International Monetary Fund

Uganda and the IMF

Press Release:
IMF Executive Board Completes Fifth Review Under the Policy Support Instrument for Uganda
June 4, 2009

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Uganda: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

May 13, 2009

The following item is a Letter of Intent of the government of Uganda, which describes the policies that Uganda intends to implement in the context of its request for a policy support instrument from the IMF. The document, which is the property of Uganda, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

Kampala, Uganda
May 13, 2009

Mr. Dominique Strauss Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss Kahn:

On behalf of the Government of Uganda, I would like to inform you of the progress we have made under our economic program backed by the Fund's Policy Support Instrument (PSI) and transmit the attached Memorandum of Economic and Financial policies (MEFP), which sets out the objectives and policies that the Government intends to pursue in the short and medium term. The policies outlined in the MEFP are drawn from the Government's initiatives to promote employment and sustain economic growth in a stable macroeconomic environment.

Reflecting our strong policy implementation, all assessment criteria for the completion of the fifth review have been observed. However, new challenges to macroeconomic stability have emerged; the global financial crisis and slowdown in activity in our major trading partners is weakening our external financing resources and affecting our growth prospects in the near term. Nonetheless, we think we are in a position to absorb the shock without major macroeconomic stress; our banking system remains well capitalized, foreign exchange reserves are at a comfortable position, and providing donor support is disbursed on time, we expect to implement our spending plans as envisaged.

The Government of Uganda believes that the policies set forth in the MEFP are adequate to achieve the objectives of our PSI-supported program. Given our interest in macroeconomic stability, we stand ready to take additional measures as may be necessary to achieve needed objectives. Our PSI proposes modification of assessment criteria for the performance target date of end-June for the sixth review, which is expected to be completed by end December 2009, and the conversion of the structural assessment criterion on implementation of an integrated personnel and payment system into a structural benchmark. We stand ready to work with the Fund and other development partners in the implementation of our program and will consult in advance should revisions be contemplated to the policies contained in the PSI.

The Government of Uganda authorizes the publication and distribution of this letter, its attachments, and all reports prepared by Fund staff regarding the current PSI review.

Sincerely yours,

/ s /

Mrs. Syda Bbumba
Minister of Finance, Planning, and Economic Development

Attachment I. Uganda: Memorandum of Economic and Financial Policies Update

May 13, 2009

1. **The Government of Uganda remains committed to sustained macroeconomic stability, economic growth, and poverty reduction,** as set out in the Poverty Eradication Action Plan (PEAP). The Government and the International Monetary Fund (IMF) are cooperating on an economic program to attain these goals through a three-year Policy Support Instrument (PSI). This updated Memorandum of Economic and Financial Policies (MEFP) describes performance under this program through February 2009, sets specific policies and targets through June 2009, and lays out preliminary objectives for the next fiscal year (July 2009–June 2010).

I. Performance under the PSI

2. **All assessment criteria for December 2008 were met.** The submission to parliament of a draft regulatory framework for pension funds—a structural benchmark for end-December—was delayed by the implementation of a broad-based consultation process with the private sector and other important stakeholders. The consultation process has been finalized and submission to Parliament is now expected by September 2009. We ask that the relevant structural benchmark be rephased accordingly.

II. Objectives and Policies Looking Forward

3. **As the global financial crisis begins to affect the Ugandan economy, our overarching policy objectives remain to ensure high and sustained growth and poverty reduction while preserving macroeconomic and financial stability.** Growth in FY2008/09 seems likely to decelerate from the high levels of recent years. Nonetheless, we think that we are still in a position to advance in the implementation of our key infrastructure development projects. This will provide support to the domestic economy and enhance Uganda's long-term growth potential. As the precise extent of the slowdown in Uganda and in the world economy is still subject to a high degree of uncertainty, we are monitoring the situation closely and stand ready to further adjust our policies if circumstances were to warrant it.

