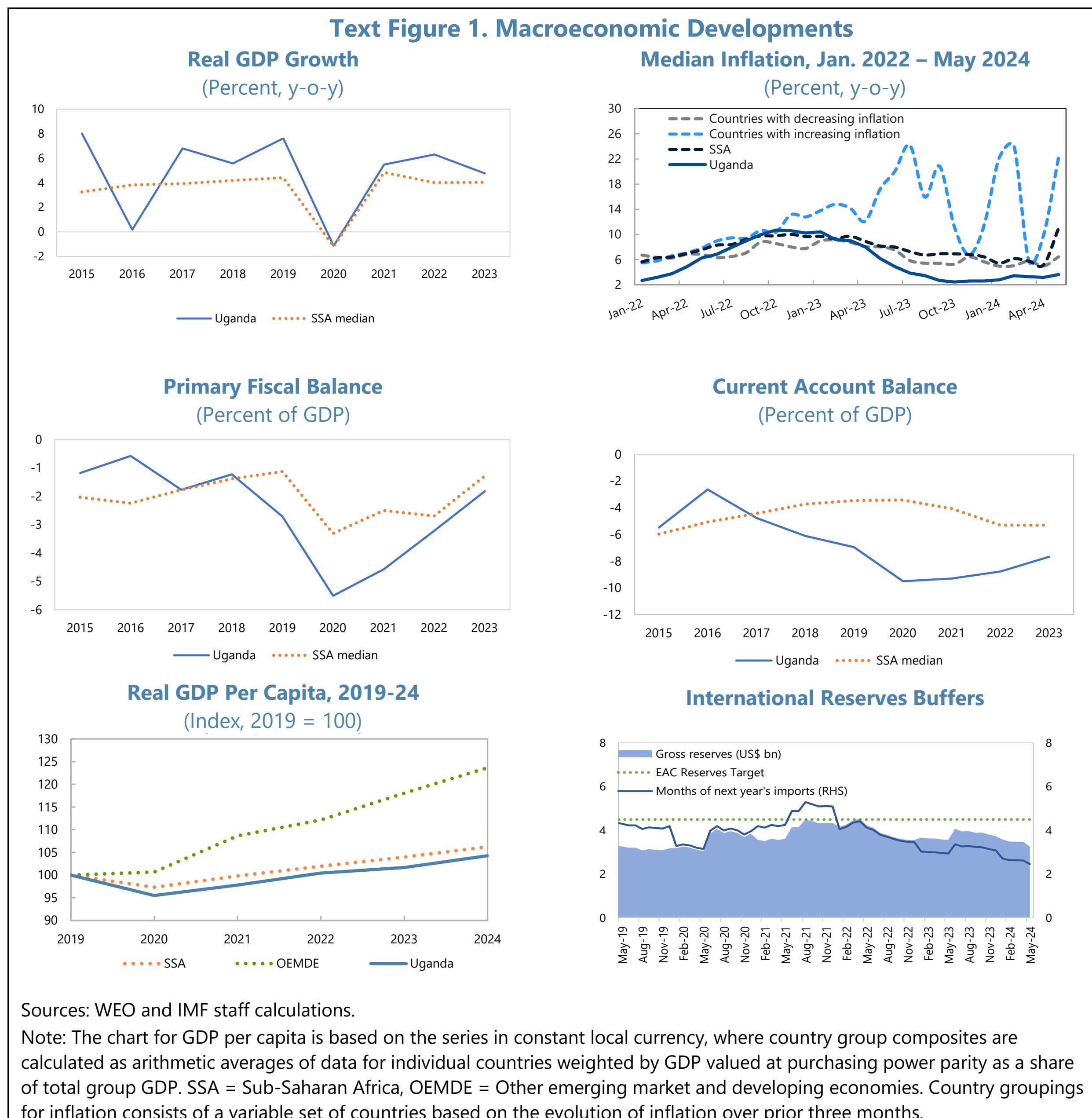
CONTEXT

1. **Uganda has navigated the post pandemic recovery well.** The impacts of the pandemic and Russia's war in Ukraine have by now largely tapered off: real GDP growth is back to its pre-pandemic levels, inflation is among the lowest in the region, and fiscal and external balances have seen notable improvements (Text Figure 1). However, Uganda's gap in real per capita income with other emerging and developing economies continues to widen. Over the last year, external buffers have also declined, denting Uganda's ability to weather future shocks.

Text Figure 1. Macroeconomic Developments



Sources: WEO and IMF staff calculations.
Note: The chart for GDP per capita is based on the series in constant local currency, where country group composites are calculated as arithmetic averages of data for individual countries weighted by GDP valued at purchasing power parity as a share of total group GDP. SSA = Sub-Saharan Africa, OEMDE = Other emerging market and developing economies. Country groupings for inflation consists of a variable set of countries based on the evolution of inflation over prior three months.

2. The three-year Extended Credit Facility (ECF), which expired in June 2024, guided Uganda's post-pandemic recovery and helped maintain macroeconomic stability. The 2021 Article IV consultation took place in conjunction with the ECF first review centering on policies to mitigate the pandemic's impact and promote inclusive growth. Key priorities included creating fiscal space for pandemic-related and development spending while ensuring debt sustainability, accommodative monetary policy to support recovery mindful of inflation and financial stability, and structural reforms to enhance Uganda's growth potential. Policies roughly pursued these goals under the ECF with mixed success. Quantitative performance criteria (QPCs) were mostly met, although meeting indicative targets (ITs), particularly with regards to tax revenues and social spending, faced persistent difficulties (Text Table 1). While significant fiscal consolidation was delivered under the program, it was mostly achieved through lower development spending, while revenue gains fell far short of the original program targets (Box 1). More recently, meeting the target on FX reserves was also occasionally challenging amid tight global financial conditions. On the structural front, implementation of program conditionality helped deliver tangible progress in the areas of AML/CFT, some aspects of fiscal management, and financial inclusion, but remained inadequate in several areas of governance and anti-corruption, and public finance management, including the ability to rein in current spending. Most program reviews under the ECF were completed with delays and the sixth review could not be completed due to weak performance in several key quantitative and structural targets. [1]

Text Table 1. Uganda: Performance and Structural Reform Gains under the 2021-24 ECF

Program Performance against Quantitative Targets

	1st Review			2nd-3rd Review			4th Review		5th Review		6th Review	
	End-Jun '21 (IT)	**End-Sept '21 (QPC)**	End-Dec '21 (IT)	**End-Mar '22 (QPC)**	End-Jun '22 (IT)	**End-Sept '22 (QPC)**	End-Dec '22 (IT)	**End-Mar '23 (QPC)**	End-Jun '23 (IT)	**End-Sept '23 (QPC)**	End-Dec '23 (IT)	**End-Mar '24 (QPC)**
(I) Performance Criteria (unless indicated otherwise above)												
(1) CG Primary budget balance (floor)	Met	Met	Met	Met	Met	Met	Met	Met	**Not**	Met	Met	Met
(2) Net credit to government (ceiling)	**Not**	Met	Met	Met	**Not**	Met	Met	**Not**	**Not**	Met	Met	Met
(3) International reserves (floor)	Met	Met	**Not**	Met	Met	**Not**	Met	Met	Met	Met	**Not**	**Not**
(4) External payment arrears (avoidance)	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met
(5) Non-concessional external debt (ceiling)	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met
(6) Core inflation target	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met
(II) Indicative Targets												
(1) Support to vulnerable households (floor)	-	Met	Met	Met	Met	Met	Met	Met	**Not**	**Not**	**Not**	Met
(2) Social spending (floor)	**Not**	Met	Met	Met	**Not**	**Not**	Met	**Not**	Met	**Not**	**Not**	Met
(3) Tax revenues (floor)	Met	**Not**	**Not**	**Not**	Met	**Not**	**Not**	**Not**	Met	**Not**	**Not**	**Not**
(4) Domestic arrears repayment (floor)	**Not**	Met	Met	Met	Met	Met	Met	Met	Met	Met	**Not**	**Not**

Structural Reform Gains

- **AML/CFT**: Tools for risk-based supervision; access to beneficial ownership information for competent authorities; supported exit from FATF grey list.
- **Corruption and Transparency**: Asset declaration framework improvements; due diligence on domestic PEPs; report on unauthorized spending investigations.
- **Fiscal management**: tracking of COVID-19 spending; charter of fiscal responsibility; project selection criteria and pipeline; tax expenditure rationalization framework; ICT strategy for tax administration; cash management framework.
- **Inclusion**: Work on unified registry of social assistance programs; expansion of credit bureau coverage and Central Data Hub; EMIS database; financial inclusion module for PDMs.
- **Note that** in a few instances (unauthorized spending, project pipeline, unpaid invoices) implementation has been irregular or has come to a halt.

Sources: Ugandan authorities and IMF staff calculations

[1] While most December 2023 and March 2024 quantitative targets were met, the NIR targets for both test dates were missed by large margins as were the targets for tax revenues. Due to persistent weaknesses in both of these areas, the projected fiscal deficit and gross reserves levels agreed during the time of the fifth review looked unattainable. In addition, there was insufficient progress with the SBs on the formulation of a compliance improvement plan for large taxpayers' unit (end-March 2024), development and implementation of cybersecurity guidelines for financial services (end-April 2024), the operationalization of a BoU platform for the purchase of government securities using mobile money (end-April 2024), and the continuous SB on information sharing with the Fund staff ahead of the adoption of supplementary budgets by the Parliament.

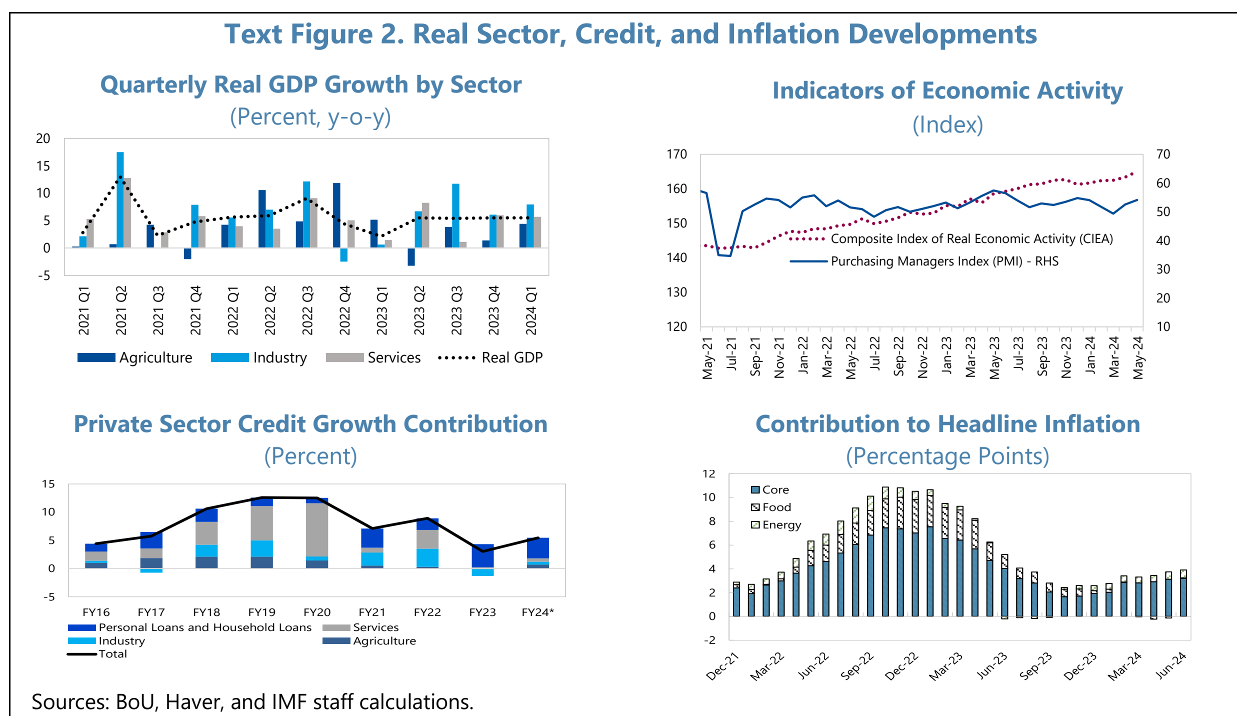
3. Uganda's medium-term prospects are supported by the projected start of oil production in 2025Q4, but there are headwinds. While Uganda is not expected to become a major oil exporter, oil production is expected to temporarily boost growth and help bring more durable improvements in fiscal and external positions (Box 2). Relationship with development partners continues to be strained due to limited progress in addressing long-standing governance weaknesses, and more recently by the enactment of the Anti-Homosexuality Act (AHA). Over the years, concessional financing has declined significantly, impacting the government's ability to secure low-cost financing. The presidential elections are scheduled to take place in January 2026.

RECENT ECONOMIC DEVELOPMENTS

4. Economic activity continues to strengthen. Real GDP grew by 5.7 percent (y-o-y) in the first three quarters of FY23/24 (Text Figure 2). Growth has been broad-based, with notable improvements in activities within industrial and services sectors. Despite some signs of softening, high-frequency indicators suggest sustained expansion driven by robust domestic demand. Private sector credit growth remains sluggish, reflecting banks' preference for high-yield government papers, the lingering effects of the pandemic, and structural impediments to private loans. The output gap is assessed to be closed.

5. Inflation remains below the BoU's target. Headline inflation witnessed a sharp decline after peaking in late 2022, reflecting decreasing food prices, monetary policy tightening, and the relative stability of the shilling, bottoming out at 2.4 percent in October 2023. Since then, it has increased to 3.9 percent by June 2024, reflecting rising energy prices and core inflation, although the latter remains below the BoU's target of 5 percent.

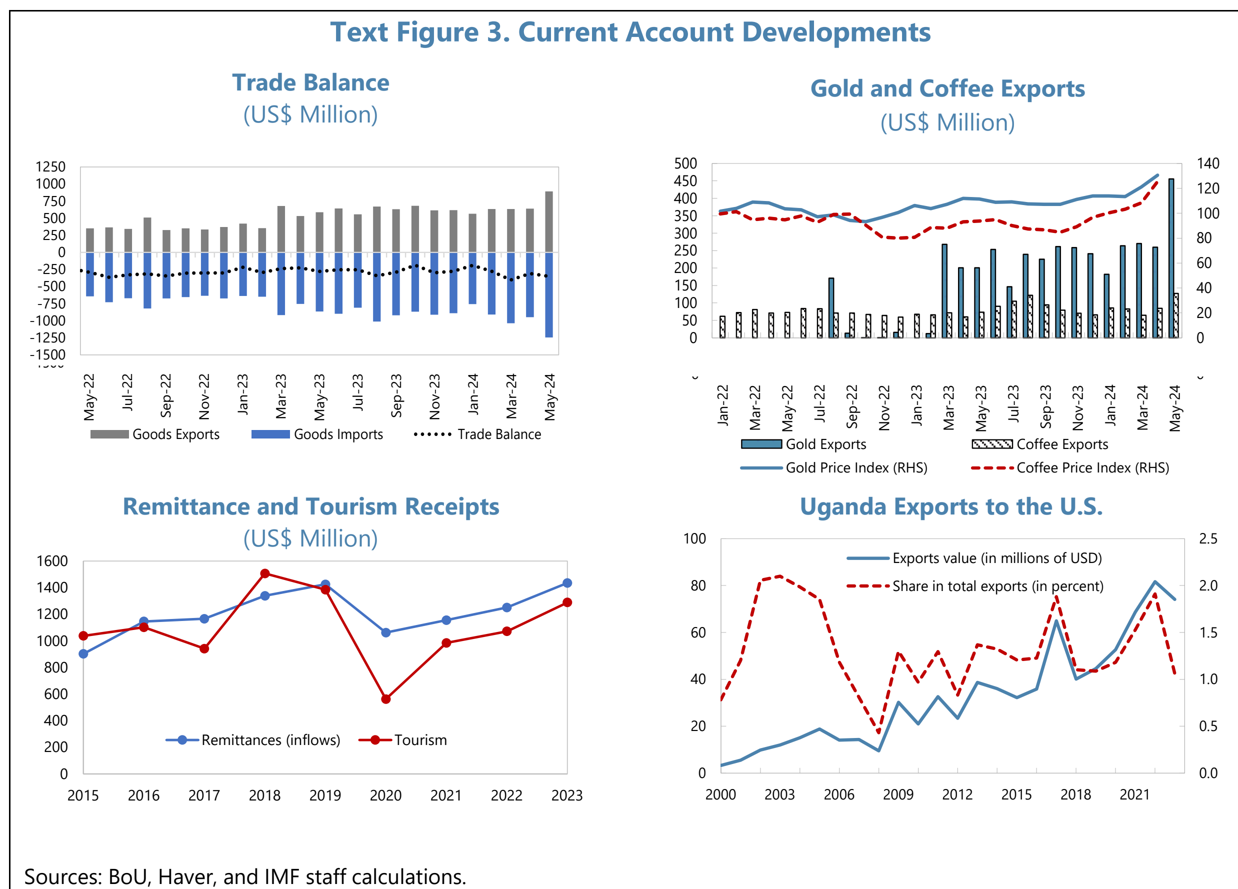
Text Figure 2. Real Sector, Credit, and Inflation Developments



Sources: BoU, Haver, and IMF staff calculations.

6. The current account (CA) deficit remains elevated. Despite strong coffee and gold exports, as well as recovering remittances and tourism receipts, the CA deficit remains high, largely reflecting rising oil project-related imports (Text Figure 3). In response to the AHA, the U.S. removed Uganda from the African Growth and Opportunity Act (AGOA) in January 2024, though the impact on exports is expected to be limited, reflecting the small share of the U.S. in total exports (below 2 percent). The government introduced a new oil importing scheme in July 2024, under which oil imports are done by the state-owned Uganda National Oil Company (UNOC). The scheme aims to reduce oil import costs and minimize supply risks through by-passing Kenyan middlemen.

Text Figure 3. Current Account Developments

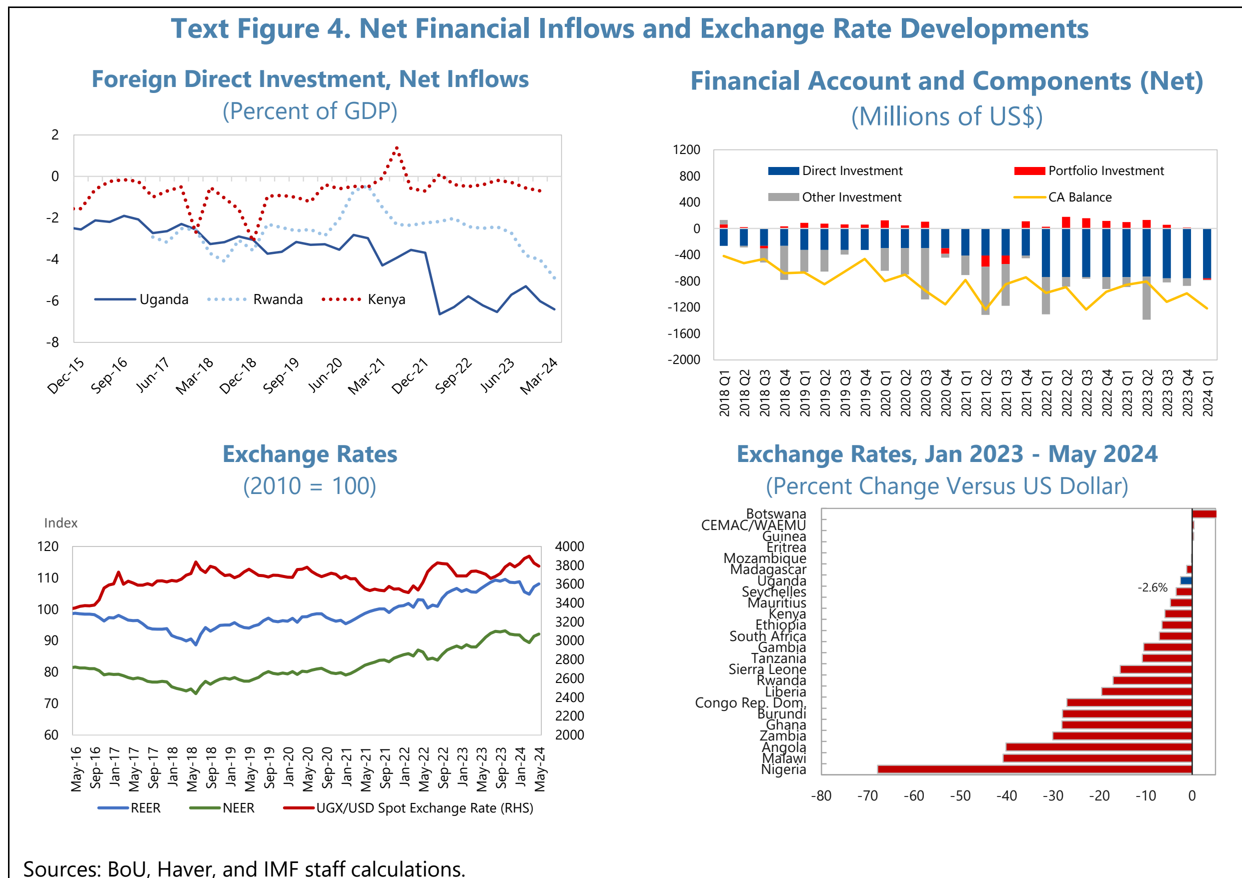


Sources: BoU, Haver, and IMF staff calculations.

7. Despite strong FDI inflows, other financial flows weakened substantially and weighed on FX reserves. While net FDI inflows have been strong since 2021, mainly reflecting oil-related investments, net portfolio and other investment inflows have been weak and volatile as experienced elsewhere in the region, reflecting less favorable global financial conditions (Text Figure 4). Net other investments inflows have seen a significant decline in recent years from a peak of US$500 million in FY19/20 to around US$200 million in FY23/24 as external project and budget support fell. The bilateral UGX/USD exchange rate came under pressure in August 2023, depreciating by a cumulative 6.4 percent through March 2024, but has recovered since. The nominal effective exchange rate (NEER) and the real effective exchange rate (REER) depreciated by 2.9 percent and 1.4 percent y-o-y as of May 2024, respectively. Gross FX reserves fell to US$3.2 billion in June 2024 from US$3.7 billion in December 2023, with coverage of imports at 2.9 months (excluding oil projects),

reflecting higher external debt service payments, inability to secure external loans at affordable terms, and limited FX purchase.

Text Figure 4. Net Financial Inflows and Exchange Rate Developments



Sources: BoU, Haver, and IMF staff calculations.

8. **The FY23/24 fiscal deficit is estimated at 4.8 percent of GDP, compared to 3.8 percent expected at the time of the Fifth ECF review.** The higher-than-projected deficit is due to (i) revenue underperformance, partly a result of lower tax yields and buoyancy and lower imports tax revenue due to a higher share of imports being tax exempt, and (ii) higher current spending approved under various supplementary budgets.[2, 3] Expenditure composition also worsened in FY23/24, with development spending falling short of the expectations due to lower disbursement of external project loans while recurrent spending increased (Text Table 2). The authorities did not pursue external loans as a means to finance the fiscal deficit in FY23/24, as they deemed the terms

[2] There was a total of three supplementary budgets approved in FY23/24. These were approved in October 2023 (for spending up to 2.4 percent of GDP, including projects previously approved by the Parliament, but for which resources were not identified at the time of the approval), in April 2024 (0.54 percent of GDP, including acquisition of equity in a local pharmaceutical company), and in May 2024 (0.14 percent of GDP, allocating funds to the UNOC for additional equity acquisition in the East African Crude Oil Pipeline). The FY23/24 spending envelope also included two one-off projects: 2024 population census and renewal of national ID cards (together at 0.35 percent of GDP).

[3] The FY23/24 budget included a set of tax measures with an estimated yield of about 2 percent of GDP, of which 1.2 percent reflected buoyancy (see IMF Country Report No. 23/229). The latest estimates suggest an overall yield of 0.8 percent of GDP.

to be unfavorable, and instead relied more on domestic borrowing. Domestic interest rates remained elevated despite declining inflation (Text Figure 5).

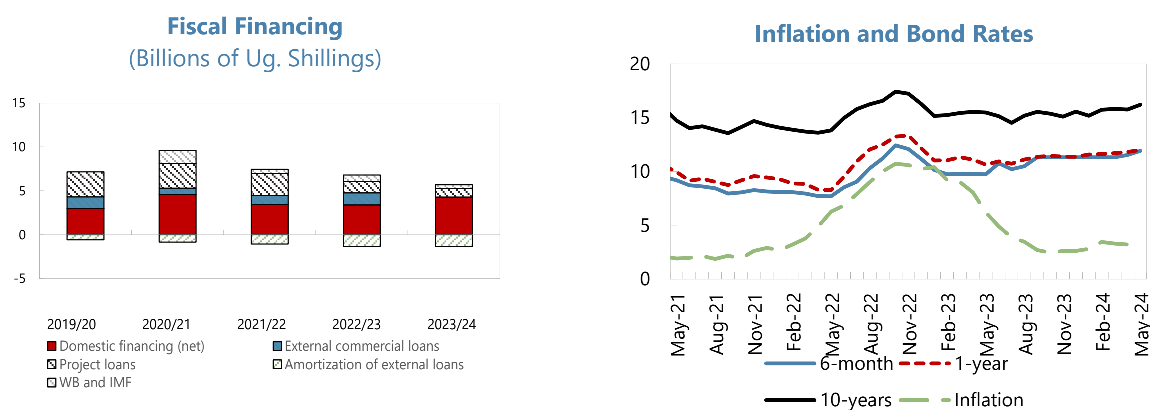
Text Table 2. Uganda: Fiscal Operations, FY21/22 – FY23/24

(Percent of GDP)

	FY21/22	FY22/23	FY23/24		
	Act.	Act.	4th Rev.	5th Rev.	Jun-24
Total revenue and grants	**14.1**	**14.5**	**15.8**	**15.7**	**14.3**
Revenue	13.4	14.0	14.3	14.4	13.5
Tax	12.5	13.0	13.2	13.4	12.6
Nontax	0.9	1.0	1.1	1.0	0.9
Oil revenue	0.0	0.0	0.0	0.0	0.0
Grants	0.7	0.6	1.5	1.3	0.8
Expenditures and net lending	**21.5**	**20.0**	**19.3**	**19.5**	**19.1**
Current expenditures	13.1	13.7	12.1	13.0	13.5
Wages and salaries	3.5	3.8	3.5	3.7	3.7
Interest payments	3.1	3.2	2.9	3.2	3.3
Other current	6.6	6.6	5.7	6.2	6.6
Development expenditures	7.9	5.8	6.7	6.0	5.2
Externally-financed projects	2.9	1.9	3.7	2.8	1.6
Government of Uganda investment	5.0	4.0	2.9	3.2	3.6
Net lending and investment	0.2	0.1	0.0	0.3	0.2
Other spending (incl. arrears clearance)	0.4	0.4	0.1	0.1	0.1
Overall balance	**-7.4**	**-5.5**	**-3.4**	**-3.8**	**-4.8**
Primary balance	-4.3	-2.3	-0.5	-0.6	-1.5
Memo items:					
Social spending	3.7	3.7	3.4	3.4	3.4
Security spending	2.6	2.2	2.0	2.1	2.1
Nominal GDP, UGX bn	162,753	183,000	207,218	201,412	201,087

Source: Ugandan authorities and IMF staff calculations.

Text Figure 5. Fiscal Financing and Costs

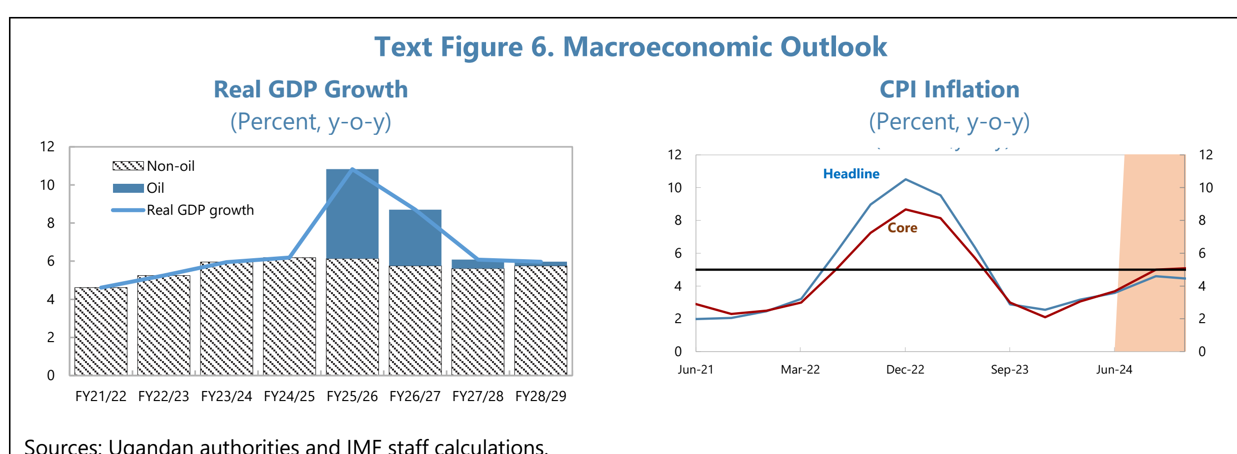


Sources: MOFPED, Haver, and IMF staff calculations.

MACROECONOMIC OUTLOOK AND RISKS

9. The medium-term growth outlook is boosted by the oil sector. Real GDP growth is estimated to have reached 6 percent in FY23/24, helped by favorable weather conditions, subdued inflation, and the positive impact of the roll-out of the Parish Development Model (PDM).[4] The start of oil production is expected to significantly boost growth in the medium term and make lasting improvement in fiscal and CA balances (Text Figure 6, Box 2). Once the oil production plateaus in FY27/28, growth is projected to hover around 6 percent as the non-oil sector maintains its pre-pandemic trend growth of 6-7 percent. As COVID-19-related asset quality problems in banks dissipate, and financial market reforms and fiscal consolidation advance, credit growth should pick up.

Text Figure 6. Macroeconomic Outlook



Sources: Ugandan authorities and IMF staff calculations.

10. Risks to the growth outlook are tilted to the downside (Annex I). The 2023 AHA and subsequent ruling by the Constitutional Court in favor of keeping the Act could negatively impact official development assistance, foreign investment, and tourism in the context of an already tight external financing environment. Fiscal overruns due to a delayed start of oil production and further delays in domestic revenue mobilization reforms also pose downside risks. With mostly rain-fed agriculture, Uganda remains vulnerable to climate shocks. On the upside, positive spillovers form oil investment to the rest of the economy and an accelerated pace of structural reforms could boost output. Externally, stronger global growth and more favorable financial conditions could support external demand and help lower domestic financing costs, thereby aiding growth.

11. The inflation outlook remains benign but there are upside risks. Headline and core inflation are projected to continue their upward momentum, averaging 4.6 percent and 4.9 percent, respectively, in FY24/25 as the economic recovery strengthens, nearing the BoU's target of 5

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[4] The PDM is the authorities' strategy to boost income and welfare of Ugandans through improved access to financial services. In the first phase of implementation in FY22/23, a total of 10,585 PDM savings and credit cooperative organizations were established and fully capitalized, with 87 percent of the funds disbursed to 1.04 million households by November 2023. For details, see World Bank report on "Uganda's Parish Development Model: An Ambitious and Worthwhile Initiative if Implemented Well".

percent. Upside risks to inflation come from commodity price volatility, weather conditions, and exchange rate depreciation pressures stemming from limited capital inflows.

Authorities' Views

12. The authorities broadly agreed with staff's assessment of the macroeconomic outlook and risks. They expected economic recovery to continue in the near term, and projected non-oil growth at 7 percent over the medium term on the back of implementation of reforms and infrastructure investments, increased oil and gas sector activities, tourism, and regional trade. They agreed with staff on the risks, while adding their concerns over supply chain disruptions due to regional and global geopolitical tensions and global commodity price movements. The BoU expected inflation to rise and average between 5.0 – 5.4 percent in FY24/25 before stabilizing around 5 percent in 2025H2. They viewed risks to inflation to be mostly on the upside, reflecting concerns over uncertainty in global financial markets, energy prices, investors' sentiment, global supply chain disruptions from geopolitical conflicts, and extreme domestic weather events.

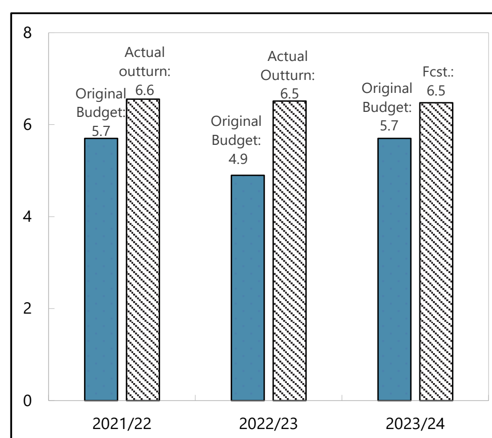
POLICIES

The authorities will need to carefully navigate external financing constraints and exchange rate pressures, while preparing for the prudent management of incoming oil revenues. Continued revenue-based fiscal consolidation, better expenditure discipline, vigilant monetary policy balancing inflationary concerns and credit recovery, and continued exchange rate flexibility should help build up buffers and improve competitiveness. Once oil production starts, the windfall revenues should be used to alleviate structural impediments to growth, improve social development and ensure inter-generational equity. Uganda should build on its recent gains in governance and financial inclusion to make more tangible progress to raise prospects for higher concessional external financing.

A. Fiscal Policy—Creating Durable Policy Space

13. The overall fiscal deficit is projected to widen to 5.8 percent of GDP in FY24/25 from 4.8 percent in FY23/24, a stance that is looser than desirable given financing costs (Text Table 3). The widening reflects a sizable increase in interest payments on domestic debt, higher wages for security personnel, and an expected over-run in other current spending in line with recent trends (Text Figure 7), countered by some projected revenue gains. There are significant downside risks regarding development spending due to possible shortfalls in disbursements of external project loans, which could result in a lower fiscal deficit. In FY24/25, the government plans to securitize the outstanding advances from the BoU

Text Figure 7. Other Current Spending
(Forecast/Outturn, Percent of GDP))



Sources: MOFPED and IMF staff calculations.

worth 3.5 percent of GDP by issuing government bonds of varying maturities at market interest rates. Going forward, it is expected that the BoU will only provide advances up to the statutory limit of 10 percent of the recurrent revenue at times of temporary shortfalls in the latter to be repaid within the relevant fiscal year.

14. Over the medium term, staff projects the fiscal deficit to decline to around 1½ percent of GDP, with the primary balance turning to surpluses. This forecast reflects the following assumptions: (i) oil revenues coming onstream in FY25/26 and generating about 2 percent of GDP in fiscal revenues annually on average over the next 15 years; (ii) a decline in interest payments from the temporary spike in FY24/25; (iii) revenue gains of 0.3 percentage points of GDP annually in line with the historical trend and driven by the implementation of the authorities' Domestic Revenue Mobilization Strategy (DRMS); and (iv) some retrenchment in other current spending. Development spending is set to remain around 5 percent of GDP in the next few years before rebounding as domestically-financed spending picks up. The projection faces a number of downside risks, most notably from higher interest rates, changes in the financing mix (higher reliance on domestic financing and less of external concessional financing), further delays in implementing the DRMS, and an inability to rein in other current spending as has been the case in recent years.

Text Table 3. Uganda: Fiscal Operations, FY23/24 – FY28/29
(Percent of GDP)

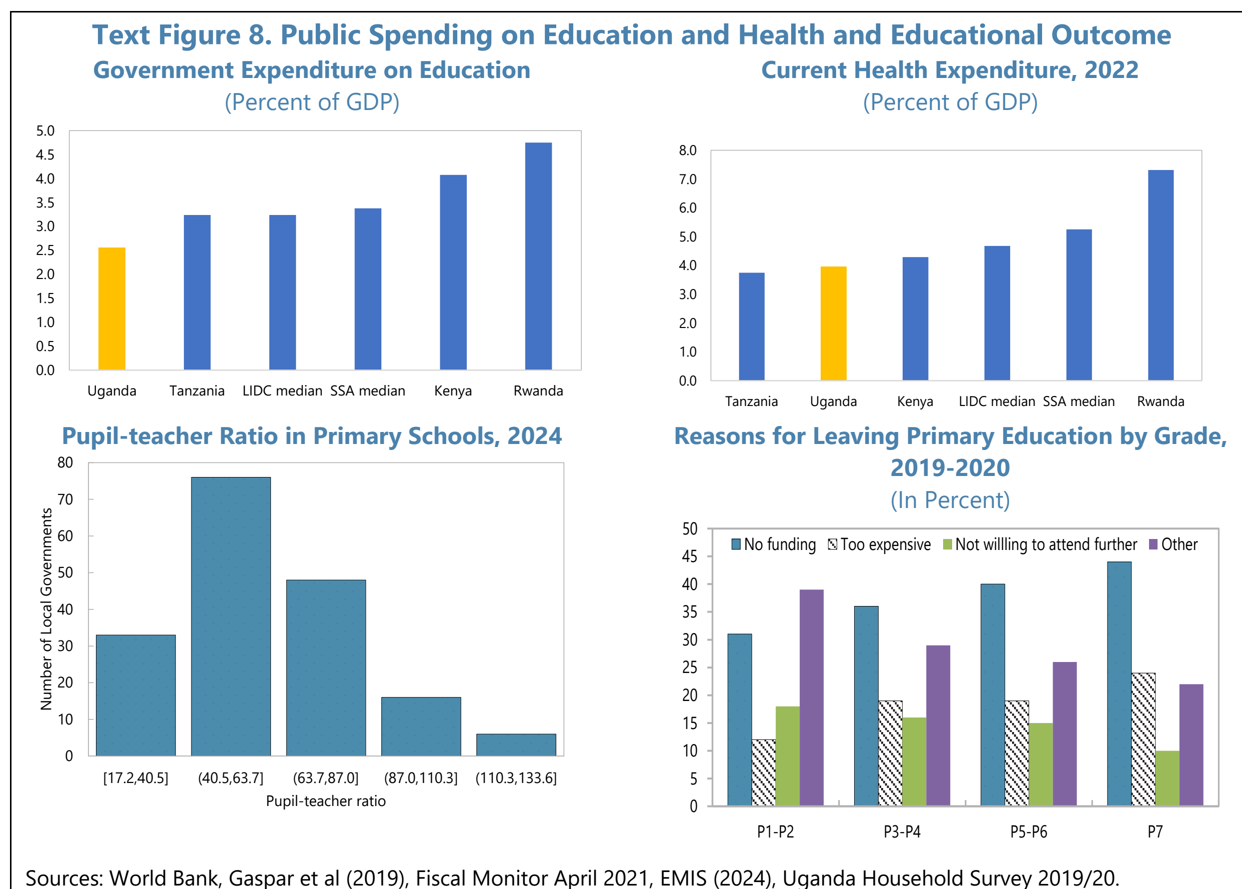
	FY23/24	FY24/25		FY25/26	FY26/27	FY27/28	FY28/29
	IMF	IMF	Auth.	IMF	IMF	IMF	IMF
Total revenue and grants	**14.3**	**14.7**	**15.7**	**16.2**	**17.5**	**17.9**	**18.3**
Revenue	13.5	13.9	14.4	15.5	16.8	17.1	17.5
Tax	12.6	13.0	13.2	13.4	13.7	14.0	14.4
Nontax	0.9	0.9	1.2	0.9	0.9	0.9	0.9
Oil revenue	0.0	0.0	0.0	1.2	2.2	2.2	2.2
Grants	0.8	0.8	1.3	0.8	0.7	0.7	0.7
Expenditures and net lending	**19.1**	**20.4**	**21.4**	**19.2**	**19.0**	**19.4**	**19.5**
Current expenditures	13.5	15.0	14.2	13.8	13.6	13.4	13.2
Wages and salaries	3.7	3.6	3.6	3.5	3.7	3.6	3.7
Interest payments	3.3	4.3	4.3	3.5	3.3	3.2	2.9
Other current	6.6	7.1	6.4	6.8	6.6	6.6	6.6
Development expenditures	5.2	5.2	6.9	5.2	5.1	5.8	6.2
Externally-financed projects	1.6	2.4	4.2	2.4	2.4	2.4	2.4
Government of Uganda investment	3.6	2.8	2.8	2.8	2.7	3.4	3.7
Net lending and investment	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Other spending (incl. arrears clearance)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Overall balance	**-4.8**	**-5.7**	**-5.7**	**-3.0**	**-1.5**	**-1.5**	**-1.3**
Primary balance	-1.5	-1.4	-1.4	0.5	1.8	1.7	1.7
Memo items:							
Social spending	3.4	3.5	3	3.3	3.2	3.2	3.3
Security spending	2.1	2.2	2	1.9	1.9	1.9	2.1
Nominal GDP, UGX bn	201,087	222,675	222,675	259,891	295,583	327,508	362,769

Sources: Ugandan authorities and IMF staff calculations.

