

**FOR
AGENDA**

EBS/10/74
Supplement 1

April 28, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Uganda—Seventh Review Under the Policy Support Instrument, Request for a New Policy Support Instrument and Cancellation of Current Policy Support Instrument—Informational Annex**

The attached informational annex is being issued as a supplement to the paper on the seventh review under the Policy Support Instrument for Uganda, and its request for a new Policy Support Instrument and the cancellation of current Policy Support Instrument (EBS/10/74, 4/28/10), which is tentatively scheduled for discussion on **Wednesday, May 12, 2010**. Unless an objection from the authorities of Uganda is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication must be received two days before the Board concludes its consideration.

Questions may be referred to Ms. Guerguil (ext. 37694), Mr. Ben Ltaifa (ext. 34045), and Ms. Kaendera (ext. 39881) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, May 6, 2010; and to the African Development Bank, the Common Market for Eastern and Southern Africa, the European Commission, the Islamic Development Bank, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

UGANDA

**Seventh Review Under the Policy Support Instrument,
Request for a New Policy Support Instrument and Cancellation of Current
Policy Support Instrument —Informational Annex**

Prepared by the African Department
(In consultation with other departments)

April 27, 2010

- **Relations with the Fund.** Describes financial and technical assistance by the IMF and provides information on the safeguards assessment and exchange system. Outstanding Fund credit was SDR 6 million (3.3 percent of quota) at end-March, 2010.
- **Joint Bank-Fund Work Program.** Describes Bank-Fund collaboration through June 2011.

	Contents	Page
I.	Relations with the Fund	3
II.	Joint Bank-Fund Work Program.....	7

APPENDIX I. UGANDA: RELATIONS WITH THE FUND
(As of March 31, 2010)

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

II. General Resources Account:	SDR Million	%Quota
Quota	180.50	100.00
Fund holdings of currency	180.51	100.00

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	173.06	100.00
Holdings	143.64	83.03

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
PRGF Arrangements	6.00	3.32

V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
PRGF	Sep 13, 2002	Jan 31, 2006	13.50	13.50
ESAF/PRGF	Nov 10, 1997	Mar 31, 2001	100.43	100.43
ESAF	Sep 06, 1994	Nov 09, 1997	120.51	120.51

VI. Projected Payments to Fund¹

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

	<u>Forthcoming</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal	0.20	1.00	1.20	1.20	1.20
Charges/Interest	0.07	0.08	0.09	0.09	0.09
Total	0.27	1.08	1.29	1.29	1.29

VII. Implementation of HIPC Initiative:

	<u>Original Framework</u>	<u>Enhanced Framework</u>	<u>Total</u>
I. Commitment of HIPC assistance			
Decision point date	Apr 1997	Feb 2000	
Assistance committed by all creditors (US\$ Million) ^{2/}	347.00	656.00	

¹When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Of which: IMF assistance (US\$ million)	68.90	91.00
(SDR equivalent in millions)	51.51	68.10
Completion point date	Apr 1998	May 2000

II. Disbursement of IMF assistance (SDR Million)

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 ^{3/}	--	2.06	2.06
Total disbursements	51.51	70.16	121.67

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I.	MDRI-eligible debt (SDR Million) ^{4/}	87.73
	Financed by: MDRI Trust	75.85
	Remaining HIPC resources	11.88

II. Debt Relief by Facility (SDR Million)

<u>Delivery</u> <u>Date</u>	<u>Eligible Debt</u>		
	<u>GRA</u>	<u>PRGF</u>	<u>Total</u>
January 2006	N/A	87.73	87.73

² 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 amounts can not be added.

³ 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.

⁴ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the 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.

IX. Safeguards Assessments

Under the Fund's safeguards policy, assessments with respect to the PSI are voluntary. An update assessment of the Bank of Uganda (BOU) was completed on April 10, 2007 and concluded that the BOU had strengthened its safeguards framework since the 2003 assessment. The main developments included implementation of International Financial Reporting Standards, publication of financial statements, establishment of an audit committee, and strengthening of the internal audit function. Staff made recommendations to address remaining vulnerabilities in the legal and internal control areas.

