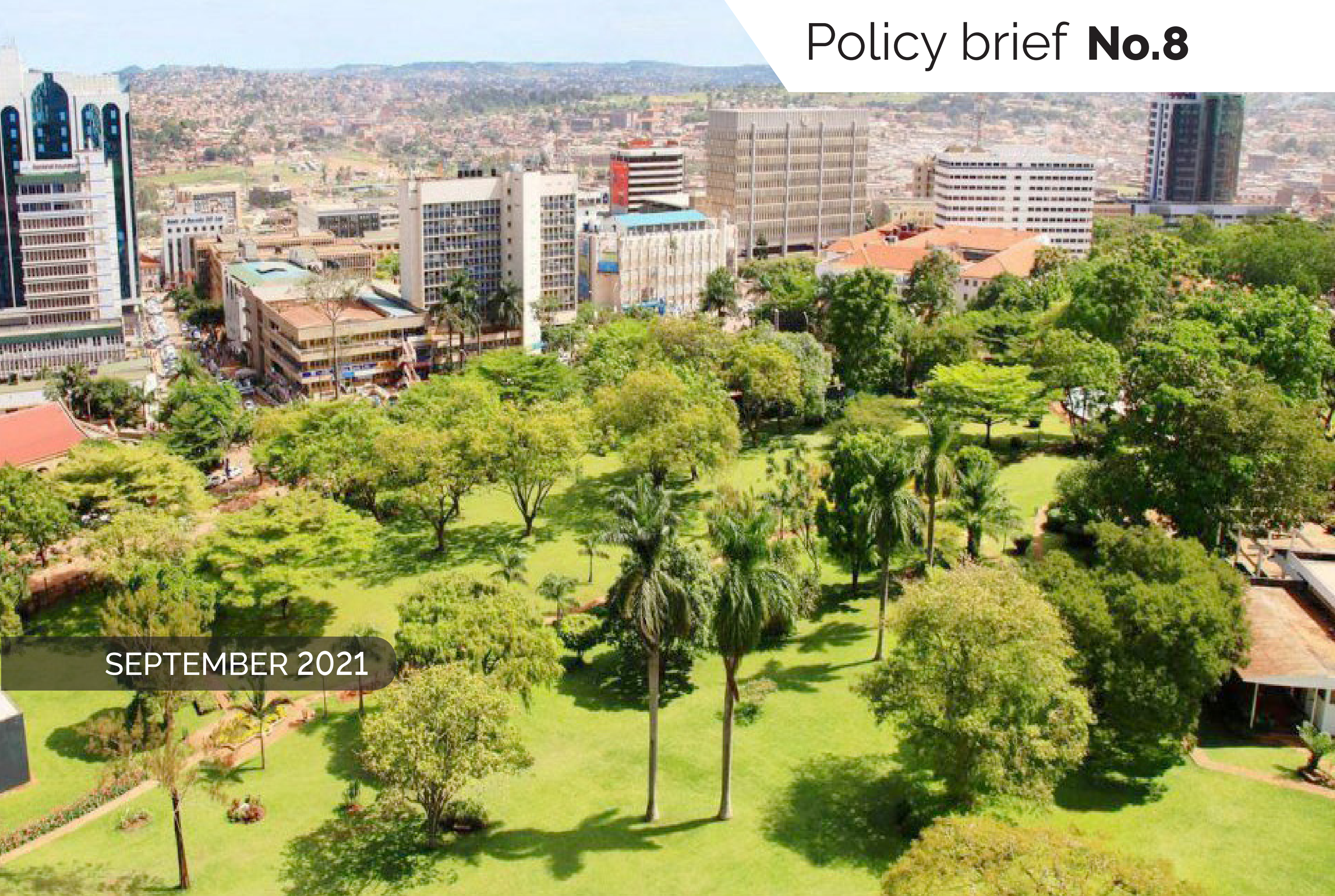
UGANDA DEBT NETWORK

UGANDA: INDEPENDENT PUBLIC DEBT PROFILE

Policy brief **No.8**



SEPTEMBER 2021

1) OVERVIEW

This Policy Brief highlights arising from the independent profiling of Uganda's public debt, between 2016 and 2019. While a lot of positive implementation and results had been achieved by Uganda in regard to improved public finance, public debt management and desired development, public debt remained a serious concern that was eating into the financing for development interventions of the country. By end of June 2020, for instance, total public debt disbursed and outstanding debt amounted to USD 15.6 billion, equivalent to 41.2 per cent of GDP.

Public Debt composed of 68 per cent external and 32 per cent domestic debt. External debt was largely skewed towards concessional terms although commercial loans in the portfolio have continued to grow impacting the cost and risk profile including the average maturity period, grace period and average interest rate. Uganda did not have an up-to-date debt repayment track record which had led to the accumulation of arrears to the tune of UGX 4.1Trillion, also in context of COVID-19. Even so, the public debt, arguably, remained within the debt sustainability levels.

