

UGANDA COUNTRY REPORT 2008

Background and debt sustainability

Uganda has experienced rapid economic growth for over a decade (averaging 6% in the last 4 years) and poverty has decreased substantially. Nevertheless, it remains one of the poorest countries in the world, with per capita GNI at US\$340 at the end of 2007, and 31% of the population living below the poverty line. The challenge for Uganda now is to deepen reforms already underway and prevent their reversal.

It reached its decision and completion points under the original HIPC initiative framework in April 1997 and April 1998 respectively, and completion point in April 2000 under the enhanced HIPC initiative. It has also benefited from MDRI. In total Uganda received about US\$5.5 billion in HIPC and MDRI relief.

Uganda is using the LIC-DSF indicators to assess its external debt sustainability, and CBP indicators to assess domestic and total sustainability. Its external debt is highly sustainable, with low unsustainability risk according to LIC-DSF analysis. Nevertheless, it is reaccumulating external debt, and domestic debts remain fairly high. It also has urgent needs to increase the quantity and quality of its financing, mobilising high levels of aid to keep debt sustainable while financing the attainment of the MDGs, continuing to analyse domestic debt sustainability, and enhancing aid effectiveness.

<p>CBP support and impact</p>	<p>Uganda received extensive assistance from DRI and MEFMI before the HIPC CBP, in establishing a Multilateral Debt Fund to pay its high multilateral debt service before the HIPC Initiative, participating in the 1995 Regional Debt Strategy Workshop, negotiating Paris Club relief, and establishing its eligibility for the HIPC Initiative. Prior to the start of the HIPC CBP Uganda conducted its own analysis in preparation for its first HIPC decision point at a Sida-funded workshop in 1997. Its first HIPC CBP event was a National Workshop in January 1999, just after reaching completion point under HIPC 1 was designed to elaborate a post-HIPC strategy. Since then, it has participated in 12 regional workshops, and had three further National Workshops. The National Workshop in 2002 reviewed its HIPC experience and the impact of falling commodity exports on sustainability, while that of 2004 reaffirmed the unsustainability of Uganda's debt, post-HIPC11 because of lower coffee prices and the exclusion of new borrowing projections from its HIPC completion DSA. Recently the strategies produced at these workshops were adopted and used in the budget process. Five Ugandan students also participated in the pilot phase of the CBP distance learning programme, two of whom graduated with distinctions.</p> <p>During phase 4, Uganda has benefited from two regional workshops and a National Workshop in July 2008, which assessed the risks and costs of Uganda of borrowing nonconcessional including the prospects for issuing a bond on the international capital market. Three further students are enrolled in the current distance learning programme.</p> <p>As shown in the table below, the HIPC CBP has had a major impact on Ugandan capacity. Starting from a high base, Uganda has developed maximum technical ability to use computerised debt strategy tools and prepare a high quality debt strategy (including risk analysis) which is updated annually. The strategy has also just been adopted and is being implemented by the Ugandan authorities. As a result, its debt strategy score (MT2a) has risen from 1 to 4.6. Uganda also has a very high number of trainers in all technical areas of the CBP methodology, and provides many trainers to other MEFMI members' national workshops (indicator ST 3a). However, its score for institutional and legal capacity remains slightly lower at 3.6 (indicator 2b), reflecting the need to update relevant legislation, and capacity-building planning is still being developed (indicator ST3c). In addition, scores have not risen much in phase 4, largely reflecting the fact that they were already very high.</p>
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<p>Objectives and content of proposed country assistance</p>	<p>The current priorities for reinforcing Ugandan capacity (and activities envisaged for the remainder of phase 4) are:</p> <ul style="list-style-type: none"> • Assuring full implementation of the strategy and updating the strategy taking into account new financing issues and aid effectiveness, through a follow-up mission in 2009. This activity is expected to increase scores for MT2a and ST3a • Improving the institutional framework for debt and new financing management, and linking the overall national capacity-building plan to individual training needs. This will take place through one institutional support mission in 2009, expected to increase scores for MT2b • Training trainers on the BWIs' LIC-DSF through a regional workshop in 2009, to increase national capacity. <p>These activities are expected to move Uganda substantially towards its targets shown in the table below.</p>
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Country Debt Strategy Progress

Progress and Intended Results	CBP Logical Framework Performance Indicators	Initial Score (1999)	Phase IV Baseline	Phase IV Current	Phase IV Target
		LT 1. Debt sustainability	1	5	5
	MT 2a. Debt management strategy updated at least once a year. Ability to use computerized debt strategy tool Technical quality of the national debt strategy Approval of the national debt strategy Implementing the national debt strategy Updating the national debt strategy	4	4.6 5 5 4 4 5	4.6 5 5 4 4 5	4.8 5 5 5 4 5
	MT2b. High-quality legal and institutional frameworks for debt strategy	3	3.6	3.6	4.2
	ST 3a. Trained personnel capable of formulating and executing national debt strategies	3	5	5	5
	ST 3c. High-quality capacity building plans, which are implemented and annually updated.	1	2	2.2	4
Expenditure and Budget	Overall spending on Uganda since the start of CBP activity has been US\$235,092. The budget allocated to events to support Uganda in phase 4 is US\$60,993. Of this amount, US\$28,822 is expected to be financed from core funds.				

Comment [p1]: Scores remain the same. The strategy has just been adopted, implementation is reportedly started but we have no assessment of whether it is really being implemented