A. Fiscal Policy

4. **Both revenue collection and spending execution fell short of our budget targets in the first half of FY2008/09.** Revenue collections have been weak, largely on account of slower-than-envisaged economic activity, higher growth in non-dutiable goods than in dutiable ones, and technical, hopefully temporary, disruptions in trade with Kenya. Expenditures were lower due to start-up difficulties in certain government programs,

particularly in the road sector. Delays in grants disbursements also constrained the execution of some externally-funded projects. Overall, the fiscal deficit was significantly smaller than scheduled.

5. **We have taken significant steps to execute the spending programs as appropriated.** With stepped-up collection efforts, tax revenue recovered in January and February. Further administrative enhancements (including more frequent use of audits and arrears collections) and higher-than-expected profitability among banks and telecom companies—all major tax payers—should limit the tax revenue shortfall to about 160 billion shillings for the whole fiscal year. Grant disbursements have also picked up in early 2009, and measures have been introduced to accelerate the execution of government projects. In all, we project development spending to increase by somewhat more than 2 percent of GDP, which while short of the initial target will go a long way toward addressing Uganda's infrastructure deficit. The resources earmarked for the road corridor are expected to be used in full during this fiscal year. If, however, absorption were to fall short, these resources will be made available in the following fiscal year (2009/10). Notwithstanding the shortfall in revenues, we expect the fiscal deficit (excluding grants) to be somewhat lower than programmed, as the shortfall in development spending is set to slightly exceed that in revenues.

6. **Next year's budget will aim at pursuing our infrastructure development plans while being mindful of the possible impact of the global slowdown on domestic and external financing sources.** The National Budget Framework Paper (NBFP), recently presented to Parliament, lays out an initial list of priority spending areas (mainly roads, energy and agriculture), together with measures to further increase revenue and spending efficiency. Our initial target is for a somewhat smaller overall deficit than in the current fiscal year, to avoid draining scarce financial resources. In the run-up to the presentation of the final Budget to Parliament on June 11, we will refine and reassess this proposal in line with developments in both the domestic and global economy.

7. **We remain committed to continue strengthening fiscal administration and oversight.** According to the latest information available, new CCS arrears accumulated in FY2007/08 are estimated at Ush 61 billion, compared to Ush 28 billion in FY2006/07. This is a source of concern and we intend to adequately budget for utilities and to implement measures contained in the Debt Strategy in order to avoid future occurrences. More broadly, we remain committed to improve the efficiency of tax collection agencies in Uganda. We are proceeding with several critical reforms in this area, including the creation of the Medium Taxpayers Office, scheduled to start its operation by September 2009.

8. **Progress on the Ministry of Public Service's new Integrated Personnel and Payroll System (IPPS) continues.** Progress continues with respect to the implementation of the pilot IPPS in selected government agencies and the IPPS phase one is scheduled to go live in the pilot ministries by November 30, 2009. The full rollout will commence in

July 2010. We propose that, in line with recent changes in IMF policies, the relevant structural assessment criterion be converted into a structural benchmark and we propose to rephase this structural benchmark accordingly.

9. **The indicative target on poverty-related spending was met by a comfortable margin,** reflecting the government's efforts to increase allocations to programs directly focused at the poorest segments of the population.

B. Monetary and Financial Sector Policies

10. **Monetary policy will ensure that inflation remains on a downward path while providing sufficient liquidity to support a healthy level of economic activity.** Following the surge in international fuel and food prices, inflation reached double-digit peaks in mid-2008. It has been gradually declining since then, except for a temporary upward blip in prices in early 2009 because of a surge in regional demand for food products and other exogenous factors. In the last quarter of this fiscal year, the Bank of Uganda (BOU) will target an annual reserve money growth rate of about 20 percent, which should contain domestic demand pressures while still allowing for a healthy growth in private sector credit and maintenance of a reserve coverage of about 5 months of imports.

11. **Heightened uncertainties in the context of the global financial crisis pose new challenges for monetary policy management, particularly short-term liquidity management.** A sudden and unanticipated reversal in portfolio inflows contributed to a depreciation of the currency. Subsequently, delays in government spending and a rising demand for domestic currency had a constraining impact on liquidity, resulting in a sharp increase in interest rates.