Despite Uganda having achieved significant debt relief about twenty years (i.e. HIPC in 1996 and MDRI initiatives in 2005, the country's debt was tending towards distress. From the independent debt profiling, it was evident that Uganda was already revenue constrained, one of the considerations for unsustainable public debt. The issues captured in the Policy Brief requires serious attention to reverse the tide from debt unsustainability for Uganda and draw lessons for countries within EAC and others, especially in context of COVID-19 downsides and economic recovery endeavors.

2) STATE OF AFFAIRS IN DEBT PORTFOLIO FOR UGANDA

The Bujagali hydropower project

- The total outstanding and disbursed public debt commitment that had not yet been repaid or forgiven stood at USD 15.26 billion as at the end of FY2019/20 compared to 12.51 billion as at the end of FY2018/19. This reflects a 22.0 percent increment over the past financial year and 62.3 percent increment over the period under review (FY2016/17 to FY2019/20). ***Two thirds of current outstanding debt is external.***
- The combined disbursed and undisbursed debt as at the end of June 2020 is USD 20.55 Billion against the GDP of USD 34.1 Billion that ***is about 60.2% of current GDP.***

- ***Pace of accumulation is a concern:*** Over, last couple of years the fiscal deficits have increased since 2011 (reaching 8.9% in FY 2019/20) leading to public debt as share of GDP to more than double over the period, and expected to cross the 50% of GDP. IMF fiscal monitor shows that Uganda debt accumulation over the 2011 to 2020 has been faster than the average for Sub Saharan Africa.

- ***Declining concessionality and growing domestic debt increasing debt service***: Concessional debt has reduced from 74 percent of the total debt in FY2016/17 to 60.8 percent in FY2019/20. China Exim Bank now accounts for a third of the external debt, followed by World Bank (IDA) at 29%. Total interest payment (which is over two thirds related to domestic debt) in FY2019/20 was equivalent to 21.7 percent of the country's domestic revenue. This ratio compares with low income countries that are already in debt distress. Interest payments at UGX 5.5 trillion are slated to be largest share of the national budget in 2021/2022, a unique characteristic compared to other countries.

- ***Is there a case of crowding out?*** Compared to the public debt, the threshold for the private sector is 75% as enshrined in the Public Debt management framework. However, the Public domestic debt stock/Private Sector credit had increased to 106% in FY2019/20 compared to 98% in FY2016/17.

- ***Debt refinancing risk is pronounced.*** The weighted average time to maturity of all the principal payments in the external debt portfolio (ATM) is 11.9 years and 4.3 years for domestic debt in FY2019/2020. This is a reduction from 18.1 and 5.4 years in FY2016/17 for external and domestic debt respectively. Over the last 5 years since the enactment of the Public Finance Management Act 2015, ***domestic debt refinancing have increasing from about 4 trillion, and expected to reach UGX 7.7 trillion in FY 2021/22.***

- ***Domestic arrears on the rise remaining at over 3% of GDP, and only proportion is verified and validated.*** Only a small portion is budgeted for annually – less than the new arrears.

- The average Country Policy and Institutional Assessment (CPIA) score for Uganda on debt policy has tilted downwards from strong performer to moderate performer – with overall CPIA score reducing from 3.9 in 2008 to 3.7 in 2018.

- ***Uganda credit rating has been downgraded over the years and is averagely B, with negative outlook.*** Standard & Poor's --> B with stable outlook (update 2014). Moody's --> B2 with stable outlook (Nov 2016). Fitch's --> B+ with negative outlook (June 2020).

    - Over the last decade, spates of deviation of the agreed targets in the debt sustainability frameworks (of 2013, 2016 and 2019). Thereby making the charter of fiscal responsibility not an effective anchor even in the short term for fiscal policy

    - ***Public debt has not led to optimal growth dividends and capital accumulation.*** The weak public debt and growth nexus is found in the incremental capital ratio estimated by World the World Bank (2016) findings that for every dollar invested in the development of public capital stock, it generates only 0.8 dollars' worth of economic activity.