15. Uganda's public debt is assessed to be sustainable with a moderate risk of debt distress (see accompanying Debt Sustainability Analysis). Public debt, as a share of GDP, is expected to remain at about 50 percent of GDP over the medium term. The Debt Sustainability Analysis indicates that the external debt burden and public debt indicators remain below their respective thresholds and benchmarks under the baseline scenario. The stress tests suggest breaches of the thresholds, indicating a moderate risk of overall and external debt distress.

16. Uganda faces high social spending needs which will need to be financed by a combination of higher revenues and concessional borrowing if debt is to remain sustainable. Public spending on education and health remains below those in peer countries and affordability is identified as a top constraint by primary students not completing their grades (Text Figure 8). With the population projected to more than double by 2060 from its current level of 46 million and 70 percent of that population projected to be of working age, Uganda faces enormous investment needs in education, skills, and health if it is to benefit from the demographic dividend. Expansion of the Education Management Information System (EMIS) to include teachers in public schools should help ensure appropriate budgetary allocations in the segment of the education system that sees wide differences in pupil-teacher ratio across the country.

Text Figure 8. Public Spending on Education and Health and Educational Outcome

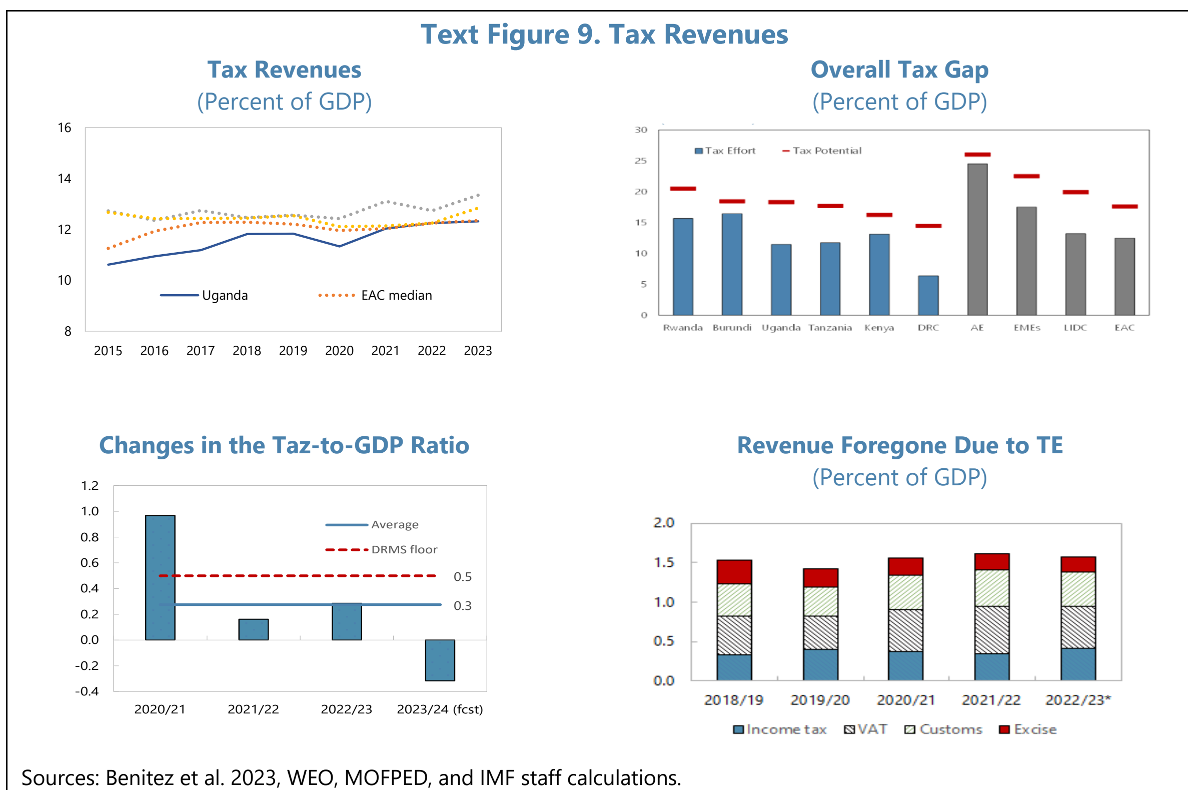


Sources: World Bank, Gaspar et al (2019), Fiscal Monitor April 2021, EMIS (2024), Uganda Household Survey 2019/20.

17. Staff stressed the need to continue with fiscal consolidation in the near term to minimize risks from higher financing costs and accommodate high social needs. This will

require stronger revenue mobilization and strengthened budgetary planning and execution. Below are the key pillars of the recommended fiscal reforms:

- ***A vigorous implementation of the DRMS through rationalization of tax expenditure, preservation and strengthening of the tax base, and improved tax administration.*** Uganda shows considerable gaps in tax collection despite high statutory rates (Text Figure 9). The authorities adopted the DRMS in 2019, aiming to raise tax revenues by 0.5 percentage of GDP annually through FY23/24, but implementation was suspended due to the COVID-19 pandemic. They have extended the current DRMS to 2027 and are undertaking a comprehensive review. Staff recommended reinvigorating reform efforts through a more forceful rationalization of tax expenditure (TE), steady implementation of administrative reforms including benefiting from IMF TA, stronger political commitment, and effective outreach and communication to secure public support of tax reforms, while aiming at a more efficient, equitable, and progressive tax regime. Uganda loses anywhere from 1½ percent of GDP (authorities' estimates) to 3-4 percent of GDP (staff's estimates) annually to untargeted TE. Rationalization of TE along with improvements in the revenue administration, such as procurement and adoption of modern information technology, capacity building, improving compliance, fighting tax evasion, and enhancing regional cooperation could create significant additional fiscal resources in the medium term. [5]



Sources: Benitez et al. 2023, WEO, MOFPED, and IMF staff calculations.

- ***Improved budget preparation and execution to contain current spending.*** Frequent adoption of supplementary budgets contradicts the stated purpose of using them only to allow

[5] For details, see Box 3 "Near-Term Revenue Reform Priorities" in the IMF Country Report No. 24/77.

for "unforeseeable and unavoidable expenditures" and leads to unplanned borrowing at less favorable terms. Weak cash management practices, to some extent reflecting inadequate organizational set-up, have undermined budgetary discipline, and, in recent years, have led to an excessive reliance on BoU financing. Operationalization of the recently approved cash management framework should help correct some of these deficiencies. There is a need for strengthening top-down budgeting by setting binding aggregate spending ceilings in the Charter for Fiscal Responsibility. Baseline and new policy costing should be an integral part of the bottom-up budget process and be used as the basis to inform budget determination and ceiling setting at the ministry level to avoid the need for budget augmentation through supplementary budgets. A closer monitoring of SOEs is also warranted given that a sizable part of the supplementary budgets in the last two years went to support ailing SOEs. Fiscal reporting would need to be further strengthened by adopting an accrual-based accounting and GFSM-2014 presentation.

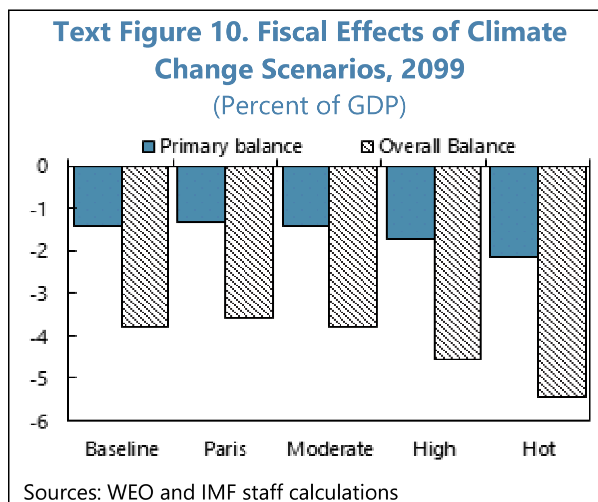
- ***Increased spending on social needs—health, education, and social assistance—following upon the objectives of the ECF.*** Social spending is projected to stagnate around 3¼ percent of GDP over the medium term. While off-budget donor support is providing much-needed assistance, particularly in the health sector, higher budgetary allocation for education and social assistance are needed to address key weaknesses in educational outcomes, fight poverty and close gender gaps. This should be financed through a broader reprioritization of the budget and addressing the capacity constraint issues which currently result in under-execution of budgeted resources in these areas (see ¶19). The dominant social and economic programs of the past decade have suffered budgetary cuts, while new initiatives are being adopted (Box 3).

- ***Putting in place a rules-based framework for management of oil revenues, aimed at securing fiscal sustainability, promoting financial prudence, and fostering economic growth.*** The authorities have set up the Petroleum Fund (PF) to collect oil-related fiscal revenues that are either allocated to the budget or to the Petroleum Revenue Investment Reserve (PRIR), Uganda's sovereign wealth fund, managed by the BoU, under an Investment Policy set by the Government. With the help of the Fund TA, the authorities are developing a framework, under which the annual transfer from the PF to the budget would be capped at 0.8 percent of the previous year's non-oil GDP, an amount judged to be roughly equivalent to the fiscal space brought about by oil, annualized over the lifetime of the oil project. Such a policy of saving excess oil revenue should help shield the budget from the variation in oil revenue due to both the time profile of expected oil revenues and the uncertainty of actual prices and production and ensure that debt-to-GDP ratio stays below a nominal debt ceiling of 50 percent of GDP, while allowing for a buffer.[6] However, this hinges on finalizing an appropriate framework, implementing it, and improving broader budgetary framework (see bullet above).

[6] An IMF Working Paper (WP/23/230), "A New Fiscal Framework for Resource-Rich Countries," calls for simple and easy-to-monitor fiscal rules that commit governments to fiscal disciple in a credible manner, while allowing enough flexibility to withstand large shocks, such as financial asset floor or debt ceiling that would constitute sound fiscal anchors.

18. Uganda is exposed to climate change and natural hazards. The frequency and impact of floods and droughts increases Uganda's vulnerability to climate change given high poverty levels and reliance on rain-fed agriculture. A long-term fiscal analysis undertaken during the Climate Public Investment Management Assessment (C-PIMA) estimated that by the end of the century, the loss in GDP could surpass 4 percentage points and the primary deficit could be 0.7 percent of GDP worse than estimated in the baseline, raising public debt by over 18 percent of GDP (Text Figure 10). The estimated costs of addressing these challenges and achieving the targets outlined in the Nationally Determined Contribution reports are estimated at over US$17 billion. Several reform priorities in the PFM area to help overcome these challenges were identified by the C-PIMA (Text Table 4).

Text Figure 10. Fiscal Effects of Climate Change Scenarios, 2099
(Percent of GDP)



Sources: WEO and IMF staff calculations

Text Table 4. Uganda: C-PIMA Summary Assessment

	Strength	Reform Priority	Comments
Climate-aware planning	High	Low	High. Uganda has a comprehensive framework for strategic planning and NDC objectives and targets are effectively integrated in this framework, but there is no legal requirement that climate aspects be explicitly included in land use planning.
Coordination across public sector	High	Low	High. There are strong mechanisms for coordination of decision-making on climate-sensitive central government investments, including a climate certification process for annual work programs and the overall budget. All major projects in districts and public corporations are financed by the central government and subject to the same procedures as central government investments.
Project appraisal and selection	Low	High	Low. Uganda has a strong project appraisal framework for projects and public-private partnerships (PPPs), but it does not reference or require consideration of climate change. Individual agencies are addressing this in an ad hoc manner, but an approach needs to be mandated and standardized. Standard criteria for project selection exist but do not specifically include climate change-related parameters.
Budgeting and Portfolio management	Low	High	Low. Some climate change related projects can be identified in the budget documentation, but information can only be consolidated manually, as the tagging mechanism is yet to provide a reliable figure. Ex-post reviews or audits of major investment projects of climate change mitigation or adaptation outcomes are not conducted. Steps have been taken to improve the asset registers for General Government, but these are yet to have reliable information and do not include climate aspects.
Risk management	Medium	Medium	Medium. Uganda's DRM framework does not systematically analyze climate change fiscal risks related to public infrastructure. Although there is a budget contingency to cover the impact of natural disasters, including on public infrastructure, there is no comprehensive disaster financing strategy. The FRS does not analyze climate change fiscal risks to public infrastructure assets.

Source: C-PIMA report (2024).

Authorities' Views

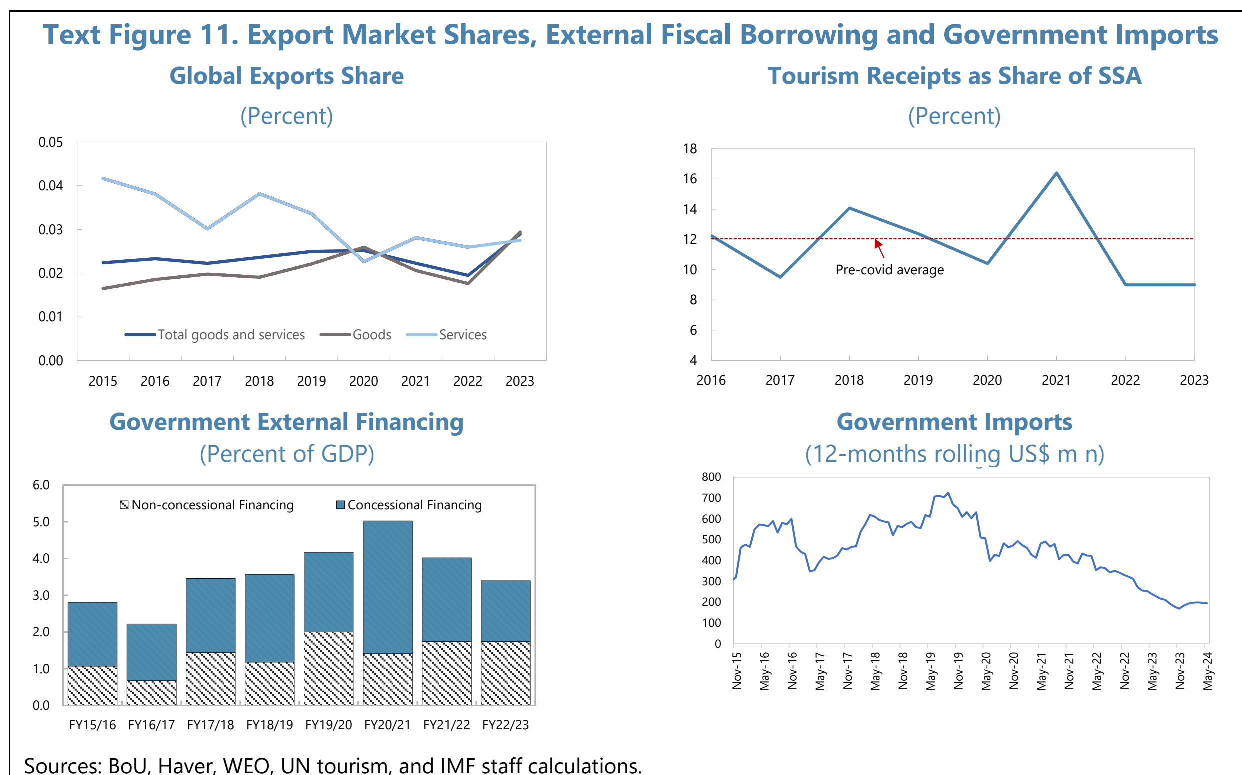
19. The authorities agreed with the need for stronger revenue mobilization and expenditure control to create durable fiscal space. They reiterated their intention to strengthen implementation of the DRMS but underscored that strategies to rationalize the TE should be informed by rigorous quantitative analysis. The authorities project stronger growth in domestic revenues, faster retrenchment in other current spending starting already in FY24/25 and are more

optimistic on external project support. They noted that execution of spending on education and health has faced capacity constraints, leading to the crowding out of on-budget spending by off-budget donor support, monitoring of which has proven to be difficult. They agreed that the planned diagnostics of under-execution of social spending could address the challenges in this area. The authorities argue that financing challenges are, to a large extent, reflective of the global financial environment, with elevated interest rates and subdued capital flows to developing countries, while appetite and capacity to absorb government debt by the domestic market remains strong. They flagged their strong interest in climate-impact mitigating reforms and financing and are working with the World Bank on the Country Climate and Development Report.

B. Exchange Rate and External Sector Policies—Ensuring Competitiveness and Building Buffers

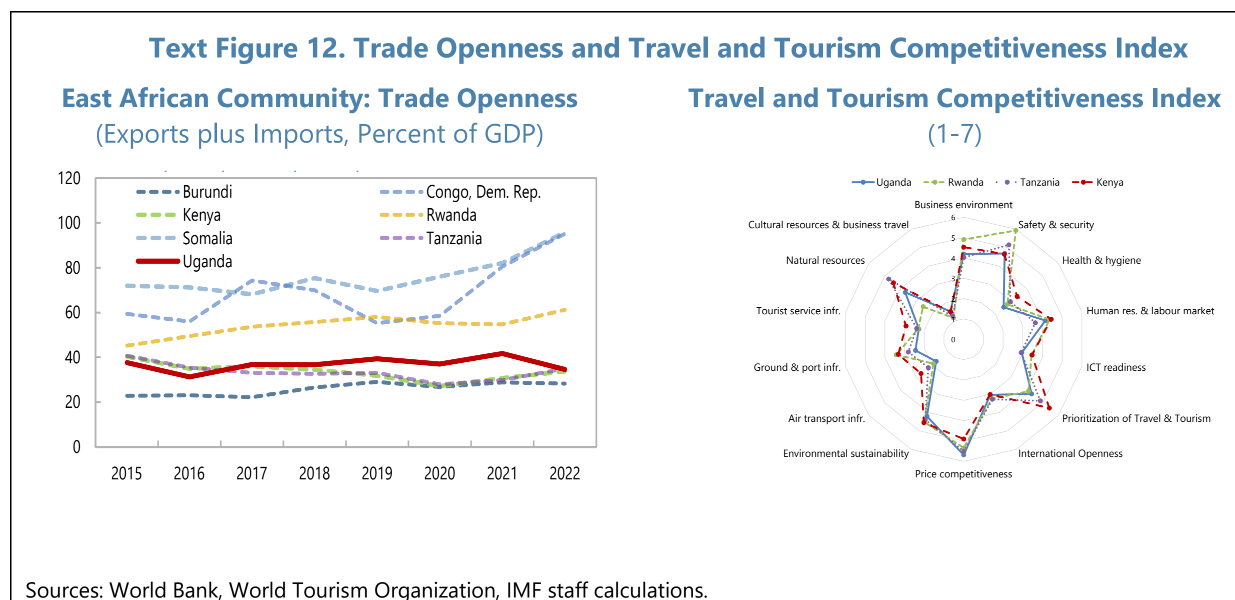
20. Uganda's external position is assessed to be moderately weaker than the level implied by the fundamentals and policies (Annex II). The 2023 EBA assessment based on the current account model suggests that the REER was overvalued by 10.9 percent, down from 21.7 percent in 2022, although there are considerable uncertainties surrounding these estimates. Other indicators, such as global export market share and tourism receipts, which remain below their pre-COVID 19 averages, also point to a weaker external position (Text Figure 11). The recent recovery in exports has largely benefited from the resumption of gold re-exports, which accounted for about 40 percent of goods exports, although the net contribution of gold to the trade balance has been close to zero.

Text Figure 11. Export Market Shares, External Fiscal Borrowing and Government Imports



Sources: BoU, Haver, WEO, UN tourism, and IMF staff calculations.

Text Figure 12. Trade Openness and Travel and Tourism Competitiveness Index



Sources: World Bank, World Tourism Organization, IMF staff calculations.

21. Uganda needs to rebuild its buffers through exchange rate flexibility and stepped-up FX purchases. Reserve buffers are critical to anchoring investor confidence and ensuring macro stability in a shock-prone world. The IMF's reserve adequacy metric for credit-constrained economies indicates that the adequate level of reserves, which takes into account the cost of carrying reserves, probability of a large shock event, and the cost of a sudden stop, should provide import coverage of 3.5 – 4.6 months of imports. To replace the shortfall in government external borrowing, the BoU signed an 18-month FX swap arrangement of US$400 million with two local banks in July 2024, which helped boost FX reserves to US$3.6 bn (3.2 months of imports coverage, excluding oil projects related imports). While the FX swap provides a temporary buffer, it should be unwound upon expiration given the high cost (SOFR+380 basis points). The authorities also plan to purchase gold from local artisanal miners to help replenish reserves in the medium-term, for which appropriate certification will need to be in place. Details for this plan are not yet available. Policy adjustment, including further reduction in government imports, along with stepped up FX purchases and greater exchange rate flexibility are needed for more sustained strengthening of reserve buffers. Greater exchange rate flexibility would not only support competitiveness and external buffers, but would also allow for a more data-driven monetary policy (see paragraph 25). Any intervention in the FX market should be limited to addressing disorderly conditions in the FX market (Annex III).

22. Regional trade integration and modernization of the coffee and tourism sectors are needed to boost external competitiveness. Uganda's overall trade openness is lower than that of some regional peers. There remains ample scope for strengthening regional trade integration through implementation of the African Continental Free Trade Agreement, including by lowering tariffs and non-tariff barriers and adopting trade facilitation measures which could boost GDP by 3.3 percent over the medium term.[7] Coffee has been the leading agricultural export in Uganda, and

[7] "Growth, Trade, and Transformation- A Country Economic Memorandum for Uganda", World Bank, 2024

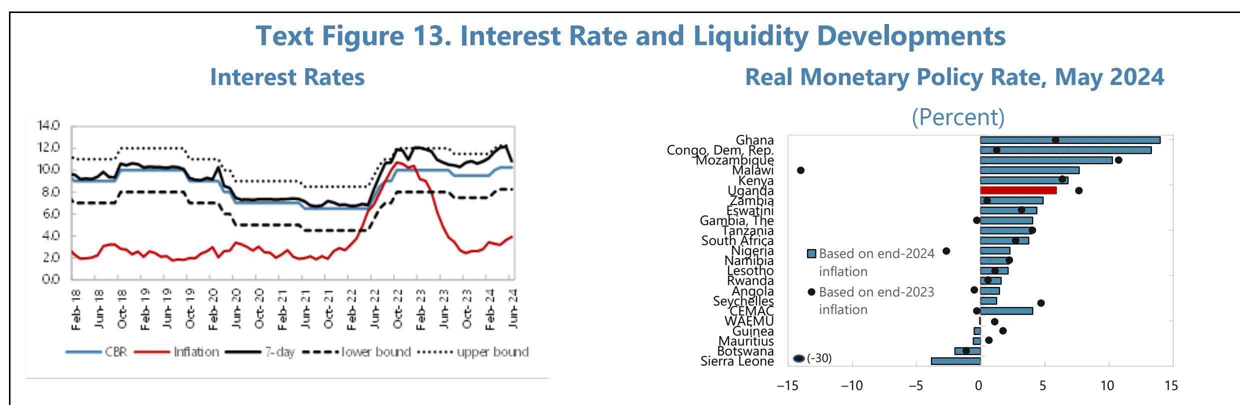
further upgrading and branding, supported by government training in sustainable coffee farming, could help boost its global market share. Uganda's tourism sector has a high potential given its natural resource endowment; however, poor infrastructure and human rights challenges undermines the sector's development (Text Figure 12). More proactive government policies in addressing these bottlenecks will be critical to boost tourism revenues.

Authorities' Views

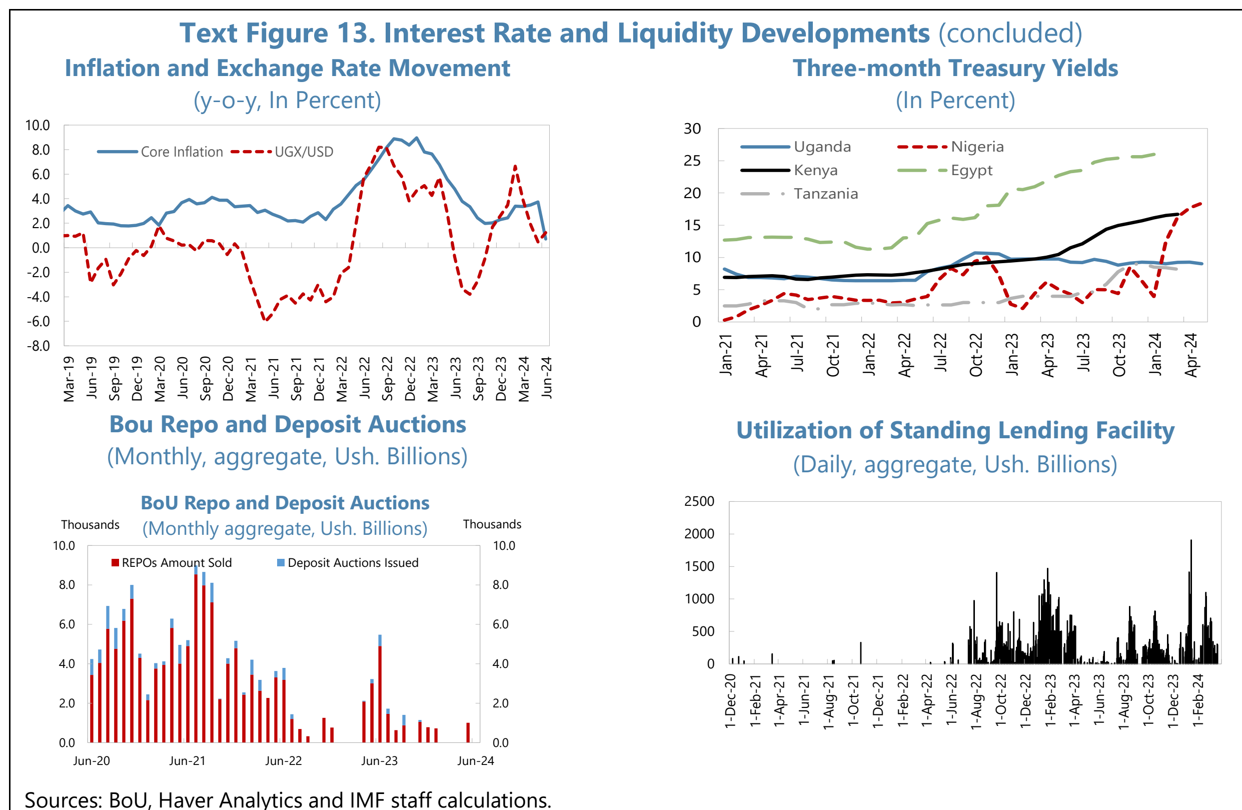
23. The authorities agreed that the exchange rate was overvalued but viewed the degree of overvaluation to be smaller and cautioned about large uncertainty around the estimates. They viewed the exchange rate as fully flexible and emphasized that future FX purchases would continue to depend on market conditions. They saw limited room for further cuts in government imports due to substantial reductions in recent years. The authorities agreed that further regional trade integration and upgrade of the coffee industry will boost economic growth, and more proactive policies are needed to support tourism development.

C. Monetary and Financial Sector Policies—Safeguarding Price and Financial Sector Stability and Promoting Financial Inclusion

24. The monetary policy stance is appropriately tight. The real interest rate, currently around 7 percent, is higher than the estimated neutral rate of 4.5 percent. This aligns Uganda with the majority of countries in the region that have adopted a cautious monetary policy stance facing unfavorable external financing conditions and large uncertainties. In addition, system-wide liquidity was also tightened following the increase in the cash reserve ratio in June 2022, with excess reserves declining and a notable uptick in banks tapping the BoU's lending facility. This, in turn, pushed the 7-day interbank interest rate—the BoU's operating target—toward the upper bound of the interest rate corridor, effectively tightening the monetary stance even further. A tight policy stance has been warranted considering upside risks to inflation from exchange rate pressures, high external uncertainties, elevated interest rates in the region and globally, and low FX buffers (Text Figure 13).



Text Figure 13. Interest Rate and Liquidity Developments (concluded)

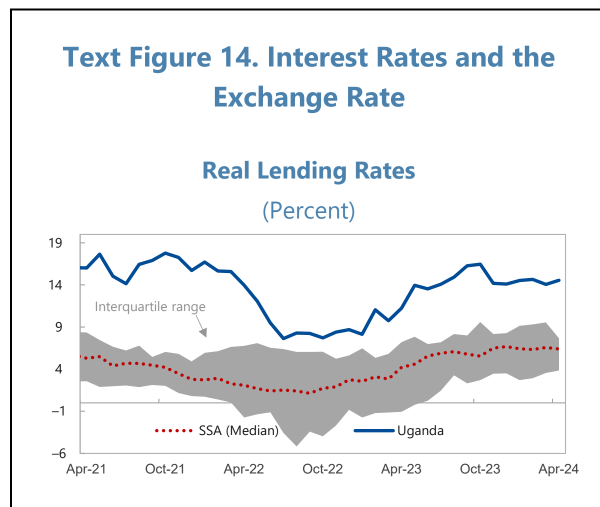


Sources: BoU, Haver Analytics and IMF staff calculations.

25. Going forward, monetary policy should stay data dependent. The BoU should stand ready to adjust its stance striking a balance between price stability, external sector pressures and credit growth. The pass-through of the exchange rate to inflation appears to be high, although there are uncertainties regarding the estimates (Annex III). Once upside risks to inflation recede, monetary policy could ease gradually, facilitating private sector credit recovery, while allowing for greater exchange rate flexibility to ensure a more competitive external position.

26. Continued efforts are needed to enhance monetary policy transmission. Transmission via the credit channel remains weak and works mainly in the long run as evidenced by high and persistent real lending rates, which trended upwards since the pandemic (Text Figure 14).[8] The private sector credit to GDP ratio has been low, fluctuating between 11- 13 percent over the past decade. To strengthen transmission, facilitation of the recovery of bad loans and collateral and addressing information asymmetry

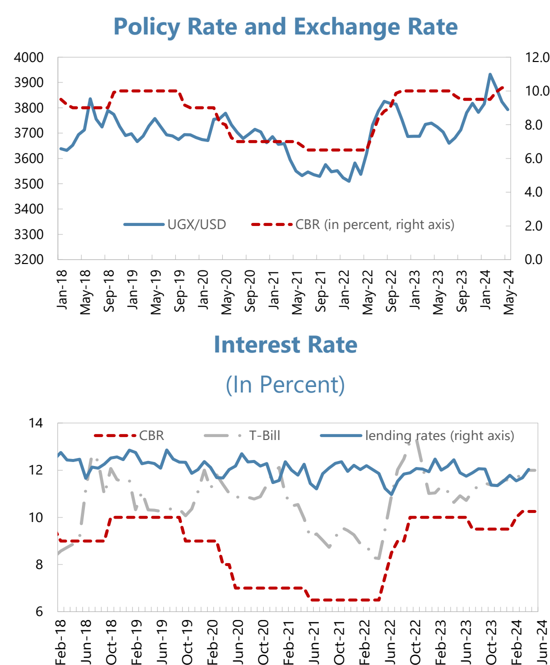
Text Figure 14. Interest Rates and the Exchange Rate



[8] See Selected Issues Paper on Uganda's Monetary Policy transmission.

in the absence of a comprehensive credit registry are critical. In this regard, ongoing Fund TA on monetary policy communication and structural reforms under the ECF to clarify the ownership structure of the financial data collected by the Central Data Hub, are expected to help.

Text Figure 14. Interest Rates and the Exchange Rate (concluded)



Sources: Haver and BoU.

27. Uganda has made significant progress in increasing financial inclusion. Access to formal financial services has substantially increased to include 68 percent of population since the implementation of the first National Financial Inclusion Strategy (Annex II, 2023 Staff Report 5th Review).[9] The authorities are currently undertaking several initiatives, including the introduction of agent banking to promote customer convenience and reduce transaction costs, and amendments to the Credit Reference Bureau (adopted in 2022 as part of an ECF Structural Benchmark) to expand the coverage of the credit registry. Steady implementation of the second National Financial Inclusion Strategy will help develop an inclusive green finance market and promote gender-inclusive finance. Moreover, other government initiatives, such as the financial inclusion pillar in the PDM, could be leveraged to bring financial services closer to the broader grassroots level.

28. The banking sector remains fundamentally sound (Table 5). While two financial institutions were placed under liquidation early this year, banks continue to maintain strong capital positions and ample liquidity buffers at the aggregate level.[10] Among regional peers, Uganda's core capital to risk-weighted assets ratio is the highest (Text Figure 15). Asset quality is strong, with the aggregate NPL ratio at around 5 percent. The implementation of macroprudential measures and risk-based supervision continues to strengthen the resilience of the system.[11] In the past ten years,

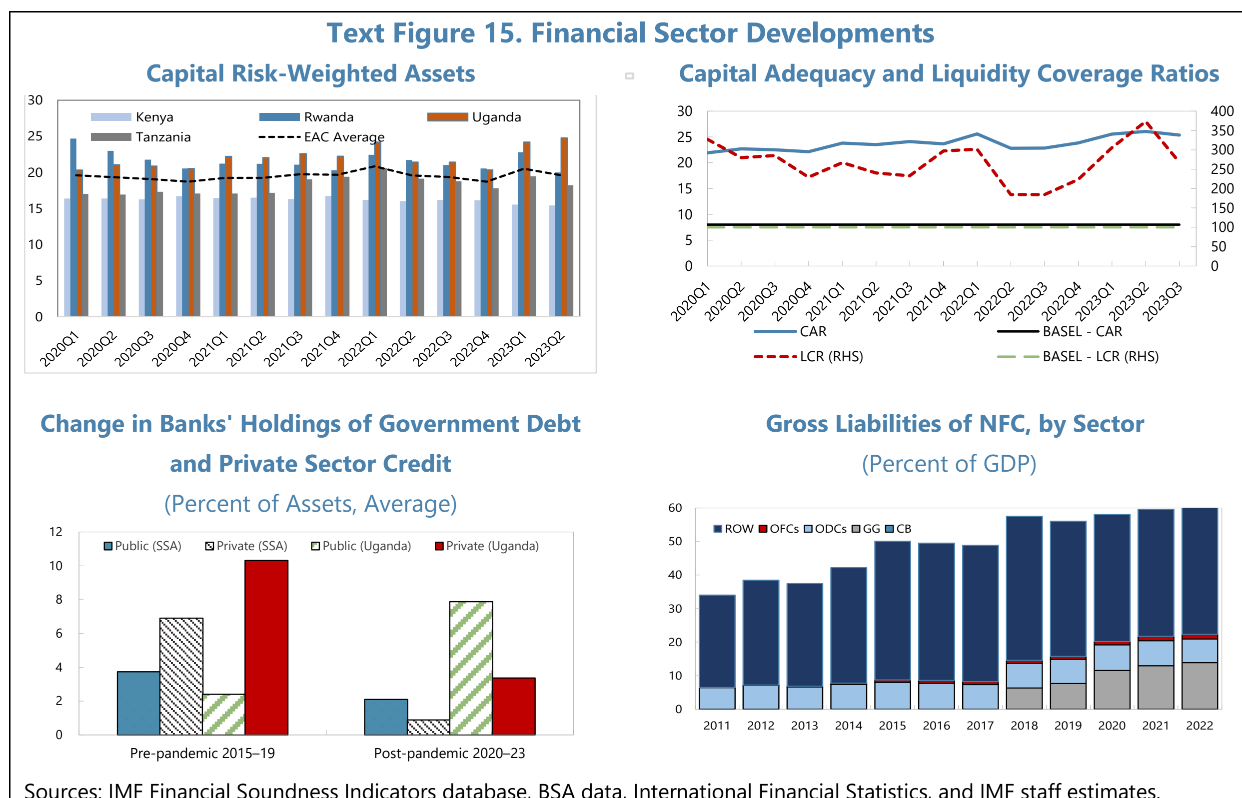
[9] For details, see Annex 2 "Financial Inclusion in Uganda" in the IMF Country Report No. 24/77.

[10] The BoU placed EFC Uganda Limited (a deposit taking microfinance institution) under liquidation on January 19, 2024, due to the institution's failure to resolve undercapitalization and poor governance. On June 18, 2024, Mercantile Credit Bank Limited was placed under liquidation due to concerns over the bank's undercapitalization, poor governance, and insolvency. The closure of these banks was primarily attributed to their inability to meet the BoU's new increased minimum paid-up capital requirements by June 30, 2024. The increase in the new capital requirements reflect BoU's continued commitment to strengthen the system's resiliency to absorb shocks in the economy.

[11] These include the revised Financial Institutions (Liquidity) Regulations that was gazetted in August 2023, the Internal Liquidity Adequacy Assessment Process, and introduction of Basel III's LCR and net stable funding ratio. In addition, the Financial Sector Stability Forum approved a sector-wide Financial Sector Crisis Management Plan in December 2022 to enhance its capacity to manage financial distress.

the authorities' implementation of the key recommendations of the 2012 Financial Sector Assessment Program (FSAP) also contributed to the overall solid performance of the banking system.[12] In 2022, the BoU introduced a systemic risk buffer for systemically important domestic banks, capital conservation buffer, countercyclical capital buffer, and leverage ratio to ensure the banking system's resilience against credit risks.

Text Figure 15. Financial Sector Developments



Sources: IMF Financial Soundness Indicators database, BSA data, International Financial Statistics, and IMF staff estimates.

29. The growing sovereign-bank nexus poses concerns, especially in the context of low financial intermediation. Banks' holdings of government debt as percent of their total assets have significantly risen since the pandemic from 21 percent in 2019 to 29 percent in 2023, which could be attributed to structural, regulatory, and cyclical factors. As elsewhere in the region, Ugandan banks' exposure to the private sector increased much faster than their exposure to the government before the pandemic (2015-19). However, since the pandemic, the trend has reversed (Text Figure 15).[13] Similar to regional trends, the sovereign's limited access to international financing has intensified the rising government-bank nexus, resulting in elevated interest rates and contributing to subdued private sector credit growth.[14] It also poses potential credit and liquidity concerns for banks in times of financial strain or sovereign credit downgrade.[15] Meanwhile, the shallow capital market in

[12] The key recommendations of the 2012 FSAP include strengthening and upgrading its frameworks on: banking regulation and supervision; corporate governance; financial safety net and crisis management resolution; liquidity management; and national payments system.

[13] See Selected Issues Paper on Macro-financial linkages in Uganda through the lens of Balance Sheet Analysis.

[14] See Regional Economic Outlook for Sub-Saharan Africa, April 2024 | A Tepid and Pricey Recovery.

[15] The Fitch Ratings' recent negative investment grade outlook, reflecting public financial management shortfalls, financing and liquidity pressures amid high government interest payments, highlights the importance of carefully monitoring the growing sovereign-bank nexus in the country.

Uganda with low diversification underscores the need to enhance the market's absorptive capacity and broaden the investor base to mitigate risks associated with the growing sovereign-bank nexus.[16]

30. The substantial cross-border exposure of the NFC sector warrants close surveillance. The NFCs are one of the important sectors in Uganda, with total assets and liabilities estimated to be about 14 percent and 60 percent of GDP, respectively.[17] The bulk of NFC sector's liabilities is held by the rest of the world sector (Text Figure 15, Box 4). While the NFC sector's cross-border exposure is mainly through FDI, which is considered a stable form of external financing, downside risks from large and abrupt exchange rate depreciation could lead to faster profit repatriation or retrenchment with negative implications for the external sector.

Authorities' Views

31. The authorities assessed the current monetary policy stance as appropriate to keep inflation close to the medium-term target while supporting economic growth. Future policy actions will remain data dependent. While recognizing the tight liquidity conditions in the financial system, the authorities assessed financial market activity as robust, and the transmission of the policy rate to the interbank market as strong. They also considered the credit channel of monetary policy transmission as robust, corroborated by their household-level study, but recognized downward stickiness in the lending rate in response to movements in the policy rate. They agreed that fiscal consolidation and efforts to reduce information asymmetry and deepen financial markets as key to enhancing monetary policy transmission. On the growing sovereign-bank nexus, the authorities did not express immediate concerns since banks' holdings of government debt remain sustainable relative to the size of their balance sheets. They shared, however, staff's concern about crowding out of private credit while underscoring the importance of capturing non-bank lending to private sector given various government's initiatives to support private sector financing through the Uganda Development Bank, a non-deposit taking financial institution.

D. Structural Reforms—Accelerating Economic Transformation Toward Inclusive Sustainable Private Sector-Led Growth

32. The authorities undertook reforms under the ECF to promote inclusive growth and financial inclusion and address governance and corruption vulnerabilities. Key reforms included enhancing budgetary transparency, strengthening AML/CFT regimes, bolstering banking sector resilience, and advancing financial inclusion. Additionally, staff advocated for efforts to streamline business registration, improve contract enforcement, and foster trade integration within regional frameworks (Box 5).