12. **The BOU intends to develop promptly modalities for a more flexible response to such shocks.** While the reserve money program will continue to guide monetary policy implementation, procedures for very short-term liquidity management will be reassessed and estimates of changes in autonomous factors of liquidity refined and better informed by market intelligence. The BOU will develop a periodic review process to assess deviations between short-term liquidity outcomes and medium-term monetary objectives; if it is determined that they carry an inflationary or deflationary risk, the BOU will examine the need for an adjustment in the reserve money path.

13. **The international economic slowdown and financial crisis has and will continue to impact adversely Uganda's external accounts.** While there is no indication of a decline in official aid, export receipts, private transfers and FDI slowed in the last quarter of 2008 and are expected to remain slow in the near future. Reflecting in part the high import component of our public investment plans, we expect the current and capital account balances of the balance of payments to decline, leading to a small drawdown in reserves.

We remain committed to let market forces determine the level of the exchange rate, intervening only to smoothen out excessive volatility.

14. **While our banks have so far remained sound and stable, we are keenly aware of the risks arising from the financial crisis and are prepared to react swiftly should the need arise.** So far, Uganda's financial system has been relatively insulated from the global financial crisis, but a slowing economy and the depreciation of the shilling could raise challenges for banks. To minimize any such risk, we are enhancing our crisis response framework. We are strengthening our infrastructure for liquidity provision and interbank transactions. We are also, in conjunction with regional supervisors, accelerating work on contingency cross-border management arrangements. Among prevention measures, our bank supervision authorities have intensified their oversight of bank practices, requesting them to conduct regular stress-testing of their exposures, monitoring of their foreign placements, and encouraging them to exercise caution in foreign currency lending to unhedged borrowers.

Attachment I. Table 1. Uganda: Quantitative Assessment Criteria and Indicative Targets for March 2009 - December, 2009 [1]
(Cumulative change from the beginning of the fiscal year, unless otherwise stated) [2]

	March 31 2009 [3] Prog.	June 30 2009 Prog.	June 30 2009 Revised	September 30 2009 [3] Prog.	December 30 2009 [3] Prog.
Assessment criteria			(U Sh billions)		
Ceiling on the increase in net domestic assets of the Bank of Uganda [4]	441	478	577	357	486
Ceiling on the increase in net claims on the central government by the banking system [4]	130	71	65	61	199
			(US$ millions)		
Ceiling on the stock of external payments arrears incurred by the government or the Bank of Uganda [5]	0	0	0	0	0
Ceiling on new nonconcessional external borrowing with maturities greater than one year contracted or guaranteed by the government or the Bank of Uganda [5,6]					
Karuma hydropower plant	400	400	400	400	400
JBIC loan guarantee to Phenix textile factory	6	6	6	6	6
Other	0	0	0	0	0
Ceiling on new external debt with maturity up to one year contracted or guaranteed by the government or the Bank of Uganda [5,7]	0	0	0	0	0
Minimum increase in net international reserves of the Bank of Uganda	-117	-117	-126	-104	-115
Indicative target			(U Sh billions)		
Ceiling on the increase in base money liabilities of the Bank of Uganda [4]	254	290	330	153	260
Stock of domestic budgetary arrears under the Commitment Control System (CCS) [8]	…	81	81	…	…
Minimum expenditures under the Poverty Action Fund (including the Universal Primary Education component of development expenditure)	496	662	662	80	160

[1] The assessment criteria and indicative targets under the program, and their adjusters, are defined in the TMU.
[2] Fiscal year begins on July 1.
[3] Indicative target.
[4] For March and June 2009, cumulative changes are from average of June 2008;
for September and December 2009 cumulative changes from average of June 2009, as defined in the TMU.
[5] Continuous performance criterion.
[6] Cumulative change from December 1, 2006.
[7] Excluding normal import-related credits.
[8] Arrears incurred after end-June 2004. Excludes new arrears accumulated during the current fiscal year.