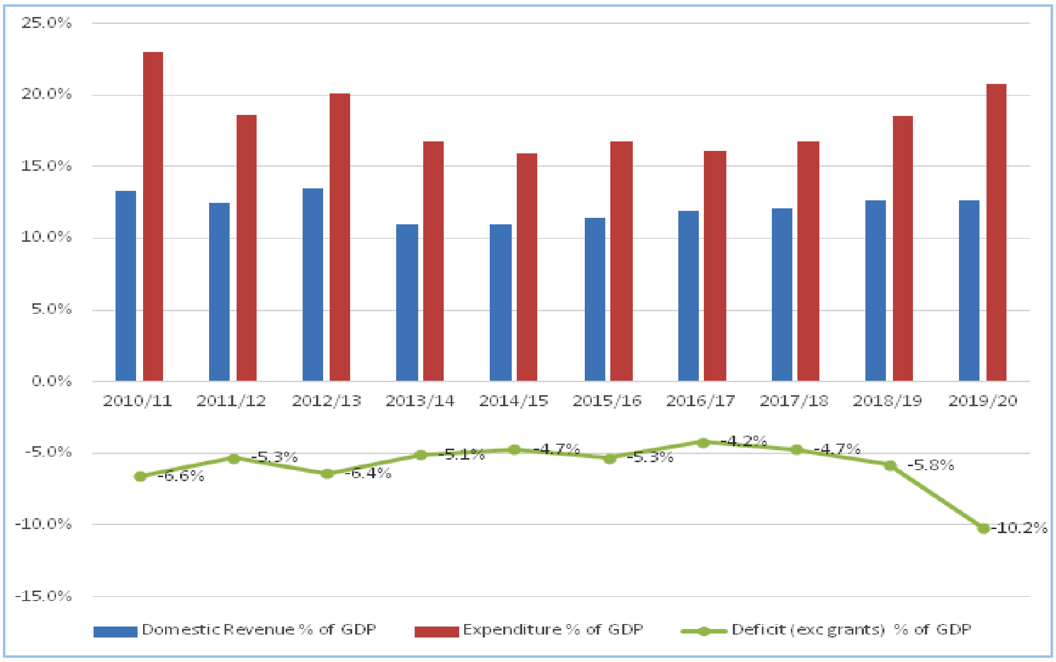
3) FISCAL DEVELOPMENTS IN CONTEXT OF EAC

Uganda's Fiscal deficit has largely been driven by dismal revenue generation over the last decade. The average fiscal deficit between FY2010/11 and FY2019/20 was at 5.8 percent of GDP, owing largely to low levels of revenue that averaged at 12.8 percent of GDP. Notably the average government expenditure is still low compared to other regional counterparts. Uganda's total expenditure for FY 2019/20 is at 20.8 percent of GDP compared to Tanzania's 23 percent, Rwanda 29 percent and Kenya 30.6 percent.

Nevetheless, Uganda's overall deficit as a share of GDP for FY 2015/16 budget was highest in the EAC selected countires, at 10.2 percent; against 7.7 percent for Kenya; 7.5 percent for Tanzania; and 7.1 percent for Rwanda. This was indicative of Uganda's low revenue collections relative to its regional counterparts and in contravention with the EAC convergence criteria, which is key to establishment of the East African Community Monetary Union. Particularly; Article 2 (b) of the EAC Monetary Union to attain the macroeconomic convergence criteria in Article 6 (2) a ceiling on fiscal deficit, excluding grants, of 6% of GDP must be maintained for 3 consecutive years before the establishment Monetary Union in 2024. In all EAC countries, the deficits are to be financed by domestic borrowing, external loans, and foreign direct investments.

For the last decade, government of Uganda expenditure had continuously exceeded government revenue. The ratio of government expenditure to GDP has reduced marginally to 20.8 percent in FY 2019/20 from 23.0 percent in FY2010/11, while the ratio of government revenue to GDP has instead reduce to 12.7 percent from 13.35 in FY2010/11 (Figure 1-1). This signifies a financing gap of about 10.2 percent of GDP in 2010/11 that has to be filled by other sources like borrowing and foreign aid.

Figure 1-1: Fiscal deficit (excluding Grants) as share of GDP (2010/11 – 2019/20)



Source : MoFPED; Background to the budget 2010/11-2019/20

1.5 Public debt legal and policy framework

Section 36 (1) of the PFMA 2015 gives the Minister of Finance, Planning, and Economic Development (MoFPED) the authority to raise money by loan and to issue guarantees for and on behalf of the Government. Uganda also has the Medium-Term Debt Management Strategy 2020/21-2023/24, the 2015 Public Finance Management Act, Medium-term Debt Management Strategy 2015/16–2019/20, the 2013 Public Debt management framework, PPP policy and the 2015 PPP Act. . Uganda is currently developing the new Charter of Fiscal Responsibility (CFR) [2021 to 2025], following the expiry of the five year charter (2016-2020). The CFR set fiscal anchors for guiding fiscal discipline in line with debt sustainability. All these policies are put in place for the proper management of a country's debt.