33. Despite progress, a large and unfinished agenda remains. Over-arching policies are needed to enhance human capital, improve public infrastructure, tackle corruption, and ease

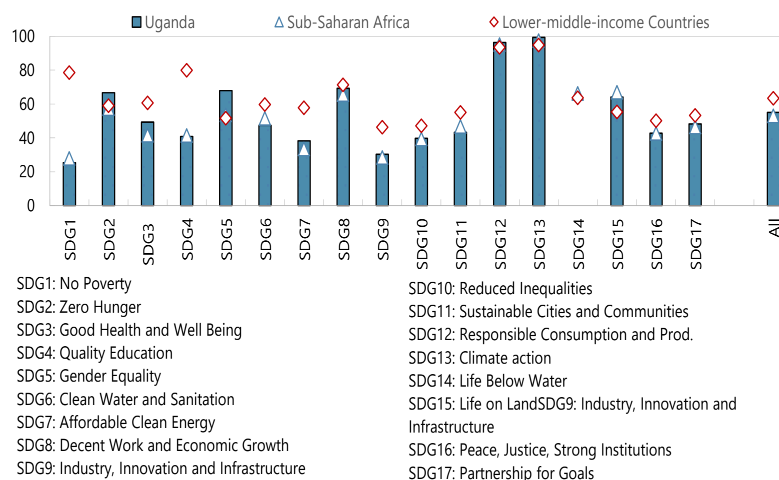
[16] Banks and pension funds are the only dominant investors in Uganda.
[17] Source: 2022 Balance Sheet Approach (BSA) Matrix

constraints to doing business to create sufficient jobs and improve living standards. These are strategic objectives of the government's National Development Plan (NDPIV) aligned with the UN's 2015 Sustainable Development Goals (SDGs) and Vision 2040 (Text Figure 16). Unemployment, particularly youth unemployment, remains stubbornly high. About 40 percent of population aged 18-30 years are neither in school, training, or employment. [18]

34. Notable weaknesses persist in multiple areas of governance.

- **Corruption:** Uganda has a relatively developed anti-corruption legal framework, yet enforcement is weak, due to the lack of independence of anti-corruption institutions resources, coordination, and low morale. Whistleblower protections are ineffective, government data is not readily accessible, and civic space has been shrinking. Meanwhile, severe crackdown on anti-corruption dissenters prevents stakeholder participation in anti-corruption efforts. Judicial independence, integrity, and efficiency are weak. The backlog of cases is significant.

Text Figure 16. Sustainable Development Goal Score, 2023



Source: Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). Implementing the SDG Stimulus. Sustainable Development Report 2023. Paris: SDSN, Dublin: Dublin University Press, 2023. 10.25546/102924

- **Regulatory framework:** There are weaknesses in the regulatory framework posing structural impediments to sustainable growth (e.g., distortive taxes/subsidies and market dominance resulting in lack of domestic competition; [19] a decline in the regulatory quality over the last decade [20]), as well as in public engagement on new legislation and ease of doing business. There is also scope to lower tariffs and non-tariff barriers to enhance regional and global trade integration.

[18] See Selected Issues Paper "Reducing Informality to Raise Productivity and Promote Inclusion in Uganda."

[19] Global Competitiveness Report, 2019.

[20] Daniel Kaufmann and Aart Kraay (2023), Worldwide Governance Indicators.

- **Rule of law:** The lack of transparency in judicial decisions, combined with poor court infrastructure, weak institutional and case management are significant challenges, hampering, among other things, the enforcement of property rights and private sector investment.

35. To strengthen anti-corruption frameworks, future interventions should focus on institutional support to enhance its independence, efficiency, and effectiveness. Addressing perceptions of impunity of top-level officials will be critical. Linked interventions among anti-corruption institutions have improved collaboration for investigation and prosecution, but continued efforts are needed to address overlapping mandates, resource competition, lack of stakeholder engagement, and public perception challenges. The tripartite approach involving the Public Accounts Committee, the Office of the Auditor General, and the Public Procurement and Disposal of Assets Authority needs further capacity building to address significant backlogs. Effective feedback mechanisms to respond to citizen complaints should be put in place and digital technologies should be leveraged to automate services and reduce corruption opportunities.

36. Uganda exited the FATF grey-list in February 2024, having addressed key AML/CFT deficiencies identified in 2020. Key AML/CFT program achievements include the establishment of legal and regulatory mechanisms for timely access to beneficial ownership information for competent authorities and the development of a risk-based approach to AML/CFT supervision of the financial and DNFBP sectors (Box 5). The authorities have also strengthened the BoU's AML/CFT supervisory capacity. Supported by Fund TA, the authorities have developed and implemented a risk-based supervision manual and risk assessment tools. Staff will continue to support the authorities with TA to further strengthen these tools and develop related supervisory policies and procedures.

37. The authorities are implementing recommendations of the 2021 safeguards assessment. The BoU has strengthened currency operations and is revisiting internal regulations to safeguard the independence of the audit committee. Recent changes in the regulations to the PFM Act introduced stronger safeguards for the BoU's credit to government by ensuring a comprehensive definition of the BoU advances inclusive of redemption of government securities. However, comprehensive amendments to the BoU Act recommended by the 2021 assessment remain critical to strengthen central bank autonomy and governance arrangements, and the BoU should continue efforts to reform the law and implement remaining safeguards recommendations.

Authorities' Views

38. The authorities broadly agreed with staff's assessment. They acknowledged that innovative and transformative policy actions, better prioritization, and closure of implementation gaps were necessary to accelerate the envisaged socio-economic transformation of Uganda's economy. They also recognized the importance stronger governance for private sector development and the successful NDPIV implementation. Inadequate resourcing, both in terms of funding and staffing, had a major impact on caseloads at the courts. The authorities are committed to continuing efforts to implement outstanding recommendations of the 2021 safeguards assessment.

OTHER ISSUES

39. Capacity development (CD) and statistical issues. The CD agenda is well-aligned with the authorities' reform program (Annex IV). Broadly speaking, priorities for the medium term include revenue mobilization, public financial management (including a framework for managing oil revenues), financial supervision and regulation, digitalization, governance and financial integrity, and climate change adaptation. Data provision is broadly adequate for surveillance and program monitoring (Annex V).

STAFF APPRAISAL

40. Economic recovery continues to strengthen, with medium-term prospects boosted by the envisaged start of oil production in 2025. Growth remains robust, supported by low inflation, a favorable agricultural season, and strong activity in the industry and services sectors. Higher coffee and gold exports and oil project-related FDI are bolstering the external sector. Oil production, expected to begin in late 2025, is projected to significantly boost growth and make durable improvements in fiscal and external balances. Inflation is expected to converge to the BoU's target in 2025. Private sector credit growth remains sluggish but is anticipated to pick up as the economic recovery consolidates and the oil sector stimulates credit demand.

41. Risks are tilted to the downside. The Constitutional Court's ruling on the AHA and tight external financing environment continue to weigh on the outlook. A delay of oil production and slower-than-expected implementation of reforms pose other downside risks. With mostly rain-fed agriculture, Uganda remains vulnerable to climate shocks. Broader economic impact from the oil sector investments, favorable weather for agricultural harvests, accelerated structural reforms, and improved global economic conditions could improve the outlook.

42. Strong efforts are needed to create durable fiscal space. Uganda's debt is sustainable with a moderate risk of debt distress. However, given significant spending needs to improve human capital and infrastructure and cope with climate-related shocks, Uganda needs to create fiscal space through strengthened domestic revenue mobilization and expenditure restraint. This will require a more forceful rationalization of tax incentives, stepped up administrative reforms, a sound budgetary and cash management process, and structural reforms to attract concessional external financing. A prudent fiscal management framework is needed to ensure effective use of oil resources once oil production starts, with part of the oil revenues used to scale up much needed growth-supporting and social spending, and the rest saved to ensure inter-generational equity.

43. Data-dependent monetary policy should balance inflationary concerns, external pressures, and credit recovery. The BoU's tight policy stance has helped anchor inflation expectations. Considering the recent pickup in inflation, the BoU should continue closely monitoring price developments while allowing for exchange rate adjustments to ensure competitiveness. Once upside risks to inflation recede, monetary policy stance could ease gradually to support credit

growth. In the near term, stepped-up FX purchases are needed to ensure an adequate level of the FX reserves.

44. The financial sector remains resilient, but potential macro-financial risks warrant close surveillance. The banking sector is well-capitalized and liquid at the aggregate level, and the implementation of macroprudential measures and risk-based supervision has strengthened its resiliency. However, the rapid increase in the sovereign-bank nexus and the significant cross-border exposure of NFCs need close monitoring. Multifaceted efforts are needed to continue enhancing financial inclusion.

45. Accelerating structural reforms is imperative to achieve inclusive, sustainable, and private sector-led growth. Efforts to address financial integrity, corruption, and governance deficiencies need to continue. Uganda has made commendable progress in addressing key AML/CFT strategic deficiencies, resulting in a successful exit from the FATF grey-list in February 2024. Nevertheless, the authorities should continue addressing remaining shortcomings. Urgency to address issues that prevent the proper enforcement of the anti-corruption framework is critical to prevent social unrest and address widespread distrust with the government's anti-corruption efforts. Greater fiscal transparency will help improve accountability, tax compliance, and the efficiency of public spending. Regulatory reforms to reduce the costs of doing business will boost private sector development. Full implementation of the 2021 Safeguards Assessment recommendations will help strengthen the independence of the BoU.

46. It is proposed that the next Article IV consultation with Uganda take place on the standard 12-month cycle.

Box 1. Uganda: Fiscal Consolidation Under the 2021-2024 ECF

Uganda has achieved significant fiscal consolidation under the 2021-24 ECF arrangement. After peaking at around 9 percent of GDP in FY20/21, the overall fiscal deficit is projected to decline to 4.8 percent in FY23/24, comparable to the pre-pandemic levels. The rebound in the primary balance is even stronger.

The composition of fiscal adjustment, however, has been quite different from what was originally envisaged. The ECF envisaged a consolidation of 5.4 percent of GDP driven by higher domestic revenues, reduction in current and domestically-financed development spending, accompanied by an increase in externally-financed development spending. The actual improvement at 4.8 percent of GDP was mainly driven by a decrease in both domestically- and externally-financed development spending (close to 5 percent of GDP) and rather small gains in domestic tax revenues, partly offset by an increase in the current spending (1.1 percent of GDP).

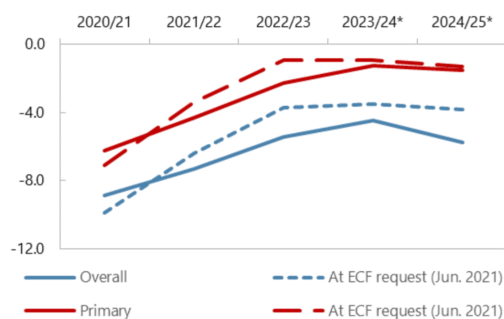
Fiscal Consolidation in FY2020/21 – 23/24
(Percent of GDP)

	FY20/21	FY23/24	Change	Forecasted Change. ECF Approval
Revenues and Grants	**14.7**	**14.3**	**-0.4**	**0.6**
Domestic Revenue	13.4	13.5	0.2	1.5
Budget Support Grants	0.4	0.0	-0.4	-0.4
Project Grants	0.9	0.7	-0.2	-0.5
Expenditures	**23.6**	**19.1**	**-4.5**	**-4.8**
Wages and salaries	3.5	3.7	0.2	-0.3
Interest payments	2.6	3.3	0.6	0.0
Other current spending	6.3	6.6	0.2	-1.0
Externally-financed development spending	3.7	1.6	-2.1	0.4
Domestically-financed development spendinc	6.5	3.6	-2.8	-3.0
Net lending, arrears clearance	1.0	0.3	-0.6	-0.9
Overall balance	**-8.9**	**-4.8**	**4.1**	**5.4**
Primary balance	**-6.3**	**-1.5**	**4.8**	**5.4**

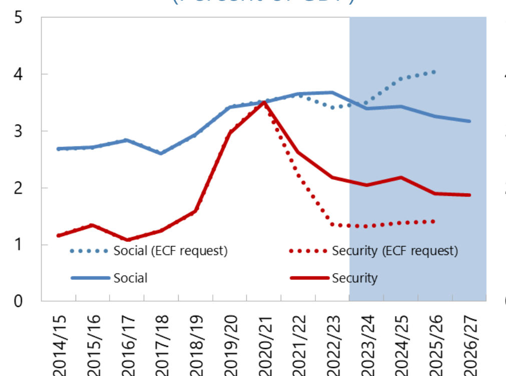
Source MoFPED and IMF staff calculations.

Likewise, reorientation of spending from security to social objectives has been achieved but to a lesser degree than the original program objectives. The authorities continue to grapple with under-execution of social spending due to weak absorptive capacity and planning inefficiencies.

Fiscal Balances
(Percent of GDP)



Social and Security Spending
(Percent of GDP)



Sources: MoFPED and IMF staff calculations.

Box 2. Uganda: Impact of Oil Production on the MT Outlook

Oil production in Uganda is poised to commence in late 2025. The Uganda Oil Project encompasses 14 oil fields located in the Lake Albert region of Western Uganda, along with a 1500-km long crude oil pipeline stretching from Lake Albert to the port of Tanga in Tanzania, and the establishment of an oil refinery. The joint venture of oil companies reached its final investment decision (FID) regarding the extraction and transportation of crude oil in early 2022.

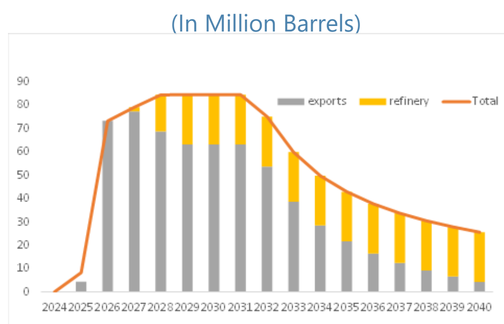
Oil production is anticipated to ramp up swiftly to its full capacity before gradually declining beginning in 2032. Expected to commence in 2025, Uganda's oil production is projected to swiftly reach its peak capacity, estimated at around 84.4 million barrels annually. The refinery, slated to become operational in 2027, is expected to achieve a peak capacity of approximately 21 million barrels per year. However, critical milestones, including the final investment decision on the refinery and securing financing, remain pending. Substantial investment is anticipated for various aspects of oil production, including upstream development, the construction of the oil pipeline and refinery, as well as additional infrastructure such as roads and an airport. Additionally, there are planned efforts to mitigate emissions from oil production, which include a target for methane emissions intensity per barrel at half of today's global averages, powering oil operations with low-emissions electricity sources, and investing oil revenues in renewables and other clean energy infrastructure.

Uganda's MT outlook is set to receive a significant boost from the initiation of oil production. With oil production expected to commence in 2025Q4, real GDP is projected to receive a significant boost, achieving double-digit growth during FY25/26. There are uncertainties to this outlook as progress has been slow since the initial discovery of oil in 2007. There is a significant risk of stranded assets for Uganda's oil project, as the global shift towards renewable energy and stricter environmental regulations could reduce the long-term demand for fossil fuels. Policy efforts (such as improving business environment and infrastructure) are also needed to improve the competitiveness of the non-oil sector and minimize risks of "Dutch disease" from becoming an oil exporter.

Projected Oil Production, Impacts on Growth, Fiscal Revenues and CA Balance

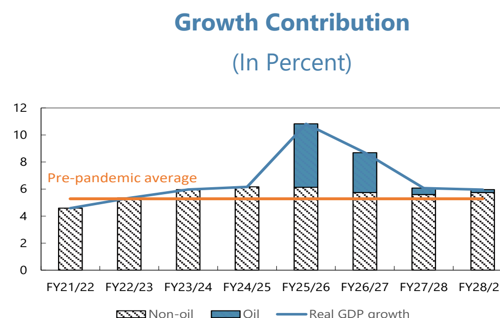
Oil Production Profile

(In Million Barrels)



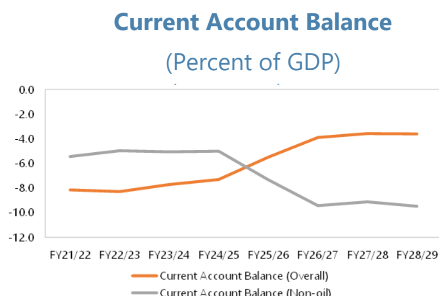
Growth Contribution

(In Percent)



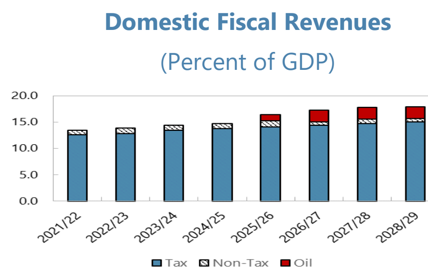
Current Account Balance

(Percent of GDP)



Domestic Fiscal Revenues

(Percent of GDP)

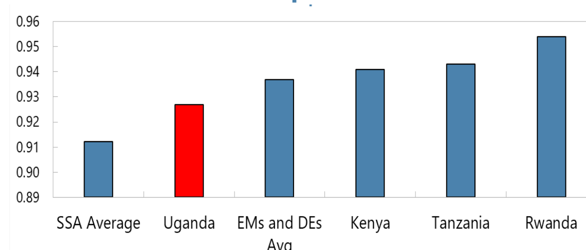


Source: IMF staff calculations.

Box 3. Uganda: Gender Inclusion in Social and Economic Programs

Uganda has made progress in narrowing gender gaps in recent years across many areas. Women fare well in labor force participation at 49 percent, entrepreneurial activity with 40 percent of businesses being female-owned, and 49 percent of women with access to financial services. Gender gaps have narrowed as gender policy was mainstreamed across all government activities including budgeting. However, female-headed households continue to be poorer than male-headed ones, educational opportunities for women are fewer, and women face important obstacles in growing their businesses beyond the very small scale.

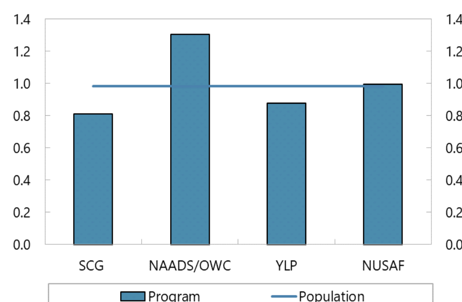
Gender Development Index, 2021



Sources: UNDLP; ILO; WB; and Fund staff Estimates.

Social protection can play an important role in closing gender gaps. Alongside public spending on infrastructure and education, social programs help improve opportunities for women by providing small but predictable income fostering planning for educational and business initiatives. Several programs that aim at eradicating poverty and improving population wellbeing were implemented in recent years that benefitted women: (i) the SCG provides cash income to elderly over 80; (ii) the UWEP is a financial inclusion, training and capacity development initiative; (iii) the YLP is a revolving fund for unemployed youth; (iv) the NUSAF includes public works, skills and training, and engagement in income-generating activities, and (iv) the NAADS/OWC focuses on procurement and distribution of agricultural inputs to farmers.

Ratio of Male to Female



We do not find systematic empirical evidence of female underrepresentation in social and economic programs. We look at the gender incidence of social and economic programs that are included in the Uganda National Households Survey 2019/20 in a probit regression. We find that, on average, female's probability of participating in any of the programs is 0.7 percent lower than it is for males. However, these results are driven by a subsample including beneficiaries of NAADS/OWC whose program highlights additional gender inclusion challenges such as, access to information, land use, and ownership of assets.

Over recent years, spending on social assistance programs has declined as the government moved to support agricultural industrialization more actively. The main social and economic programs' already small budgets were exhausted or have suffered cuts with the total budget falling from about half percent of GDP in 2017 to less than 0.1 percent in 2023. Some new programs are, however, gaining prominence, such as the Parish Development Model (PDM), which focuses on agricultural productivity of subsistence households reflecting an ideological shift away from social protection towards agricultural development.

Box 3. Uganda: Gender Inclusion in Social and Economic Programs (concluded)

There is scope for strengthening the gender component in existing and new programs and expanding gender-targeted means-tested social protection. The PDM targets men, women, youth, and disabled heads of agricultural enterprises in equal proportions. However, for women to enjoy the benefits as desired, the design should address the obstacles that were hampering access in other programs including information and education barriers, ownership of land and productive assets, and other obstacles that generally hinder economic empowerment such as early marriages and gender-based violence. To realize the full potential in gender diversity, the social programs should be designed to address differing needs of men and women. Means-tested gender-targeted social protection, including cash transfers, can play a role in relaxing constraints to schooling and business development that are at the basis of reaching more women through economic programs.

Selected Macro-critical Gender-related Indicators, 2018-2023

							AFR Countries 1/				
	2018	2019	2020	2021	2022	2023	Latest year available	25th Percentile	75th Percentile	Median	Average
Composite Gender Indices											
Female Human Capital Index (HCI) 2/	...	...	...	...	...	...	2020	0.37	0.43	0.40	0.39
Gender Development Index (GDI)	0.90	0.91	0.90	0.87	0.90	...	2022	0.88	0.95	0.92	0.92
Gender Inequality Index (GII) 3/	0.53	0.53	0.53	0.53	0.53	...	2022	0.50	0.61	0.54	0.54
Global Gender Gap Index 2/	0.72	...	0.72	0.72	0.72	...	2022	0.64	0.73	0.69	0.69
Women Business and the Law Index (WBL) 4/	70.00	73.13	73.13	73.13	81.25	83.75	2023	67.50	83.75	79.38	76.10
Labor and Income											
Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15+ yr	-6.11	-5.64	-5.60	-5.19	-5.55	-5.41	2023	-11.40	-10.44	-11.18	-11.10
Gender Wage Gap 5/	...	26.83	...	48.34	...	...	...	...	...	...	...
Gender Gap (F-M) in Informal Employment Rate	...	3.76	...	4.27	...	...	...	...	...	...	...
Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15+ yrs)	-5.60	-5.10	-5.05	-4.56	-4.91	-4.79	2023	-13.02	-9.78	-13.62	-10.72
Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15+ yrs)	1.01	1.03	1.14	1.13	1.14	1.11	2023	0.45	1.81	0.91	1.47
Gender Gap in Gross Pension Replacement Rate (as share of average worker earninc	...	...	...	...	...	...	...	...	...	...	...
Leadership and Social											
Proportion of Seats Held By Women in National Parliaments	34.30	34.86	34.86	33.81	33.81	33.81	2023	14.57	33.81	24.49	25.64
Proportion of Women in Managerial Positions	...	...	...	...	...	...	...	...	...	...	...
Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent) 3	45.00	...	...	...	...	...	2018	26.00	39.00	34.00	32.86
Access to Finance											
Gender Ratio: Number of Household Loan Accounts with Commercial Banks (Females' Accounts for 1,000 Female Adults / Males' Accounts per 1,000 Male Adults)	0.39	0.48	0.42	0.60	0.45	...	...	...	...	...	...
Gender Ratio: Number of Household Deposit Accounts with Commercial Banks (Females' Accounts per 1,000 Female Adults/ Males' Accounts per 1,000 Male Adults)	0.44	0.53	0.49	0.51	0.56	...	...	...	...	...	...
Gender Gap in Adults Who Borrowed From a Financial Institution (Share of Female - Share of Male, percentage points)	...	...	...	-0.96	...	...	2021	-2.10	-2.35	-2.37	-1.83
Gender Gap in Adults Who Own a Financial Institution Account (Share of Female - Share of Male, percentage points)	...	...	...	-2.63	...	...	2021	-9.71	-15.49	-10.13	-11.69
Gender Gap in Adults with Mobile Money Account (Share of Female - Share of Male, percentage points)	...	...	...	-1.38	...	...	2021	-11.11	-10.60	-8.87	-6.40
Gender Gap in Adults Who Made or Received Digital Payments in the Past Year (Share of Female - Share of Male, percentage points)	...	...	...	-1.32	...	...	2021	-10.45	-4.09	-12.87	-12.04
Education											
Gender Gap (F-M) in Adult Literacy Rate	-11.82	...	...	...	-8.32	...	2022	-24.00	-5.31	-9.49	-10.94
Gender Gap (F-M) in Mean Years of Schooling	-2.37	-2.45	-2.54	-2.54	-2.54	...	...	...	...	...	...
Gender Gap (F-M) in Primary Gross Enrollment Rate	...	...	...	...	...	...	2021	-3.17	-7.82	-1.68	-3.03
Gender Gap (F-M) in Secondary Gross Enrollment Rate	...	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Tertiary Gross Enrollment Rate	...	...	...	...	...	...	2018	-2.47	-2.70	-2.44	-2.72
Health											
Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults	-91.14	-91.03	-92.58	-102.42	-91.75	...	2022	-74.02	-88.86	-63.69	-83.53
Gender Gap (F-M) in Life Expectancy at Birth	4.16	4.10	4.18	4.50	4.22	...	2022	4.02	5.20	4.45	4.46
Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs)	283.00	292.00	284.00	...	...	...	2020	219.50	487.00	303.00	372.43
Total Fertility Rate (Births Per Woman)	4.93	4.81	4.69	4.59	4.47	...	2022	3.48	4.62	4.08	4.51

Source: GenderDataHub. 6/

1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights used for averages, are available on the Gender Data Hub.

2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.

3/ A higher value on this indicator corresponds to worse outcomes for women. For example, the Gender Inequality Index is scored on a scale of 0-1, where a higher score indicates higher inequality.

4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.

5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSO 08 Classification.

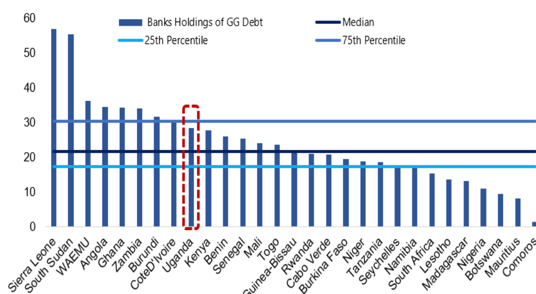
6/ See Gender Data Hub metadata for original data sources and definitions.

Box 4. Uganda: Balance Sheet Analysis of Cross-Sectoral Exposures in Uganda

Although the banking sector in Uganda remains fundamentally sound, there are potential risks from sectoral exposures that require close surveillance. The network map analysis, which leverages the Balance Sheet Approach (BSA) "from-whom-to-whom" data, highlights two potential vulnerabilities arising from the growing government-bank nexus and external borrowing by the NFC sector.

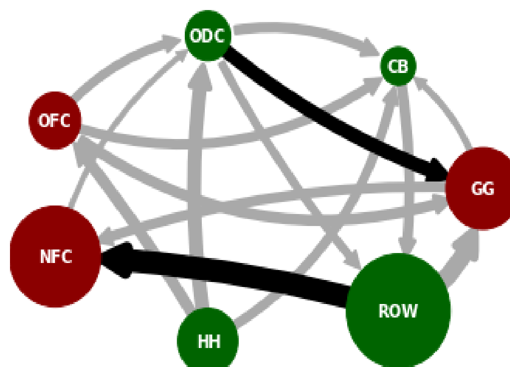
Banks' Holdings of Sovereign Debt in 2022, by SSA Economies

(% Share to Total Bank Assets)



Notes: Includes available data from 29 SSA Economies.
Source: IMF and IMF staff calculations.

End-December 2022



Legend: ODC = Other Depository Corporations or Banks; OFC = Other Financial Corporations or Non-banks; CB = Central Bank; GG = General Government; NFC = Non-financial Corporates; HH = Households; and ROW = Rest of the World or External

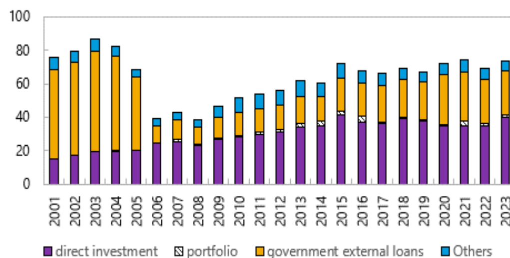
Notes: The nodes reflect the size of each sector's aggregate net financial position as of periods indicated, while the node colors distinguish the net creditors (green) from the net debtors (red). The thickness of the arrows indicates the relative size of each sector's net financial exposure to its different counterparts. The arrowheads correspond to the recipient of the funds (debtor) from the source (creditor).

Source: IMF and IMF staff estimates.

Banks in Uganda hold more sovereign debt relative to SSA peers. In 2022, banks' holdings of sovereign debt reached 28 percent of their total assets, rising from 21 percent in 2019. From a regional perspective, Uganda ranks 9th among SSA economies in terms of banks' exposure to sovereign debt, surpassing the median of 22 percent but still below the upper 25th percentile. By regulatory standards, banks' holdings of sovereign debt as share of its Tier 1 capital at 208 percent remains well-below the 800 percent limit. While there is clearly room for further increase of exposure to sovereigns, caution should be exercised to prevent potential crowding out as banks' claims on government as a share of claims on NFC sector reached 113 percent in 2022.

External Liabilities

(In Percent of GDP



The net external liability position of the NFC sector reached 35 percent of GDP in 2022. While this ratio is above the estimated safe thresholds of 15-20 percent identified in the literature, a high share of FDI and dominance of export-oriented firms among NFCs could mitigate risks. Nonetheless, growing external borrowing requires vigilance amid limited FX reserves and exposure to commodity price shocks. Balance-sheet based simulation analysis show that the net external indebtedness of NFC sector is vulnerable to large exchange rate movement (indebtedness rises to 44 percent from a 25 percent exchange rate depreciation shock).

Box 5. Uganda: Structural Reforms under the 2021-24 ECF

Structural reforms under the ECF arrangement focused on more inclusive growth through promotion of the private sector. These included an extensive governance reform agenda to tackle corruption and governance deficiencies, modernization of financial supervision, promotion of financial inclusion, and efforts to reduce costs of doing business and foster trade integration. Most of the structural benchmarks under the ECF aimed to foster good governance (see Box 5 Table 1). Notable progress has been made under the ECF, although further efforts are needed to enhance human capital, improve public infrastructure, tackle corruption, and ease constraints to doing business to create sufficient jobs and improve living standards.

In the fiscal area, the reforms focused on improving budgetary transparency and strengthening cash management. The initiatives included publication of budgetary risk statements; adoption of the Charter of Fiscal Responsibility and frameworks for public investment prioritization, tax expenditure, and cash management; extension of the Treasury Single Account (TSA) to several extra-budgetary entities while pursuing the integration of remaining ones. The government started publication of quarterly reports on unpaid invoices, but this initiative was later stopped. The unified registry of social assistance programs was upgraded to include beneficiaries of the National Social Security Fund and the public pension scheme.

The authorities strengthened the AML/CFT regime and successfully exited the FATF grey-list in February 2024, while preparing to enhance AML/CFT supervisory tools further. Improvements included risk-based supervision of financial and DNFBP sectors and ensuring competent authorities' access to beneficial ownership information. To meet the final FATF recommendation, the authorities conducted a risk assessment of the non-profit organization (NPO) sector, developed an outreach plan, and are aligning NPO provisions in the AML Act 2013 with the FATF standard. The BoU implemented AML/CFT supervisory tools for banks, foreign exchange bureaus, and money remitters with Fund TA support. The AML Unit is now fully staffed and coordinated actions between BoU and FIA have led to two administrative sanctions. The BoU is planning further sectoral risk assessments to inform its 2024/2025 AML/CFT work plan and further updating of the supervisory tools. Meanwhile, the Uganda Registration Service Bureau is committed to ensuring full compliance with beneficial ownership filing requirements among companies.

Governance deficiencies remain prominent in Uganda. While the country's anti-corruption legal framework is relatively developed, enforcement is weak due to political interference, inadequate resources, poor communications between institutions, and low morale. Judicial independence, integrity, efficiency, and transparency in its decisions are subpar. There is a significant backlog of cases and prolonged detention without trial. The lack of transparency in judicial decisions, combined with poor court infrastructure and weak institutional and case management are significant rule of law challenges, hampering the enforcement of anti-corruption laws, property rights and private sector investment.

Adherence to international standards of banking supervision bolstered the sector's resilience. The strong performance of the banking sector in Uganda benefitted from the BoU authorities' continued efforts to strengthen its risk-based supervisory and macroprudential regulation. These include the full implementation of BASEL II principles and other aspects of BASEL III such as liquidity coverage ratio (LCR) and net stable funding ratio (NFSR), which have been included in the Financial Institutions (Liquidity) Regulations 2023 that was gazetted in August 2023. Likewise, the amendments to the Financial Institutions (Corporate Governance) Regulations in line with the principles provided in the Basel Committee on Banking Supervision's guidelines, which is currently in progress, are expected to strengthen the resiliency and stability of Ugandan financial system.

Box 5. Uganda: Structural Reforms under the 2021-24 ECF (continued)

Despite the considerable progress, Uganda needs to continue advancing financial inclusion. Uganda has made significant strides to improve financial inclusion since the implementation of the first National Financial Inclusion Strategy (NFIS I). In 2021, 66 percent of adult population reported having an account or using a mobile money service, 20 percentage point higher than the EAC average. Likewise, the second phase of the NFIS was launched in November 2023 to continue advancing financial inclusion in Uganda by incorporating two new objectives on developing an inclusive green finance market and promoting gender-inclusive finance. The surge of banking agent network is mainly concentrated in urban and greater Kampala region, which doesn't translate to increased access to financial services for rural communities as envisaged. Likewise, women continue to face significant barriers in the usage of formal financial services, contributing to gender gap challenges. The Financial Access Survey reveals that only 35.8 percent of adult females (versus 71 percent of adult males) had deposits with commercial banks in 2021 and the gap between male and female has increased since 2014.

The ECF also covered other structural reform areas. Under the program, staff recommended the establishment of a one-stop center for business registration and licensing, the necessity of enhancing contract enforcement, and promoting deeper trade integration, including within the East African Community and the Africa Continental Free Trade Area. However, progress in these areas has been limited, as weaknesses in the regulatory framework (e.g., distortive taxes/subsidies, lack of competition in the domestic market, and decline in the regulatory quality, etc.) continue to hinder sustainable growth. Additionally, tariffs and non-tariff barriers undermine efforts to enhance regional trade integration.

Selected Key Structural Benchmarks Related to Structural Reforms Under the ECF

Governance

1. Finalize the service level agreement (SLA) between MOFPED and BOU regularizing availability of funds for debt servicing and introducing safeguards in credit provision.
2. Adoption through the Financial Intelligence Authority (and Ministry of Finance) of a regulation that requires financial institutions to identify and apply enhanced due diligence measures for domestic PEPs.
3. Publication of beneficial ownership (BO) of companies awarded COVID-19-related procurement contracts.
4. Establishment of legal and regulatory mechanisms for timely access to accurate basic and beneficial ownership information for legal entities.
5. Publish on the Inspectorate of Government's website information on: (i) the number of leaders who did not promptly submit the asset declarations for the March 2021 declaration period, with a breakdown by categories of leaders, such as members of cabinet, members of parliament, judges of the courts of judicature, Directorate of Public Prosecutions (staff of or above the rank of State Attorney), Permanent Secretaries, and heads of State Owned Enterprises, (ii) the number of requests received, approved, and rejected, to access the leaders' declarations on a semi-annual basis, with a breakdown by categories of leaders and reasons for rejection, if any, for the period of January 2021 to June 2022, and (iii) the names of leaders who have been found in breach of the Leadership Code Act and Regulations by the Leadership Code Tribunal for the period of January 2021 to June 2022.
6. Issue implementing Regulations by September 2022 that will, inter alia, define proper fit and test criteria for bank shareholders.
7. Development and implementation of tools for risk-based AML/CFT supervision of the financial sector.

Box 5. Uganda: Structural Reforms under the 2021-24 ECF (concluded)

Selected Key Structural Benchmarks Related to Structural Reforms under the ECF (concluded)

8. Publish on the MOFPED website decisions arising from investigations that led to sanctions for the period starting from FY 2020/21 onwards, with clear personal penalties for officers responsible for unauthorized spending commitments, and actions taken to enforce compliance.

9. In consultation with Fund staff, Directorate for Ethics and Integrity to publish, in relation to the strategic objectives of the National Anti-Corruption Strategy (NACS) 2019-2024, (i) an assessment report against the agreed indicators and targets, and (ii) the annual report for fiscal year 2022/23 on the prevalence of corruption and anticorruption efforts, as guided by the NACS' monitoring and evaluation framework.

10. Adopt amendments to the Financial Institutions (Corporate Governance) Regulations, in line with the principles provided in the Basel Committee on Banking Supervision's guidelines on corporate governance.

11. In consultation with IMF staff, a review of regulations to the PFM Act to include a definition of BoU advances to government inclusive of redemption of securities and its passage.

Financial Inclusion

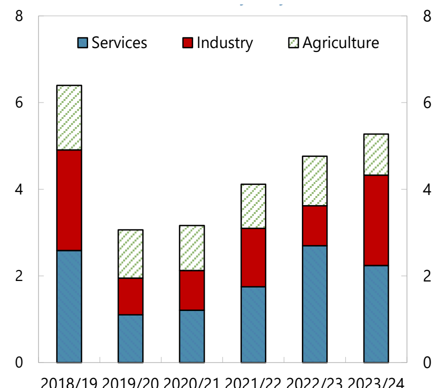
12. Expand Credit Bureau Coverage by adopting amendments to the credit reference bureau.

13. Issue a resolution by the BOU Board Committee on the ownership structure for data collected by the Central Data Hub as a prerequisite for the use of Credit Registration Bureau data to compute credit scores for MSMEs and individuals and to generate indicators for macroprudential regulations.

Figure 1. Real Sector Developments

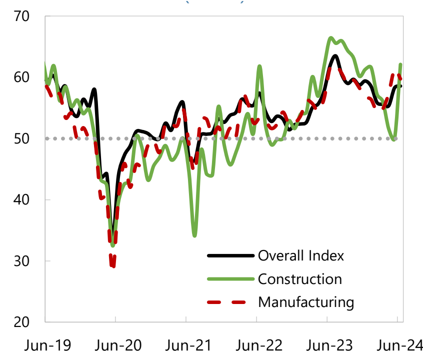
Driven by the strong recovery in services, growth has picked up.

GDP Growth Contribution by Sector
(Percent, y-o-y)



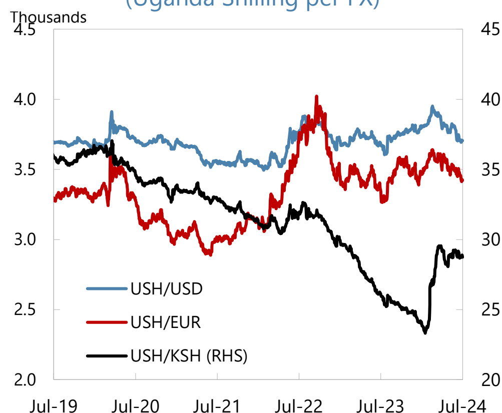
Business perceptions and other leading indicators reflect robust economic activity.

Business Tendency Indicators
(Index)



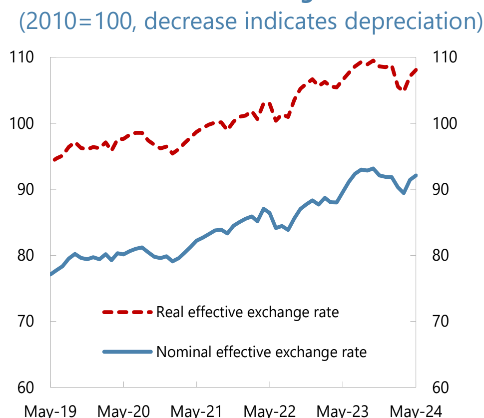
The Shilling has remained relatively stable against the U.S. dollar but appreciated against the Kenyan Shilling.

Nomunal Exchange Rate
(Uganda Shilling per FX)



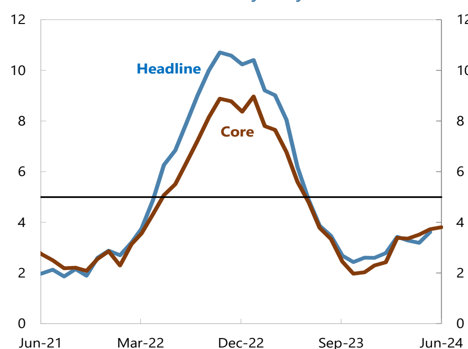
The real effective exchange rate has been broadly stable.

Effective Exchange Rate
(2010=100, decrease indicates depreciation)



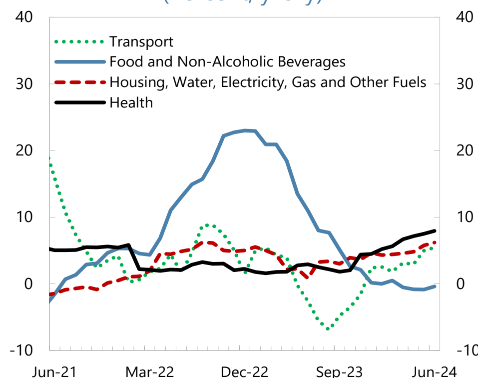
Since October 2023, both core and headline inflation have started to increase…

Headline Core Inflation Rate
(Percent y-o-y)



…on the back of health, energy, and transport prices.