Table 2. Uganda: Proposed Structural Benchmarks[1]

Policy Measure	Date of Implementation
Structural Benchmarks	
Implement pilot Integrated Personnel and Payroll System in three Commissions (Public Service Commission, Health Service Commission, Education Service Commission), Ministries (Ministry of Finance, Ministry of Health, Ministry of Public Service, Ministry of Education), and Local Governments (Lira and Jinja Districts).	End-November 2009
Submit to Parliament draft regulatory framework for pension funds.	End-September 2009

[1] Benchmarks also apply on a continuous basis to the standard provisions on the exchange and trade issues that apply to programs supported by the Fund's financial resources.

Attachment II. Uganda: Technical Memorandum of Understanding

May 13, 2009

A. Introduction

1. This memorandum defines the targets described in the memorandum of economic and financial policies (MEFP) for the July 2006–June 2009 financial program supported by the IMF Policy Support Instrument (PSI), and sets forth the reporting requirements under the instrument.

B. Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Uganda (BOU)

2. The net foreign assets of the BOU are defined as the monthly average (based on daily data) of foreign assets minus foreign liabilities, and include all foreign claims and liabilities of the central bank. The monthly average values of all foreign assets and liabilities will be converted into U.S. dollars at each test date using the average cross exchange rates for December 2008 for the various currencies and then converted into Uganda shillings using the average U.S. dollar-Uganda shilling exchange rate for December 2008.

Program Exchange Rates (US$ per currency unit, unless indicated otherwise)	
Euro	1.36986
British pound	1.4900
Japanese Yen	0.01095
Kenya shilling	0.01281
SDR	1.53946
Uganda shilling (per US$1)	1956.19

Net domestic assets (NDA) of the BOU are defined as the monthly average (based on daily data) of base money (defined below) less net foreign assets of the BOU (as defined in para. 2). Based on this definition, the NDA limits will be cumulative changes from the average of June 2008 to the average of March and June 2009, and cumulative changes from the average of June 2009 to the average of September and December 2009.

(In billions of shillings)				
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Cumulative change in base money	254	331	153.2	260.2
Cumulative change in NFA	-187	-246	-204	-226
Cumulative change in NDA	441	577	357	486

B. Base Money

3. Base money is defined as the sum of currency issued by the BOU and the commercial banks' deposits in the BOU. The commercial bank deposits include the statutory required reserves and excess reserves held at the BOU and are net of the deposits of closed banks at the BOU and Development Finance Funds (DFF) contributed by commercial banks held at the BOU. The base money limits will be cumulative changes from the daily average of June 2008 to the daily average of March and June 2009, and cumulative changes from the daily average of June 2009 to the daily average of September and December 2009.

C. Net Claims on the Central Government by the Banking System

4. Net claims on the central government (NCG) by the banking system is defined as the difference between the outstanding amount of bank credits to the central government and the central government's deposits with the banking system, excluding deposits in administered accounts and project accounts with the banking system, including the central bank. Credits comprise bank loans and advances to the government and holdings of government securities and promissory notes. Central government's deposits with the banking system include the full amount of IMF MDRI. NCG will be calculated based on data from balance sheets of the monetary authority and commercial banks as per the monetary survey. The quarterly limits on the change in NCG by the banking system will be cumulative beginning end-June in the previous fiscal year.

D. Net International Reserves of the BOU

5. Net international reserves (NIR) of the BOU are defined for program monitoring purpose as reserve assets of the BOU net of short-term external liabilities of the BOU. Reserve assets are defined as external assets readily available to, and controlled by, the BOU and exclude pledged or otherwise encumbered external assets, including, but not limited to, assets used as collateral or guarantees for third-party liabilities. Short-term

external liabilities are defined as liabilities to nonresidents, of original maturities less than one year, contracted by the BOU and include outstanding IMF purchases and loans.

6. For program-monitoring purposes, reserve assets and short-term liabilities at the end of each test period will be calculated in U.S. dollars by converting them from their original currency denomination at program exchange rates (as specified in para. 2).