CATEGORIES OF PUBLIC DEBT

The total disbursed public debt stood at USD 15.26 billion as at the end of FY2019/20 compared to 12.51 billion as at the end of FY2018/19. This reflects a 22.0 percent increment over the past financial year and 62.3 percent increment over the period under review (FY2016/17 to FY2019/20). Two thirds of public debt is external.

2.1 external Debt Status and Ceditor type (USD Million)

	2016/17	2017/18	2018/19	2019/20
Multilateral	4,528.2	4,903.0	5,339.9	6,421.3
Bilateral	1,596.9	2,238.8	2,919.7	3,202.7
Commercial		150.1	47	748.2
Total External Debt	**6,125.1**	**7,292.0**	**8,306.6**	**10,372.2**
Multilateral	74%	67%	64%	62%
Bilateral	26%	31%	35%	31%
Commercial	0%	2%	1%	7%

Source: Ministry of Finance, Planning and Economic Development

2.1.1 Multilateral debt

Multilateral debt for Uganda that accounted for 74% in 2016/17 reduced to 62% in 2019/20 and the major creditors are higligted in Table 2-2

Table 2-2: Multilateral external debt classification by major creditors (USD Million)

Creditor Category	2016/17	2017/18	2018/19	2019/20
African Development Bank (ADB)	11.11	30.09	78.34	140.38
African Development Fund (ADF)	1,117.23	1,272.27	1,298.68	1,363.53
Arab Bank for Econ Development in Africa (BADEA)	42.40	47.05	48.22	61.45
East African Development Bank (EADB)	0.00		-	
European Development Fund (EDF)	0.00		-	
European Investment Bank (EIB)	61.72	78.82	82.98	105.11
International Bank for Recons and Dev (IBRD)			-	
International Development Association (IDA)	2,797.15	3,054.63	3,334.67	3,601.24
International Fund for Agriculture (IFAD)	208.96	222.13	228.82	247.98
International Monetary Fund (IMF)			-	497.58
Islamic Dev Bank (IDB)	69.54	100.39	166.00	295.74

Creditor Category	2016/17	2017/18	2018/19	2019/20
OPEC Fund	34.75	41.53	49.21	58.10
Nordic Development Fund (NDF)	56.65	56.15	53.03	50.19
Other	143.51	-	-	-
TOTAL	**4,528.20**	**4,903.04**	**5,339.93**	**6,421.31**
As a percentage of total multilateral external debt				
African Development Bank (ADB)	0.2%	0.6%	1.5%	2.2%
African Development Fund (ADF)	24.7%	25.9%	24.3%	21.2%
Arab Bank for Econ Development in Africa (BADEA)	0.9%	1.0%	0.9%	1.0%
East African Development Bank (EADB)	0.0%	0.0%	0.0%	0.0%
European Development Fund (EDF)	0.0%	0.0%	0.0%	0.0%
European Investment Bank (EIB)	1.4%	1.6%	1.6%	1.6%
International Bank for Recons and Dev (IBRD)	0.0%	0.0%	0.0%	0.0%
International Development Association (IDA)	61.8%	62.3%	62.4%	56.1%
International Fund for Agriculture (IFAD)	4.6%	4.5%	4.3%	3.9%
International Monetary Fund (IMF)	0.0%	0.0%	0.0%	7.7%
Islamic Development Bank (IDB)	1.5%	2.0%	3.1%	4.6%
OPEC Fund	0.8%	0.8%	0.9%	0.9%
Nordic Development Fund (NDF)	1.3%	1.1%	1.0%	0.8%
Other	3.2%	0.0%	0.0%	0.0%

Source: Ministry of Finance, Planning and Economic Development

2.1.2 Bilateral debt

The bilateral debt to Uganda was dorminated by China, followed by Japan, United Kingdom and Japan.

Table 2-3: Bilateral external debt classification by major creditors (USD Million)

Non-Paris Club Bilateral Creditors				
	2016/17	2017/18	2018/19	2019/20
China, P.R. of	1,274.0	1,688.0	2,212.2	2,362.1
Nigeria	11.5	11.5	11.5	11.5
Iraq	0.0	0.0	0.0	0.0
Kuwait	29.2	33.2	35.2	35.6
Saudi Arabia	26.9	30.0	31.5	35.5
Abu Dhabi Fund			2.1	8.0
South Korea	23.2	26.8	25.6	24.4
Total Non-Paris Club	**1,364.9**	**1,789.4**	**2,318.2**	**2,477.1**
Paris Club Bilateral Creditors				
Austria	6.4	5.4	4.2	3.1
France	40.9	100.6	156.2	
Germany	1.9			167.3
Japan	182.3	290.3	315.5	310.5
United Kingdom		53.1	125.7	244.7
Belgium	0.4			
Total Paris Club	**232.0**	**449.4**	**601.5**	**725.6**
Total Bi-Lateral debt	**1,596.9**	**2,238.9**	**2,919.7**	**3,202.7**
As a percentage of total bilateral external debt				
China, P.R. of	79.8%	75.4%	75.8%	73.8%
Nigeria	0.7%	0.5%	0.4%	0.4%
Iraq	0.0%	0.0%	0.0%	0.0%
Kuwait	1.8%	1.5%	1.2%	1.1%
Saudi Arabia	1.7%	1.3%	1.1%	1.1%
Abu Dhabi Fund	0.0%	0.0%	0.1%	0.3%
South Korea	1.5%	1.2%	0.9%	0.8%
Austria	0.4%	0.2%	0.1%	0.1%
France	2.6%	4.5%	5.3%	0.0%
Germany	0.1%	0.0%	0.0%	5.2%
Japan	11.4%	13.0%	10.8%	9.7%
United Kingdom	0.0%	2.4%	4.3%	7.6%
Belgium	0.0%	0.0%	0.0%	0.0%