Inflation by Component
(Percent, y-o-y)

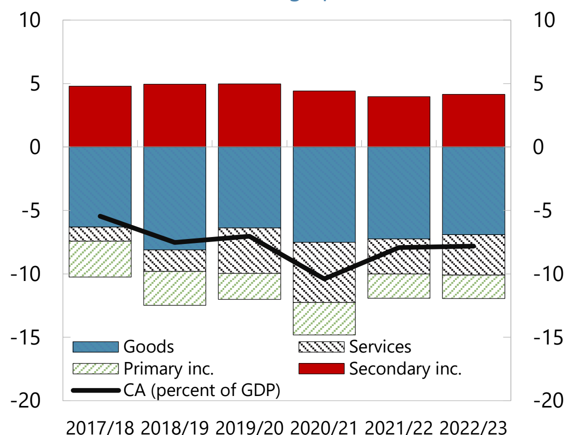


Sources: Uganda Authorities and IMF staff calculations.

Figure 2. External Sector Developments

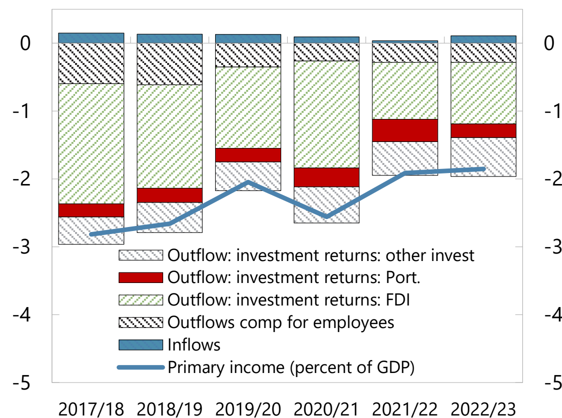
The current account deficit remained elevated in FY22/23…

Contributions to Current Account
(Percentage points)



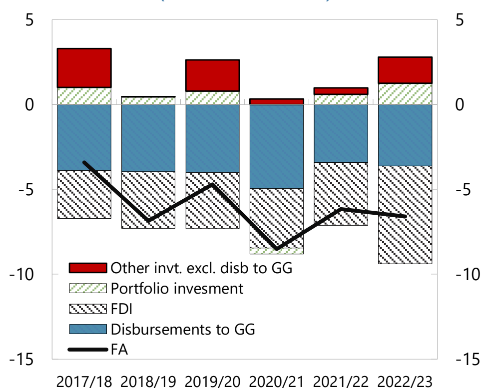
..with broadly unchanged primary income balance.

Contributions to Primary Income Balance
(Percent of GDP)



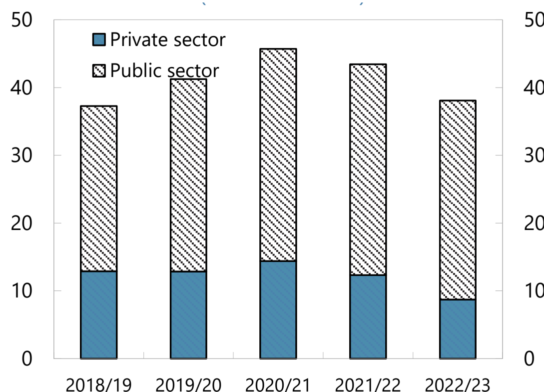
Capital inflows were mostly concentrated in oil-investment related FDI and government borrowing.

Financial Account
(Percent of GDP)



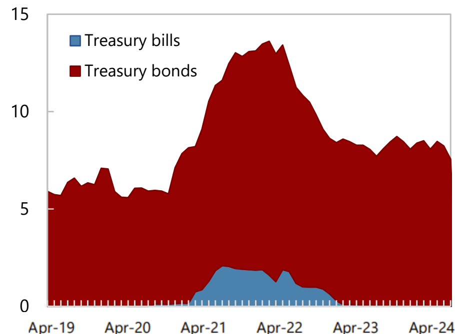
External debt has further declined as a share of GDP.

External Debt
(Percent of GDP)



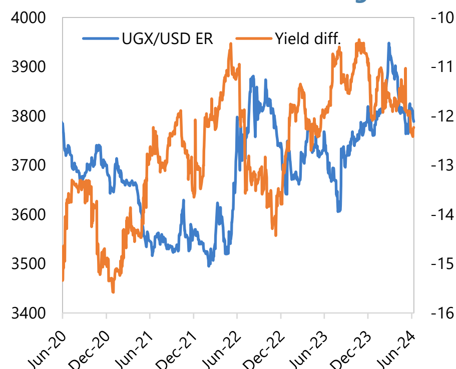
There are signs of stabilization in foreign portfolio flows following a prolonged decline…

Government Securities Held by Offshore Investors
(Share of total, Percent)



…as bond yields differential has widened amid falling U.S. treasury yields.

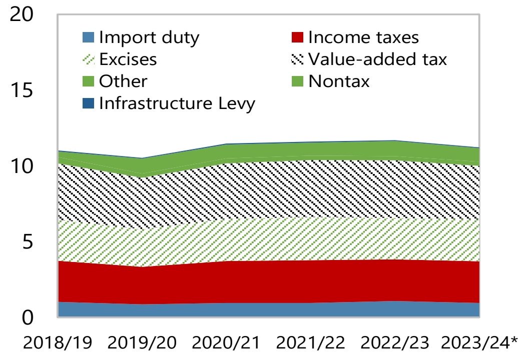
Yield Differential and Exchange Rate



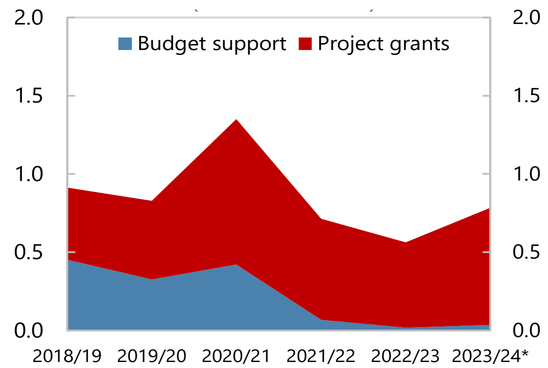
Sources: BoU, Haver and IMF staff calculations
Note: Yield diff. = US_UGA 10yr bond yield

Figure 3. Fiscal Developments

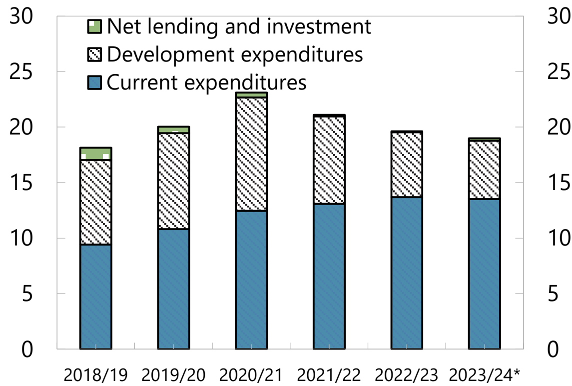
Domestic revenues decreased in FY23/24 …



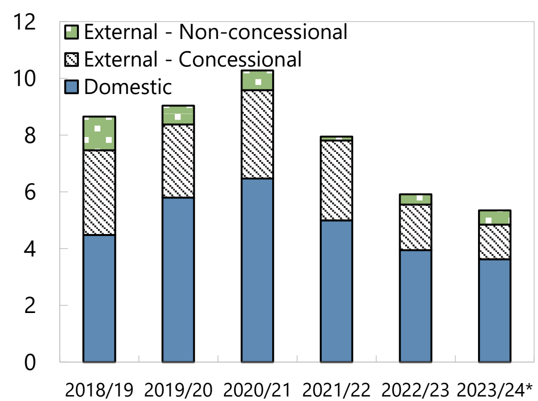
…while grant disbursements somewhat increased.



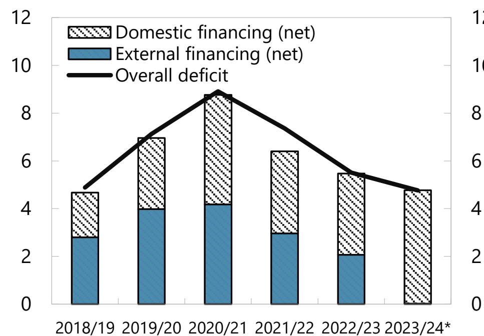
Expenditure composition is changing …



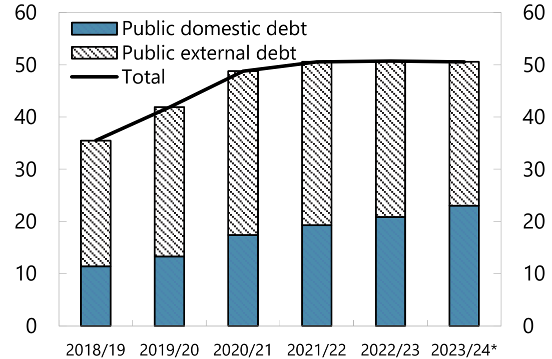
…as external financing for development spending is shrinking.



The overall fiscal deficit declined …



…while the debt-to-GDP ratio and its composition remained broadly unchanged.

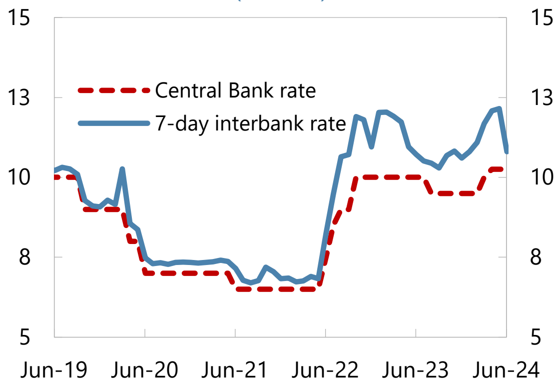


Sources: Uganda Authorities and IMF staff calculations.

Figure 4. Monetary Developments

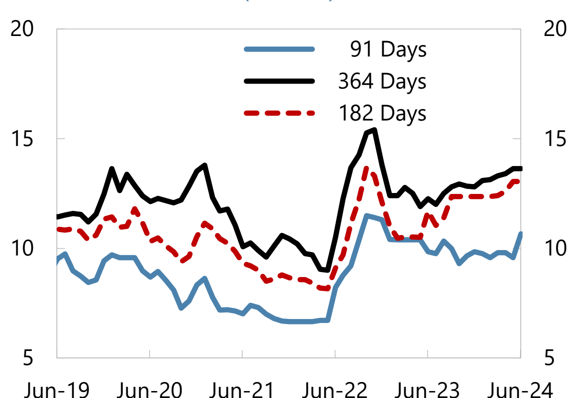
The policy rate increased by 75 bps since March 2024…

Central Bank and Interbank Rates
(Percent)



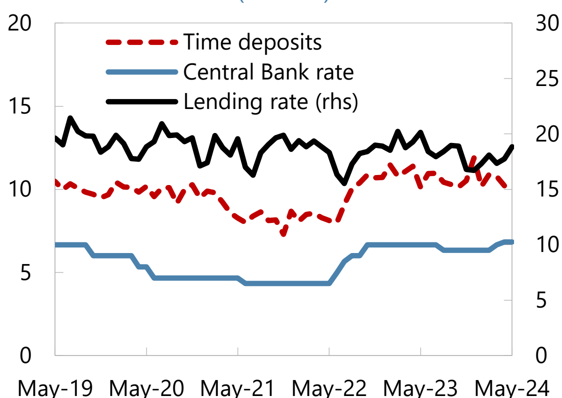
Yields responded, more so for longer dated government papers..

Evolution of Treasury Bill Rates
(Percent)



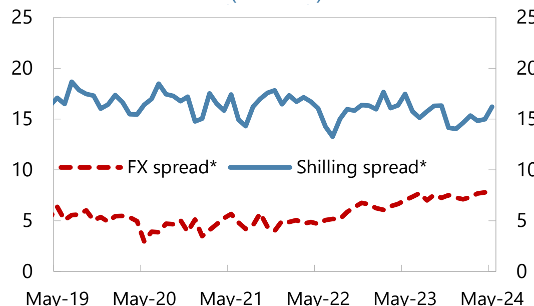
Lending rates remain elevated…

Interest Rate Structure
(Percent)



…with spreads for FX and shilling loans remaining stable.

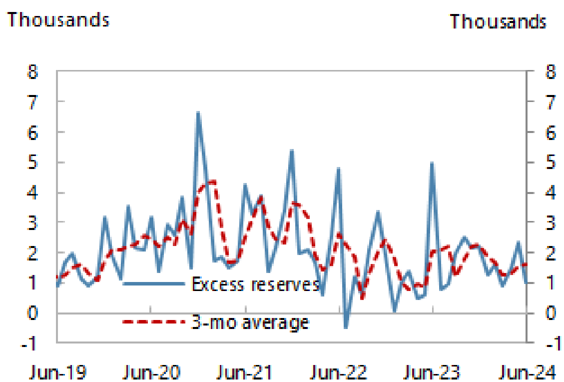
Interest Rate Spreads
(Percent)



*Both FX and Shillings spreads are calculated as the weighted average lending rate minus the weighted average deposit rate.

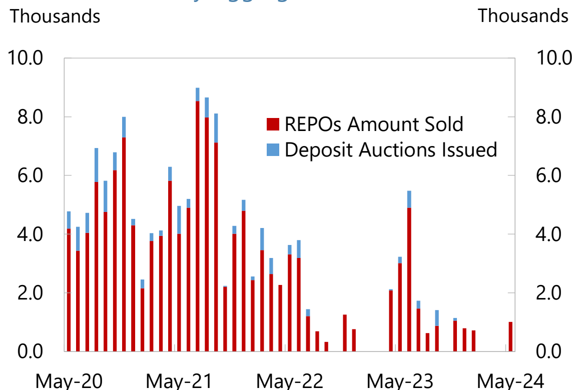
Excess reserves have fallen since 2020 as overall liquidity in the system has tightened…

Excess Reserves
(Ush. Billions)



…and the BoU has reduced its Repo operation and deposit auctions.

Repurchase Agreements and Deposit Auctions
(Monthly Aggregate, Ush. Billions)

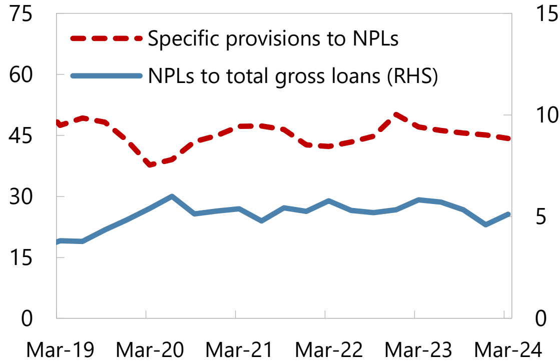


Sources: BoU and IMF staff calculations

Figure 5. Financial Sector Developments

Asset quality appears to be stable and exposure to large borrowers has declined.

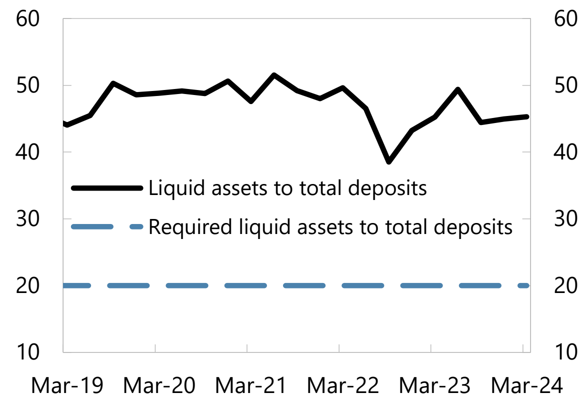
Selected Asset Quality Indicators
(Percent)



Source: BoU and IMF staff calculations

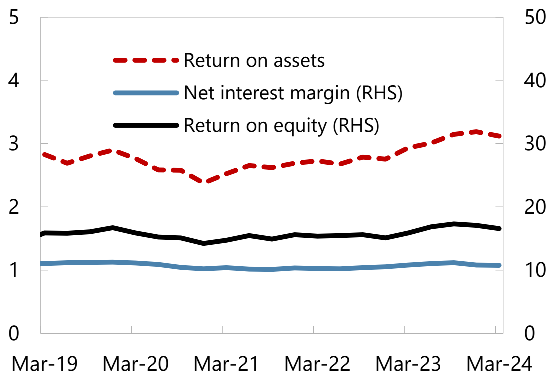
Banks remain well capitalized and liquidity buffers have improved.

Liquidity Ratio
(Percent)



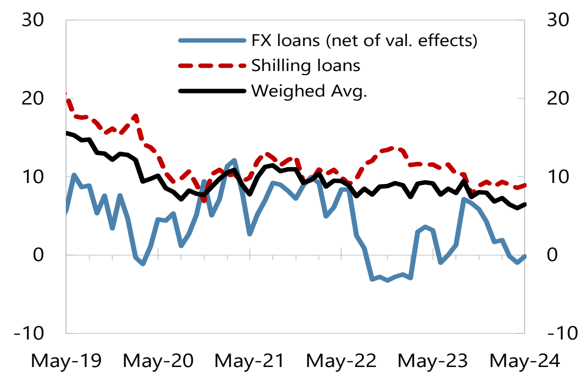
Banks earnings are recovering.

Earnings and Profitability
(Percent)



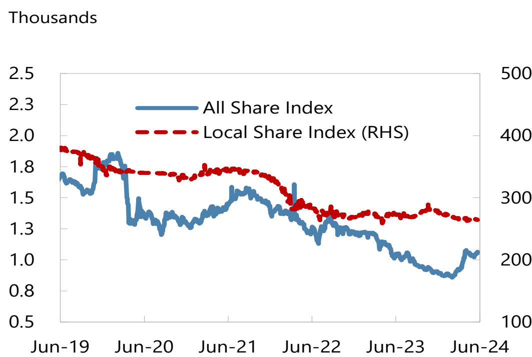
Private sector credit growth remains low.

Credit to the Private Sector
(Percent, y-o-y)



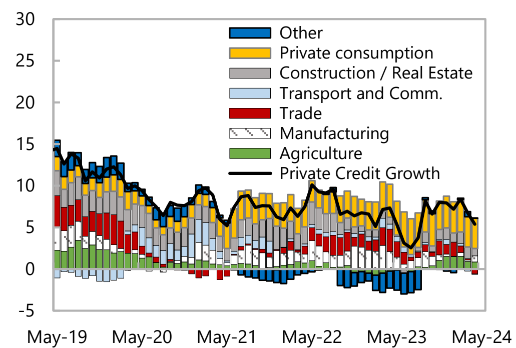
The All Share Index has been declining in the past year.

Stock Market Index
(Index)



Private sector credit growth, has been weighed down by the deceleration in construction loans.

Contribution to Private Credit Growth
(Percent)



Sources: BoU and IMF staff calculations.

Table 1. Uganda: Selected Economic and Financial Indicators, FY2021/22-2028/29[1,2]

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.	Act.	Est.	Proj.		Proj.		
			(Annual percentage change, unless otherwise indicated)					
Output, prices, and exchange rate								
Real GDP	4.6	5.3	6.0	6.2	10.8	8.7	6.1	6.0
Non-Oil real GDP	4.6	5.3	6.0	6.2	6.1	6.0	6.0	6.1
GDP deflator	4.9	6.7	3.7	4.3	5.3	4.7	4.5	4.5
Headline inflation (period average)	3.4	8.8	3.2	4.6	5.0	5.0	5.0	5.0
Core inflation (period average)	3.2	7.4	3.0	4.9	5.0	5.0	5.0	5.0
Terms of trade ("–" = deterioration)	3.6	-9.6	19.0	4.3	1.5	1.3	1.1	1.6
Exchange Rate (Ugandan Shilling/US$) ("–" = appreciation)	-2.4	5.1	…	…	…	…	…	…
Real effective exchange rate ("–" = depreciation)	3.6	4.2	…	…	…	…	…	…
Money and credit								
Broad money (M3)	10.0	6.6	12.2	11.2	17.0	14.2	11.5	11.2
Credit to non-government sector	11.0	6.6	8.2	12.1	17.2	16.3	15.6	15.0
Bank of Uganda policy rate (percent)[3]	7.5	10.0	…	…	…	…	…	…
M3/GDP (percent)	22.0	20.9	21.3	21.4	21.5	21.6	21.7	21.8
NPLs (percent of total loans)[3]	5.3	4.6	…	…	…	…	…	…
			(Percent of GDP, unless otherwise indicated)					
Central government budget								
Revenue and grants	14.1	14.5	14.3	14.7	16.2	17.6	17.9	18.3
Of which : grants	0.7	0.6	0.8	0.8	0.8	0.7	0.7	0.7
Of which : oil revenue	0.0	0.0	0.0	0.0	1.2	2.2	2.2	2.2
Expenditure	21.5	20.0	19.1	20.4	19.1	19.0	19.4	19.5
Of which: Current	13.1	13.7	13.5	15.0	13.8	13.6	13.4	13.2
Of which: Capital[4]	7.9	5.8	5.2	5.2	5.1	5.1	5.8	6.2
Primary balance	-4.3	-2.3	-1.5	-1.4	0.6	1.9	1.7	1.7
Overall balance	-7.4	-5.5	-4.8	-5.7	-2.9	-1.5	-1.5	-1.3
Of which: Net domestic borrowing	3.4	3.4	4.7	4.8	2.7	1.3	1.1	0.9
Public debt								
Public gross debt[5]	50.5	50.7	50.6	52.1	47.9	43.8	41.2	38.8
External[6]	31.3	29.9	27.6	26.9	24.1	22.0	20.9	19.8
Domestic	19.3	20.8	23.0	25.2	23.8	21.8	20.3	19.0
Investment and savings								
Investment	24.2	22.8	22.4	22.5	22.6	22.9	23.7	24.2
Public	7.9	5.8	5.2	5.2	5.1	5.1	5.8	6.2
Private	16.2	16.9	17.0	17.2	17.4	17.6	17.8	18.0
Savings	16.6	14.9	14.0	15.4	17.1	19.3	19.9	20.2
Public	0.1	0.0	0.2	-0.7	2.0	3.6	4.1	4.7
Private	16.5	14.9	13.8	16.1	15.1	15.7	15.9	15.5
External sector								
Current account balance	-7.6	-7.9	-8.4	-7.1	-5.5	-3.6	-3.7	-4.0
Current account balance (excluding grants)	-7.8	-7.9	-8.4	-7.1	-5.9	-4.0	-4.0	-4.3
Exports (goods and services)	12.0	11.6	14.0	14.0	15.5	16.4	15.4	15.0
Imports (goods and services)	22.5	21.7	24.3	22.9	22.9	21.4	19.6	19.4
Gross international reserves								
In billions of US$	4.1	4.1	3.2	3.5	4.0	5.2	6.2	6.7
In months of next year's imports of goods and services	4.0	3.3	2.4	2.3	2.6	3.5	3.9	3.9
Gross international reserves excluding oil project financing and investment related imports (in mths of imports)	4.6	3.7	2.8	2.7	2.9	3.6	4.0	3.9
Memorandum items:								
GDP at current market prices								
Ush. billion	162,753	183,000	201,087	222,675	259,945	295,691	327,633	362,898
US$ billion	45.6	48.8	53.2	…	…	…	…	…
GDP per capita (Nominal US$)	1,058	1,088	1,153	1,244	1,367	1,450	1,485	1,551
Exchange Rate (Ugandan Shilling/US$)	3,571.8	3,752.5	…	…	…	…	…	…
Population (million)[7]	43.1	…	…	…	…	…	…	…
Interest payments (in percent of revenue)	22.8	23.1	24.2	30.9	22.8	19.7	18.6	16.8

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30.

[2] All figures are based on the 2016/17 rebased GDP.

[3] Latest available data. NPLs: June 2023; BoU policy rate: June 2023.

[4] Capital expenditures include net lending and investment on hydropower projects, and exclude BoU recapitalization.

[5] Debt is on a residency basis.

[6] External debt includes publicly guaranteed debt.

[7] Based on revised figures after the 2014 census by the Uganda Bureau of Statistics.

Table 2a. Uganda: Fiscal Operations of the Central Government, FY2021/22-2028/29[1]

(Billions of Ugandan Shillings)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.	Act.	Proj.			Proj.		
Total revenue and grants	**22,992**	**26,595**	**28,807**	**32,738**	**42,209**	**51,897**	**58,648**	**66,305**
Revenue	21,830	25,567	27,232	31,043	40,235	49,684	56,196	63,590
Tax	20,425	23,733	25,419	29,035	34,769	40,544	46,026	52,200
Import duty	1,557	1,983	1,921	2,509	3,151	3,838	4,533	5,332
Income taxes	7,543	9,163	10,189	11,481	13,517	15,506	17,325	19,350
Excises	4,600	5,014	5,536	6,304	7,503	8,698	9,819	11,077
Value-added tax	6,148	6,944	7,133	7,760	9,269	10,782	12,211	13,817
Other taxes	462	512	521	838	1,151	1,505	1,886	2,330
Infrastructure levy	114	118	119	144	179	216	253	295
Nontax	1,405	1,835	1,814	2,009	5,466	9,140	10,170	11,390
o/w: Oil revenue[2]	0	0	0	0	3,121	6,473	7,215	8,116
Grants	1,162	1,028	1,574	1,695	1,974	2,212	2,451	2,715
Budget support	108	32	70	29	29	0	0	0
Project grants	1,054	996	1,505	1,666	1,945	2,212	2,451	2,715
Expenditures and net lending	**34,967**	**36,667**	**38,396**	**45,431**	**49,713**	**56,201**	**63,503**	**70,912**
Current expenditures	21,324	25,069	27,194	33,342	35,944	40,108	43,997	48,048
Wages and salaries	5,628	7,044	7,378	7,926	9,109	10,800	11,917	13,426
Interest payments	4,966	5,912	6,592	9,606	9,159	9,792	10,456	10,671
Other current	10,730	12,113	13,225	15,810	17,676	19,516	21,624	23,951
Development expenditures	12,785	10,692	10,530	11,603	13,235	15,171	19,097	22,449
Externally-financed projects	4,644	3,458	3,235	5,452	6,364	7,239	8,021	8,885
Of which: Non-concessional borrowing	72	532	777	2,227	2,599	2,957	3,276	3,629
Government of Uganda investment	8,141	7,234	7,295	6,152	6,870	7,932	11,076	13,564
Net lending and investment	252	137	456	286	334	721	209	215
Hydro-power projects	252	137	239	286	334	721	209	215
Recapitalization	0	0	217	0	0	0	0	0
Other net lending	0	0	0	0	0	0	0	0
Other spending (incl. arrears clearance)	606	769	216	200	200	200	200	200
Overall balance	**-11,974**	**-10,072**	**-9,589**	**-12,693**	**-7,504**	**-4,304**	**-4,855**	**-4,607**
Primary balance	**-7,008**	**-4,160**	**-2,997**	**-3,087**	**1,655**	**5,488**	**5,601**	**6,064**
Financing	**9,993**	**8,649**	**8,210**	**12,693**	**7,504**	**4,304**	**4,855**	**4,607**
External financing (net)	4,407	2,425	-418	1,978	418	490	1,369	1,408
Disbursement	6,123	4,847	2,331	4,927	4,419	5,027	5,570	6,169
Budget support	2,059	2,516	362	855	0	0	0	0
Concessional project loans	2,890	1,662	953	1,559	1,820	2,070	2,293	2,540
Non-concessional project loans	1,174	669	1,015	2,513	2,599	2,957	3,276	3,629
Amortization (–)[3,4]	-1,716	-2,421	-2,749	-2,949	-4,001	-4,536	-4,201	-4,761
Exceptional financing	0	0	0	0	0	0	0	0
Domestic financing (net)	5,585	6,224	8,628	10,715	7,086	3,813	3,487	3,199
Bank financing	2,735	3,887	3,355	4,697	3,297	267	-138	-771
Bank of Uganda[4]	384	2,296	-1,918	-1,321	-492	-3,278	-3,763	-4,742
Commercial banks	2,351	1,591	5,273	6,018	3,789	3,546	3,625	3,970
Nonbank financing	2,851	2,337	5,273	6,018	3,789	3,546	3,625	3,970
Financing gap	**1,981**	**1,423**	**1,379**	**0**	**0**	**0**	**0**	**0**
Use of SDR Allocation	0	0	920					
ECF	416	1,369	459					
Errors & Omissions	1,566	54	0	0	0	0	0	0
Memorandum Items:								
Social spending (excluding external financing)	5,980	6,850	6,940	7,391	8,583	9,924	11,558	13,294
Security spending (excluding external financing)	4,303	4,061	4,180	4,180	4,603	5,031	5,675	6,280

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30.

[2] It is expected that only a part of oil revenues will be used for financing the budget balance, with the rest being invested into financial intruments.

[3] Amortizations are presented on a currency basis (i.e., external amortizations exclude local currency securities held by offshore investors).

[4] The repayment of the balance-of-payment support from the IMF is included under external amortizations financed by the Bank of Uganda.

Table 2b. Uganda: Fiscal Operations of the Central Government, FY2021/22-2028/29[1]

(Percent of GDP)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.	Act.	Proj.			Proj.		
Total revenue and grants	**14.1**	**14.5**	**14.3**	**14.7**	**16.2**	**17.6**	**17.9**	**18.3**
Revenue	13.4	14.0	13.5	13.9	15.5	16.8	17.2	17.5
Tax	12.5	13.0	12.6	13.0	13.4	13.7	14.0	14.4
Import duty	1.0	1.1	1.0	1.1	1.2	1.3	1.4	1.5
Income taxes	4.6	5.0	5.1	5.2	5.2	5.2	5.3	5.3
Excises	2.8	2.7	2.8	2.8	2.9	2.9	3.0	3.1
Value-added tax	3.8	3.8	3.5	3.5	3.6	3.6	3.7	3.8
Infrastructure levy	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other taxes	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.6
Nontax	0.9	1.0	0.9	0.9	2.1	3.1	3.1	3.1
o/w: Oil revenue[2]	0.0	0.0	0.0	0.0	1.2	2.2	2.2	2.2
Grants	0.7	0.6	0.8	0.8	0.8	0.7	0.7	0.7
Budget support	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	0.6	0.5	0.7	0.7	0.7	0.7	0.7	0.7
Expenditures and net lending	**21.5**	**20.0**	**19.1**	**20.4**	**19.1**	**19.0**	**19.4**	**19.5**
Current expenditures	13.1	13.7	13.5	15.0	13.8	13.6	13.4	13.2
Wages and salaries	3.5	3.8	3.7	3.6	3.5	3.7	3.6	3.7
Interest payments	3.1	3.2	3.3	4.3	3.5	3.3	3.2	2.9
Other current	6.6	6.6	6.6	7.1	6.8	6.6	6.6	6.6
Development expenditures	7.9	5.8	5.2	5.2	5.1	5.1	5.8	6.2
Externally-financed projects	2.9	1.9	1.6	2.4	2.4	2.4	2.4	2.4
Of which: Non-concessional borrowing	0.0	0.3	0.4	1.0	1.0	1.0	1.0	1.0
Government of Uganda investment	5.0	4.0	3.6	2.8	2.6	2.7	3.4	3.7
Net lending and investment	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Hydro-power projects	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Recapitalization	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other spending (incl. arrears clearance)	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Overall balance	**-7.4**	**-5.5**	**-4.8**	**-5.7**	**-2.9**	**-1.5**	**-1.5**	**-1.3**
Primary balance	**-4.3**	**-2.3**	**-1.5**	**-1.4**	**0.6**	**1.9**	**1.7**	**1.7**
Financing	**6.1**	**4.7**	**4.1**	**5.7**	**2.9**	**1.5**	**1.5**	**1.3**
External financing (net)	2.7	1.3	-0.2	0.9	0.2	0.2	0.4	0.4
Disbursement	3.8	2.6	1.2	2.2	1.7	1.7	1.7	1.7
Budget support	1.3	1.4	0.2	0.4	0.0	0.0	0.0	0.0
Concessional project loans	1.8	0.9	0.5	0.7	0.7	0.7	0.7	0.7
Non-concessional project loans	0.7	0.4	0.5	1.1	1.0	1.0	1.0	1.0
Amortization (–)[3,4]	-1.1	-1.3	-1.4	-1.3	-1.5	-1.5	-1.3	-1.3
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	3.4	3.4	4.3	4.8	2.7	1.3	1.1	0.9
Bank financing	1.7	2.1	1.7	2.1	1.3	0.1	0.0	-0.2
Bank of Uganda[4]	0.2	1.3	-1.0	-0.6	-0.2	-1.1	-1.1	-1.3
Commercial banks	1.4	0.9	2.6	2.7	1.5	1.2	1.1	1.1
Nonbank financing	1.8	1.3	2.6	2.7	1.5	1.2	1.1	1.1
Financing gap	**1.2**	**0.8**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Use of SDR Allocation	0.0	0.0	0.5					
ECF	0.3	0.7	0.2	0.0				
Errors & Omissions	1.0	0.0	0.0					
Memorandum Items:								
Social spending (excluding external financing)	3.7	3.7	3.5	3.3	3.3	3.4	3.5	3.7
Security spending (excluding external financing)	2.6	2.2	2.1	1.9	1.8	1.7	1.7	1.7

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30.

[2] It is expected that only a part of oil revenues will be used for financing the budget balance, with the rest being invested into financial intruments.

[3] Amortizations are presented on a currency basis (i.e., external amortizations exclude local currency securities held by offshore investors).

[4] The repayment of the balance-of-payment support from the IMF is included under external amortizations financed by the Bank of Uganda.

Table 3. Uganda: Monetary Accounts, FY2021/22-2028/29[1]

(Billions of Ugandan Shillings, unless otherwise indicated)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.		Proj.					
			Depository Corporations Survey[2]					
Net foreign assets	15,906	15,742	16,388	16,222	14,680	24,696	25,710	26,783
Bank of Uganda	14,370	13,916	14,578	14,441	12,601	21,175	21,808	22,460
Commercial banks	1,537	1,826	1,810	1,781	2,080	3,522	3,902	4,322
Net domestic assets	20,038	22,589	26,541	31,519	41,171	39,110	45,449	52,380
Claims on public sector (net)[3]	12,095	16,768	21,624	26,369	30,158	33,704	37,329	41,299
Claims on central government (net)	11,991	15,881	20,386	25,131	28,920	32,466	36,091	40,062
Claims on the private sector	20,936	22,318	24,152	27,078	31,728	36,887	42,644	49,041
Other items (net) [4, 5]	-13,004	-16,507	-19,235	-21,928	-20,715	-31,481	-34,524	-37,961
Money and quasi-money (M3)	35,870	38,251	42,929	47,741	55,851	63,806	71,159	79,162
Foreign exchange deposits	9,538	9,689	12,418	13,810	16,156	18,457	20,584	24,483
			Bank of Uganda					
Net foreign assets	14,370	13,916	14,578	14,441	12,601	21,175	21,808	22,460
Net domestic assets	-3,495	-2,862	-2,521	-1,032	3,086	-3,354	-1,989	-715
Claims on public sector (net)[3]	332	2,757	2,554	1,233	1,226	-1,072	-4,836	-9,578
Claims on non-financial private sector (net)	-845	-230	2,488	4,842	9,483	4,368	9,794	16,064
Claims on commercial banks	-337	-1,902	-2,768	-2,991	-3,701	-4,076	-4,307	-4,561
Other items (net) [4, 5]	-2,644	-3,487	-4,795	-4,115	-3,922	-2,573	-2,640	-2,640
Base money	10,875	11,054	12,057	13,409	15,687	17,821	19,819	21,746
Currency in circulation	6,828	7,314	7,768	8,639	10,107	11,546	12,877	13,922
Commercial bank deposits[6]	4,047	3,740	4,289	4,770	5,580	6,275	6,943	7,824
			Other Depository Corporations					
Net foreign assets	1,537	1,826	1,810	1,781	2,080	3,522	3,902	4,322
Net domestic assets	28,616	30,160	34,527	38,629	45,195	50,486	56,330	63,026
Of which Claims on central government (net)	11,659	13,124	18,398	24,416	28,205	31,751	35,376	39,346
Of which Claims on private sector	20,855	22,223	24,152	27,078	31,728	36,887	42,644	49,041
Deposit liabilities to the non-bank public	30,152	31,986	36,337	40,410	47,275	54,008	60,232	67,348
Shilling deposits	20,615	22,297	23,918	26,600	31,119	35,551	39,648	42,866
Memorandum items:								
(Annual percentage change)								
Base money	15.1	1.6	9.1	11.2	17.0	13.6	11.2	9.7
M3	10.0	6.6	12.2	11.2	17.0	14.2	11.5	11.2
Credit to the private sector	11.0	6.6	8.2	12.1	17.2	16.3	15.6	15.0
Memorandum items:								
Base money-to-GDP ratio (percent)	6.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0
M3-to-GDP ratio (percent)	22.0	20.9	21.3	21.4	21.5	21.6	21.7	21.8
Money multiplier (M2/base money)	2.4	2.6	2.5	2.5	2.5	2.5	2.6	2.5
Credit to the private sector (percent of GDP)	12.9	12.2	12.0	12.2	12.2	12.5	13.0	13.5
Velocity (M3)	4.5	4.8	4.7	4.7	4.7	4.6	4.6	4.6

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30.

[2] Starting on June 2013, the Bank of Uganda expanded the reporting coverage from Monetary Survey to Depository Corporations Survey.

[3] The public sector includes the central government, public enterprises, and local governments.

[4] Including valuation effects, the Bank of Uganda's claims on the private sector and Claims on Other Financial Corporations.

[5] Reflects actual and projected issuances for the recapitalization of Bank of Uganda.

[6] Inclusive of foreign currency clearing balances.

Table 4a. Uganda: Balance of Payments, FY2021/22-2028/29[1]

(Millions of U.S. Dollars, unless otherwise indicated)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.		Proj.			Proj.		
Current account	-3,459	-3,859	-4,457	-4,210	-3,702	-2,688	-2,946	-3,420
Trade balance	-3,300	-3,414	-3,507	-3,373	-2,178	-131	380	108
Exports, f.o.b.	3,837	5,451	7,536	8,373	11,012	13,119	13,123	13,719
Of which: oil	0	0	0	0	2,653	4,814	4,536	4,810
Imports, f.o.b.	7,137	8,865	11,043	11,746	13,190	13,250	12,743	13,612
Of which: oil	1,237	1,638	1,730	1,453	1,508	778	0	57
Services (net)	-1,109	-1,475	-1,790	-1,627	-2,126	-2,406	-2,445	-2,628
Credit	1,792	1,929	2,192	2,388	2,509	2,635	2,773	2,918
Debit	-2,901	-3,404	-3,981	-4,015	-4,635	-5,041	-5,217	-5,547
Primary income (net)	-970	-1,034	-1,196	-1,503	-1,874	-2,753	-3,492	-3,615
Of which: interest on public debt (debit)	-179	-233	-434	-537	-558	-578	-585	-597
Secondary income (net)	1,920	2,063	2,036	2,292	2,477	2,602	2,611	2,715
Private transfers	1,679	1,855	1,841	2,102	2,257	2,368	2,359	2,460
Of which: workers' remittances (credit)	1,255	1,458	1,449	1,731	1,828	1,910	1,924	1,982
Official transfers	241	209	195	190	220	233	252	255
Of which: budget support (including HIPC)	94	2	18	8	8	0	0	0
Capital account	158	111	197	278	324	359	385	417
Financial account	-3,388	-3,095	-3,307	-4,180	-3,906	-3,508	-3,552	-3,525
Direct investment (net)	-2,300	-2,950	-3,246	-3,796	-4,034	-3,490	-2,680	-2,704
Of which: oil-linked investment (- = inflows)	-1,164	-1,896	-2,236	-2,568	-2,386	-1,352	-458	-458
Portfolio investment (net)	188	502	24	-195	-105	-29	-26	-7
Other investment (net)	-1,271	-645	-83	-187	235	13	-844	-812
Loans (net)	-979	-662	-94	-393	16	51	-123	-109
Government (net)	-1,032	-796	-40	-435	-29	-5	-183	-171
Disbursements	-1,444	-1,419	-769	-1,286	-1,138	-1,255	-1,350	-1,330
Amortization	412	624	729	851	1,109	1,250	1,167	1,159
Deposits taking corporations	13	98	-95	-1	-5	-1	-1	-1
Net errors and omissions	-13	238	-80	0	0	0	0	0
Overall balance	73	-415	-1,032	248	529	1,179	992	522
Financing	-190	50	911	-248	-529	-1,179	-992	-522
Central bank net reserves (increase = –)	-188	50	911	-248	-529	-1,179	-992	-522
Use of Fund credit	0	0	0	0	0	0	0	0
Exceptional Financing	-1	0	0	0	0	0	0	0
Financing gap	116	365	122	0	0	0	0	0
ECF	116	365	122	0	0	0	0	0
Memorandum items:								
Gross international reserves								
In US$ billions	4.1	4.1	3.2	3.5	4.0	5.2	6.2	6.7
In months of next year's imports of goods and services	4.0	3.3	2.4	2.3	2.6	3.5	3.9	3.9
In months of next year's imports of goods and services (excl. oil project investment related imports)	4.6	3.7	2.8	2.7	2.9	3.6	4.0	3.9
Donor support								
Of which : budget support (loans and grants)	605	741	111	215	8	0	0	0
Of which : project support (loans and grants)	1,064	791	874	1,357	1,462	1,614	1,736	1,747
Current account balance (excl. oil project financing and investment related imports)	-2,528	-2,343	-2,661	-2,080	-1,430	-1,002	-2,086	-2,086

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30. Based on BPM6, including sign conventions.

