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International Monetary Fund
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Statement by IMF Staff Mission to Uganda

An International Monetary Fund (IMF) mission visited Uganda during March 25 – April 7, 2009, to conduct the fifth review under Uganda's three-year economic program supported by the IMF's Policy Support Instrument (PSI). The mission met with President Yoweri Museveni, Minister of Finance Development and Planning, Hon. Syda Bbumba, Governor of the Bank of Uganda (BOU), Prof. Emmanuel Tumusiime-Mutebile, and other senior government officials.

Mrs. Martine Guerguil, chief of the IMF mission, has issued the following statement in Kampala:

“Playing-off the global financial crisis, economic growth in Uganda is set to decelerate from the 8.5 percent or so of the last several years to 6.2 percent in 2008/09, and about 5.5 percent in 2009/10. The effects of the crisis are starting to be felt in lower export growth, a decline in foreign capital inflows, depreciation of the shilling as well as lower tax revenue collections. The deceleration in growth could be more pronounced still if the global recession turns out to be deeper than currently anticipated.

“The fundamentals of the Ugandan economy remain strong, in good part thanks to the sound macroeconomic policies that have been pursued in recent years. The current macroeconomic stance is appropriate, but some fine tuning is likely to be needed going forward to address changes in the evolving economic outlook.

“The mission broadly supports the government's plans to maintain a high level of development spending in 2008/09 and 2009/10, in spite of the projected shortfall in revenue. For the remainder of the Fiscal Year (FY) 2008/09, the main challenge will be to ensure effective absorption of this spending, in particular for infrastructure development. For FY 2009/10, the mission sees a need for the planned increase in development spending to be matched by higher recurrent outlays. Such a balanced approach would have the dual effect of sustaining growth in the near-term and enhancing Uganda's growth potential over the medium-term.

“For monetary policy, the challenge is to ensure that inflation remains on a downward path while providing sufficient liquidity to support a healthy level of activity. Heightened uncertainty arising from the global financial crisis has posed new challenges for monetary policy management. The BOU has shown an appropriate combination of flexibility and caution in its approach to these challenges. Its staff is working on refinements to the current liquidity management framework, and this is expected to provide a more flexible response to unanticipated shocks.

“The IMF's Executive Board is tentatively expected to discuss the fifth review of Uganda's economic program under the PSI in May 2009.”