Source: Ministry of Finance, Planning and Economic Development

2.1.3 Public debt due to Public Private Partnerships (PPPs)

#	PPP Project	Total Cost (USD)	GoU contribution (Loans for Viability Gap Funding[1])
1	Kampala- Jinja Express Way Toll Project	USD 1,200 million	USD 400 million
2	Mulago Car Parking Project	USD 19.2 million	-
3	Kampala Waste Management Project	USD 64.3 million	-
4	Redevelopment of Uganda National Cultural Centre (UNCC) Properties	USD 174.3 million	-
5	Redevelopment of Uganda Post Limited Properties	USD 400 million	-
6	Information Technology (IT) Park	USD 157 million	-
	Total	**USD 2,014.8 million**	

Source: Project documents

2.1.4 Public debt from private-sources

The major source of commercial debt for uganda is commercial banks as reflected in table 2-5:

Table 2-5: Public debt from commercial banks

Source	2016/17	2017/18	2018/19	2019/20
Commerzbank	0.0	0.8	2.4	2.4
Standard Chartered	0.0	41.2	36.3	121.4
AKA	0.0	7.4	8.3	8.2
PTA (TDB)	0.0	100.7	0.0	336.1
SBSA	0.0	0.0	0.0	280.1
Other Loan Category (2)	0.0	0.0	0.0	0.0
COMMERCIAL	**0.0**	**150.1**	**47.0**	**748.2**

Source: Ministry of Finance, Planning and Economic Development

2.1.5 Debt attributed to COVID-19

COVID-19 had not only increased public expenditure needs but also reduced the revenue collection potential of the government of Uganda. As a result, parliament has approved UGX 3,729.7 billion (8 percent of total budget) for supplementary expenditure. The source of funding the supplementary expenditure has been indicated as additional borrowing.

Expenditures for the Budget Support from IMF and World Bank

Vote	Reference	UGX (billion)	Details
008	Ministry of Finance, Planning and Economic Development	455,180	Funding for transfer to Uganda Development Bank to support the manufacturing, agriculture and agro-industrial sectors that were adversely affected by the COVID-19 pandemic
		50,000	Funding for transfer to the Microfinance Support Centre Limited to support micro and small-scale enterprises through SACCOs and Micro Finance Institutions
		110,000	Funding for "Emyooga" (Support for vulnerable groups in informal businesses)
010	Ministry of Agriculture, Animal Industry and Fisheries	10,000	Funding to enhance households' capacity for food security including the provision of inputs and support to the e-voucher system
014	Ministry of Health (MoH)	89,340	Funding to MoH towards responses to COVID-19
015	Ministry of Trade, Industry and Cooperatives	100,000	Funding for transfer to Uganda Development Corporation to support businesses that will be adversely affected by the COVID-19 pandemic
023	Ministry of Science, Technology and Innovation	31,032	Funding to support scientists and innovators engaged in COVID-19 Interventions
145	Uganda Prisons Service	10,775	To cater for costs arising out of the increasing numbers of prisoners as a result of contravening measures which were put in place to control COVID-19
	Various Central Government Votes	223,000	To cater for clearance of domestic arrears under various Central government Votes

COVID-19related loans and grants

Source	Receive (USD million)	Type of financing
International Monetary Fund	300.0	Loan
World Bank	491.0	Loan
French Development agency	64.9	Loan
African Development Bank	20.0	Loan
Islamic Development Bank	13.8	Loan
P.R China	1.3	Loan
Total Loans	**891.0**	
European Union	6	Grant
World Bank pandemic emergency Facility	14.8	Grant
US Embassy	1.3	Grant
USAID	2.3	Grant
GOU/WB CERC	15.0	Grant
GFTAM	7.6	Grant
GAVI	2.8	Grant
GFTAM C19RM	18.9	Grant
GOU / WB UCREPP	15.3	Grant
Total – grants	84.1	
In-kind and cash donations	109.7	Donation
TOTAL COVID FINANCING	**1,084.8**	