Table 4b. Uganda: Balance of Payments, FY2021/22-2028/29[1]

(Percent of GDP, unless otherwise indicated)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Act.		Proj.			Proj.		
Current account	-7.6	-7.9	-8.4	-7.1	-5.5	-3.6	-3.7	-4.0
Trade balance	-7.2	-7.0	-6.6	-5.7	-3.3	-0.2	0.5	0.1
Exports, f.o.b.	8.4	11.2	14.2	14.2	16.5	17.8	16.5	16.1
Of which: oil	0.0	0.0	0.0	0.0	4.0	6.5	5.7	5.6
Imports, f.o.b.	15.7	18.2	20.8	19.9	19.7	17.9	16.0	15.9
Of which: oil	2.7	3.4	3.3	2.5	2.3	1.1	0.0	0.1
Services (net)	-2.4	-3.0	-3.4	-2.8	-3.2	-3.3	-3.1	-3.1
Credit	3.9	4.0	4.1	4.0	3.7	3.6	3.5	3.4
Debit	-6.4	-7.0	-7.5	-6.8	-6.9	-6.8	-6.6	-6.5
Primary income (net)	-2.1	-2.1	-2.2	-2.5	-2.8	-3.7	-4.4	-4.2
Of which: interest on public debt (debit)	-0.4	-0.5	-0.8	-0.9	-0.8	-0.8	-0.7	-0.7
Secondary income (net)	4.2	4.2	3.8	3.9	3.7	3.5	3.3	3.2
Private transfers	3.7	3.8	3.5	3.6	3.4	3.2	3.0	2.9
Of which: workers' remittances (credit)	2.8	3.0	2.7	2.9	2.7	2.6	2.4	2.3
Official transfers	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Of which: budget support (including HIPC)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital account	0.3	0.2	0.4	0.5	0.5	0.5	0.5	0.5
Of which: project grants	0.3	0.2	0.4	0.5	0.4	0.4	0.5	0.5
Financial account	-7.4	-6.3	-6.2	-7.1	-5.8	-4.8	-4.5	-4.1
Direct investment (net)	-5.0	-6.0	-6.1	-6.4	-6.0	-4.7	-3.4	-3.2
Of which: oil-linked investment flows	-2.6	-3.9	-4.2	-4.3	-3.6	-1.8	-0.6	-0.5
Portfolio investment (net)	0.4	1.0	0.0	-0.3	-0.2	0.0	0.0	0.0
Other investment (net)	-2.8	-1.3	-0.2	-0.3	0.4	0.0	-1.1	-1.0
Loans (net)	-2.1	-1.4	-0.2	-0.7	0.0	0.1	-0.2	-0.1
Government (net)	-2.3	-1.6	-0.1	-0.7	0.0	0.0	-0.2	-0.2
Disbursements	-3.2	-2.9	-1.4	-2.2	-1.7	-1.7	-1.7	-1.6
Amortization	0.9	1.3	1.4	1.4	1.7	1.7	1.5	1.4
Deposits taking corporations	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	0.0	0.5	-0.2	0.0	0.0	0.0	0.0	0.0
Overall balance	0.2	-0.9	-1.9	0.4	0.8	1.6	1.2	0.6
Financing	-0.4	0.1	1.7	-0.4	-0.8	-1.6	-1.2	-0.6
Central bank net reserves (increase = –)	-0.4	0.1	1.7	-0.4	-0.8	-1.6	-1.2	-0.6
Use of Fund credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.3	0.7	0.2	0.0	0.0	0.0	0.0	0.0
ECF	0.3	0.7	0.2	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Gross international reserves								
In US$ billions	4.1	4.1	3.2	3.5	4.0	5.2	6.2	6.7
In months of next year's imports of goods and services	4.0	3.3	2.4	2.3	2.6	3.5	3.9	3.9
In months of next year's imports of goods and services (excl. oil project financing and investment related imports)	4.6	3.7	2.8	2.7	2.9	3.6	4.0	3.9
Donor support								
Of which: budget support (loans and grants)	605	741	111	215	8	0	0	0
Of which: project support (loans and grants)	1,064	791	874	1,357	1,462	1,614	1,736	1,747
Current account balance (excl. oil project financing and investment related imports)	-5.5	-4.8	-5.0	-3.5	-2.1	-1.4	-2.7	-2.7

Sources: Ugandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July 1 to June 30. Based on BPM6, including sign conventions.

Table 5. Uganda: Banking Sector Indicators, March 2021-March 2024

(Percent)

	2021				2022				2023				2024
	21-Mar	21-Jun	21-Sep	21-Dec	22-Mar	22-Jun	22-Sep	22-Dec	23-Mar	23-Jun	23-Sep	23-Dec	24-Mar
Capital Adequacy													
Regulatory capital to risk-weighted assets	23.8	23.5	24.1	23.7	25.6	22.8	22.9	23.9	25.5	26.1	25.4	25.3	25.1
Regulatory tier 1 capital to risk-weighted assets [1]	22.2	22.1	22.6	22.2	24.2	21.4	21.4	22.4	24.2	24.8	24.1	24.0	23.9
Asset quality													
NPLs to total gross loans	5.4	4.8	5.4	5.3	5.8	5.3	5.2	5.4	5.8	5.7	5.3	4.6	5.1
NPLs to total deposits	3.3	2.9	3.3	3.3	3.5	3.2	3.2	3.3	3.5	3.3	3.2	2.8	3.1
Specific provisions to NPLs	47.3	47.3	46.5	42.7	42.3	43.4	44.8	50.1	47.0	46.2	45.6	45.2	44.3
Earning assets to total assets	69.1	69.7	71.5	68.7	71.0	69.0	68.9	72.7	72.8	70.8	74.3	73.7	72.8
Large exposures to gross loans	42.0	40.4	40.1	36.8	35.0	38.8	35.9	35.2	32.1	32.6	34.8	36.7	36.9
Large exposures to total capital	105.2	97.0	93.5	86.8	80.6	93.7	87.8	80.7	72.8	71.0	77.6	81.0	80.1
Earnings & profitability													
Return on assets	2.5	2.7	2.6	2.7	2.7	2.7	2.8	2.8	2.9	3.0	3.2	3.2	3.1
Return on equity	14.7	15.5	14.9	15.6	15.4	15.5	15.6	15.1	15.9	16.8	17.3	17.1	16.6
Net interest margin	10.4	10.2	10.1	10.4	10.3	10.2	10.4	10.6	10.8	11.1	11.2	10.8	10.8
Cost of deposits	2.4	2.4	2.4	2.3	2.2	2.1	2.2	2.3	2.5	2.6	2.9	3.0	3.0
Cost to income [2]	73.5	71.7	72.6	71.8	72.2	72.1	71.6	72.6	72.4	72.3	72.2	71.8	72.3
Overhead to income [2]	49.5	49.1	48.7	47.6	47.9	48.1	48.2	48.0	47.5	46.6	46.7	47.1	47.7
Liquidity													
Liquid assets to total deposits	47.6	51.6	49.2	48.0	49.6	46.5	38.5	43.2	45.3	49.4	44.4	45.0	45.3
Liquid assets to total assets	33.3	35.9	34.1	33.0	34.5	32.4	26.8	29.8	31.6	35.0	30.8	30.7	30.7
Liquid assets to short-term liabilities	49.3	51.9	50.6	48.8	50.6	47.4	40.5	49.7	53.3	59.4	52.3	52.2	51.8
Liquidity Coverage Ratio	266.9	240.3	232.9	297.2	301.7	184.5	184.6	223.4	305.4	373.4	267.8	285.2	239.6
Market Sensitivity													
Foreign currency exposure to regulatory tier 1 capital	5.5	-6.6	-7.6	5.8	-5.0	-8.3	-5.9	-5.4	-2.2	-1.4	-1.7	-1.7	-2.9
Foreign currency loans to foreign currency deposits [2]	62.3	59.2	59.8	60.4	58.1	62.3	59.5	55.7	57.7	55.4	56.6	56.0	57.4
Foreign currency assets to foreign currency liabilities	94.3	93.6	86.4	98.9	92.6	95.3	94.3	92.8	92.2	92.7	87.2	86.2	92.1

Source: Bank of Uganda

[1] Under new rules, effective in December 2016, designed to ensure compliance with Basel III financial standards, Tier 1 capital requirements were raised to 10.5 percent from 8 percent, while the total regulatory capital ratio was raised to 14.5 percent from 12 percent. However, Systematically Important Banks (SIBs) will be required to maintain Tier 1 capital of 11.5 percent and a total regulatory capital ratio of 15.5 percent. The cash reserve requirement for banks is 5.25 percent and the minimum liquidity coverage ratio is at 100 percent.

[2] Historical numbers are revised by the Bank of Uganda

Table 6. Uganda: External Financing Requirements, FY2021/22-2028/29

(Millions of U.S. Dollars)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Financing needs	**3,647**	**3,809**	**3,546**	**4,458**	**4,230**	**3,867**	**3,938**	**3,942**
Current account deficit	3,459	3,859	4,457	4,210	3,702	2,688	2,946	3,420
Net payment to the IMF	0	0	0	0	0	0	0	0
Reserve accumulation (+=increase)	188	-50	-911	248	529	1,179	992	522
Financing sources	**-3,544**	**-3,206**	**-3,504**	**-4,458**	**-4,230**	**-3,867**	**-3,938**	**-3,942**
Capital account	158	111	197	278	324	359	385	417
Financial account	-3,388	-3,095	-3,307	-4,180	-3,906	-3,508	-3,552	-3,525
FDI (net)	-2,300	-2,950	-3,246	-3,796	-4,034	-3,490	-2,680	-2,704
Public sector (net)	1,015	1,445	1,471	1,654	1,888	1,790	1,629	1,463
Exceptional financing	-1	0	0	0	0	0	0	0
Errors and omissions	**-13**	**238**	**-80**	**0**	**0**	**0**	**0**	**0**
Financing gap	**116**	**365**	**122**	**0**	**0**	**0**	**0**	**0**
Prospective financing	**116**	**365**	**122**	**0**	**0**	**0**	**0**	**0**
ECF	116	365	122	0	0	0	0	0
Residual financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Source: Ugandan authorities and IMF staff estimates and projections

Table 7. Uganda: Indicators of Capacity to Repay the IMF, 2021-2030[1]

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit (in millions of SDRs)										
Principal	0.0	0.0	0.0	0.0	36.1	90.3	117.3	153.4	189.5	162.5
Charges and interest	0.0	0.6	0.0	15.2	15.2	15.2	15.2	15.2	15.2	15.2
IMF obligations based on existing and prospective credit (in millions of SDRs)										
Principal	0.0	0.0	0.0	0.0	36.1	90.3	117.3	153.4	198.6	180.5
Charges and interest	0.0	0.6	0.0	15.2	15.2	15.2	15.2	15.2	15.2	15.2
Total IMF obligations based on existing and prospective credit										
In millions of SDRs	0.0	0.6	0.0	15.2	51.3	105.5	132.5	168.6	213.8	195.7
In millions of U.S. dollars	0.0	0.8	0.0	21.3	72.1	148.2	186.2	236.9	300.3	275.0
In percent of GDP	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.3
In percent of exports of goods and services	0.0	0.0	0.0	0.2	0.7	1.1	1.2	1.5	1.8	1.6
In percent of government revenue	0.0	0.0	0.0	0.3	0.9	1.5	1.7	1.9	2.2	1.9
In percent of gross international reserves	0.0	0.0	0.0	0.5	2.0	3.5	3.5	3.8	4.4	4.0
In percent of IMF quota	0.0	0.2	0.0	4.2	14.2	29.2	36.7	46.7	59.2	54.2
IMF credit outstanding based on Existing and Prospective Drawings (end-of-period)										
In millions of SDRs	631.8	812.3	992.8	1,083.0	1,046.9	956.7	839.3	685.9	487.4	306.9
In millions of U.S. dollars	877.9	1,132.4	1,387.4	1,518.6	1,473.2	1,346.2	1,181.1	965.2	685.8	431.8
In percent of GDP	2.2	2.5	2.8	2.8	2.5	2.0	1.6	1.2	0.8	0.5
In percent of exports of goods and services	13.0	20.1	18.8	15.8	13.4	9.8	7.4	6.0	4.0	2.4
In percent of government revenue	16.2	18.5	20.4	21.0	18.2	13.6	10.6	7.9	5.1	2.9
In percent of gross international reserves	21.1	27.5	34.0	39.0	40.9	32.2	22.1	15.5	10.0	6.3
In percent of IMF quota	175.0	225.0	275.0	300.0	290.0	265.0	232.5	190.0	135.0	85.0
Net use of IMF credit (end-of-period)										
In millions of SDRs	180.5	90.3	361.0	90.3	-36.1	-90.3	-117.3	-153.4	-207.6	-180.5
In millions of U.S. dollars	250.8	125.8	504.5	126.5	-50.8	-127.0	-165.1	-215.9	-292.1	-254.0
In percent of GDP	0.6	0.3	1.0	0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3
In percent of exports of goods and services	3.7	2.2	6.8	1.3	-0.5	-0.9	-1.0	-1.3	-1.7	-1.4
In percent of government revenue	4.6	2.1	7.4	1.8	-0.6	-1.3	-1.5	-1.8	-2.2	-1.7
In percent of gross international reserves	6.0	3.1	12.4	3.2	-1.4	-3.0	-3.1	-3.5	-4.3	-3.7
In percent of IMF quota	50.0	25.0	100.0	25.0	-10.0	-25.0	-32.5	-42.5	-57.5	-50.0
Memorandum items										
Nominal GDP (in millions of U.S. dollars)	40,699	45,839	49,561	54,211	59,631	67,634	74,652	80,333	86,425	93,307
Exports of goods and services (in millions of U.S. dollars)	6,761	5,629	7,380	9,616	10,999	13,733	15,970	16,117	17,141	17,724
Government revenue (in millions of U.S. dollars)	5,421	6,112	6,813	7,220	8,115	9,889	11,148	12,247	13,446	14,808
Gross international reserves (in millions of U.S. dollars)	4,154	4,117	4,075	3,894	3,604	4,184	5,340	6,214	6,851	6,866
IMF quota (in millions of SDRs)	361.0	361.0	361.0	361.0	361.0	361.0	361.0	361.0	361.0	361.0
SDRs per U.S. dollars	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: Ugandan authorities, and IMF staff estimates and projections.

1/ Assumes access of 100 percent of the quota in April 2020 as one-time disbursement.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood/ Time Horizon	Expected Impact on Economy	Policy Response
Potential Domestic Risks			
Slow progress on fiscal reforms, including on improving revenue mobilization and public sector efficiency.	Medium **Short to Medium Term**	High Would lower growth dividend and increase risk of debt distress	- Improve the quality of public spending - Define operational debt ceiling with annual budget deficit and a binding expenditure envelope
Natural disasters related to climate change. Higher frequency of natural disasters causes severe economic damage.	Medium **Medium/ Long-term**	High Lower growth, increase in poverty levels, worsened public debt sustainability	- Improve economic resilience to shocks, build fiscal and external buffers
Oil production delay. Logistical and legal issues or unfavorable global oil prices may lead to delays in domestic production of oil.	Medium **Medium Term**	Medium Lower growth, fiscal and export revenues, worsened public debt sustainability	- Formulate credible medium-term fiscal path to support investor confidence - Adjust monetary policy as needed if currency weakening leads to inflationary pressures
Deterioration of security conditions. Spillovers from crises in the region and domestic terrorist attacks could worsen security, and give rise to financing pressures	Low **Short term**	Medium Economic activity would be disrupted. Investor confidence would decline.	- Formulate credible medium-term fiscal path to support investor confidence.
Potential External Risks			
Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High **Short to Medium Term**	Medium Would weaken the recovery and intensify the inflationary pressure through surging commodity prices.	- Adjust monetary policy as needed in response to the inflationary pressure - Accommodative fiscal policy to mitigate the impact on the poor - Formulate credible medium-term fiscal path to support investor confidence.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Source of Risks	Likelihood/ Time Horizon	Expected Impact on Economy	Policy Response
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	**High** **Short to Medium Term**	**Medium** Poor households would be particularly vulnerable to the rising commodity prices. Renewed inflationary pressure and weaker recovery. However, higher energy prices could provide stronger incentive for swift planned investments. As a net food exports, Uganda could also benefit from higher export receipts.	- Provide targeted fiscal support to vulnerable households - Formulate credible medium-term fiscal path to support investor confidence - Adjust monetary policy in view of the inflationary pressure
Abrupt global slowdown or recession. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	**Medium** **Short Term**	**High** Slowdown in exports and GDP growth.	- Allow automatic fiscal stabilizers to operate; could temporarily ease macroeconomic policies if growth slows sharply.

Annex II. External Sector Assessment

Overall Assessment: *The external position of Uganda in 2023 was moderately weaker than the level implied by fundamentals and desirable policies. Other indicators, such as global export market share and tourism receipts, which remain below their pre-COVID 19 averages, also point to a weaker external position The current level of gross international reserves is assessed to be inadequate.*

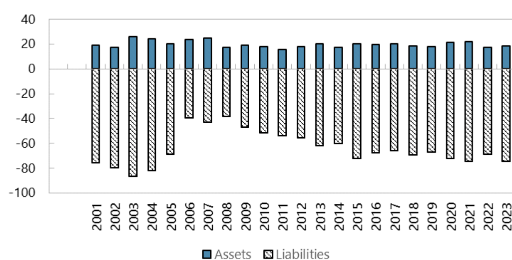
Potential Policy Responses: *Allowing exchange rate flexibility is critical to cushion the economy from external shocks and to reduce external imbalances. Maintaining an adequate level of reserves is essential to anchor investor confidence in a shock-prone environment. Policies to preserve fiscal and debt sustainability, and to improve export diversification and product quality can help improve external competitiveness over the medium term.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP deteriorated to -57 percent of GDP in 2023 from -51 percent in 2022, driven by the increase of foreign liabilities from 69 percent to 74 percent amid rising FDI. On the assets side, reserves held by the BoU continued to be the key component, though its share has steadily declined from 80 percent in the early 2000 to 40 percent in 2023, while private sector deposits and securities investment have gained importance. On the liabilities side, like in many developing economies, the majority of external liabilities were FDI (accounting for 53 percent) and government external loans (38 percent). Foreign portfolio holdings in Uganda have been limited at about 2-3 percent, and further declined to below 2 percent in recent years amid tight global financial conditions. Between 2019 and 2023, the NIIP declined by 8 percentage points, reflecting a negative CA contribution of 35 percentage points partly offset by valuation effect.

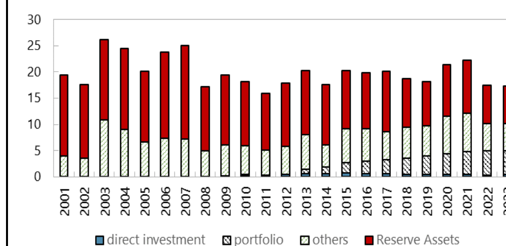
International Investment Position

(In Percent of GDP)



External Assets

(In Percent of GDP)



Assessment. The sustainability of the NIIP is not an immediate concern. Since 2019, valuation gains have offset about 42 percent of the effect of CA flows on the NIIP, partly reflecting CA measurement issues. Going forward, the CA deficit is expected to improve substantially once oil comes on stream, which will help stabilize the NIIP. Furthermore, the accompanying Debt Sustainability Analysis (Annex x) suggests that Uganda faces a moderate risk of debt distress.

2023 (% GDP)	NIIP: -57	Gross Assets: 16.8	Debt Assets: 3.5	Gross Liabilities: 73.5	Debt Liabilities: 37.6

Current Account

Background. The CA deficit declined to -7.4 percent of GDP in CY2023 from -8.4 percent of GDP in CY2022, reflecting continued improvement in coffee and tourism exports, terms of trade, and fiscal consolidation efforts to cut government imports. In the near-term, the CA deficit is expected to remain high reflecting temporary large oil project-related investments but improve significantly once oil exports start in 2026. The oil refinery is expected to become operational by the end of 2027, substituting part of oil import needs.

Assessment. The preliminary 2023 EBA-lite CA model estimates a CA gap of -1.5 percent, with a cyclically adjusted CA balance (adjusting for cyclicality and one-off investments in the oil project) of -5.8 percent compared with a CA norm of -4.3 percent of GDP. This implies that the external position is moderately weaker than the level consistent with fundamentals.

Table 1. Uganda: Model Estimates for 2023

(In percent of GDP)

	CA model 1/	**REER model** 1/	**ES model**
		(in percent of GDP)	
CA-Actual	**-7.4**		
Cyclical contributions (from model) (-)	-0.1		
Additional temporary/statistical factors (-) 2/	-1.5		
Natural disasters and conflicts (-)	-0.1		
Adjusted CA	**-5.8**		
CA Norm (from model) 3/	**-4.3**		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	**-4.3**		
CA Gap	**-1.5**	**0.6**	**n/a**
o/w Relative policy gap	1.3		
Elasticity	-0.1		
REER Gap (in percent)	**10.9**	**-4.6**	**0.0**

1/ Based on the EBA-lite 3.0 methodology

2/ Additional adjustment to account for the temporary impact of large oil project related imports.

3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Despite some depreciation of the bilateral exchange rate against the U.S. dollar, the REER has been broadly stable, depreciating by one percent y-o-y at the end of 2023, partly reflecting similar bilateral depreciation against the U.S. dollar in trading partner currencies.

Assessment. The EBA-lite CA model implies a REER overvaluation gap of 10.9 percent in 2023, compared to 21.7 percent in 2022. However, the EBA-lite REER model suggests an undervaluation of 4.6 percent. The latest external sustainability (ES) approach assesses the exchange rate to be aligned with fundamentals, compared to the assessment of large overvaluation in 2022.

Capital and Financial Accounts: Flows and Policy Measures
Background. In 2023, the CA was mainly financed by net FDI inflows of 7.8 percent of GDP. Portfolio and other inflows have been muted.
Assessment. The financial account has been anchored by strong FDI inflows, which will continue in the near term because of oil project-related inflows. Portfolio inflows are expected to remain muted in the higher-for-longer interest rate environment and the recent downgrade in sovereign rating. Other investment inflows will remain volatile and subdued in the near term depending on government borrowing plans and the timing of disbursements, as well as development partners' sentiment.
FX Intervention and Reserves Level
Background. Over the course of 2023, the shilling depreciated by 2.6 percent against the U.S. dollar and the BoU accumulated about $200 million in reserves. However, reflecting the rising debt service and absence of new external loans, reserves have fallen to US $3.2 billion at the end of June 2024, and then recovered to US [$3.6 billion] in July following BoU's signing of a 18-month FX swap of $400 million with two local banks, covering 3.2 months of imports. The BoU has not intervened in the FX market since June 2022 and regularly purchases FX to rebuild reserve buffer as market conditions permit. **Assessment.** The Bank of Uganda should continue to pursue exchange rate flexibility, limiting its foreign exchange sales to cases of extreme market distress. The IMF's reserve adequacy metric for credit-constrained economies indicates that the adequate level of reserves should account for the cost of carrying reserves, probability of a large shock, and the cost of a reversal of flows. In light of the higher cost of holding reserves and the shock-prone environment, the optimal reserve coverage ratio is between 3.5 and 4.6 months of imports. Consistent with this range, the reserve level should be kept at a minimum of 3.5 months of imports.

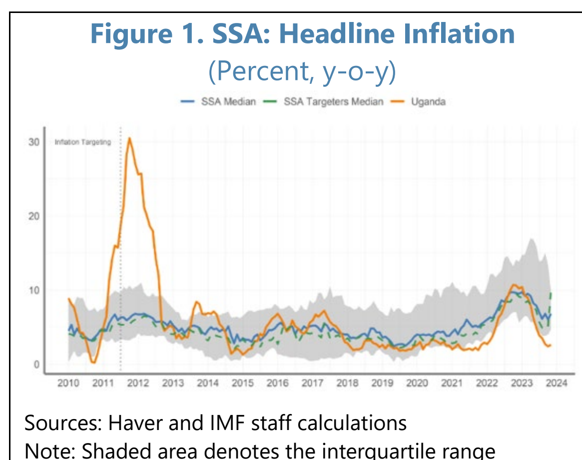
Annex III. Foreign Exchange Interventions in the Integrated Policy Framework

The presence of "IPF frictions" in Uganda warrants limited use of foreign exchange interventions (FXIs) to address disorderly conditions in the foreign exchange (FX) market. However, institutional, policy, and communication constraints as well as market development considerations call for caution in the use of this tool in Uganda. Monetary and fiscal policies, together with exchange rate flexibility should remain the primary tools to safeguard macroeconomic stability. Thus, advancing fiscal consolidation to continue rebuilding buffers and reduce financing and debt sustainability risks while allowing the exchange rate to restore imbalances, absorb shocks, and preserve buffers, is crucial. This view is consistent with that of the authorities.

1. **The Integrated Policy Framework (IPF) helps assess the appropriate policy responses to shocks in economies vulnerable to capital flow volatility** (IMF 2020)**.** The IPF shows that the optimal policy response depends on the nature of shocks, country characteristics, and initial conditions. When a local currency trades in deep markets and a country continues to enjoy market access, allowing the nominal exchange rate to adjust freely in response to macroeconomic shocks is generally optimal. However, some countries have "frictions", such as shallow FX markets, currency mismatches on non-bank balance sheets, and weakly-anchored inflation expectations. Here, use of additional policies, including pre-emptive capital flow management measures, macroprudential measures (MPMs), and foreign exchange interventions (FXI), could help mitigate trade-offs from the use of monetary policy—e.g., monetary policy tightening to help stem currency depreciation would raise funding cost for domestic agents and slow economic activity.

2. **Uganda's policy and institutional characteristics warrant nuanced application of the IPF.** Since the adoption of an inflation-targeting (IT) regime in 2011, inflation has drastically declined and stayed generally lower than that of other SSA countries. While the monetary transmission mechanism is weak due to inherent structural challenges including banks' high operational costs, high loan-loss provisioning, their preference for high-yield government bonds relative to risky lending, and an oligopolistic market structure, the government's financing cost is notably sensitive to policy rate changes. [1] Uganda has a floating exchange rate regime, and the Bank of Uganda (BoU) intervenes in the FX market to dampen excessive market volatility and to maintain and/or

Figure 1. SSA: Headline Inflation
(Percent, y-o-y)



Sources: Haver and IMF staff calculations
Note: Shaded area denotes the interquartile range

[1] See IMF (2022), Box 3, and IMF (2024), Uganda Fifth Review Staff Report, Box 2.

accumulate international reserves.[2] The country's linkages to global financial markets mainly reflect capital flows in the form of FDI, government's external borrowing from commercial banks (more recently) and project loans, and foreign investment in the domestic debt market.

3. The presence of market frictions in Uganda suggests a potential role that FXI could play.

- **FX Market Depth.** The Uganda FX market is shallow with a limited number of active market players and low transaction volume. The daily turnover in the FX market has been relatively stable in recent years, averaging less than USD 120 million (or about 0.2 percent of GDP) between 2022 and 2023, which is small when comparing globally (Figure A3.1, panel 1).[3]

- **FX mismatches.** About 30 percent of private sector credits in Uganda is in foreign currencies. Moreover, preliminary findings indicate the nonfinancial corporate sector has substantial borrowing from abroad, which amplifies the sector's overall FX exposure (Figure A3.1, panel 2, 3). However, the vulnerabilities are mitigated because most of these transactions are FDI rather than portfolio investment. Moreover, most corporates in are exporters, which further contains the vulnerabilities.[4] On the government side, over half of public debt was in foreign currencies at end-FY22/23 (Figure A3.1, panel 4). The large share of FX liabilities suggests significant exposure to the currency risks.

- **Inflation expectation anchor.** The pass-through of the exchange rate to inflation appears to be high, although there are uncertainties regarding the estimates.[5] Disruptive movements in the exchange rate could therefore pose material risks to the de-anchoring of inflation expectations. At the same time, the shrinking external financing sources have forced the government to resort increasingly to domestic borrowing, including advances from the BoU (Figure A3.1, panel 5). If continued, this trend would jeopardize BoU's credibility as an inflation targeting central bank and risk increasing perception of fiscal dominance, especially considering the country's relatively low level of international reserves (Figure A3.1, panel 6).

4. The FXI should be limited to addressing disorderly market conditions to safeguard financial stability. The BoU uses both qualitative and volatility-based intervention policies as guides for interventions. The use of FXI has significantly declined over time. In recent years, the BoU has intervened only twice to fight disorderly market conditions. These took place during the pandemic in October 2021 and in June 2022 when tightened global financial conditions triggered an exit of

[2] The de jure exchange rate arrangement in Uganda is free floating, and the de facto exchange rate arrangement is floating (IMF, 2023). Reserve build-up interventions are through foreign exchange auctions that are intended to have a minimal impact on the exchange rate.

[3] BIS (2022) estimated the median of daily FX turnover in April 2022 is about 6 percent of GDP for emerging economies and 26 percent for advanced economies.

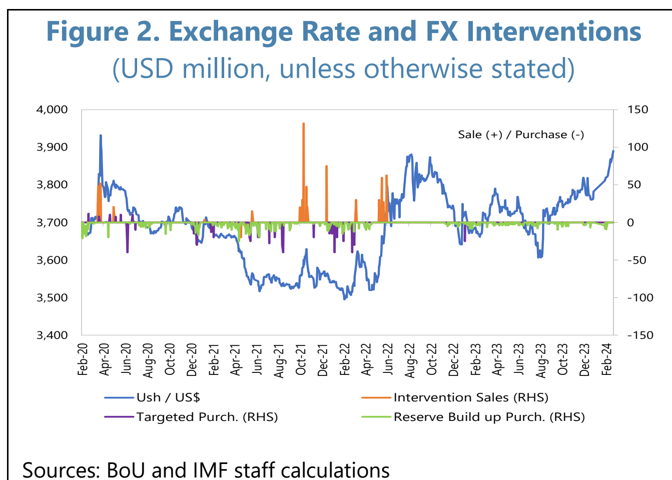
[4] Data on corporate balance sheet is relatively limited in Uganda, which makes it difficult to gauge the sector's net open position.

[5] IMF (2022) estimated the exchange rate pass-through ranging between 0.05 and 0.6. More recent estimates by staff suggest that about 14-16 percent of inflation variation could be attributed to changes in the exchange rate.

portfolio investors from the domestic debt market. During these two episodes, the sharp increase in estimated uncovered interest parity (UIP) risk premiums reversed following the interventions by the BoU (see text charts). The authorities should continue the practice of limiting interventions to address disorderly market conditions only that could jeopardize financial stability

5. The potential costs of FX interventions call for extreme caution in its utilization. Frequent FX interventions may impede the development of FX and hedging markets and jeopardize the credibility of the IT regime by muddling the primary objective of monetary policy. The use of FX interventions to hedge against exchange rate risk can foster moral hazard by encouraging excessive FX exposures. Given the country's low reserve buffer, FX interventions to uphold exchange rates significantly distant from fundamental levels could provoke speculative attacks. Last, FX interventions could subject the BoU to lobbying from business interests or political pressure to counteract exchange rate fluctuations even in the absence of underlying frictions. [6]

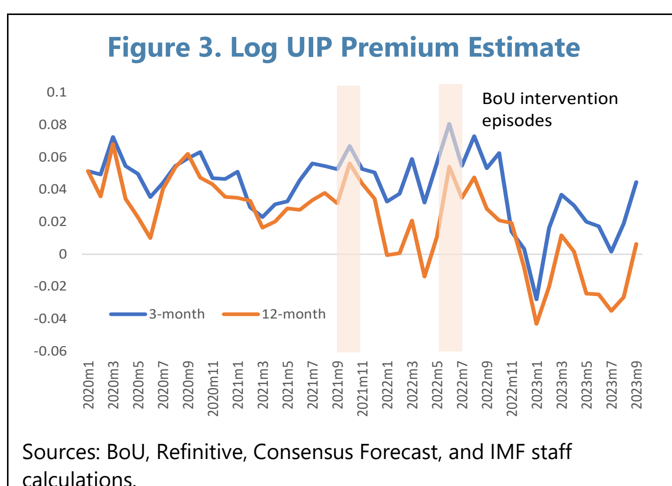
Figure 2. Exchange Rate and FX Interventions
(USD million, unless otherwise stated)



Sources: BoU and IMF staff calculations

6. Monetary and fiscal policies, together with exchange rate flexibility should remain the primary tools to safeguard macroeconomic stability. Advancing fiscal consolidation would help reduce financing and debt sustainability risks, which cannot be addressed through the use of FXI. Restoring external and internal imbalances requires a flexible exchange rate within a robust inflation targeting framework, supported by consistent macroeconomic policies. In particular, countercyclical fiscal policy eases monetary policy trade-offs, reducing currency and inflation risks. [7] Strengthening the monetary policy framework to improve policy transmission and credibility reduces risks of de-anchoring inflation expectations and reduces also the need for FXI at the times of shocks. A flexible exchange rate acts as a shock absorber and structural reforms help improve competitiveness and rebuild external buffers, which

Figure 3. Log UIP Premium Estimate



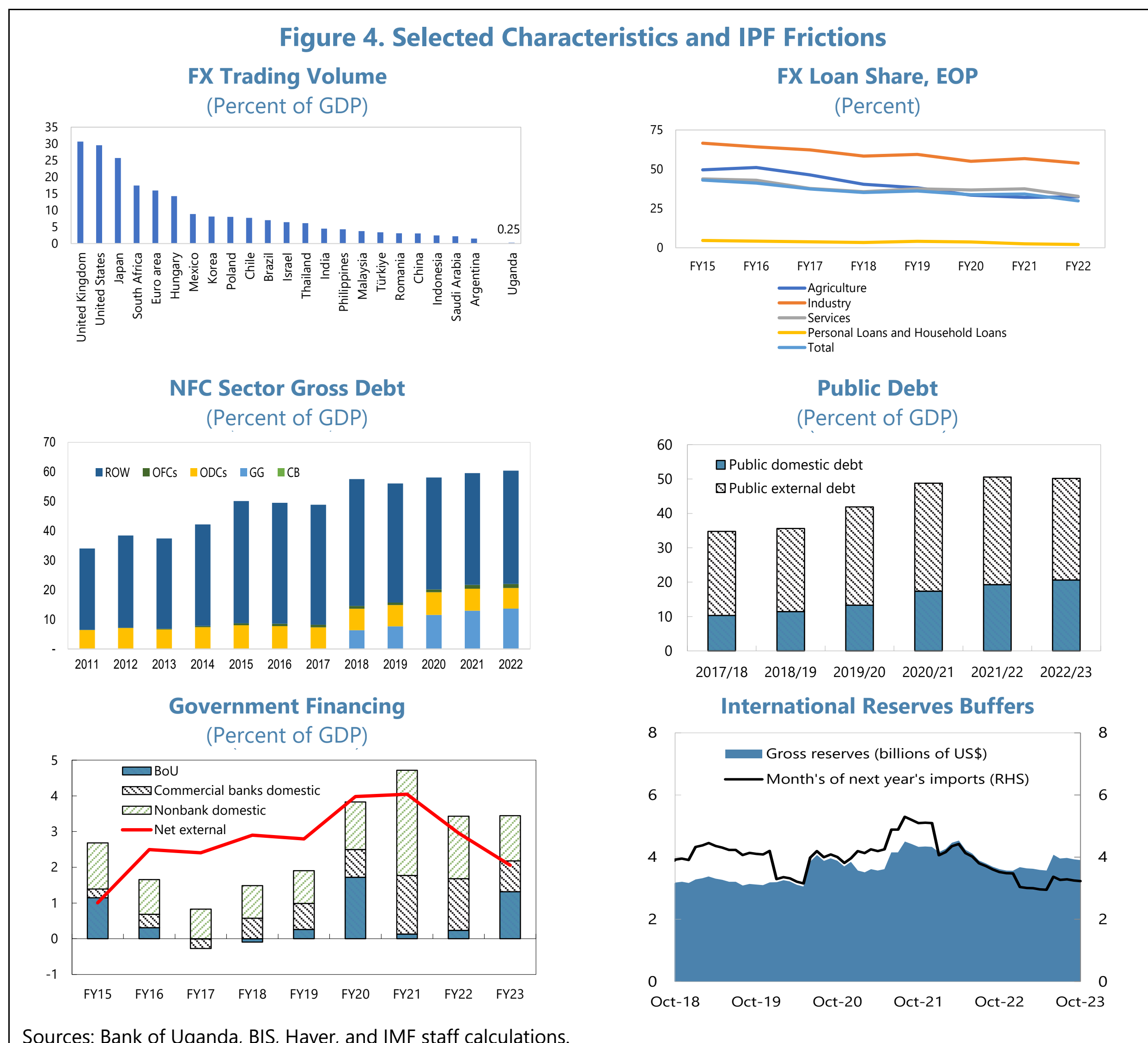
Sources: BoU, Refinitive, Consensus Forecast, and IMF staff calculations.

[6] For more detailed discussion, see IMF, 2023.

[7] It is important to recognize that during periods of constrained access to capital markets, measures taken in response to adverse shocks could potentially trigger a depreciation of the exchange rate, consequently exacerbating pre-existing vulnerabilities.

would also lower the "adequate" target level of international reserves and the costs of holding them. Preemptive macroprudential policies to increase the system's resilience and reforms to deepen the FX market can further ease policy trade-offs during the time of stress.

Figure 4. Selected Characteristics and IPF Frictions



Sources: Bank of Uganda, BIS, Haver, and IMF staff calculations.

Annex IV. Capacity Development Strategy

A. Context

1. The political and economic contexts in Uganda are predictable and stable. President Museveni and his ruling party, the National Resistance Movement, has been in power since 1986, and the President is currently serving his 6th term in office. The next elections are scheduled for January 2026. The macroeconomic environment is not without challenges, with high interest rates on public debt, low private credit, and dwindling capital flows, but fiscal consolidation is ongoing, and debt remains sustainable with [medium/moderate] probability of debt distress. The Bank of Uganda was successful in bringing inflation down from its peak swiftly, over a few months in 2022-23, to below the inflation target with tight monetary policy and stable exchange rate. The financial sector appears profitable, well-capitalized and stable but sovereign-bank nexus is a source of concern. Structural reforms to boost inclusive growth prospects, create jobs for the growing youth population, and reduce the poverty are at the core of authorities' effort and Fund engagement across all output areas. The Capacity Development (CD) strategy is consistent with current circumstances and with the long-term objectives outlined above.

2. Near-term CD priorities have been broadly aligned with the authorities' National Development Plan (NDP III) 2020/21-2024/25 and the program supported by the Extended Credit Facility (ECF). Over the past three years, CD and ECF-supported reforms have been closely integrated with program conditionality consistently drawing from past and ongoing missions and projects recommendations. This relationship worked well in both directions as technical experts' teams were able to step up support towards meeting the program objectives where needed with agility. In some instances, reforms needed high-level political support —such as in tax policy and anti-corruption—that, having been obtained, could ensure successful CD implementation in the future also in a surveillance context.

3. Uganda's extensive CD agenda [counting 52 delivered and ongoing projects] stretches across all workstreams and is generally appreciated by the authorities. Their feedback on the content, delivery, and results of technical assistance has been positive [1], however, implementation of recommendations and follow-up have frequently suffered from capacity constraints implying longer lags in observed impact. The authorities continue to prefer in-person support but have gotten accustomed also to hybrid delivery. An important milestone was recently achieved with Uganda's removal from the FATF's list of jurisdictions under increased monitoring ("grey-list") supported by IMF CD.

[1] The IMF and Capacity Development— Monitoring, Evaluation, and Effectiveness Ruben Lamdany, 2022 Background Paper.

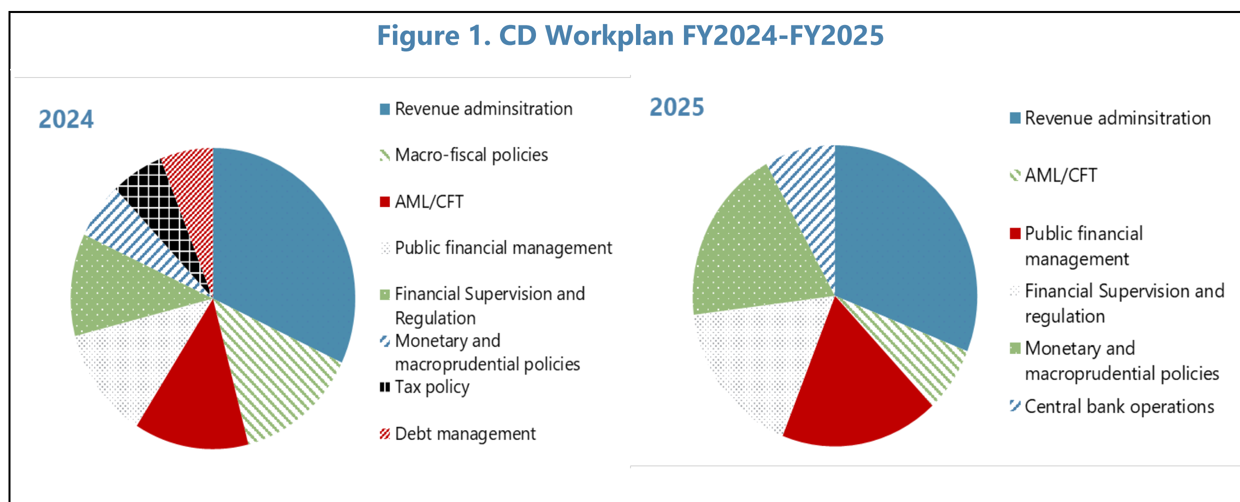


Figure 1. CD Workplan FY2024-FY2025

B. CD Strategy and Priorities

4. CD priorities. In the near-term, priorities include continued engagement in revenue administration with a focus on taxation of MNEs, follow-up on the recent Climate PIMA recommendations, FPAS modeling, oil revenue management, risk-based supervision, and strengthening AML/CFT risk-based supervision, including supervisory sanctioning procedures.