E. Ceiling on Domestic Budgetary Arrears of the Central Government

7. The stock of domestic payment arrears under the Commitment Controls System (CCS) will be monitored on an annual basis. Domestic payments arrears under the CCS are defined as the sum of all bills that have been received by a central government spending unit or line ministry delivered prior to the beginning of the current fiscal year, and for which payment has not been made within 30 days under the recurrent expenditure budget (excluding court awards) or the development expenditure budget. For the purpose of program monitoring, the quarterly CCS reports, which will include arrears accumulated at IFMS and non-IFMS sites, prepared by the Internal Audit and Inspection Office will be used to monitor arrears. Arrears can be cleared in cash or through debt swaps.

8. The payments of pre-CCS, non-CCS, and CCS arrears accumulated up to end-June 2004 (“group A arrears”) are covered by specific budget allocations for 2008/09 and 2009/10. The program ceiling on the stock of CCS arrears only covers accumulation of arrears after end-June 2004 (“group B arrears”). According to the verified report prepared by the Internal Audit and Inspection Office, this stock of arrears is estimated at U Sh 111 billion as of June 2007.

F. Expenditures under the Poverty Action Fund (PAF).

9. The compliance with the indicative target on minimum expenditures under the PAF will be verified on the basis of releases (PAF resources made available to spending agencies).

G. Adjusters

10. The NDA and NIR targets are based on program assumptions regarding budget support, assistance provided under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), and external debt-service payments.

11. The NCG target, in addition to being based on the aforementioned assumptions, is also based on assumptions regarding domestic nonbank financing of central government fiscal operations. In addition, the NDA target depends on the legal reserve requirements on deposits in commercial banks. Finally, the NDA and NIR targets are based on program assumptions regarding automatic access by commercial banks to the BOU’s rediscount and discount window facilities.

12. The Uganda shilling equivalent of budget support (grants and loans) plus HIPC Initiative assistance in the form of grants on a cumulative basis from July 1 of the fiscal year is presented under Schedule A. The ceilings on the cumulative increase in NDA and NCG will be adjusted downward (upward), and the floor on the cumulative increase in NIR of the BOU will be adjusted upward (downward) by the amount by which budget support, grants and loans, plus HIPC Initiative and MDRI assistance, exceeds (falls short of) the projected amounts.

Schedule A: Budget Support Plus Total HIPC Initiative Assistance
(Cumulative billions of Uganda shillings, beginning July 1 of the fiscal year)

Quarter	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Budget support, including HIPC Initiative grants	509	867	120	246

13. The ceiling on the increases in NDA and NCG will be adjusted downward (upward) and the floor on the increase in NIR will be adjusted upward (downward) by the amount by which debt service due[1] plus payments of external debt arrears less deferred payments (exceptional financing) falls short of (exceeds) the projections presented in Schedule B. Deferred payments are defined to be (i) all debt service rescheduled under the HIPC Initiative; and (ii) payments falling due to all non-HIPC Initiative creditors that are not currently being serviced by the authorities (that is, gross new arrears being incurred).

Schedule B: Debt Service Due, Before HIPC Initiative Assistance
(Cumulative billions of Uganda shillings, beginning July 1 of the fiscal year)

Quarter	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Debt service due before HIPC, excluding exceptional financing	158	204	17	31

14. The ceiling on the increase in NCG will be adjusted downward (upward) by any excess (shortfall) in nonbank financing[2] less payment of domestic group A arrears relative

[1] Debt service due is defined as pre-HIPC Initiative debt service due, but from 2003/04 onwards, this excludes HIPC Initiative debt rescheduling.
[2] Comprising the check float and the change in government securities and government promissory notes held by the nonbank sector. The change in government securities held by the nonbank sector will be calculated from the data provided by the Central Depository System (CDS).

to the programmed cumulative amounts presented in Schedule C. For the purpose of this adjuster, payment of domestic group A arrears cannot exceed the programmed amount by more than U Sh 45.0 billion.