Source: COVID-19 Intevention reports and funding agencies

2.1.6 Debt stock by Concessionality

Uganda's debt stock is still majorly concessional. However, the level of concesssionality[1] has reduced overtime. Concessional debt has reduced from 74 percent of the total debt in FY2016/17 to 60.8 percent in FY2019/20. At the same time, non-concessional/commercial debt has increased from to 19.9 percent from 11%

1 *Concessional loans are loans extended on terms substantially more generous than market loans. Concessionality is achieved either through interest rates below those available on the market or by longer grace periods, or a combination of these. Concessional loans typically have long grace periods, and mainly from Multi-lateral agencies with interest rate of 0.75%, with a 40 year maturity and 10 year grace period. Non-concessional on the other end are acquired at higher (market) rates, with a shorter maturity. Semi concessional is a blend of concessional and non-concessional terms.*

Table 2-8: Debt stock by Concessionality

	Debt stock by Concessionality (Billion USD)				Share of Debt stock by Concessionality			
	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20
Concessional	4.5	5.1	5.4	6.3	74%	70%	65.1%	60.8%
Semi concessional	0.9	1.5	1.5	2.0	15%	21%	18.5%	19.2%
Non Concessional	0.7	0.7	1.4	2.1	11%	9%	16.4%	19.9%
Total debt stock	6.1	7.3	8.3	10.4	100%	100%	100%	100%

Source: Ministry of Finance, Planning and Economic Development

Debt Disbursed (Billion USD)

	2016/17	2017/18	2018/19	2019/20
Total Debt Stock (Billions US $)	**9.4**	**10.7**	**12.51**	**15.26**
External Debt Stock (US $ Billions)	6.1	7.3	8.3	10.4
As a % of total debt	64.9%	68.2%	66.3%	68.2%
Domestic Debt Stock (US $ Billions)	3.2	3.5	4.2	4.9
As a % of total debt	34.0%	32.7%	33.6%	32.1%

Source: Ministry of Finance, Planning and Economic Development

2.2.2 Undisbursed debt

The Undisbursed public debt represents debt that had been commited and agreed upon but yet to be released to government for different expenditure needs.

Table 2- 10: Uganda's Undisbused debt (Billion USD)

	2016/17	2017/18	2018/19	2019/20
Bilateral	2.08	1.71	1.74	2.40
Multilateral	2.79	2.87	2.76	2.74
Private Bank	0.06	0.04	0.13	0.15
Total	**4.93**	**4.62**	**4.62**	**5.29**

Source: Ministry of Finance, Planning and Economic Development

2.2.3 Total disbursed and undisbursed debt

The total public debt exposure for Uganda is reflected in Table 2-11

Table 2-11: Uganda's total disbursed and undisbursed debt (2016/17 to 2019/20)

	2016/17	2017/18	2018/19	2019/20
Disbursed debt	9.4	10.7	12.51	15.26
Un-Disbursed debt	4.93	4.62	4.62	5.29
Total	**14.33**	**15.32**	**17.13**	**20.55**

Source: Ministry of Finance, Planning and Economic Development

The totals in Table 2-6 suggest that combining disbursed and undisbursed debt would put Uganda's debt to GDP ratio at 55 percent by the end of the FY2019/20 considering Uganda's GDP of UGX 138,841 Billion at the time.

2.3 Public debt by sector

Table 2-12: Sector shares of Public debt (2016/17 – 2019/20)

#	Sector	2016/2017		2017/18		2018/19		2019/20	
1	Works and Transport	578.426	20.4%	589.7	22.8%	1,995.0	25.8%	3,045.0	32.4%
2	Energy and Mineral Development	983.083	34.7%	1,020.9	39.5%	1,873.8	24.2%	2,227.3	23.7%
3	Health	531.986	18.8%	214.9	8.3%	1,070.0	13.8%	1,119.3	11.9%
4	Public Sector Management	215.186	7.6%	166.7	6.4%	533.1	6.9%	877.4	9.3%
5	Water and Environment	109.373	3.9%	199.4	7.7%	825.7	10.7%	523.6	5.6%
6	Security	0	0.0%	-	0.0%	359.2	4.6%	362.9	3.9%
7	Agriculture	120.86	4.3%	137.8	5.3%	211.2	2.7%	333.3	3.5%
8	Education	166.369	5.9%	97.0	3.8%	336.9	4.4%	316.3	3.4%
9	Accountability	85.013	3.0%	90.6	3.5%	153.3	2.0%	197.0	2.1%
10	Justice, Law and Order	0	0.0%	-	0.0%	-	0.0%	118.9	1.3%
11	Lands, Housing and Urban Development	45.424	1.6%	45.2	1.7%	136.2	1.8%	91.2	1.0%
12	Science, Technology and Innovation	-	0.0%	-	0.0%	114.4	1.5%	83.3	0.9%
13	Social Development	0	0.0%	-	0.0%	19.3	0.2%	46.7	0.5%
14	ICT and National Guidance	0.73	0.0%	24.4	0.9%	94.4	1.2%	42.2	0.4%
15	Trade and Industry	0	0.0%	-	0.0%	12.1	0.2%	17.0	0.2%
16	Legislature	-	0.0%	-	0.0%	-	0.0%	-	0.0%
17	Public Administration	-	0.0%	-	0.0%	-	0.0%	-	0.0%
18	Tourism	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Total	**2,836.5**		**2,586.5**		**7,734.6**		**9,401.5**	