5. Engagement with outside partners. USAID, FCDO, the EU, the WB, the UN, and the AfDB are currently all actively engaged in providing TA to support the authorities' reform agenda. Coordination with the Local Development Partner Group continues to exploit synergies and avoid duplication while delivering consistent advice without overburdening authorities' absorptive capacity. Specific areas of close cooperation are financial integrity, domestic revenue mobilization and public financial management/public investment management reforms.

C. Risks and Mitigation

6. Capacity constraints could be exacerbated by the need to bring projects to closure. The multitude of missions from various stakeholders could pose delivery and implementation challenges. Opposition from vested interests and potential changes in political priorities in the run-up to the 2026 presidential elections represent other risks. Spacing of missions and close cooperation with AFRITAC East (AFE) center will be needed to bring realism into CD planning and delivery and mitigate absorption risks.

D. CD Priorities

Priorities	Traction	Objectives
Tax policy and revenue administration	Removing exemptions has proved difficult in the past but has gained momentum thanks to political buy out following a successful campaign supported by two technical assistance mission and integration of recommendations into the ECF. Traction in revenue administration is sometimes challenged by fragmentation across government institutions and TA coordination amongst various CD providers.	Assist with the implementation of the Domestic Revenue Mobilization Strategy (DRMS) to raise revenues by ½ percent of GDP per year. Focus is on enhancing VAT efficiency, improving tax core functions and compliance, supporting management and protection of natural resource revenue, improving customs trade facilitation including valuation and risk management, rationalization of tax expenditures, taxation of petroleum sector.
Public financial management	This area of support consists of multiple short missions from AFE that are very effective. The recent recommendations of a cash management mission resulted in the adoption of a cash management framework that may help address fiscal slippages from the unplanned supplementary budgets.	Improve efficiency and transparency of public spending, strengthen the budget process and institutions, improve cash and debt management, and management of fiscal risks. Control accumulation of domestic arrears. Complete arrangements to prepare for oil production.
Financial integrity and governance	This has been an intense area of support over the last two years, helping authorities strengthen the anti-corruption and AML/CFT frameworks in symbiosis with ECF conditionality.	Strengthen the AML/CFT sanctions regime and improve the existing legal framework to address regulatory gaps.
Financial supervision and regulation	Ongoing support by a short-term expert has stepped up after a substantial gap due to hiring difficulties.	Continue to support the implementation of the 2018 Financial Sector Stability Report, including to strengthen supervision of banks and mobile money, enhance corporate governance and internal controls.
Government finance statistics	Transition to accrual accounting is delayed due to staffing issues at the Ministry despite available support.	Continue strengthening accuracy of national accounts and GFS; improve data collection for extra budgetary units and local governments. Disseminate GFS for nonfinancial and financial public corporations and compile quarterly GFS for central government.
Climate change adaptation	Authorities have received with much interest two missions C-PIMA and QCRAFT and follow up by AFE is in plan.	Strengthening government polices to plan for and respond to climate change risks, including drought and flooding. Raise awareness of the need to plan and manage climate risks across the economy including in industry, agriculture and the financial sector.
Digitalization	Introducing digital systems requires investment, training and time and should not be postponed.	The introduction and consistent use of digital information systems, such as IFRIS, is important as will help with transparency, budget control and could reduce corruption Digitalization would also support domestic revenue mobilization.
FPAS Modeling	A recent TA mission in February focused on strengthening FPAS process and monetary policy communication.	Further work is needed for more elaborate treatment of the fiscal and external sectors in the quarterly projections model as well as the integration of weather data in the FPAS.

Annex V. Data Issues

Table 1. Uganda: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	B	C	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	A	A		
Granularity 3/	B		A	C	B		
			B		A		
Consistency			A	C		B	
Frequency and Timeliness	B	A	B	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

Rating	Description
A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is broadly adequate for surveillance, but some weaknesses remain in both coverage and timeliness, partly reflecting capacity constraints and requiring TA. The expenditure breakdown of the GDP is not available on a quarterly basis. Sizeable errors and omissions in the BOP and fiscal data complicate projections and an accurate assessment of the external and fiscal positions. Public debt data does not cover several elements of the general government debt, such as extra budgetary funds. Data on arrears should be available on a quarterly basis. More granularity in some areas (e.g., having an accurate breakdown for imports) would have been helpful in the context of the current ECF arrangement. While there are some data gaps in the “from-whom-to-whom” balance sheet data (e.g., financial statistics by type of currency), these do not significantly limit the depth of analyzing macro-financial linkages in key sectors of the economy.

Changes since the last Article IV consultation. There have been no substantive changes since the last Article IV consultation.

Corrective actions and capacity development priorities. Fund TA work is ongoing on development of Industrial Production Index, Residential Property Price Index, Producer Price Index, and on improvements to quarterly GDP expenditure data. Efforts are also underway to improve oil sector statistics, aiming to address data quality issues related to External Sector Statistics. Work on transition to accrual GFS accounting has been delayed due to staffing issues at the Ministry. WIth the oil production about to start, the authorities are encouraged to start calculating oil and non-oil GDP.

Use of data and/or estimates different from official statistics in the Article IV consultation. To compensate for the lack of breakdown on the quarterly GDP by expenditure, staff follow a PMI index, produced by one of local commercial banks. The index reflects responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected June 2016.

Other data gaps: labor market data (available olnly annualy through 2021); data on the damages and losses to public infrastructure and other fiscal costs from climate-related disasters.

Table 2. Uganda: Data Standards Initiatives

Uganda participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since November 2016.

Table 3. Uganda: Table of Common Indicators Required for Surveillance

As of July 15, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Uganda[8]	Expected Timeliness[6,7]	Uganda[8]
Exchange Rates	15-Jul-24	15-Jul-24	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	May-24	Jul-24	M	M	M	Q	1M	1Q
Reserve/Base Money	May-24	Jul-24	M	M	M	M	2M	6W
Broad Money	May-24	Jul-24	M	M	M	M	1Q	6W
Central Bank Balance Sheet	May-24	Jul-24	M	M	M	M	2M	6W
Consolidated Balance Sheet of the Banking System	May-24	Jul-24	M	M	M	M	1Q	6W
Interest Rates[2]	15-Jul-24	15-Jul-24	D	D	M	M	NA	1M
Consumer Price Index	Jun-24	Jul-24	M	M	M	M	2M	1D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	N.A.	N.A.	N.A.	N.A.	A	A	3Q	12M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Apr-24	Jun-24	M	M	Q	M	1Q	6W
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Jun-23	Sep-23	A	A	Q	Q	2Q	3M
External Current Account Balance	Mar-24	Jul-24	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Mar-24	Jul-24	Q	Q	M	M	12W	1M
GDP/GNP	Mar-24	Jun-24	Q	Q	Q	A	1Q	90D
Gross External Debt	Mar-24	Jul-24	Q	Q	Q	Q	2Q	1Q
International Investment Position	Mar-24	Jul-24	Q	Q	A	Q	3Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

UGANDA

August 16, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

The African Department
(in consultation with other departments)

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RELATIONS WITH THE FUND

Uganda and the IMF: https://www.imf.org/en/Countries/UGA

Exchange Rate Arrangements:
Uganda's de jure exchange rate arrangement is free floating. The authorities intervene in Uganda's foreign exchange market when short-term fluctuations jeopardize its orderly operation. Therefore, the de facto exchange rate arrangement is classified as floating. As of end-June 2023, the official exchange rate was UGX 3,699.86 per U.S. dollar. Uganda has accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the IMF's Articles of Agreement, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Last Article IV Consultation:

The last Article IV consultation was concluded by the Executive Board on March 9, 2022.

Safeguards Assessment:

An updated safeguards assessment of the Bank of Uganda was completed in March 2021 in connection with the financial assistance for Uganda under the RCF approved by the IMF Executive Board on May 6, 2020. The assessment found that the Bank of Uganda maintained transparent financial reporting practices and a sound external audit mechanism, as well as an independent internal audit function conforming to international standards. The report pointed to some risks related to the legal framework, internal controls in areas of credit to the government and currency operations, which the central bank is addressing.

Uganda's Financial Position in the Fund:

https://www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=990&date1key=2099-12-31

Membership Status: Joined: September 27, 1963; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	361.00	100.00
IMF's Holdings of Currency (Holdings Rate)	361.01	100.00
Reserve Tranche Position	0.00	0.00

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	519.06	100.00
Holdings	145.49	28.01

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
RCF Loans	361.00	100.00
ECF Arrangement	631.75	175.00

Latest Financial Commitments

Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	Jun 28, 2021	Jun 27, 2024	722.00	631.75
ECF[1]	Sep 13, 2002	Jan 31, 2006	13.50	13.50
ECF[1]	Nov 10, 1997	Mar 31, 2001	100.43	100.43

Outright Loans:

Type	**Date of Commitment**	**Date Drawn/Expired**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
RCF	May 6, 2020	Jun 25, 2020	361.00	361.00

Overdue Obligations and Projected Payments to Fund[2]

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2024	2025	2026	2027	2028
Principal		36.10	90.25	117.33	153.43
Charges/interest	7.58	15.00	15.00	15.00	15.01
Total	7.58	51.10	105.25	132.33	168.43

Implementation of HIPC Initiative:

[1] Formerly Poverty Reduction and Growth Facility (PRGF).

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Apr 1997	Feb 2000	
Assistance committed by all creditors (US$ millions)[3]	347.00	656.00	
Of which: IMF assistance (US$ millions)	68.90	91.00	
(SDR equivalent millions)	51.51	68.10	
Completion point date	Apr 1998	May 2000	
II. Disbursement of IMF assistance (SDR millions)			
Assistance disbursed to the member	51.51	68.10	119.61
Interim assistance	--	8.20	8.20
Completion point balance	51.51	59.90	111.41
Additional disbursement of interest income[4]	--	2.06	2.06
Total disbursements	51.51	70.16	121.67

Implementation of MDRI Assistance:

I. MDRI-eligible debt (SDR Million)[5]	87.73
Financed by: MDRI Trust	75.85
Remaining HIPC resources	11.88

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
July 2010	N/A	87.73	87.73

[3] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two numbers cannot be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[5] The MDRI provides 100 percent debt relief to eligible countries that qualified for the assistance. Grant assistance from MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Table 1. Uganda: Fund Technical Assistance Received

Department	Date	Subject
MCM	10 Jun 2024 - 14 Jun 2024	Review of Close-Out Netting Policy Paper
MCM	13 May 2024 - 17 May 2024	Supervision of mutual funds
STA	13 May 2024 - 17 May 2024	External Sector Statistics
MCM	06 May 2024 - 10 May 2024	IFRS 17 insurance contracts
MCM	08 Apr 2024 - 10 Apr 2024	Seminar on Climate Resistant Debt Instruments CCF
MCM	08 Apr 2024 - 12 Apr 2024	IFRS 17 insurance contracts
FAD	28 Mar 2024 - 30 Apr 2024	EI Audit Capacity
FAD	15 Mar 2024 - 22 Mar 2024	Petroleum Revenue Forecasting Assistance
FAD	12 Mar 2024 - 25 Mar 2024	Managing Oil Resources
FAD	26 Feb 2024 - 29 Mar 2024	Develop compliance improved plan for specialized sectors and international organizations
MCM	30 Jan 2024 - 06 Feb 2024	FSI
MCM	30 Jan 2024 - 08 Mar 2024	Strengthening FPAS Process and Monetary Policy Communication
MCM	15 Jan 2024 - 26 Jan 2024	Supervision of mutual funds
FAD	15 Jan 2024 - 23 Jan 2024	Strengthening Capacity in Extractive Industries
LEG	08 Dec 2023 - 17 Jan 2024	Desk-based work related to AML/CFT Structural Benchmark

Table 1. Uganda: Fund Technical Assistance Received (continued)		
Department	**Date**	**Subject**
STA	27 Nov 2023 - 01 Dec 2023	Review of IIP Rebasing
MCM	23 Oct 2023 - 27 Oct 2023	Debt Management Training on Debt Sustainability Framework (LIC DSF)
AFE	17 Oct 2023 - 30 Oct 2023	Further Strengthening TSA and CM practices (FY24)
STA	02 Oct 2023 - 06 Oct 2023	Quarterly National Accounts
FAD	25 Sep 2023 - 29 Sep 2023	Bench marking strategy managment
MCM	18 Sep 2023 - 18 Oct 2023	Implementation of Risk-Based Supervision
FAD	06 Sep 2023 - 20 Sep 2023	C-PIMA & Q-Craft
LEG	28 Aug 2023 - 01 Sep 2023	AML/CFT Supervision Mission
FAD	23 Aug 2023 - 05 Sep 2023	DRMS Review Mission
FAD	23 Aug 2023 - 05 Sep 2023	Follow up on Tax Expenditures
AFE	08 Aug 2023 - 18 Aug 2023	GFS and PSDS
FAD	07 Aug 2023 - 10 Aug 2023	VAT for petroleum operations
MCM	10 Jul 2023 - 14 Jul 2023	Supervision of secondary trading of fixed income markets
AFE	05 Jul 2023 - 13 Oct 2023	Strengthening the Multi-year commitment Statement
MCM	19 Jun 2023 - 23 Jun 2023	Issuing a Central Bank Digital Currency, Opportunities and Risks

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
MCM	22 May 2023 - 26 May 2023	Bottom-Up Stress Testing
AFE	03 Apr 2023 - 07 Apr 2023	Updating the Quarterly GDP forecasting framework
AFE	20 Mar 2023 - 31 Mar 2023	Enhancing NPS regulatory and oversight frameworks and building oversight capacity
LEG	13 Mar 2023 - 17 Mar 2023	AML/CFT Supervision
STA	20 Feb 2023 - 25 Feb 2023	Development of Monthly Indicators of Economic Growth
MCM	09 Jan 2023 - 20 Jan 2023	Risk-Based Supervision
AFE	09 Jan 2023 - 20 Jan 2023	Strengthening the Multi-year commitment Statement
AFE	07 Nov 2022 - 11 Nov 2022	Training on Public Corporation Fiscal Risk Tools
LEG	24 Oct 2022 - 28 Oct 2022	Designing/enhancing AML/CFT supervisory tools
MCM	10 Oct 2022 - 21 Oct 2022	Regulatory reporting under IFRS 17
AFE	15 Aug 2022 - 26 Aug 2022	PSDS - - Expand debt statistics reporting
MCM	11 Jul 2022 - 22 Jul 2022	Risk-Based Supervision
FAD	07 Jul 2022 - 19 Jul 2022	Tax Expenditures
MCM	20 Jun 2022 - 30 Jun 2022	Bottom-Up Stress Testing
FAD	16 Jun 2022 - 29 Jun 2022	Public Investment Management Assessment

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
MCM	23 May 2022 - 31 May 2022	Systemwide FX Liquidity Stress Test
LEG	13 May 2022 - 20 May 2022	AML/CFT Supervision
STA	25 Apr 2022 - 29 Apr 2022	Review and further improvement of QGDP-E compilation
FAD	20 Apr 2022 - 29 Apr 2022	Managing Oil Resources
AFE	04 Apr 2022 - 15 Apr 2022	Monetary policy implementation with flexible exchange rate regime
STA	04 Apr 2022 - 19 Apr 2022	Updating and improving PPI for food and accommodation services
FAD	28 Feb 2022 - 18 Mar 2022	SDG
AFE	21 Feb 2022 - 11 Mar 2022	Strengthening the Multi-year commitment Statement
FAD	17 Jan 2022 - 28 Jan 2022	Improving quality of public corporations' fiscal data
LEG	12 Jan 2022 - 14 Jan 2022	AML/CFT scoping mission
FAD	05 Jan 2022 - 18 Jan 2022	Developing Capacity in Audit of Construction Sector
LEG	06 Dec 2021 - 05 Jan 2022	Techniques and skills for developing AML/CFT Risk Based Supervision
FAD	22 Nov 2021 - 06 Dec 2021	GOVTECH-COVID Spending Tracking
MCM	17 Nov 2021 - 30 Nov 2021	Basel II - Strengthening supervisory review process (ICAAP)
MCM	02 Nov 2021 - 12 Nov 2021	CPSS-IOSCO Principles for Financial Market Infrastructures

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
FAD	31 Oct 2021 - 17 Dec 2021	Petroleum taxation
MCM	18 Oct 2021 - 30 Nov 2021	Bottom-Up Stress Testing
FAD	27 Sep 2021 - 22 Oct 2021	Developing Capacity in Extractive Industries
FAD	19 Sep 2021 - 15 Feb 2022	Strengthening Customs Control of the EI
FAD	02 Aug 2021 - 11 Aug 2021	Improving quality of fiscal data for the GG
AFE	12 Jul 2021 - 30 Jul 2021	Strengthening the Multi-year commitment Statement
STA	21 Jun 2021 - 02 Jul 2021	Development of Monthly Indicator of Economic Growth
AFE	27 May 2021 - 11 Jun 2021	Review the Roadmap and updated SCOA for Implementation of Accrual Based IPSAS
MCM	01 May 2021 - 26 Aug 2021	Banking Supervision
FAD	19 Apr 2021 - 30 Apr 2021	Capacity to identify and mitigate international tax risks posed by the Extractive Industries
FAD	11 Apr 2021 - 30 Apr 2021	Risk-based compliance strategies for the Extractive Industries (EI) sector
FAD	27 Nov 2020 - 16 Dec 2020	EI Training Needs Assessment and Training plan
AFE	09 Nov 2020 - 13 Nov 2020	COVID -19-Improving the quality of fiscal and debt data for the General Government
AFE	02 Nov 2020 - 11 Nov 2020	Prices: Finalizing the update of construction cost price indices
AFE	26 Oct 2020 - 12 Nov 2020	Developing Capacity in Telecommunications Audit

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
FAD	01 Oct 2020 - 30 Oct 2020	Setting a Framework for Monitoring COVID-19 Spending
FAD	21 Sep 2020 - 16 Oct 2020	FARI
MCM	12 Feb 2020 - 26 Feb 2020	Monetary and Foreign Exchange Operations
FAD	12 Dec 2019 - 20 Dec 2019	MTRS implementation
FAD	28 Nov 2019 - 13 Dec 2019	Tax Administration
FAD	21 Nov 2019 - 04 Dec 2019	MTRS Implementation Plan
MCM	31 Oct 2019 - 09 Nov 2019	Monetary Policy Communication
AFE	14 Oct 2019 - 25 Oct 2019	Developing institutional sectors - compiling production accounts by institutional sectors
STA	23 Sep 2019 - 04 Oct 2019	External Sector Statistics
FAD	19 Sep 2019 - 02 Oct 2019	EI Risk Based Compliance Strategy
AFE	16 Sep 2019 - 27 Sep 2019	Government Finance Statistics-expand coverage to public sector & improve PSDS quality
FAD	23 Jul 2019 - 05 Aug 2019	Fiscal Management of Oil Resources
AFE	20 May 2019 - 31 May 2019	Rebasing construction price indices -compiling the indices
FAD	29 Apr 2019 - 13 May 2019	Budget preparation (including for public investment)

Table 1. Uganda: Fund Technical Assistance Received (continued)		
Department	**Date**	**Subject**
MCM	08 Apr 2019 - 19 Apr 2019	Financial and Balance Sheet Account Statistics
MCM	01 Apr 2019 - 05 Apr 2019	FSSR Follow-up: Systemic Risk and Financial Stability - Stress Testing
FAD	01 Apr 2019 - 12 Apr 2019	Risk processes, compliance management
FAD	01 Apr 2019 - 05 Apr 2019	Government Finance Statistics
AFE	11 Mar 2019 - 15 Mar 2019	GFS TA mission and training to support quality improvement of fiscal and debt data
FAD	12 Feb 2019 - 27 Feb 2019	TADAT Assessment
STA	11 Feb 2019 - 15 Feb 2019	High Frequency Indicators
AFE	10 Dec 2018 - 20 Dec 2018	GFS TA mission to support compilation of high frequency fiscal and debt data and forecasting
AFE	26 Nov 2018 - 07 Dec 2018	Rebasing CPI - further developments
FAD	26 Nov 2018 - 10 Dec 2018	Fiscal Management of Resource Revenue
AFE	14 Nov 2018 - 27 Nov 2018	AFE:Develop valuation capacity in customs
FAD	12 Nov 2018 - 23 Nov 2018	Risk identification, compliance in EI
AFE	07 Nov 2018 - 20 Nov 2018	Strenghthen Telecommunications Sector Tax Audit Capacity
FAD	15 Oct 2018 - 26 Oct 2018	MTRS implementation [BTB Mullins 19FAT15]
AFE	08 Oct 2018 - 19 Oct 2018	National Accounts/Compiling annual VA Components (Part of GDP Rebasing Activity)

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
FAD	17 Sep 2018 - 28 Sep 2018	Improve risk processes, compliance management
AFE	10 Sep 2018 - 14 Sep 2018	Agriculture Producer Prices Finalizing the Induces for Dissemination
MCM	08 Aug 2018 - 17 Aug 2018	Monetary Policy Communications
AFE	06 Aug 2018 - 17 Aug 2018	Rebasing construction price indices - developing new weights and compilation system
AFE	23 Jul 2018 - 03 Aug 2018	National Accounts/Developing consistent quarterly, annual fiscal and calendar year GDP series
AFE	11 Jul 2018 - 24 Jul 2018	Follow up TA on Strengthening the Post Clearance Audit Practice in Customs
AFE	19 Jun 2018 - 20 Jun 2018	AFE Making a presentation to a Ministry of Finance Budget Retreat in Kampala
AFE	18 Jun 2018 - 22 Jun 2018	Supporting compilation of agriculture PPI
FAD	16 Apr 2018 - 27 Apr 2018	Strengthening EI Risk Compliance Management
FAD	05 Apr 2018 - 12 Apr 2018	Prioritization of the MTRS
FAD	07 Mar 2018 - 15 Mar 2018	Follow-up on PIMA
AFE	05 Mar 2018 - 16 Mar 2018	Assistance with forecasting GDP for the Budget
FAD	21 Feb 2018 - 23 Feb 2018	Improve Effectiveness and Efficiency of Tax and Customs Administration
AFE	05 Feb 2018 - 16 Feb 2018	Residential Property Price Index
MCM	03 Feb 2018 - 20 Feb 2018	Financial Sector Stability Review

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
AFE	22 Jan 2018 - 26 Jan 2018	Accounts for Natural Resources
FAD	08 Jan 2018 - 19 Jan 2018	Revenue modeling and fiscal regime for mid-stream activities
LEG	04 Dec 2017 - 08 Dec 2017	AML/CFT Risk-Based Supervision
AFE	30 Nov 2017 - 13 Dec 2017	National Accounts
AFE	06 Nov 2017 - 17 Nov 2017	Government Finance Statistics - Dissemination of High Frequency Fiscal and Data
AFE	06 Nov 2017 - 17 Nov 2017	Government Finance Statistics - Dissemination of High Frequency Fiscal and Data
MCM	06 Nov 2017 - 09 Nov 2017	Financial Sector Stability Review
FAD	25 Sep 2017 - 06 Oct 2017	Tax and Customs Administration
FAD	13 Sep 2017 - 26 Sep 2017	Review of Digitalization for Improved Revenue Performance
AFE	04 Sep 2017 - 15 Sep 2017	Improve Compliance Management in Tax and Customs
FAD	21 Aug 2017 - 25 Aug 2017	Extractive Industry
AFE	18 Apr 2017 - 28 Apr 2017	Government Finance Statistics
AFE	13 Mar 2017 - 24 Mar 2017	Price index: Construction Input Price Index
FAD	01 Mar 2017 - 14 Mar 2017	Public Investment Management
AFE	23 Jan 2017 - 03 Feb 2017	National Accounts

Table 1. Uganda: Fund Technical Assistance Received (continued)		
Department	**Date**	**Subject**
AFE	30 Nov 2016 - 13 Dec 2016	Assessment of FMIs
AFE	14 Nov 2016 - 25 Nov 2016	Government Finance Statistics
AFE	17 Oct 2016 - 28 Oct 2016	National Accounts
AFE	27 Jul 2016 - 03 Aug 2016	Lender of Last Resort
MCM	03 Apr 2016 - 15 Apr 2016	Harmonization of Monetary Data in Currency Unions
AFE	07 Mar 2016 - 18 Mar 2016	Training: Implementation of GFS Migration Plan
STA	07 Mar 2016 - 11 Mar 2016	National Accounts - Sectoral Accounts
AFE	18 Jan 2016 - 29 Jan 2016	Quarterly National Accounts
AFE	18 Jan 2016 - 22 Jan 2016	Roll-out of the Market Risk Regulation
AFE	11 Jan 2016 - 29 Jan 2016	Prices Statistics
MCM	02 Dec 2015 - 11 Dec 2015	Formulating a Medium-term Debt Management Strategy
AFE	02 Nov 2015 - 06 Nov 2015	Government Finance Statistics
AFE	26 Oct 2015 - 04 Nov 2015	Insurance Supervision: Roll-out of CARAMELS
AFE	13 Apr 2015 - 14 Apr 2015	Insurance Supervision training
AFE	28 Sep 2015 - 09 Oct 2015	Pilot Examination on Consolidated Supervision

Table 1. Uganda: Fund Technical Assistance Received (continued)

Department	Date	Subject
LEG	17 Aug 2015 - 21 Aug 2015	AML/CFT Supervisory Tools and Practices
FAD	03 Aug 2015 - 18 Aug 2015	TADAT Assessment
AFE	23 Jul 2015 - 03 Aug 2015	Quarterly National Accounts
FAD	06 Jul 2015 - 17 Jul 2015	Natural resource taxation
AFE	05 May 2015 - 12 May 2015	GFS Migration and Training
AFE	04 May 2015 - 22 May 2015	Prices Statistics
AFE	20 Apr 2015 - 30 Apr 2015	Insurance Supervision
AFE	13 Apr 2015 - 17 Apr 2015	Insurance Supervision Training
MCM	13 Mar 2015 - 26 Mar 2015	Monetary Operations/Foreign Exchange Operations/Central Bank Recapitalization BoU Act Revision
FAD	10 Mar 2015 - 19 Mar 2015	Developing a Charter for Fiscal Responsibility
FAD	25 Feb 2015 - 10 Mar 2015	Extractive Industry Fiscal Regimes
FAD	02 Feb 2015 - 13 Feb 2015	Follow-up mission in tax administration
STA	12 Jan 2015 - 22 Jan 2015	Monetary Data Reported in SRF
AFE	05 Jan 2015 - 17 Jan 2015	National Accounts
AFE	24 Nov 2014 - 28 Nov 2014	Training on Agency Banking

Table 1. Uganda: Fund Technical Assistance Received (concluded)

Department	Date	Subject
AFE	24 Nov 2014 - 28 Nov 2014	Review of Draft Agency Banking Regulation and Training
AFE	15 Sep 2014 - 26 Sep 2014	National Accounts - Quarterly
AFE	05 May 2014 - 23 May 2014	National Accounts - Quarterly

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Uganda and the World Bank:

http://www.worldbank.org/en/country/uganda

World Bank projects:

http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=UG

Uganda and the African Development Bank:

https://www.afdb.org/en/countries/east-africa/uganda/

INTERNATIONAL MONETARY FUND

UGANDA

August 16, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Catherine Pattillo (IMF), Jay Peiris (IMF), Manuela Francisco (IDA), and Hassan Zaman (IDA).

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Risk of external debt distress	Moderate[1]
Overall risk of debt distress	Moderate
Granularity in the risk rating	Limited space to absorb shocks
Application of judgment	No

[1] Uganda's Composite Indicator, which is estimated at 2.93, signals a medium debt-carrying capacity based on the April 2024 WEO and CPIA 2023.

The economy has rebounded from external shocks induced by the pandemic, Russia's war in Ukraine, and conflicts in the Middle East, although downside risks, related to a complicated external financing landscape, remain. Given the ongoing fiscal consolidation, Uganda's public debt continues to be sustainable in the medium term. In line with the previous DSA prepared in June 2023, Uganda has a moderate risk of external and overall public debt distress. All external PPG debt and total public debt burden trajectories remain below their respective indicative thresholds and benchmarks over the medium term under the baseline scenario. However, stress tests highlight breaches of external debt burden thresholds and the public debt benchmark. Specifically, given that a median shock could lead to a breach for the external and total debt service indicators, Uganda has limited space to absorb shocks. Key risks include slower growth, environmental shocks, continued prevalence of tight global financial conditions, delayed reform implementation, delays in oil exports, possible spillovers to trade stemming from the conflict in Gaza and Israel, and repercussions on donor financing, FDI, and tourism deriving from the parliamentary approval of the 'Anti-Homosexuality Act' (AHA) in May of 2023. Going forward, Uganda's fundamental development challenge is to replace a growth model based on debt-financed public spending that has emphasized infrastructure, with one where the private sector leads economic growth, supported by the state through investments in human capital and targeted regulations to promote green and inclusive growth that reduces inequality and ensures sustainability. Such a shift requires maintaining macroeconomic stability, implementing structural reforms to improve governance and the business environment, mobilizing domestic revenues, scaling-up investments in human capital, better supporting the vulnerable, farmers and MSMEs, and using public resources more effectively to maximize returns on investment.

PUBLIC DEBT COVERAGE

1. Public and publicly guaranteed (PPG) external and domestic debt covers debt contracted and guaranteed by the central government, state and local government, social security fund, and central bank (Text Table 1). Uganda's Public Debt and Other Financial Liabilities Management Framework (2023) gives the Ministry of Finance, Planning and Economic Development the mandate to prepare and publish quarterly Debt Statistical Bulletins. The published data covers PPG debt with information on a residency-based definition of domestic and external debt. In addition, the Bank of Uganda (BoU) provides data on locally issued government debt held by non-residents, which allows a residency-based analysis. Due to data limitations, debt data does not cover extra budgetary units (EBUs) and debt issued by state-owned enterprise (SOE).[1] The contingent liability stress test includes the disputed arrears to Tanzania (US$58 million or 0.1 percent of GDP),[2] the default PPP shock (i.e., 35 percent of PPP stock, implying 1.7 percent of GDP), and the default financial market shock (5 percent of GDP).[3]

Text Table 1. Uganda: Coverage of Public and Publicly Guaranteed Debt and Parameters for Contingent Liability Shock

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

Subsectors of the public sector	
Central government	X
State and local government	X
Other elements in the general government	
o/w: Social security fund	
o/w: Extra budgetary funds (EBFs)	
Guarantees (to other entities in the public and private sector, including to SOEs)	X
Central bank (borrowed on behalf of the government)	X
Non-guaranteed SOE debt	

The contingent liability tailored stress test

	Default	Used for the analysis
Other elements of the general government not captured in 1.	0 percent of GDP	0.1
SoE's debt (guaranteed and not guaranteed by the government)	2 percent of GDP	0.0
PPP	35 percent of PPP stock	1.7
Financial market (a minimum starting value of 5 percent of GDP)	5 percent of GDP	5
Total (in percent of GDP)		6.8

Sources: Ugandan authorities and IMF staff calculations.

[1] EBUs are funds that are not included in the national budget appropriated by parliament (such as pension schemes and revenues or user fees collected by government ministries, departments and agencies unreported or not included in government's general revenues, termed as "Appropriation in Aid - AIA"). EBUs and SOEs are not allowed to raise funds through issuance of loans or guarantees without an authorization from the Minister of Finance. According to the FY2022/23 Annual Contingent Liabilities Report, the total end-June 2023 debt of public entities, including SOEs and EBUs, was UGX 2,152 bn or 1.2 percent of GDP. This stock is distributed across 12 companies with three quarters of it (UGX 1,599 bn) owed by Uganda Electricity Distribution Company. Other SOEs with significant debt are Uganda Development Bank (UGX 213 bn), National Water and Sewerage Corporation (UGX 114 bn), and Housing Finance Bank (UGX 87 bn).

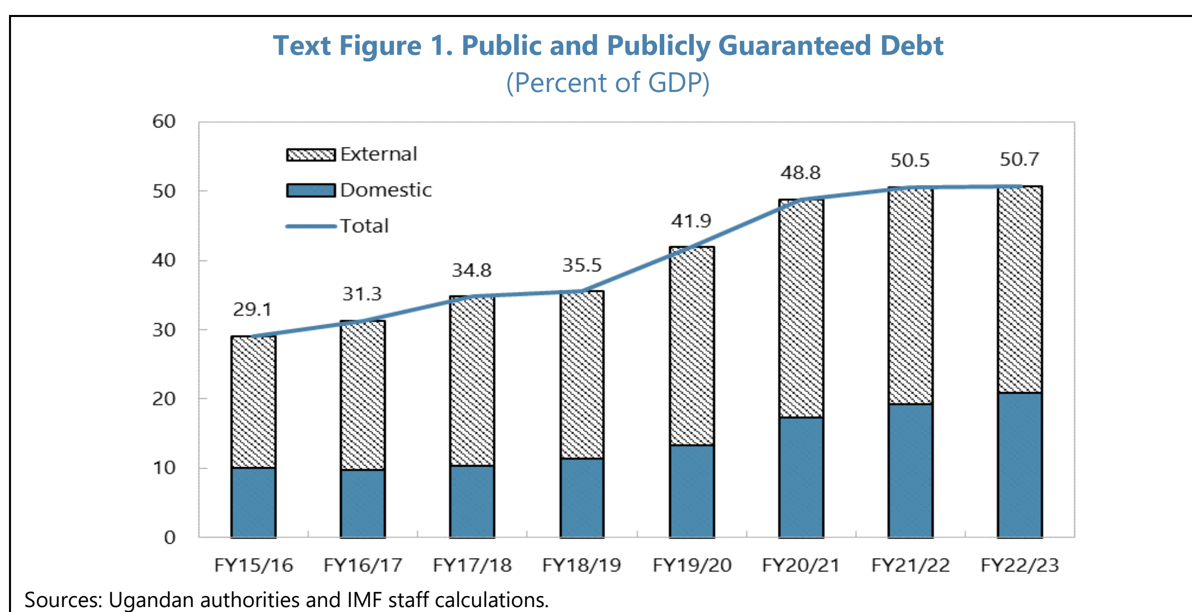
[2] The arrears to Tanzania date back to the Uganda-Tanzania War in 1978-79, with an alleged lack of documentation of the debt, therefore the validity of these arrears is disputed and not included in officially reported total external debt. In contrast, arrears to Iraq (US$657, given massive depreciation of the Iraqi dinar) and Nigeria (US$11.5 million) are recorded in the official debt statistics. The Iraq and Nigeria arrears are pre-HIPC Initiative arrears to non-Paris Club creditors, which continue to be deemed away under the revised arrears policy for official creditors, as the underlying Paris Club agreement was adequately representative, and the authorities continue to make best efforts to resolve the arrears.

[3] The June 6, 2023 DSA also included an estimate of non-guaranteed SOE debt of 9.1 percent of GDP that reflected a preliminary at that stage report by AFRITAC East. The authorities have clarified to the Article IV mission that this amount reflected an on-lending operation and thus, is already accounted for in the stock of the public debt.

BACKGROUND AND RECENT DEVELOPMENTS

2. **The public debt ratio has effectively remained unchanged in FY22/23 at just above 50 percent of GDP** (Text Figure 1 and Table 1). This dynamic stands in contrast with an increase in debt-to-GDP ratio between FY18/19 and FY20/21, which was mainly driven by increased borrowing to finance the country's development needs as well as extra spending needs during the COVID pandemic. The composition of debt has slightly changed with external debt coming down from 31.3 percent of GDP to 29.9 and domestic debt increasing from 19.3 to 20.8. In nominal terms, the external debt amount to US$14.9 billion while domestic debt to about US$10.4 billion. In present value terms, total public sector debt stood at 45.0 percent of GDP at the end of FY22/23. This is below the East African Community's debt target of 50 percent of GDP.

Text Figure 1. Public and Publicly Guaranteed Debt
(Percent of GDP)



Sources: Ugandan authorities and IMF staff calculations.

3. **While most of the existing stock of external public debt is on concessional terms, the semi-concessional component has been on the rise in recent years.** Highly concessional loans from the IMF, the International Development Association (IDA) and the African Development Fund (ADF) account for half of the external debt portfolio, which mainly drives the difference between the nominal value of public debt and its present value (Text Table 2). Other concessional creditors include the International Fund for Agricultural Development (IFAD), the Arab Bank for Economic Development in Africa (BADEA), the Organization of the Petroleum Exporting Countries (OPEC) fund, and some bilateral Paris and non-Paris club creditors. In response to COVID-19, Uganda also resorted to commercial loans that constitute now around 13 percent of external public debt, mostly owed to Standard Bank of South Africa (SBSA), the Trade Development Bank (TDB), Standard Chartered, and African Export–Import Bank. Finally, the stock of local-currency government securities held by offshore investors was 4 percent of external public debt.

Table 1. Uganda: Decomposition of Public Debt and Debt Service by Creditor, FY2022/23-FY2024/25[1]

	Debt Stock FY2022/23	Debt Stock (end of period) FY2022/23			Debt Service					
					FY22/23	FY23/24	FY24/25	FY22/23	FY23/24	FY24/25
	(In millions of US$)	*(In millions of US$)*	*(Percent total debt)*	*(Percent GDP)*	*(In millions of US$)*			*(Percent GDP)*		
Total	21,897.90	25,292.90	100	50.7	2,883.60	5,495.00	3,850.00	5.8	10.1	6.6
External	13,538.90	14,895.30	58.9	29.9	1,069.20	1,276.10	1,333.20	2.1	2.4	2.3
Multilateral creditors[2,3]	7,908.00	8,795.30	34.8	17.6	266.8	273.7	315.6	0.5	0.5	0.5
IMF	842	1,442.00	5.7	2.9						
World Bank	4,418.60	4,543.50	18	9.1						
ADB/AfDB/IADB	667.3	788.8	3.1	1.6						
Other Multilaterals	1,980.10	2,021.00	8	4.1						
o/w: ADF	1,457.60	1,501.20	5.9	3						
IFAD	238	247.5	1	0.5						
Bilateral Creditors[2]	3,574.10	3,501.90	13.8	7	423.8	443.5	472.4	0.8	0.8	0.8
Paris Club	824.7	819.4	3.2	1.6	69.9	72.4	78	0.1	0.1	0.1
o/w: UKEF	310.1	313.6	1.2	0.6						
AFD	245.3	242.3	1	0.5						
Non-Paris Club	2,749.40	2,682.60	10.6	5.4	353.9	371.1	394.4	0.7	0.7	0.7
o/w: Eximbank of China	2,649.20	2,571.70	10.2	5.2						
Bonds	0	0	0	0	0	0	0	0	0	0
Commercial creditors	1,331.70	1,938.00	7.7	3.9	274.4	359.2	417.4	0.5	0.7	0.7
Other international creditors	0	0	0	0	0	0	0	0	0	0
Public guarantees	24.9	62.6	0.2	0.1						
Local currency debt held by non-residents, total	700.2	597.4	2.4	1.2	104.3	199.8	127.8	0.2	0.4	0.2
Domestic	8,359.00	10,397.60	41.1	20.8	1,814.40	4,218.90	2,516.80	3.6	7.8	4.3
T-Bills	1,163.30	1,258.60	5	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Bonds	6,298.40	7,571.30	29.9	15.2	n/a	n/a	n/a	n/a	n/a	n/a
BoU advances	897.3	1,567.70	6.2	3.1	n/a	n/a	n/a	n/a	n/a	n/a
Memo items:										
Collateralized debt[4]	n/a	n/a		n/a						
o/w: Related	n/a	n/a		n/a						
o/w: Unrelated	n/a	n/a		n/a						
Contingent liabilities	n/a	n/a		n/a						
o/w: Public guarantees	n/a	n/a		n/a						
o/w: Other explicit contingent liabilities[5]	n/a	n/a		n/a						
Nominal GDP								48,768	53,203	59,143

Sources: Ugandan authorities and IMF staff calculations.

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Some public debt is not shown in the table due to data limitations.