Schedule C: Nonbank Financing Minus Repayment of Domestic Arrears (Cumulative billions of Uganda shillings, beginning July 1 of the fiscal year)				
Quarter	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
(A) Nonbank financing	145	170	18	50
(B) Domestic arrears repayment	225	300	11	24
(C) Total = (A) –(B)	-80	-130	7	26

15. The ceiling on NDA of the BOU for end-June will be adjusted upward by the daily average amount of commercial bank automatic access to the BOU discount window and rediscounting of government securities by commercial banks.

16. The ceiling on NDA of the BOU for every test date will be adjusted downward/upward to reflect decreases/increases in the legal reserve requirements on deposits in commercial banks. The adjuster will be calculated as the percent change in the reserve requirement multiplied by the actual amount of required reserves (Uganda shillings and foreign-currency denominated) at the end of the previous calendar month.

H. External Borrowing Contracted or Guaranteed by the Central Government, Statutory Bodies, or the Bank of Uganda, and Arrears

17. The assessment criterion on short-term debt refers to contracting or guaranteeing external debt with original maturity of one year or less by the government or the BOU. Excluded from this assessment criterion are normal import-related credits. The definition of "debt" is set out in paragraph 19.

18. The program includes a ceiling on new nonconcessional borrowing with maturities greater than one year contracted or guaranteed by the government, statutory bodies, or the BOU.[3] Nonconcessional borrowing is defined as loans with a grant element of less than 35 percent, calculated using average commercial interest rates references (CIRRs) published by the Organization for Economic Cooperation and Development (OECD). In assessing the level of concessionality, the 10-year average CIRRs should be used to discount loans with

[3] Contraction is defined as approval by a resolution of Parliament as required in Section 20(3) of the Public Finance and Accountability Act, 2003

maturities of at least 15 years, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and 6-month averages, the following margins for differing payment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–25 years; and 1.25 percent for 30 years or more. The ceiling on nonconcessional external borrowing or guarantees is to be observed on a continuous basis. The coverage of borrowing includes financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. Excluded from the limits are changes in indebtedness resulting from refinancing credits and rescheduling operations, and credits extended by the IMF. For the purposes of the program, arrangements to pay over time obligations arising from judicial awards to external creditors that have not complied with the HIPC Initiative do not constitute nonconcessional external borrowing. For the purposes of the program, the Bujagali project is defined as the hydroelectric dam and related equipment located at the dam site.

19. The definition of debt, for the purposes of the limit, is set out in point 9 of the Guidelines on Performance Criteria with Respect to External Debt (Executive Board's Decision No. 12274-(00/85), August 24, 2000). It not only applies to the debt as defined in Point 9 of the Executive Board decision, but also to commitments contracted or guaranteed for which value has not been received. The definition of debt set forth in No. 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements reads as follows:

> (a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease

payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property. (b) Under the definition of debt set out in point 9(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

20. The ceiling on the accumulation of new external payments arrears is zero. This limit, which is to be observed on a continuous basis, applies to the change in the stock of overdue payments on debt contracted or guaranteed by the government, the BOU, and statutory bodies[4] from their level at end-June 2006. It comprises those external arrears reported by the Trade and External Debt Department of the BOU, the Macro Department of the Ministry of Finance that cannot be rescheduled because they were disbursed after the Paris Club cutoff date.

I. Monitoring and Reporting Requirements

21. The authorities will inform the IMF staff in writing at least ten business days (excluding legal holidays in Uganda or in the United States) prior to making any changes in economic and financial policies that could affect the outcome of the financial program. Such policies include but are not limited to customs and tax laws (including tax rates, exemptions, allowances, and thresholds), wage policy, and financial support to public and private enterprises. The authorities will similarly inform the IMF staff of any nonconcessional external debt contracted or guaranteed by the government, the BOU, or any statutory bodies, and any accumulation of new external payments arrears on the debt contracted or guaranteed by these entities. The authorities will furnish an official communication to the IMF describing program performance of quantitative and structural assessment criteria and benchmarks within 8 weeks of a test date. The authorities will on a regular basis submit information to IMF staff with the frequency and submission time lag as indicated in Table 1. The information should be mailed electronically to AFRUGA@IMF.ORG .