Source: compiled from MoFPED budget framework papers

2.4 Status of Domestic Debt

Domestic debt constitutes 32 per cent of the total debt stock. However, domestic arrears are not yet included in Uganda's public debt accounting

2.4.1 Domestic Arrears

According to the Public Debt Management Framework (PDMF), Public debt is composed of external debt (Debt denominated in foreign currency) and domestic debt (stock of shilling denominated liabilities). The definition, however, excluded domestic arrears, pension liabilities which are on the rise across government.

Verified stock of domestic arrears

Expenditure Category	Amount (000)	Share (%ge)
Utilities	65,524	1.8%
Rent	213,023	5.9%
Contributions to International Organizations	166,519	4.6%
Court awards and Compensations	982,932	27.1%
Taxes and Other deductions	27,384	0.8%
Goods & Services	870,938	24.0%
Pension	291,868	8.0%
Other Recurrent & Development	1,008,381	27.8%
Total	**3,626,567**	

Source: Audited Consolidated Financial Statements

2.4.2 Domestic debt instruments

The trend on domestic debt instruments holding was consistent since the fiscal year 2016/17 with treasury bonds taking the lead. Treasury bills and treasury bonds holding accounted for 24 percent and 76 percent of the total outstanding domestic debt respectively for the FY2019/20 against FY2016/17 holdings of 27 percent and 73 percent respectively (Table 2-14).

Table 2-14: Uganda's domestic debt trend (FY2016/17 to FY2021/22)

	2016/17	2017/18	2018/19	2019/20
T-Bills	3,149	3,523	3,706	4,456
% of Total	27%	26%	24%	24%
T-Bonds	8,447	9,863	11,806	13,792
% of Total	73%	74%	76%	76%
Total	**11,595**	**13,386**	**15,512**	**18,248**

Source: Bank of Uganda (BoU)

2.4.3: Composition of Domestic Debt by Holder

Majority of government securities were held by banks as well as pension and provident funds especially the National Social Security Fund (NSSF). Other investors in government securities included offshore investors, thinsurance companies, financial institutions and individual investors (See Table 2-15)

Table 2-15: Annual Stock of Government Securities by Holder (UGX Billion)

Holder	2016/17		2017/18		2018/19		2019/20	
Category	Cost	% Cost	Cost	% Cost	Cost	% Cost	Cost	% Cost
Banks	4,848.00	41.81%	5,541.90	41.40%	6,308.00	40.66%	7,390.44	40.50%
Pension & Provident Funds	4,732.30	40.81%	5,577.80	41.67%	6,513.70	41.99%	7116.72	39.00%
Offshore	1,098.10	9.47%	937.9	7.01%	837.6	5.40%	1405.096	7.70%
Bank of Uganda	19	0.16%	-	0.00%	161.1	1.04%	18.248	0.10%
Insurance companies	230.3	1.99%	294	2.20%	342.6	2.21%	602.184	3.30%
Other financial institutions	438.4	3.78%	637.6	4.76%	842.8	5.43%	948.896	5.20%
Retail	149	1.29%	205.4	1.53%	271.6	1.75%	465.324	2.55%
Other	80.2	0.69%	191.7	1.43%	234.8	1.51%	301.09	1.65%
Total Bills	**11,595.30**		**13,386.30**		**15,512.20**		**18,248.00**	

Source: Bank of Uganda

2.5 Status of Contingent liabilities

A contingent liability is an obligation that arises from a particular discrete but uncertain future event (i.e. one that may or may not occur) that is outside the control of the Government. The occurrence (trigger event), value, and timing of a payment may all be unknown or cannot be definitively determined (IMF, 2008)[2]. Such liabilities include: guarantees on specific risk variables e.g. exchange rate, inflation, prices and traffic; force majeure; termination payments; and, credit guarantees, etc.