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Text Table 2. Uganda: Decomposition of External Public and Publicly Guaranteed Debt, FY2022/23, Millions of US$

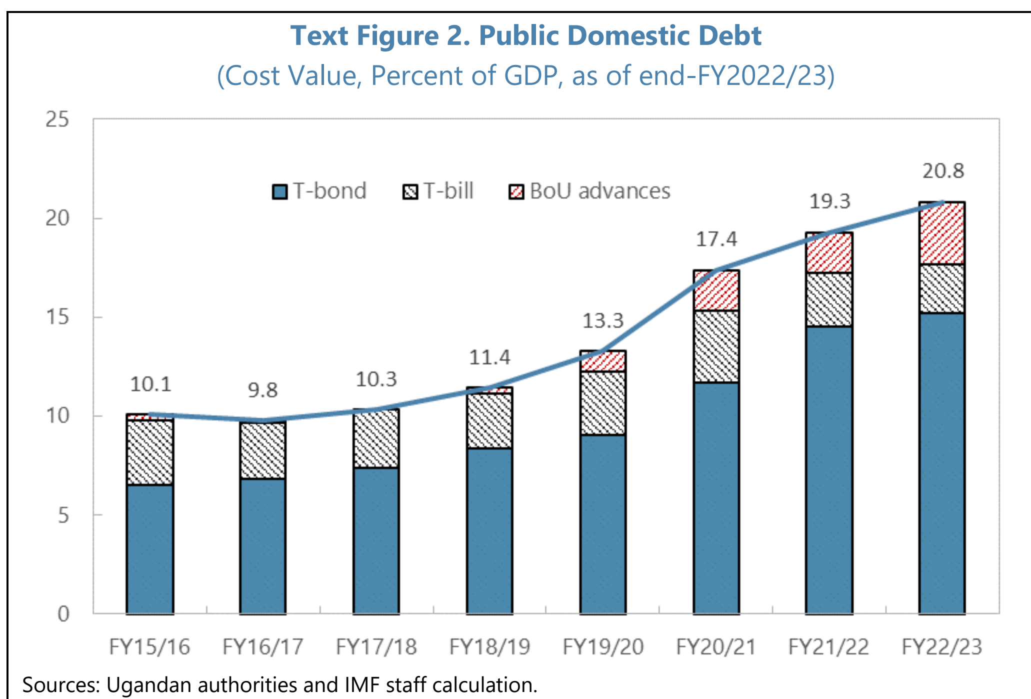
Creditor	Amount	Share
Total	**14,895**	**100.0%**
Bilateral	3,502	23.5%
ABU DHABI FUND	11	0.1%
AFD	242	1.6%
EXIM BANK OF CHINA	2,572	17.3%
EXIM BANK OF INDIA	6	0.0%
EXIM BANK S KOREA	22	0.1%
GOVT OF NIGERIA	12	0.1%
IRAQ FUND	0	0.0%
JBIC	31	0.2%
JICA	189	1.3%
KFW	13	0.1%
KUWAIT FUND	34	0.2%
MIN FOR AFF AUSTRIA	0	0.0%
SAUDI ARABIA FUND	36	0.2%
SPAIN	22	0.1%
UKEF	314	2.1%
Commercial banks or other financial institutions	1,938	13.0%
AFREXIM	383	2.6%
AKA	9	0.1%
Bank Austria	3	0.0%
COMMERZBANK	11	0.1%
SBSA	804	5.4%
STANDARD CHARTERED	293	2.0%
TDB (PTA)	435	2.9%
Multilateral	8,795	59.0%
ADB	301	2.0%
ADF	1,501	10.1%
BADEA	66	0.4%
EIB	109	0.7%
IDA	4,543	30.5%
IDB	487	3.3%
IFAD	248	1.7%
IMF	1,442	9.7%
NDF	42	0.3%
OPEC FUND	56	0.4%
Publicly guaranteed external debt	62.6	0.4%
Local currency debt held by offshore investors	597	4.0%

Sources: Ugandan authorities and IMF staff calculations.

4. **Public domestic debt (residency based) is dominated by medium-to long-term securities.** T-bonds constituted almost three-fourths of Treasury securities at the end of FY22/23 (Text Figure 2). T-bonds are mostly held by non-banks (around 70 percent), while T-bills are predominantly held by banks (close to 90 percent). As banks' holdings of government debt have significantly risen since the pandemic (from 21 percent of their total assets in 2019 to 29 percent in 2023), this growing sovereign-bank nexus is starting to pose concerns. It also results in elevated interest rates and contributed to subdued private sector credit growth. The share of outstanding advances from the Bank of Uganda continued to increase and at the end of FY22/23 constituted 3.1 percent of GDP (Text Figure 2).

Text Figure 2. Public Domestic Debt

(Cost Value, Percent of GDP, as of end-FY2022/23)



Sources: Ugandan authorities and IMF staff calculation.

Text Table 3. Uganda: Holdings of Government Debt,

(Percent, as of October 31, 2023)

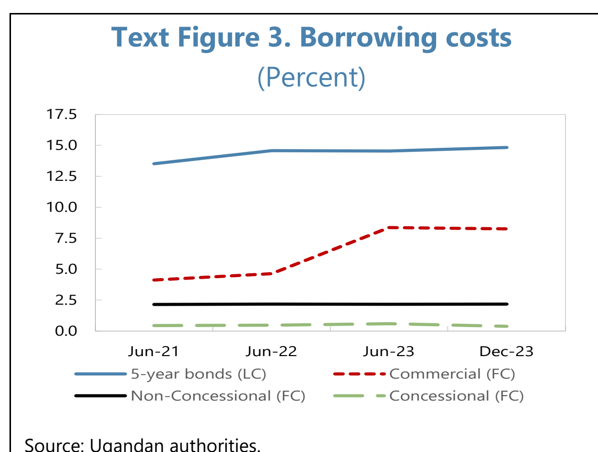
	T-bills	T-bonds	Both
Commercial Banks	87.7	27.9	38.8
Pension & Provident Funds	0.5	36.6	30.1
Other Financial Institutions	5.1	9.6	8.8
Offshores	0.1	9.1	7.5
Others	3.4	5.3	5.0
Retain Investors	1.8	5.3	4.6
Bank of Uganda	0.0	4.0	3.2
Insurance Companies and Deposit Protection Fund	1.5	2.2	2.1
TOTAL:	100.0	100.0	100.0

Source: Ugandan authorities and IMF staff calculations.

5. Borrowing costs have increased recently. Total interest payments continued to increase reaching 3.2 percent of GDP in FY22/23 (2.1 percent of GDP in FY19/20), largely due to the increased stock of domestic debt, interest rates on which remain elevated, and increases in the interest rates on external debt (Text Figure 3). While the terms of external loans became more costly, some 85 percent of interest payments in FY22/23 were on domestic debt, given high share of past external borrowing on concessional terms.

Text Figure 3. Borrowing costs

(Percent)



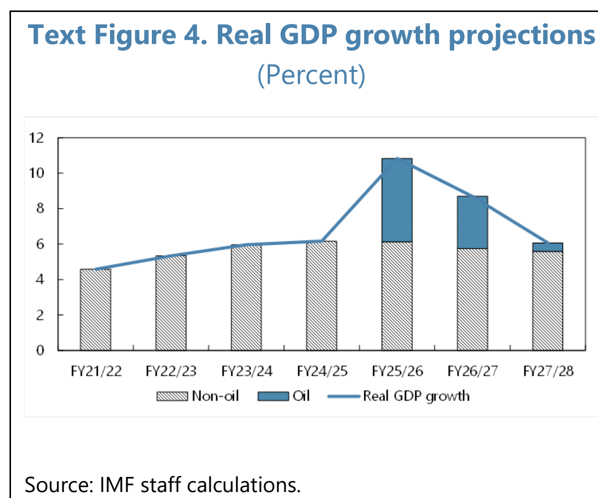
Source: Ugandan authorities.

MACRO FORECASTS

6. The medium-and long-term macroeconomic framework underlying this DSA is consistent with the scenario presented in the Staff Report for the 2024 Article IV (Text Table 4). The baseline scenario assumes the following:

- *Real GDP growth*. The economy has recovered from external shocks induced by Russia's invasion of Ukraine and higher inflation, and the outlook has improved. Growth accelerated supported by strong performance in agriculture and services sectors. High frequency indicators point to continued robust sentiment buoyed by low inflation. The real GDP growth outlook for FY23/24 and FY24/25 is at 6.0 and 6.2 percent (6.0 and 6.6 percent in the previous DSA).

Text Figure 4. Real GDP growth projections
(Percent)



Source: IMF staff calculations.

- Over the medium-term, growth is projected to significantly accelerate in FY25/26 and FY26/27 as oil production starts[4] (Text Figure 4) and then to return to around 6 percent as the oil production plateaus; non-oil GDP is projected to grow at 6-7 percent level observed prior to the COVID-19 crisis. This sustained growth will be driven by a more productive composition of government spending, spending and tax collection efficiency gains, governance and product market reforms boosting agri-business/trade and private investments (this is supported by reforms under the World Bank's investment for industrial transformation and employment (INVITE) and the climate smart agriculture and agribusiness development projects),[5] a recovery in tourism, and the developments in the oil sector that is attracting foreign and domestic private investment in related infrastructure ahead of the start of oil production in 2025 (some of these initiatives have been directly supported by the recent ECF-supported program). The latter will be supported by the construction of the oil pipeline, a joint project of the French oil company Total Energies, the Chinese oil company CNOOC, and the governments of Uganda and Tanzania.

[4] Macroeconomic parameters related to oil exploration are based on the findings of an FAD TA mission that took place in the second half of March.

[5] The INVITE project provides subsidized financing for microfinance institutions and banks to support business creation, and provides technical assistance to agencies for the development of private sector regulation and mechanisms for export promotion.

- While negatively affected by climate shocks, especially in agriculture,[6] long-term growth could be supported by addressing infrastructure constraints (such as major investments to improve transport connectivity, expand access to power, and enhance digital connectivity[7]), improvements to agricultural productivity, and development of agro-processing trade and industries. Finally, Uganda is entering a demographic transition, which has the potential for accelerating growth in per capita income and reducing poverty. Although fertility rates and the dependency ratio are still high, Uganda's declining fertility rate and growing working-age population are gradually increasing the share of the working-age population and reducing the child dependency ratio.

- *Inflation*. Headline inflation decelerated rapidly, driven by declining food prices, monetary policy tightening, and relative stability in the exchange rate. It bottomed out at 2.4 percent in October 2023 and then increased to 3.9 percent by June 2024, reflecting rising energy prices and core inflation. It is expected to have peaked at 8.8 percent in FY22/23, to bottom out at 3.2 percent in FY23/24 and to return to the 5-percent target in FY25/26. The correlation between the CPI and the GDP deflator is expected to decline due to oil-related investment and net exports increasing their weight in the GDP deflator at the expense of consumption starting in FY25/26.[8]

- *Oil revenue projections*. Budget revenues from oil, net of oil-related expenditures, are expected to start in FY25/26 (one year later than in the previous DSA) and peak at 3.2 percent of GDP in FY31/32 before gradually declining over the long term. Legislation and institutions that have now been established, including the Uganda Petroleum Fund, the Consolidated Fund, and the Petroleum Revenue Investment Fund (PRIR) to ensure fiscal sustainability over the longer run – these should help manage Dutch disease crowding out effects. Continued EITI reporting is expected to help enhance the transparency of the extractive sector. Ongoing IMF TA aims to help the authorities transition to a rules-based framework for oil revenue management, including through the adoption of the Income Tax Amendment Bill, the Public Finance Management Bill, and the East African Crude Oil Pipeline Bill. Under the current plans, up to 0.8 percent of the

[6] Uganda is prone to various types of natural disasters and limited adaptation infrastructure magnifies the socio-economic impacts of extreme events. In the past 20 years, droughts have been the type of hazards that have affected the largest number of people, undermining food security. Disruptive natural disasters, such as droughts and floods, impact the economy to a large extent. Going forward, climate change will likely exacerbate the frequency and severity of natural disasters and cause large economic damages. Scaling up adaptation and preparedness is essential to ensure resilience of the population and the economy to extreme weather events. However, climate adaptation measures pose planning, implementation, and financing challenges, and require international support. Model simulations show that building adaptation infrastructure can reduce by two thirds the GDP losses at the trough triggered by a disruptive disaster and almost halve the resulting fiscal gap. For donors it may be cost-effective to help finance investment in adaptation because it would reduce post-disaster disbursements (see Selected Issues Paper, IMF Country Report No. 2022/078 for more details).

[7] The World Bank digital acceleration project aims to (i) lower prices for international capacity and extend the geographic reach of broadband networks and (ii) improve the government's efficiency and transparency through e-Government applications.

[8] Inflation projections for Uganda and IMF WEO inflation projections for advanced economies pin down nominal exchange rate projections under the assumption of a constant real effective exchange rate.

previous year's non-oil GDP would be used to finance infrastructure spending with the rest saved for the benefit of the future generations of the Ugandan citizens.

- *Primary fiscal deficit.* The primary fiscal deficit is projected to narrow in FY23/24, though by less than expected earlier, at 1.5 percent of GDP versus 0.6 expected at the time of the 5th review under the ECF,[9] mainly because of elevated current spending and underperforming domestic revenue. Going forward, the medium-term fiscal framework of the government envisions further improvement in the primary balance driven by implementation of various tax policy and revenue administration measures under the DRMS;[10] however, the baseline scenario assumed by staff is conservative and envisions lower annual revenue gains than the DRMS target. The baseline also incorporates a gradual increase in social spending (health and education) and in domestically-financed development spending. As part of the IDA Sustainable Development Finance Policy (SDFP), the authorities aim at passing a VAT reform bill and a Public Investment Policy to advance the implementation of the Domestic Revenue Mobilization Strategy (DRMS) and strengthen the institutions implementing projects.

- *Interest payments*, in line with the recent developments, are projected to increase further and peak at 4.3 percent of GDP in FY24/25 (30.9 percent of revenue against 22.8 percent in FY21/22), before reverting back to some 3 percent of GDP in FY28/29 and declining further to 1½ percent over the long run.

- *Current account deficit.* The current account deficit is expected to remain elevated in the near-term reflecting capital imports for oil production, and to improve substantially over the medium term once oil exports coming on-stream and the oil refinery becomes operational. Export growth will also be supported by better trade logistics, rural access to infrastructure and information, and credit availability, and the rollout of reforms envisaged under the African Continental Free Trade Agreement (AfCFTA).[11] The recent removal of Uganda from the African Growth and Opportunity Act (AGOA) is not expected to have a large impact on trade flows though it may adversely affect external funding.[12] Relative to the previous DSA, the more favorable outlook of the external balance mainly reflects downward revision of FDI inflows and

[9] IMF Country Report No. 2024/077.

[10] Implementation of the DRMS is projected to raise tax revenues by 0.5 percent of GDP per annum. The strategy outlines key tax policy reforms, including a rationalization of exemptions, and revenue administration modernization to improve compliance. While tax revenue has underperformed, recent measures are expected to rectify this issue. A Tax Expenditure Framework – to streamline and eventually scale down revenue leakages from tax expenditures – has been approved by MoFPED. These leakages were estimated to have reached about 5.2 percent of GDP in FY20/21. Furthermore, several partners, including the IMF, World Bank, USAID and FCDO, are providing significant support to the Tax Policy Department (MoFPED) and Uganda Revenue Authority (URA) to ensure full implementation of the DRMS.

[11] Uganda has ratified the AfCFTA agreement, however the country needs to undertake policy reform to address constraints that may affect implementation of the agreement. These include reducing red tape and simplifying customs procedures, promoting the uptake of modern technology in the agriculture sector and improving quality and standards.

[12] The U.S. share in Uganda's exports is below 2 percent, as most of them are destined to the SSA region, Middle East, Asia, and Europe.

related imports, as well as an upward revision in oil exports. The exchange rate has been under depreciation pressure since August 2023, partly reflecting the World Bank announcement to pause new project financing and tight external financing conditions, but has recovered in recent months. The nominal effective exchange rate (NEER) and the real effective exchange rate (REER) depreciated by 2.9 percent and 1.4 percent y-o-y as of May 2024, respectively. Despite the moderate downward adjustment, the exchange rate remains overvalued and weighs on the economy's competitiveness.

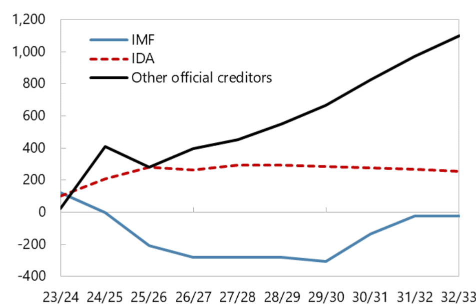
- *FDI inflows* are similarly expected to remain strong, largely driven by investments in oil-related projects (Tilenga, Kingfisher and the pipeline between Uganda and Tanzania) and gradually decline to around 3 percent of GDP over the medium term as oil investment peters out reflecting the potential positive impact on FDI from the rollout of AfCFTA among all countries on the continent.

- *Gross official reserves* are expected to gradually rise over the medium term on the back of an increase in FDI and the start of oil exports. The reserve coverage is expected to reach 4 months of imports in the medium-term with the help of an 18-month FX swap arrangement of US$400 million signed with two local banks in July 2024 and purchases of gold from local artisanal miners, though the amount and timing remains uncertain.

- *Financing mix.* The government plans to securitize the outstanding advances from the BoU in FY24/25 by issuing government bonds worth 3.5 percent of GDP at market interest rates. Going forward, it is expected that the BoU will only provide advances up to the statutory limit of 10 percent of the recurrent revenue at times of temporary shortfalls in the latter. The composition of domestic borrowing is projected to remain unchanged with T-bonds accounting for two-thirds of the total. Over the long term, financing is assumed to shift gradually from domestic to external and less concessional debt. Project support assumptions have been scaled back in line with the recent trends (resulting in lower overall spending and thus, improved fiscal balances relative to the previous DSA).

- IDA financing[13] is set to be largely delivered through project support over the medium term. The assumed average disbursement over the next five fiscal years is about US$250 million per year. Significant disbursements for projects will support municipal infrastructure and road developments, water management and development, and digital acceleration. No budget support operations

Text Figure 5. Official External Financing, Net
(US$, Millions)



Sources: Ugandan authorities, IMF and World Bank estimates.

[13] World Bank disbursement has been affected by the slow implementation of the portfolio in Uganda and the long period between approval and effectiveness. Most of the committed portfolio in Uganda are from IDA19 (38 years

(continued)

are planned, with the remainder of IDA financing going through Program for Results (P4Rs), including support to enhancing intergovernmental fiscal transfers for better service delivery (Text Figure 5)

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Text Table 4. Uganda: Macroeconomic Assumptions

	Real GDP growth (percent)		Inflation (percent)		Primary balance (percent of GDP)		Current account (percent of GDP)		FDI inflows (percent of GDP)	
	Prev. DSA	Current	Prev. DSA	Current	Prev. DSA	Current	Prev. DSA	Current	Prev. DSA	Currer
2021/22	4.7	4.6	3.4	3.4	-4.3	-4.3	-7.9	-7.6	2.7	5.
2022/23	5.5	5.3	9.2	8.8	-1.9	-2.3	-8.6	-7.9	5.0	6.
2023/24	6.0	6.0	5.7	3.2	-0.5	-1.5	-8.9	-8.4	7.3	6.
2024/25	6.6	6.2	5.0	4.6	-0.6	-1.4	-11.1	-7.1	9.2	6.
2025/26	7.1	10.8	5.0	5.0	-0.5	0.6	-10.8	-5.5	9.1	6.
2026/27	7.0	8.7	5.0	5.0	0.1	1.9	-9.7	-3.6	7.9	4.
2027/28	6.5	6.1	5.0	5.0	0.5	1.7	-6.5	-3.7	7.3	3.
Avg 2027/28-2040/41	6.2	6.0	5.0	5.0	-1.3	0.6	-6.0	-4.8	6.3	3.

Source: Uganda authorities, IMF staff projections.

7. The realism tool outputs compare the projections to cross-country experiences and to Uganda's own historical experience (Figures 3 and 4):

- There are differences between past and projected debt creating flows, which reflect changes to growth and current account trajectories given expected developments in the oil industry as explained earlier. Unexpected changes in external debt are below the median of the distribution across low-income countries and in the case of public debt above it, but in both cases they are well within the respective interquartile ranges.

- The improvement in the primary balance over the next 3-years is in the top quartile of the distribution, reflecting the cyclical improvement in tax revenues, the adjustment following the fiscal policy response to COVID-19 and the implementation of the DRMS. The growth outlook is also

maturity, 6 years grace period and interest rate below 1 percent). Financing under IDA19 has a grant element of 77 percent. However, there are some pipeline projects with expected disbursement in FY2024 that will be under the IDA20 terms (50 years maturity, 10 years grace period, no interest, no commitment fees).

[14] World Bank disbursement has been affected by the slow implementation of the portfolio in Uganda and the long period between approval and effectiveness. Most of the committed portfolio in Uganda are from IDA19 (38 years maturity, 6 years grace period and interest rate below 1 percent). Financing under IDA19 has a grant element of 77 percent. However, there are some pipeline projects with expected disbursement in FY2024 that will be under the IDA20 terms (50 years maturity, 10 years grace period, no interest, no commitment fees).

supported by private investments as well as improved spending efficiency, including through stronger public investment management on the back of reforms to be implemented under the IMF-supported program.

- Investment is expected to increase, with private investment offsetting a temporary decline in public investment.

COUNTRY CLASSIFICATION

Text Table 5. Uganda: Composite Indicator, and Debt Thresholds and Benchmark

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.594	1.38	47%
Real growth rate (in percent)	2.719	5.588	0.15	5%
Import coverage of reserves (in percent)	4.052	36.181	1.47	50%
Import coverage of reserves^2 (in percent)	-3.99	13.091	-0.52	-18%
Remittances (in percent)	2.022	2.755	0.06	2%
World economic growth (in percent)	13.52	2.909	0.39	13%
CI Score			2.93	100%
CI rating			Medium	

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.93	Medium 2.91	Medium 2.98
EXTERNAL debt burden thresholds	**Weak**	**Medium**	**Strong**
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23
TOTAL public debt benchmark	**Weak**	**Medium**	**Strong**
PV of total public debt in percent of GDP	35	55	70

Source: IMF staff projections.

8. Uganda's debt-carrying capacity is classified as medium, unchanged from the previous DSA. Based on the April 2024 WEO (real GDP growth, import coverage of foreign exchange reserves, remittances, and growth of the world economy) and the World Bank's 2023 CPIA (3.575), Uganda's composite indicator (CI) score is 2.93. The CI also incorporates forward-looking elements with the calculation based on the 10-year average (5 years of historical data and 5 years of projection). Uganda's score lies between the threshold values of 2.69 and 3.05 corresponding to medium and strong capacity, respectively, thereby categorizing the country as having "medium" debt-carrying capacity that determines the four external debt indicative thresholds and the total public debt benchmark (Text Table 5). The thresholds of the PV of external debt-to-exports ratio, the PV of external debt-to-GDP ratio, the debt service-to-exports ratio, and the debt service-to-revenue ratio are 180, 40, 15 and 18 percent, respectively. The benchmark of the PV of total public debt is 55 percent.

EXTERNAL DEBT SUSTAINABILITY

9. The evolution of external government debt suggests a sustainable path under the baseline (Table 2). Both solvency and liquidity indicators remain below their indicative thresholds over the projection horizon (Figure 1 and Table 4). All the external debt sustainability indicators reach their peak in FY23/24: the PV of PPG external debt-to-GDP ratio peaks at 22.2 (against the threshold of 40 percent), the PV of debt-to-exports ratio peaks at 121.3 percent and then declines until starting to slowly pick up in 2030s (against the threshold of 180 percent). The liquidity indicators show a similar path. The debt service-to-export ratio is projected at 13.1 percent in FY23/24 and the debt service-to-revenue ratio reaches 17.7 percent in FY24/25 against the indicative threshold of 18 percent and then stays on a declining path.[15]

10. Stress tests and alternative scenarios indicate a moderate risk of debt distress rating. The PV of PPG external debt-to-GDP ratio remains under the threshold even under the stress tests, with the combined shock being the most extreme shock. However, the external debt service-to-exports rises above the threshold for a few years under the depreciation shock and the PV of external debt-to-exports ratio and the external debt service-to-revenue ratio breach their respective thresholds, remaining above the threshold, under the shock to exports (Figure 1 and Table 4).

11. The share of private debt on external debt under the baseline is on a declining path (Table 2). Private external debt peaks in FY23/24 at 8.5 percent of GDP (23 percent of the total external debt), before declining toward 4.8 percent of GDP (or 21.6 percent of external debt) in FY33/34. Under the baseline, the path of private external debt does not elevate the risk of debt distress. However, the abovementioned breaches of certain indicators under the contingent liability shock suggest that possible spillovers from private sector debt may affect debt sustainability under adverse scenarios.

PUBLIC DEBT SUSTAINABILITY

12. The total public debt-to-GDP trajectory under the baseline shows a declining path (Table 3). The PV of public debt-to-GDP ratio peaks at 44.8 percent in FY23/24, before declining towards 21.4 percent by FY33/34 as oil export receipts ensue (Figure 2 and Table 5). This compares to an indicative benchmark of 55 percent for countries with medium debt-carrying capacity.[16] Notwithstanding the recent increase in the nominal level of public debt-to-GDP to above 50 percent of GDP, the trajectory is expected to show a gradual decline over the medium-and long-run. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are expected to decline over the medium term, supported by the implementation of the DRMS and the oil-related revenue inflows from FY25/26 onward.

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[15] The decline in the liquidity indicators is mainly driven by the projected increase in exports and government revenue.

[16] The government's Charter of Fiscal Responsibility requires public debt to stay below 50 percent of GDP in present value terms, which is also one of the convergence criteria for monetary union in the East African Community. The government's publicly stated debt ceiling is 50 percent of GDP in nominal terms.

13. The stress tests confirm that adding domestic debt to the analysis does not elevate the risk of debt distress. For the PV of debt-to-GDP ratio, the most extreme stress test is the combined contingent liabilities shock (Figure 2), under which the PV of total public debt-to-GDP ratio gradually rises above the benchmark of 55 percent (and the ceiling of 50 percent of GDP in the current Charter of Fiscal Responsibility). The PV of total public debt-to-revenue ratio rises to 351.3 percent under the most extreme scenario of the combined contingent liabilities shock. Finally, the debt service-to-revenue peaks at 76.6 percent in FY23/24 under a variety of shocks.

CONCLUSIONS

14. Uganda's risk of external and overall public debt distress is moderate, with limited space to absorb shocks. External debt burden indicators and total public debt remain below their respective thresholds and benchmark throughout the projection horizon. The stress tests, however, indicate breaches of the thresholds, some of which are lasting. Although the PV of external debt-to-GDP ratio indicates substantial space to absorb shocks without being downgraded to a high risk of debt distress, the PV of external debt-to-exports, the external debt service-to-revenues ratio, and the external debt service-to-exports ratios are close enough to their respective thresholds that a median shock would lead to a breach (Figure 5).

15. Risks to the debt outlook are tilted to the downside. Risks around growth reflect tight external financial conditions, possible spillovers to trade stemming from the conflict in Gaza and Israel, a larger-than-expected impact of the AHA legislation on the availability of external grants and loans from development partners as well as tourism, and increased frequency of natural disasters due to climate change. Domestic risks include the slower-than-expected implementation of reforms, including the revenue mobilization efforts, delays in oil production, and the potentially limited capacity of commercial banks to increase their purchase of government securities in response to future shocks given the increasing weight of those securities in their balance sheets.

16. Mitigating debt risks requires sound macroeconomic management and strong/steadfast policy implementation. This includes:

- *Implementing the DRMS.* Given Uganda's relatively low revenue collection, the strategy outlines key tax policy reforms, including a rationalization of exemptions, and tax administration strengthening to improve compliance.

- *Strengthening overall public financial management (PFM), including efforts to avoid arrears and the use of supplementary budgets.* The published international audit of domestic arrears and the domestic arrears strategy should help the authorities in clearing arrears and preventing further accumulation. Following the progress on the extension of coverage of the Treasury Single Account to extra budgetary entities and externally funded projects, an improvement in the accuracy of monthly cash flow forecasting and preparation of an aggregate borrowing plan, considering the government's consolidated cash position, means further progress can be made through the operationalization of monthly and quarterly cash flow forecasting. Finally, over the

course of the recent ECF-supported program, the authorities have repeatedly made a commitment to aim to avoid supplementary budgets. In the exceptional case where a new one was to become necessary again, they will ensure that these are limited to unforeseeable unexpected shocks, with any such request costed, financing sources identified, and debt impact assessed.

- *Improving spending efficiency, including the strengthening of public investment management.* Priorities should include improving the use of medium-term fiscal envelope forecasts to achieve better project prioritization and capital expenditure budgeting. The project selection criteria published in May 2021 should be regularly used to identify priority projects. Public investment management (PIM) shortcomings could be addressed by reducing overcommitment in multi-year projects and by reducing or eliminating the use of emergency procurement procedures, fostering open and competitive bidding while refraining from procuring through direct channels.

- *Strengthening debt management.* In line with its medium-term debt strategy, public debt management in Uganda should continue to ensure that the government's financing needs, and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with prudent risk-taking. Better communication and coordination across government agencies, including on new borrowing plans, would further enhance debt management.

- *Improving debt transparency*. Over the last decade, Uganda has enhanced debt transparency, both in terms of fiscal reporting and publication of explicit and implicit debt and debt management information. However, debt transparency could be further enhanced, including through the publication of a statement of fiscal risks in the budget framework paper that lists contingent liabilities and reports on risks arising to the budget, the extension of coverage to potential debt collateralization in the public sector, as well as better communication, thereby contributing to a better understanding and management of risks.

- *Broadening the scope of potential creditors.* The scope of potential creditors and financing sources could be broadened, including by finalizing the public investment financing strategy (which is already in advanced draft form) and expression of interest guidelines, and setting up a mobile money platform for retail investors to purchase Treasury securities.

- *Closely monitoring contingent liabilities.* Contingent liabilities have in general been one of the largest sources of fiscal risk across countries, since the materialization of contingent liabilities can contribute to unexpected increases in the debt-to-GDP ratio, crowding out private credit and jeopardizing debt sustainability. There has been important progress on the collection of data on the debt of state-owned enterprises. Efforts, however, should be stepped up to estimate, disclose, manage, contain, and shorten the lag in the publication of information on contingent liabilities, especially those in the financial sector, state-owned enterprises (including through their potential inclusion in government finance statistics), and PPPs.

- *Implementing a set of particular reforms to improve fiscal and debt sustainability*. Given the moderate risk of debt distress, the government would need to implement a set of reforms –

known as *Performance and Policy Actions* (PPAs) as per IDA's *Sustainable Development Finance Policy* (SDFP) – through actions in the areas of debt sustainability, debt management and fiscal sustainability. The purpose of this is to ultimately incentivize the government to reduce debt vulnerabilities. [17]

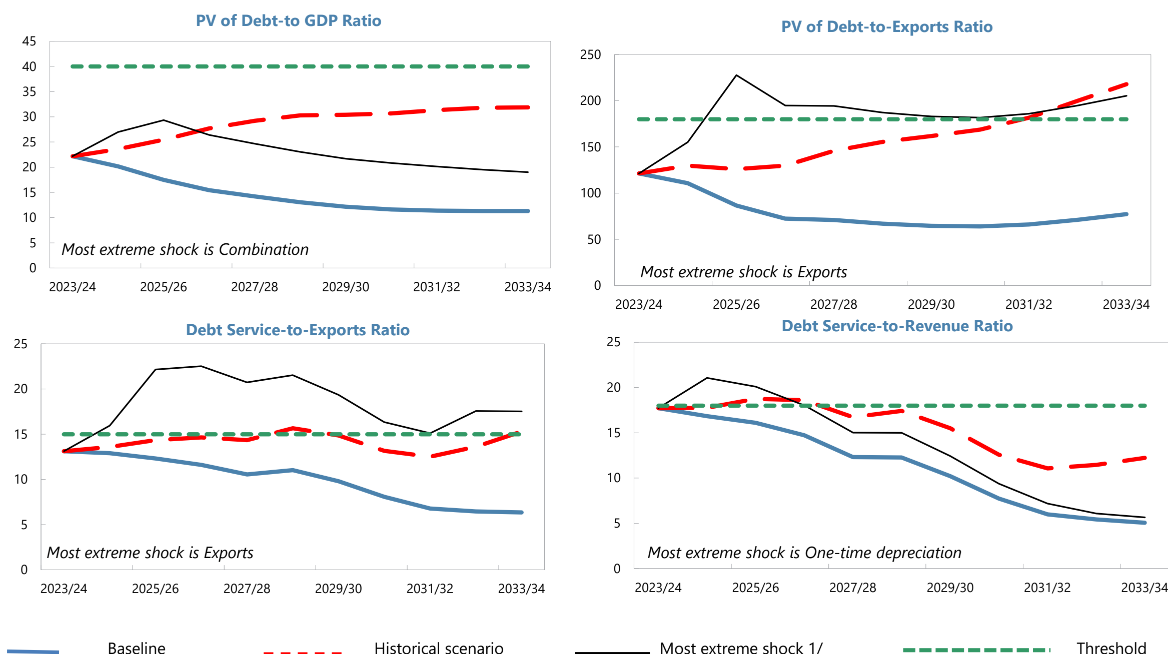
- *Enhancing governance frameworks.* These are equally essential to safeguard the quality and effectiveness of public investment and other government spending. Better infrastructure and the impact of parallel reforms, e.g., improvements in the business climate, are expected to strengthen Uganda's competitiveness. Sound asset-liability management and avoidance of a premature reliance on uncertain future oil-related flows remain essential preconditions for debt sustainability.

Authorities' Views

17. The authorities broadly agree with the results of this DSA and the overall conclusion of a moderate risk of external debt distress. The authorities regularly carry out their own debt sustainability analyses and pay very close attention to maintaining a low risk of debt distress. They remain committed to ensuring debt sustainability and bringing debt below 50 percent of GDP (in nominal terms) through long-term prudent debt management, as outlined in their Medium-Term Debt Management Framework. They are committed to carefully prioritizing infrastructure projects and financing of the projects to preserve debt sustainability. The authorities acknowledged the significant vulnerabilities from growing public debt and contingent liabilities risks and stand ready to adjust policies as needed to safeguard debt sustainability. They also commit to continue to engage with IDA/IMF staff on debt management issues and to address debt vulnerabilities by building policy credibility and deepening the markets.

[17] As two FY23 PPAs were not implemented, 10 percent of the IDA allocation was made unavailable until the authorities implement five PPAs in FY24. (WB COLLEAGUES TO VERIFY)

Figure 1. Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, FY23/24-FY33/34[1]



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.7%	2.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	6	6

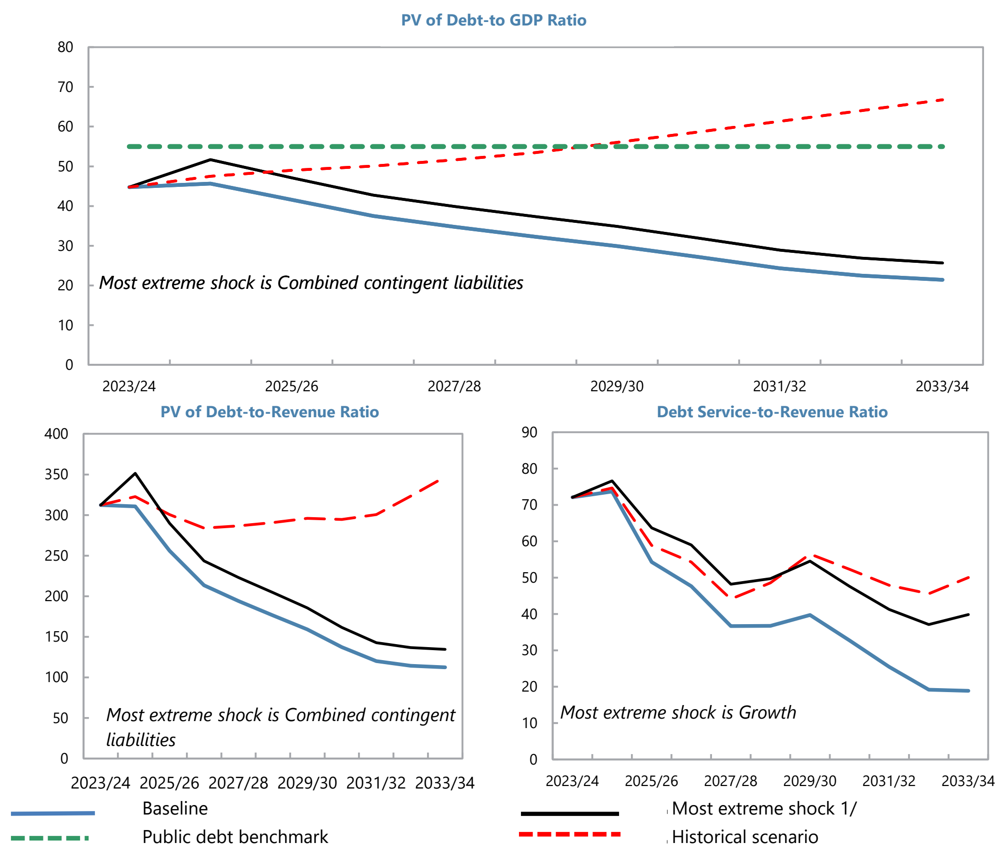
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Indicators of Public Debt Under Alternative Scenarios, FY23/24-FY33/34



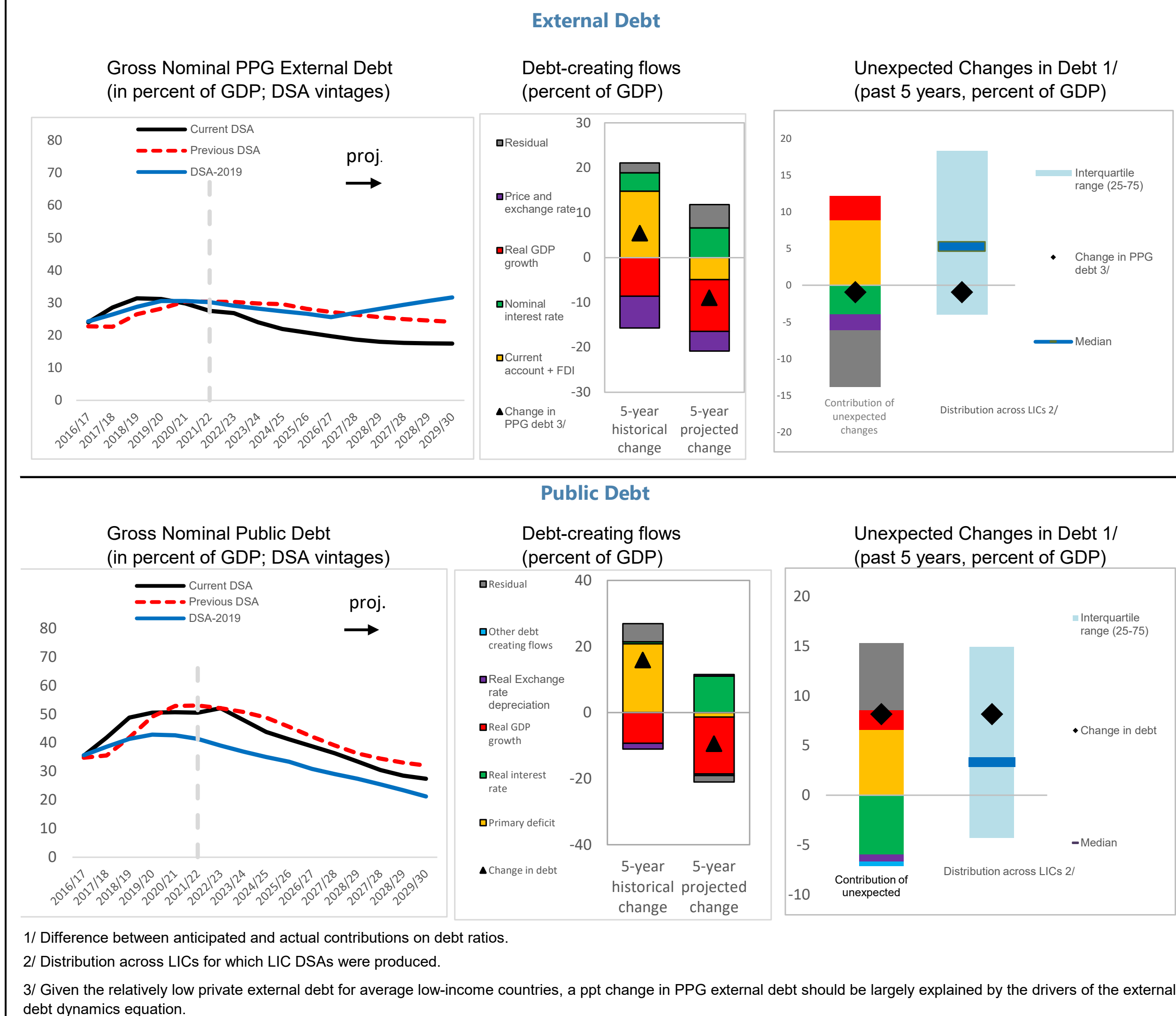
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	43%	43%
Domestic medium and long-term	39%	39%
Domestic short-term	18%	18%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.7%	2.7%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	11.2%	11.2%
Avg. maturity (incl. grace period)	9	9
Avg. grace period	5	5
Domestic short-term debt		
Avg. real interest rate	7.0%	7.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics – Baseline Scenario