[4] This definition is consistent with the coverage of public sector borrowing defined by the Fund (includes the debt of the general government, monetary authorities, and entities that are public corporations which are subject to the control by government units, defined as the ability to determine general corporate policy or by at least 50 percent government ownership).

Table 1. Summary of Reporting Requirements			
Reporting institution	**Report/Table**	**Frequency**	**Submission lag**
I. Bank of Uganda	Issuance of government securities.	Weekly	5 working days
	Interest rates on government securities.	Weekly	5 working days
	Operations in the foreign exchange market and daily average exchange rates.	Weekly	5 working days
	Consumer price index.	Monthly	2 weeks
	Balance sheet of the BOU, consolidated accounts of the commercial banks, and monetary survey. The Internal Audit Department (IAD) of the BOU will review the reconciliations of monetary survey data with the financial records and the audited financial statements. Any revisions to monetary survey data, in line with the recommendations of the IMF safeguards mission, will be documented and reconciled with the previous presentation to ensure accurate reporting.	Monthly	4 weeks
	Composition of foreign assets and liabilities of the BOU by currency of denomination.	Monthly	4 weeks
	Statement of (i) cash balances held in project accounts at commercial banks; (ii) total value (measured at issue price) of outstanding government securities from the Central Depository System (CDS); and (iii) the stock of government securities (measured at issue price) held by commercial banks from the CDS.	Monthly	6 weeks
	Summary of (i) monthly commodity and direction of trade statistics; (ii) disbursements, principal and interest, flows of debt rescheduling and debt cancellation, arrears, and committed undisbursed balances—by creditor category; and (iii) composition of nominal HIPC Initiative assistance, disaggregated into grants, flow rescheduling, and stock-of-debt reduction by creditor.	Monthly	6 weeks
	Summary of stock of external debt, external arrears, and committed undisbursed loan balances by creditor.	Quarterly	6 weeks
	Standard off-site bank supervision indicators for deposit money banks.	Quarterly	4 weeks
	Summary table of preliminary program performance comparing actual monthly outcome with adjusted program targets for (i) base money; (ii) net claims on central government by the banking system; (iii) stock of external arrears; (iv) new nonconcessional external borrowing; and (v) net international reserves	Quarterly	5 weeks
	Daily average amount of commercial bank automatic access to the BOU discount window and rediscounting of government securities by commercial banks.	Quarterly	4 weeks

Attachment II. Table 1. Summary of Reporting Requirements (concluded)			
Reporting institution	**Report/Table**	**Frequency**	**Submission lag**
II. Ministry of Finance	Summary of central government accounts. Revenues shall be recorded on a cash basis. Expenditures shall be recorded when checks are issued, except for domestic and external debt-service payments, cash transfers to districts, and externally funded development expenditures. Expenditures on domestic interest will be recorded on an accrual basis and external debt service will be recorded on a commitment basis (i.e., when payment is due). Cash transfers to districts will be recorded as expenditures of the central government when the transfer is effected by the BOU. Expenditures on externally funded development programs will be recorded as the sum of estimated disbursements of project loans and grants by donors, less the change in the stock of government project accounts held at the BOU and domestic commercial banks.	Monthly	6 weeks
	Summary of outstanding stock of group (B) domestic arrears. Group (B) arrears comprise the stock of CCS/IFMS arrears incurred after end-June 2004.	Quarterly	6 weeks
	Summary of contingent liabilities of the central government. For the purpose of the program, contingent liabilities include all borrowings by statutory bodies, government guarantees, claims against the government in court cases that are pending, or court awards that the government has appealed.	Quarterly	6 weeks
	Detailed central government account of disbursed budget support grants and loans, HIPC support, and external debt service due and paid.	Monthly	4 weeks
	Detailed central government account of disbursed donor project support grants and loans.	Monthly	6 weeks
	Statement on new loans contracted during the period according to loan agreements.	Quarterly	6 weeks
	Updated national accounts statistics (real and nominal) according to UBOS and medium-term projections.	Quarterly	4 weeks