Contigent liabilities have been raising over time from UGX 7.5 trillion in FY2015/16 to UGX 10.8 trillion in FY2018/19 reflecting an increase of 44 percent.

Table 2-16: Trend of contingent liabilities in UGX Billion(2015/16 to 2018/19)

2015/16	2016/17	2017/18	2018/19
7,522	8,768	9,551	10,782

Source: Reports of the Auditor General to Parliament

2.6 Publicly guaranteed debt

The PFM Act, 2015 section 41 required that any money paid by the national treasury in respect of a guarantee shall be a debt to the national government by the entity and recoverable from the borrower whose loan was guaranteed.

2 *IMF (2008); Contingent Liabilities: Issues and Practice*

Table 2-17: Guaranteed Debt stock &Government Exposure as at the end of December 2020

#	Creditor	Sector	Year signed	Guaranteed Amount (USD)	Tenure	Disbursed & Outstanding (USD)		Government Exposure 2020 (USD)
						Dec-19	Dec-20	
1	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2004	4,302,676	25	2,127,064	2,223,673
2	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2010	983,888	20	688,518	718,990
3	Islamic University in Uganda	Islamic Development Bank (IDB)	Education	2018	13,790,000		100,000	160,000
4	Uganda Development Bank Limited	BADEA (Trade Finance)	Financial	2017	10,000,000		10,000,000	
5	Uganda Development Bank Limited	BADEA (Private Sector Development)	Financial	2017	6,000,000	10	6,000,000	4,874,900
6	Uganda Development Bank Limited	Islamic Development Bank (IDB)	Financial	2017	10,000,000	8	2,170,484	2,304,716
7	Uganda Development Bank Limited	African Development Bank	Financial	2019	15,000,000	10	7,430,095	15,000,000
8	Uganda Development Bank Limited	Exim India	Financial	2019	5,000,000	7	-	3,052,857
	TOTAL				**65,076,564**		**28,516,161**	**28,335,136**

Source: Ministry of Finance, planning and economic development

3.1 Cost of debt (domestic and external)

The cost of debt is largely determined by; the average interest payments, maturity period of the debt. Interest payments as a percentage of GDP continue to rise, from 1.8 percent in the FY2016/17 to 2.3 percent in FY2020/21. This is brought about by increased accumulation of both domestic and external debt. Domestic interest payments continue to form the bulk of interest payments (78.3 percent of total) owing to the high interest rates associated with domestic debt compared to external debt.

At the longer end, yields on 2-year, 3-year, 5-year, 10-year and 15-year Treasury bonds also moved to 13.5 percent, 15.3 percent, 15.4 percent, 14.8 percent and 14.2 percent in the FY2019/20 from respective rates of 12.8 percent, 13.2 percent, 14.2 percent, 15.9 percent and 15.1 percent in the FY2016/17 (Table 3-1). This reflects volatility in the financial markets

On the other hand, the average interest on external debt has increased to 1.4% in FY2019/20 from 0.8% in FY2017/18 and 0.9 percent in FY2018/19. The increase in the external interest is because of increased contraction of debt on non-concessional / commercial terms and reduced grant element in the new loan arrangements. At the same time, the average repayment period has reduced to 26.8 years in FY2019/20 from 28.2 years in FY2016/17 (Table 3-2).

Domestic debt sustainability indicators

	Benchmark	2016/17	2017/18	2018/19	2019/20
Domestic interest /Domestic revenue (excluding grants)	<12.5	15.1	13.3	12.1	13.7
Domestic interest/Total Government Expenditure	<10	11.2	9.6	8.3	8.3
Debt Service/Domestic Revenue (Excluding grants)	<20	21.1	21.2	22.4	21.7
Total Debt Service/ Total Government Expenditure		15.7	15.2	15.3	13.2
Public domestic debt stock/Private Sector credit	<75	95.7	99.9	102.8	105.9

Source: International debt statistics and MoFPED

3.2.2 External Debt Sustainability

Indicators	Thresholds	2016/17	2017/18	2018/19	2019/20	2020/21
PV of debt–to-GDP ratio	**40**	-	-	17.9	22.5	24.5
PV of debt-to-exports ratio	**180**	-	-	101.9	165.3	173.7
PPG Debt service-to-exports ratio	**15**	14.4	14.8	9.4	9.7	13.1
PPG Debt service-to-revenue ratio	**18**	19.5	19.9	12.7	10.2	14.1

Source: IMF Country Report No. 20/156, May 2020

(Footnotes)

1 *Viability Gap Financing represents a grant from government to support projects that are economically justified but not financially viable*

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Policy Brief No. 8 was produced with financial support from the Open Society Initiative for Eastern Africa (OSIEA).