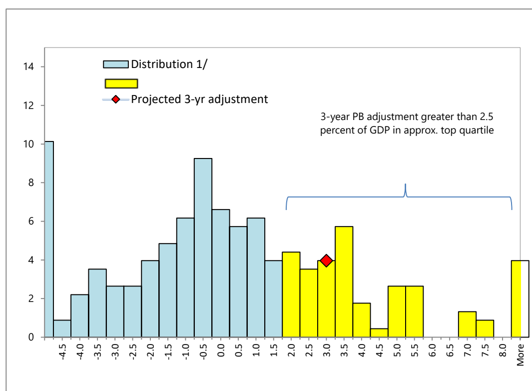
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

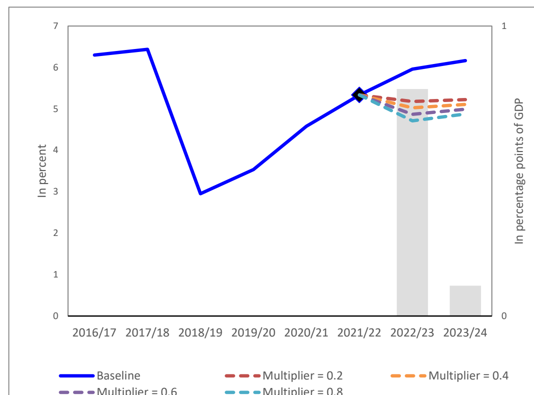
Figure 4. Realism Tools

3-Year Adjustment in Primary Balance
(Percentage Points of GDP)



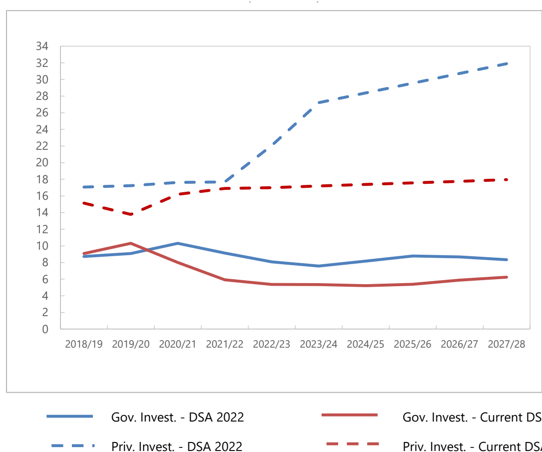
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths [1/]



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(Percent, 5-year Average)

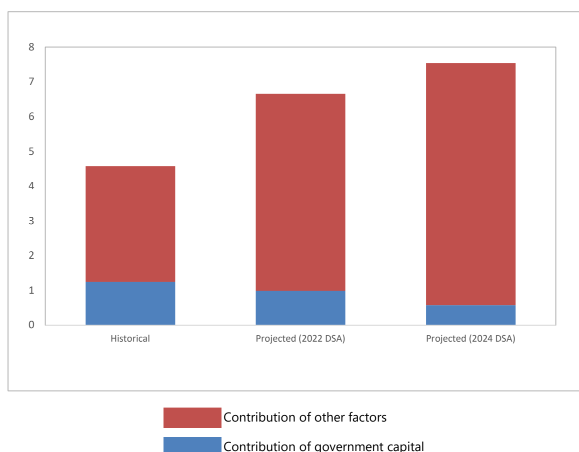
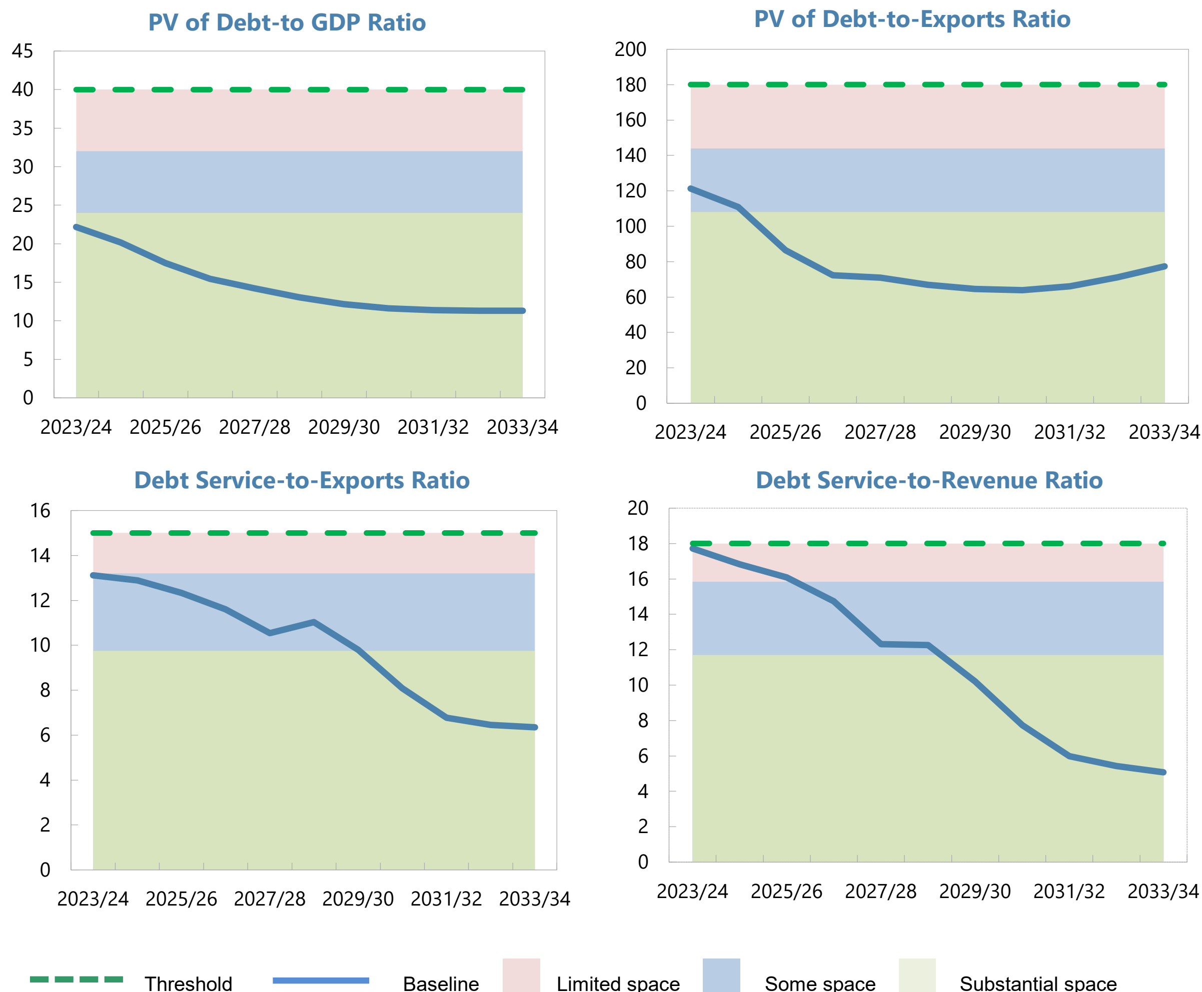


Figure 5. Qualification of the Moderate Category, 2023/24-2033/34 [1/]



Sources: Country authorities; and staff estimates and projections.

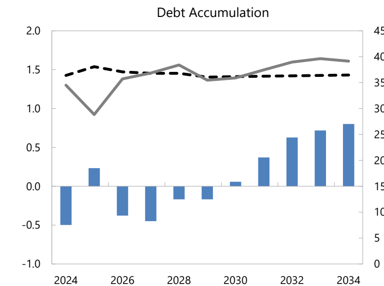
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

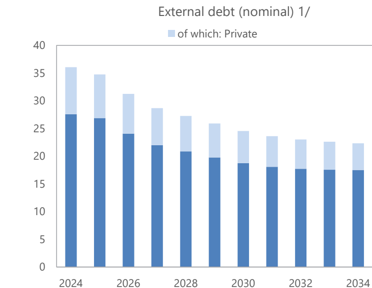
Table 2. Uganda: External Debt Sustainability Framework, Baseline Scenario, FY22/23-FY33/34

(In percent of GDP, unless otherwise indicated)

	Actual	Projections							Average 8/	
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	Historical	Projections
External debt (nominal) 1/	**38.7**	**36.1**	**34.8**	**31.3**	**28.7**	**27.3**	**25.9**	**22.3**	**35.5**	**27.3**
of which: public and publicly guaranteed (PPG)	**29.9**	**27.6**	**26.9**	**24.1**	**22.0**	**20.9**	**19.8**	**17.5**	**23.5**	**21.0**
Change in external debt	-5.0	-2.6	-1.3	-3.5	-2.6	-1.4	-1.4	-0.3		
Identified net debt-creating flows	**-1.1**	**0.2**	**-1.3**	**-3.8**	**-3.6**	**-1.3**	**-0.7**	**1.3**	**1.2**	**-0.5**
Non-interest current account deficit	**7.1**	**7.2**	**5.7**	**4.2**	**2.3**	**2.4**	**2.7**	**4.7**	**5.9**	**4.2**
Deficit in balance of goods and services	3.0	2.5	1.7	-0.5	-3.4	-4.0	-3.5	-0.9	**1.4**	**-1.6**
Exports	15.1	18.3	18.2	20.2	21.3	20.0	19.5	14.6		
Imports	18.2	20.8	19.9	19.7	17.9	16.0	15.9	13.7		
Net current transfers (negative = inflow)	-4.2	-3.8	-3.9	-3.7	-3.5	-3.3	-3.2	0.0	**-4.5**	**-2.2**
of which: official	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	0.0		
Other current account flows (negative = net inflow)	8.3	8.6	7.9	8.4	9.2	9.6	9.4	5.6	**8.9**	**8.1**
Net FDI (negative = inflow)	**-6.0**	**-6.1**	**-6.4**	**-6.0**	**-4.7**	**-3.4**	**-3.2**	**-3.1**	**-3.5**	**-4.1**
Endogenous debt dynamics 2/	**-2.1**	**-1.0**	**-0.6**	**-2.0**	**-1.1**	**-0.3**	**-0.2**	**-0.3**		
Contribution from nominal interest rate	0.8	1.2	1.4	1.3	1.3	1.3	1.3	0.8		
Contribution from real GDP growth	-2.2	-2.1	-2.0	-3.3	-2.5	-1.6	-1.5	-1.2		
Contribution from price and exchange rate changes	-0.8	...	...	...	...	...	...	...		
Residual 3/	**-3.9**	**-2.8**	**0.0**	**0.3**	**1.0**	**-0.1**	**-0.7**	**-1.6**	**0.5**	**-1.0**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators										
PV of PPG external debt-to-GDP ratio	**24.7**	**22.2**	**20.2**	**17.5**	**15.4**	**14.2**	**13.0**	**11.3**		
PV of PPG external debt-to-exports ratio	**163.2**	**121.3**	**110.8**	**86.5**	**72.4**	**70.9**	**67.0**	**77.3**		
PPG debt service-to-exports ratio	**13.3**	**13.1**	**12.9**	**12.3**	**11.6**	**10.5**	**11.0**	**6.3**		
PPG debt service-to-revenue ratio	**14.4**	**17.7**	**16.8**	**16.1**	**14.7**	**12.3**	**12.3**	**5.1**		
Gross external financing need (Million of U.S. dollars)	3,189	3,178	2,175	1,906	1,647	2,655	3,455	5,442		
Key macroeconomic assumptions										
Real GDP growth (in percent)	5.3	6.0	6.2	10.8	8.7	6.1	6.0	5.5	**4.7**	**6.6**
GDP deflator in US dollar terms (change in percent)	1.6	3.0	4.7	2.1	1.5	1.4	1.5	1.6	**0.7**	**2.0**
Effective interest rate (percent) 4/	2.1	3.3	4.4	4.4	4.8	5.1	5.1	4.0	**2.0**	**4.3**
Growth of exports of G&S (US dollar terms, in percent)	31.1	31.8	10.6	25.6	16.5	0.9	4.7	-1.4	**5.1**	**8.9**
Growth of imports of G&S (US dollar terms, in percent)	24.2	24.6	6.4	12.3	0.5	-3.8	6.8	2.9	**6.9**	**6.2**
Grant element of new public sector borrowing (in percent)	...	34.5	28.8	35.7	36.8	38.4	35.5	39.2	**...**	**36.4**
Government revenues (excluding grants, in percent of GDP)	14.0	13.5	13.9	15.5	16.8	17.2	17.5	18.3	**12.2**	**17.1**
Aid flows (in Million of US dollars) 5/	-2,440	765	819	942	1,011	1,089	1,172	1,688		
Grant-equivalent financing (in percent of GDP) 6/	...	1.4	1.5	1.5	1.5	1.5	1.4	1.4	**...**	**1.4**
Grant-equivalent financing (in percent of external financing) 6/	...	53.9	44.5	53.4	54.6	56.3	54.1	57.4	**...**	**54.5**
Nominal GDP (Million of US dollars)	48,768	53,203	59,143	66,924	73,816	79,415	85,408	122,346		
Nominal dollar GDP growth	7.0	9.1	11.2	13.2	10.3	7.6	7.5	7.1	**5.4**	**8.7**
Memorandum items:										
PV of external debt 7/	33.6	30.7	28.0	24.7	22.1	20.6	19.2	16.1		
In percent of exports	221.7	167.8	154.1	122.0	103.7	102.9	98.3	110.3		
Total external debt service-to-exports ratio	35.6	25.7	24.2	23.2	21.9	21.8	23.0	19.4		
PV of PPG external debt (in Million of US dollars)	12,041	11,797	11,922	11,698	11,398	11,273	11,140	13,836		
(PVt-PVt-1)/GDPt-1 (in percent)		-0.5	0.2	-0.4	-0.4	-0.2	-0.2	0.8		
Non-interest current account deficit that stabilizes debt ratio	12.0	9.9	7.0	7.7	4.9	3.8	4.1	5.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

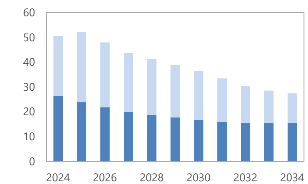
Table 3. Uganda: Public Sector Debt Sustainability Framework, Baseline Scenario, FY22/23-FY33/34

(In percent of GDP, unless otherwise indicated)

	Actual	Projections							Average 6/	
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	Historical	Projections
Public sector debt 1/	50.7	50.6	52.1	47.9	43.8	41.2	38.8	27.4	35.8	39.1
of which: external debt	29.9	27.6	26.9	24.1	22.0	20.9	19.8	17.5	23.5	21.0
Change in public sector debt	0.1	-0.1	1.5	-4.2	-4.1	-2.6	-2.4	-1.1		
Identified debt-creating flows	-2.3	0.1	1.7	-3.7	-3.6	-2.1	-2.1	-0.9	2.1	-1.8
Primary deficit	2.3	1.5	1.4	-0.6	-1.9	-1.7	-1.7	-0.8	3.1	-1.2
Revenue and grants	14.5	14.3	14.7	16.2	17.6	17.9	18.3	19.0	13.1	17.9
of which: grants	0.6	0.8	0.8	0.8	0.7	0.7	0.7	0.7		
Primary (noninterest) expenditure	16.8	15.8	16.1	15.6	15.7	16.2	16.6	18.2	16.2	16.7
Automatic debt dynamics	-4.6	-0.9	0.3	-3.0	-1.7	-0.4	-0.4	-0.1		
Contribution from interest rate/growth differential	-3.5	-1.0	0.1	-3.0	-1.8	-0.5	-0.5	-0.1		
of which: contribution from average real interest rate	-1.0	1.8	3.0	2.1	2.0	2.0	1.9	1.4		
of which: contribution from real GDP growth	-2.6	-2.9	-2.9	-5.1	-3.8	-2.5	-2.3	-1.5		
Contribution from real exchange rate depreciation	-1.0	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.4	-0.3	-0.2	-0.5	-0.5	-0.5	-0.4	-0.2	1.6	-0.3
Sustainability indicators										
PV of public debt-to-GDP ratio 2/	45.0	44.8	45.7	41.6	37.5	34.8	32.2	21.4		
PV of public debt-to-revenue and grants ratio	309.4	312.5	310.7	256.2	213.6	194.1	176.4	112.5		
Debt service-to-revenue and grants ratio 3/	39.5	72.1	73.7	54.3	47.6	36.7	36.7	18.9		
Gross financing need 4/	8.1	11.4	12.2	8.2	6.5	4.9	5.0	2.8		
Key macroeconomic and fiscal assumptions										
Real GDP growth (in percent)	5.3	6.0	6.2	10.8	8.7	6.1	6.0	5.5	4.7	6.6
Average nominal interest rate on external debt (in percent)	1.9	2.8	3.6	3.6	3.6	3.7	3.7	1.8	1.6	2.9
Average real interest rate on domestic debt (in percent)	-0.3	9.1	11.6	6.8	7.1	7.6	7.3	11.2	4.4	9.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.7	...	...	...	...	...	...	...	2.0	...
Inflation rate (GDP deflator, in percent)	6.7	3.7	4.3	5.3	4.7	4.5	4.5	4.6	4.3	4.6
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.0	-0.3	8.0	7.5	9.3	9.4	8.6	7.7	8.2	7.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.1	1.6	-0.1	3.5	2.3	0.9	0.8	0.3	1.3	0.9
PV of contingent liabilities (not included in public sector debt)	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Uganda: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY23/24-FY33/34

(In percent)

	Projections										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
PV of Debt-to GDP Ratio											
Baseline	**22.2**	**20.2**	**17.5**	**15.4**	**14.2**	**13.0**	**12.1**	**11.6**	**11.4**	**11.3**	**11.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 1/	22.2	23.6	25.4	27.7	29.2	30.3	30.4	30.7	31.3	31.8	31.9
B. Bound Tests											
B1. Real GDP growth	22.2	21.0	20.4	18.0	16.6	15.2	14.2	13.5	13.3	13.2	13.2
B2. Primary balance	22.2	21.3	20.5	18.8	17.7	16.6	15.7	15.3	15.3	15.4	15.5
B3. Exports	22.2	23.2	27.2	24.5	23.0	21.5	20.3	19.5	18.9	18.3	17.8
B4. Other flows 2/	22.2	23.7	23.9	21.5	20.1	18.7	17.6	16.9	16.4	15.9	15.5
B6. One-time 30 percent nominal depreciation	22.2	25.0	19.8	17.4	15.9	14.5	13.4	12.8	12.6	12.6	12.8
B6. Combination of B1-B5	22.2	27.0	29.3	26.4	24.7	23.0	21.7	20.8	20.1	19.5	19.0
C. Tailored Tests											
C1. Combined contingent liabilities	22.2	22.4	20.0	18.0	16.9	15.8	14.9	14.5	14.5	14.5	14.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
PV of Debt-to-Exports Ratio											
Baseline	**121.3**	**110.8**	**86.5**	**72.4**	**70.9**	**67.0**	**64.6**	**63.9**	**66.1**	**71.1**	**77.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 1/	121.3	129.8	126.0	129.8	145.8	155.4	161.7	168.7	**181.7**	**199.9**	217.9
B. Bound Tests											
B1. Real GDP growth	110.8	86.5	72.4	70.9	67.0	64.6	63.9	66.1	71.1	77.3	82.7
B2. Primary balance	116.8	101.4	88.0	88.2	85.2	83.8	84.4	88.7	96.8	106.1	114.0
B3. Exports	155.1	**227.6**	**194.7**	**194.4**	**187.1**	**182.9**	**181.8**	**186.0**	**194.8**	**205.4**	213.3
B4. Other flows 2/	130.0	118.3	100.8	100.2	96.1	93.7	93.0	95.0	100.1	106.2	111.0
B6. One-time 30 percent nominal depreciation	109.8	78.3	65.0	63.4	59.5	57.1	56.4	58.4	63.5	69.7	75.3
B6. Combination of B1-B5	156.2	121.2	151.8	151.1	145.0	141.5	140.5	143.1	150.6	159.4	166.4
C. Tailored Tests											
C1. Combined contingent liabilities	123.2	99.2	84.6	84.2	80.9	79.2	79.8	83.8	91.5	100.4	107.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**
Debt Service-to-Exports Ratio											
Baseline	**13.1**	**12.9**	**12.3**	**11.6**	**10.5**	**11.0**	**9.8**	**8.1**	**6.8**	**6.5**	**6.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 1/	13.1	13.6	14.4	14.6	14.3	**15.7**	14.9	13.2	12.5	13.6	15.3
B. Bound Tests											
B1. Real GDP growth	13.1	12.9	12.3	11.6	10.5	11.0	9.8	8.1	6.8	6.5	6.3
B2. Primary balance	13.1	12.9	12.5	12.1	11.1	11.6	10.4	8.7	7.7	8.0	8.2
B3. Exports	13.1	**15.9**	**22.1**	**22.5**	**20.7**	**21.5**	**19.3**	**16.3**	**15.1**	**17.6**	17.5
B4. Other flows 2/	13.1	12.9	12.9	12.6	11.5	12.0	10.8	9.0	8.5	9.1	9.0
B6. One-time 30 percent nominal depreciation	13.1	12.9	12.3	11.3	10.3	10.8	9.5	7.8	6.5	5.8	5.7
B6. Combination of B1-B5	13.1	14.7	**19.2**	**18.6**	**17.1**	**17.8**	**15.9**	13.4	13.0	13.6	13.6
C. Tailored Tests											
C1. Combined contingent liabilities	13.1	12.9	12.7	12.0	11.0	11.5	10.3	8.6	7.3	7.1	7.0
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Debt Service-to-Revenue Ratio											
Baseline	**17.7**	**16.8**	**16.1**	**14.7**	**12.3**	**12.3**	**10.2**	**7.7**	**6.0**	**5.4**	**5.1**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 1/	17.7	17.7	**18.7**	**18.6**	16.7	17.4	15.5	12.6	11.1	11.5	12.2
B. Bound Tests											
B1. Real GDP growth	17.7	17.5	**18.8**	17.2	14.4	14.3	11.9	9.0	7.0	6.3	5.9
B2. Primary balance	17.7	16.8	16.3	15.3	12.9	12.9	10.8	8.3	6.8	6.7	6.5
B3. Exports	17.7	17.1	17.1	16.9	14.3	14.1	11.9	9.2	7.9	8.7	8.3
B4. Other flows 2/	17.7	16.8	16.8	16.0	13.5	13.3	11.2	8.6	7.5	7.6	7.2
B6. One-time 30 percent nominal depreciation	17.7	**21.0**	**20.1**	**18.0**	15.0	15.0	12.4	9.4	7.2	6.1	5.7
B6. Combination of B1-B5	17.7	**18.2**	**20.5**	**19.3**	16.2	16.1	13.5	10.4	9.4	9.3	8.8
C. Tailored Tests											
C1. Combined contingent liabilities	17.7	16.8	16.6	15.2	12.8	12.8	10.7	8.2	6.5	5.9	5.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Includes official and private transfers and FDI.

Table 5. Uganda: Sensitivity Analysis for Key Indicators of Public Debt, FY23/24-FY33/34

	Projections												
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2031/32	2032/33	2033/34
PV of Debt-to GDP Ratio													
Baseline	**44.8**	**45.7**	**41.6**	**37.5**	**34.8**	**32.2**	**29.9**	**27.2**	**24.3**	**22.5**	**24.3**	**22.5**	**21.4**
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2022-2032 1/	45	47	49	50	52	53	**56**	**59**	**61**	**64**	**61**	**64**	**67**
B. Bound Tests													
B1. Real GDP growth	45	48	51	48	48	47	47	46	46	46	46	46	47
B2. Primary balance	45	49	49	44	42	39	37	34	31	29	31	29	28
B3. Exports	45	48	51	46	43	40	38	35	31	29	31	29	27
B4. Other flows 2/	45	49	48	44	41	38	35	33	29	27	29	27	26
B6. One-time 30 percent nominal depreciation	45	48	43	37	33	30	26	22	18	16	18	16	14
B6. Combination of B1-B5	45	47	48	40	38	35	33	30	28	26	28	26	25
C. Tailored Tests													
C1. Combined contingent liabilities	45	52	47	43	40	37	35	32	29	27	29	27	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
PV of Debt-to-Revenue Ratio													
Baseline	**312.5**	**310.7**	**256.2**	**213.6**	**194.1**	**176.4**	**159.2**	**137.4**	**120.1**	**114.4**	**120.1**	**114.4**	**112.5**
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2022-2032 1/	312	323	301	284	287	291	296	295	300	323	300	323	347
B. Bound Tests													
B1. Real GDP growth	312	326	312	274	265	257	248	233	225	234	225	234	248
B2. Primary balance	312	330	301	253	233	214	195	171	152	146	152	146	144
B3. Exports	312	329	312	263	241	221	201	175	156	148	156	148	144
B4. Other flows 2/	312	335	296	249	227	208	189	165	145	138	145	138	135
B6. One-time 30 percent nominal depreciation	312	331	264	213	187	163	140	113	92	80	92	80	71
B6. Combination of B1-B5	312	321	292	229	209	192	175	153	136	131	136	131	130
C. Tailored Tests													
C1. Combined contingent liabilities	312	351	290	243	223	204	186	162	143	137	143	137	135
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a. n.a.	n.a.	
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a. n.a.	n.a.	
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a. n.a.	n.a.	
Debt Service-to-Revenue Ratio													
Baseline	**72.1**	**73.7**	**54.3**	**47.6**	**36.7**	**36.7**	**39.7**	**32.7**	**25.5**	**19.2**	**25.5**	**19.2**	**18.9**
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2022-2032 1/	72	75	59	54	44	49	56	52	48	46	48	46	50
B. Bound Tests													
B1. Real GDP growth	72	77	64	59	48	50	55	48	41	37	41	37	40
B2. Primary balance	72	74	59	57	42	41	44	38	32	27	32	27	27
B3. Exports	72	74	55	49	38	38	41	34	27	22	27	22	22
B4. Other flows 2/	72	74	55	49	38	38	41	34	27	21	27	21	21
B6. One-time 30 percent nominal depreciation	72	71	55	48	38	38	40	32	25	18	25	18	18
B6. Combination of B1-B5	72	72	56	52	40	40	44	36	29	24	29	24	24
C. Tailored Tests													
C1. Combined contingent liabilities	72	74	64	52	40	40	43	37	30	24	30	24	24
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

2/ Includes official and private transfers and FDI.

Statment by Mr. Willie Nakunyada and Mr. Mawek Tesfaye Mengistu on Uganda Executive Board Meeting on September 6, 2024

Introduction

1. Our Ugandan authorities appreciate the constructive engagement with staff and share the thrust of staff's assessment of economic developments and key policy priorities.

2. The Ugandan economy continues to experience robust growth benefitting from prudent macroeconomic policies that have delivered improved socio-economic conditions. Importantly, the Fund supported Extended Credit Facility (ECF) program, approved in June 2021, helped advance the authorities reforms articulated in the third National Development Plan (NDP III) and facilitated the post-pandemic recovery. Despite the challenging circumstances characterized by tight global financial conditions which triggered portfolio reversals, continuing geopolitical tensions and the associated rise in freight costs, decline in external financing, and adverse climate shocks, the authorities made notable reform progress. That said, the authorities regret the expiry of the ECF arrangement before the sixth and final reviews, against the backdrop of program implementation challenges compounded by external funding constraints, portfolio outflows, and high domestic interest costs. That said, they have remained in reform mode to effectively consolidate the progress made under the ECF arrangement and advance outstanding reforms.

3. The authorities reiterate their strong commitment to economic reforms under the fourth National Development Plan (NDP IV), which is prepared under the theme *"Sustainable Industrialization for Inclusive Growth, Employment, and Wealth Creation."* NDP IV builds on the experience gained from NDP III, which is ending this fiscal year, and is aligned with the Uganda Vision 2040. The authorities re-affirm their resolve to pursue prudent macroeconomic management to preserve stable macroeconomic conditions, build buffers, and advance structural reforms to achieve transformative, inclusive, and sustainable growth.

Recent Economic Developments and Outlook

4. Real GDP continues to register robust growth, with an estimated increase of 6.0 percent in Financial Year (FY) 2023/24, compared to 5.3 percent growth in FY2022/23. The broad-based and strong growth performance is underpinned by a 6.6 percent expansion in the service sector, while the industry and agriculture sectors grew by 5.8 percent, and 5.1 percent, respectively. The strong growth rebound also benefitted from firm domestic demand, low and stable inflation, investment in the oil sector, favorable weather, and effective wealth and job-creating initiatives including under the *'Parish Development Model (PDM)' and 'Emyooga fund'*. In the medium term, the strong growth momentum is expected to continue, with further impetus anticipated from the commencement of oil

production in late 2025, favorable weather conditions, and low inflation. Consequently, stronger growth is projected for 2025/26 before gradual normalization to the pre-pandemic trend of 6-7 percent in the medium term. Nevertheless, the outlook remains subject to downside risks, from still weak external demand, supply chain disruptions, and climate shocks. That said, important upside risks may arise from greater-than-expected spillover effects of oil sector investments, accelerated structural reforms, and improved external conditions. Meanwhile, headline inflation has decelerated sharply, from a peak of 8.8 percent in FY2022/23 to 3.2 percent in FY2023/24, reflecting decreasing food prices, tight monetary conditions, and relative exchange rate stability.

5. The current account deficit is expected to improve from 8.4[1] percent of GDP in FY2023/24, to 7.1 percent of GDP in FY2024/25 and gradually stabilize around 4.0 percent of GDP in the medium-term. Commencement of oil production and fiscal consolidation efforts are expected to narrow the current account deficit. Presently, despite volatility in other financial flows, oil project related FDI inflows have remained robust supporting the financing of the current account deficit. However, reflecting higher external debt service payments and global financial conditions that have limited FX net purchases, international reserves declined to an import coverage of 2.8[2] months at the end of FY2023/24, down from 3.7 months at the end of FY2022/23.

Fiscal Policy and Debt Management

6. The authorities are determined to sustain fiscal consolidation efforts to preserve debt sustainability and create fiscal space for critical social and development spending. In the near term, an increase in interest payments on domestic debt is expected to drive up the overall fiscal deficit to 5.7 percent of GDP in FY2024/25, compared to 4.8 percent in FY2023/24. However, in the medium term, the overall fiscal deficit is projected to decline steadily to 1.3 percent of GDP by FY2028/29 as domestic revenue mobilization efforts begin to bear fruit reflecting the expected additional oil revenues alongside expenditure restraint. The authorities' fiscal consolidation efforts are centered on enhancing domestic revenue mobilization, rationalizing expenditures, and strengthening budgetary and cash management practices.

7. The authorities' Domestic Revenue Mobilization Strategy (DRMS) is expected to guide resource mobilization efforts geared to raise tax revenue by 0.5 percentage of GDP annually. The implementation of the DRMS was not fully completed due to the Covid-19 pandemic. Consequently, the authorities have extended the DRMS implementation period until 2027 and are undertaking its comprehensive review. They are committed to implementing tax policy measures aimed at widening the tax base, such as introduction of

[1] The preliminary actual data for FY2023/24 shows that the current account deficit stands at 8.4 percent of GDP.

[2] The latest preliminary actual data shows that international reserves covered 3.8 months of prospective imports for FY2022/23 and 3.0 months for FY2023/24.

a VAT on provision of taxable goods/services by an employer to an employee, a gaming tax, and increasing excise duties on petrol and diesel. Simultaneously, they are focusing on strengthening tax administration through enhanced enforcement, bolstering the capacity of the Uganda Revenue Authority (URA), and leveraging technology. The authorities recognize the potential revenue gains from rationalizing untargeted tax expenditures-estimated somewhere between 1.5 percent to 4 percent of GDP. However, they emphasize that strategies to rationalize these tax expenditures should be based on empirical analysis alongside a strong communication strategy to garner public support for the tax reforms.

8. The authorities are committed to reprioritizing spending by curbing non-essential current expenditures and focusing on growth-enhancing development and social sector spending. They continue to prioritize critical social sectors such as education and health to advance progress on Sustainable Development Goals (SDGs). Accordingly, they have allocated significant resources in the FY2024/25 budget for the rehabilitation and construction of health infrastructure, the construction of new schools, and financing for the government-funded higher education loan scheme. They also plan to undertake a diagnostic analysis of under-execution in social spending and continue prioritizing targeted support to the vulnerable segments of the population including the elderly and disabled. Their social support remains instrumental in closing gender gaps. They will continue to provide senior citizen grants and, for better efficiency, have decided to unify the Youth Livelihood Program and the Uganda Women's Enterprise Program. That said, the authorities are committed to restraining non-essential current expenditures, including reducing spending on government officials' business travel abroad, as well as on training and consultancy fees.

9. Uganda's public debt remains sustainable, and the authorities are committed to preserve debt sustainability and strengthening their fiscal framework. They emphasize that borrowed resources should continue to be invested in critical infrastructure, such as transport, energy, and industrial park development with competitive returns. As such, debt financed investments have been supporting economic growth and alleviate future debt pressures. Nevertheless, to avoid risk of debt distress they are committed to keeping the public debt below 50 percent of GDP, while prioritizing concessional borrowing. Simultaneously, the authorities are working to improve budgetary and cash management practices including by adopting a new cash management framework, expanding the Treasury Single Account (TSA) to several extra-budgetary entities, and strengthening the monitoring of SOEs. These reforms will enhance public finance management, minimize the necessity for supplementary budgets, and thereby bolster fiscal and debt sustainability. Looking ahead, they have implemented a rules-based framework for managing oil revenues. Under this framework, a ceiling of 0.8 percent of the previous year's non-oil GDP will be allocated for budget purposes, with the remaining funds directed to the sovereign wealth fund, the Petroleum Revenue Investment Reserve (PRIR).

Monetary and Exchange Rate Policies

10. While the monetary policy stance remains broadly restrictive, the BoU's Monetary Policy Committee reduced the Central Bank Rate (CBR) by 25 basis points to 10.0 percent in August 2024. This decision reflects the continued low and stable domestic inflation over the past twelve months, up to July 2024, with annual headline and core inflation averaging 3.2 percent and 3.0 percent, respectively, both below the medium-term target of 5.0 percent. Looking ahead, BoU expects inflation to remain below target but remains attentive to upside risks, including from stronger-than-expected domestic demand, energy price hikes, and adverse weather conditions. While remaining cautious, BoU stands ready to adjust its policy rate based on incoming economic data, with the overarching goal of keeping medium-term inflation around 5.0 percent. The authorities acknowledge that lending rates remain sticky while emphasizing the robustness of the monetary transmission mechanism, including the credit channel. Nevertheless, they are working to further strengthen monetary policy transmission by improving communication, deepening financial markets, and enhancing the credit information system. That said, the authorities' decision to securitize outstanding advances from the BoU and their commitment to limit borrowing within statutory limits alongside implementation of the recommendations from the 2021 safeguards assessment will reinforce the bank’s balance sheet and help enhance its operational independence.

11. The authorities attach prominence to exchange rate flexibility as a shock absorber while recognizing the need to rebuild international reserves. They continue to support full exchange rate flexibility and will limit foreign exchange interventions to smoothen disorderly market conditions. As such, they welcome the recommendations from the IMF’s Integrated Policy Framework (IPF) which align with their current practices. Additionally, they emphasize that the BoU’s recent foreign exchange swap with two local banks has helped rebuild reserves, enhance market confidence, and incur lower costs compared to recent market access efforts by peer countries. Going forward, the authorities are committed to rebuilding international reserves to adequate levels, including through purchases from the local FX market when conditions permit, buying gold from the domestic miners in the local currency and processing it into monetary gold, and encouraging forex inflows through export promotion and tourism development.

Financial Sector Policies

12. The financial sector remains resilient, reflecting the implementation of macroprudential measures, risk-based supervision, and key recommendations from the 2012 Financial Sector Assessment Program (FSAP). The banking system is well-capitalized, with ample liquidity buffers and strong asset quality. The BoU continues to strengthen its regulatory and supervisory framework to maintain financial stability. In 2024, the BoU liquidated EFC Uganda Limited (a deposit-taking microfinance institution) and Mercantile Credit Bank Limited due to failure to meet capital requirements, poor governance, and insolvency.

The BoU is also working to enhance its stress-testing capabilities, including by adopting a forex stress test model developed with Fund TA. They plan to address information gaps to cover a broader range of sectors, including non-financial corporations in forex stress testing. While emphasizing the limited risk from the sovereign-bank nexus—since most securities are held to maturity and are highly liquid—the authorities remain committed to further strengthening systemic risk surveillance and taking appropriate remedial actions.

13. Over the last decade the authorities have made significant strides in promoting financial inclusion guided by its first National Financial Inclusion Strategy (NFIS I), with access to formal financial services rising from 20 percent in 2011 to 68[3] percent in 2023. Building on this progress and aligning with the NDP IV, the authorities have launched their second National Financial Inclusion Strategy (NFIS II, 2023-2028). This strategy aims to promote access to affordable and high-quality financial services to reduce poverty and promote economic growth. NFIS II seeks to further enhance access by increasing physical access points in underserved areas and leveraging financial sector innovation. Additionally, the authorities aim to address gender gaps in financial inclusion by adopting gender-sensitive regulations, promoting inclusive gender finance, raising public awareness, and offering tailored financial training and services. Further, various government initiatives, including the full rollout of the *'Parish Development Model'* and its mobile application (*WENDI*), *Emyooga* funds, and the capitalization of the Uganda Development Bank, are expected to support wealth creation initiatives and enhance inclusive economic growth, as these initiatives particularly target underserved segments of the population.

Structural Reforms

14. The authorities place a high premium on structural reforms designed to foster private sector-led development to achieve accelerated and inclusive growth. As such, they remain committed to the key objectives of the fourth National Development Plan (NDP IV) aimed at: enhancing human capital, improving public infrastructure, strengthening good governance, creating a better business environment, and generating jobs to uplift living standards. Key sectors identified for achieving these goals include agro-industrialization, tourism development, mineral development, and science, technology, and innovation. Initiatives in agro-industrialization involve investing in research and genetic development, pest control, and agricultural mechanization. In tourism, the authorities' plans include upgrading infrastructure, enhancing marketing and service quality, and increasing trained personnel. In science and technology, and mineral development, the authorities aim to expand industrial parks, improve financial access, and fast-tracking quantification and market studies for all minerals. Concurrently, the authorities are working to strengthen regional and global trade integration to unlock Uganda's growth potential. They are addressing trade barriers through implementation of the African Continental Free Trade

[3] The latest FinScope survey indicated that overall financial inclusion in Uganda, including the informally served population, increased from 77 percent in 2018 to 81 percent in 2023.

Agreement (AfCFTA)and making substantial investments in infrastructure, including roads, railways, and air transport.

15. The authorities place climate adaptation and mitigation measures high on their agenda to enhance climate resilience. They have set an ambitious target of reducing national greenhouse gas (GHG) emissions by 25 percent below business-as-usual levels in their updated Nationally Determined Contributions (NDC) targets. To achieve this, the authorities have formulated a National Adaptation Plan (NAP) aimed at strengthening adaptation planning, governance, and coordination; developing tools for adaptation; and securing finance. Their efforts include restoring degraded wetlands, planting a variety of tree species, and building climate-resilient infrastructure in transport, energy, and agriculture. Considering significant financing required to meet their NDC targets, the authorities are working with development partners to secure the necessary resources while promoting green financing domestically, including under their NFIS II initiatives. Drawing on the IMF's C-PIMA recommendations, the authorities are also collaborating with the World Bank on the Country Climate and Development Report, which is expected to help mobilize additional climate financing.

16. The authorities place a high premium on strengthening good governance and the anti-corruption frameworks as the bedrock for their national development plan. To this end, they are working to leverage the country's strong institutional and legal frameworks, supported by the National Anti-Corruption Strategy (2029-24), to tackle attendant vulnerabilities. Further, they plan to partner civil society and expand e-government services to address enforcement gaps. They also increased budgetary resources for courts to recruit additional judges and invest in court automation to reduce the backlog of cases. Furthermore, they reiterated their commitment to implementing the Extractive Industries Transparency Initiative (EITI) by disclosing contracts related to oil and gas production. Additionally, Uganda's exit from the FATF grey-list in February 2024 demonstrates the authorities' continued efforts to strengthen the AML/CFT framework, including by enhancing access to and accuracy of beneficial ownership information.

Conclusion

17. Despite the regrettable expiry of the ECF arrangement before the sixth and final review, the authorities reaffirm their resolve to sustained implementation of prudent macroeconomic policies to preserve economic stability to support strong and inclusive growth while building buffers to withstand future shocks. They are also determined to sustain fiscal consolidation efforts to keep public finances on a sustainable footing. Additionally, they will continue to appropriately calibrate monetary policy to entrench price stability and foster financial sector stability. They are also pressing ahead with structural reforms to strengthen governance practices, improve the business climate, and unleash the country's enormous growth potential. The authorities appreciate the Fund's

advice and technical support and look forward to Executive Directors' support in concluding the 2024 Article IV consultation.