X. Exchange Rate Arrangement

The official exchange rate is determined on the interbank market for foreign exchange. As of March 31, the official exchange rate was U Sh 2084.4 per U.S. dollar. The exchange system is free of restrictions on the making of payments and transfers for current international transactions. Uganda's exchange rate regime is classified as floating.

XI. Article IV Consultation

The Executive Board concluded the last Article IV consultation on January 7, 2009. The next Article IV consultation with Uganda will be held on the 24-month cycle, subject to the provisions of the decision on consultation cycles approved on July 15, 2002.

In February and April 2001, joint World Bank/Fund missions visited Kampala as part of the Financial Sector Assessment Program (FSAP). A final report was provided to the authorities in November 2001, and an MFD mission discussed the report with the authorities during the Article IV consultation discussion in November 2002; the Financial System Stability Assessment was prepared for Board discussion in February 2003. In November 2004, a joint World Bank/Fund missions visited Kampala for a FSAP update.

XII. Policy Support Instrument (PSI)

Uganda initiated a 16-month PSI with the Fund in January 2006. The 16-month PSI was replaced by a new three-year PSI in December 2006, and extended for an additional year in December 2009.

XIII. Technical Assistance

Uganda has received extensive technical assistance from the Fund in recent years.⁵

⁵ For a description of technical assistance provided prior to 2006, see the staff report for Uganda's request for a three-year PSI (Country Report 06/155).

FAD has provided TA to the Uganda Revenue Authority (URA) in the areas of revenue administration and oil revenue management, with three missions from headquarters visiting Kampala during 2008. FAD—represented by three public financial management (PFM) advisors and one revenue administration advisor at AFRITAC East—continues to provide follow-up TA in several fiscal areas, such as cash management; the design of a comprehensive donor-supported PFM reform strategy; and revenue collection enhancements.

A TA mission on enhancing the effectiveness of monetary policy implementation and developing financial markets was conducted in August 2005; in April 2006 MCM and the BOU held a joint workshop on financial market development. In 2008 and 2009 MCM has provided TA to build capacity to undertake financial stability analysis and reporting; and more recently MCM has provided TA in the monetary operations area.

XIV. Future Technical Assistance Priorities

The priorities for Fund technical assistance in the next few years will be in the areas of tax administration, public expenditure management, especially control and monitoring of public arrears at both central and local government levels, monetary and exchange rate management, bank supervision, national accounts statistics, reporting standards for government finance statistics, monetary and balance of payments statistical reporting, central bank accounting, and audit and debt management.

XV. Resident Representative

The Fund has maintained a resident representative in Uganda since July 1982.

APPENDIX II. JOINT BANK-FUND WORK PROGRAM, JUNE 2010 – JUNE 2011

Title	Products	Provisional timing of missions (if relevant)	Expected delivery date
1. World Bank Work Program	The work program will continue to concentrate on areas within the existing portfolio, including infrastructure development (transport and energy), secondary education, health infrastructure, agricultural research, advisory services and training, Kampala infrastructure development, and local government service delivery (including Northern Uganda rehabilitation). In addition, the Bank project to support public service performance enhancement, Northern Uganda social protection, minerals development and environment sustainability will be maintained.		
	Public Expenditure Review on budget composition trends and efficiency in the road sector will be delivered to client.		June 2010
	Public Expenditure Review on Investment Planning concept discussed with government and work started	May 2010	December 2010
	Poverty Reduction Support Credit to enhance effectiveness of service delivery, public sector management, and human development issues.	June 2010	August 2010
	Strategy paper for GOU's negotiation with other member states on the efforts towards elimination of non-tariff barriers. Follow-up work on implementation of the report recommendations with particular emphasis on adaptation of experiences from other RECs, in depth study of the diary sector in the region, will be completed		September 2010
	A new study on shared/spatial growth with special focus on agriculture, labor and integration of leading and lagging	June 2010	May 2011

	areas, will be initiated.		
2. Fund Work Program	Seventh Review and Request for a new PSI.	March 2010	May 2010
	Staff visit on the government budget	May 2010	June 2010
	First review under the PSI	September 2010	November 2010
3. Joint Work Program	Joint DSA	March 2010	May 2010
	JSAN on the NDP (new PRSP).	March 2010	April 2010

INTERNATIONAL MONETARY FUND

UGANDA

**Seventh Review Under the Policy Support Instrument,
Request for a New Policy Support Instrument and Cancellation of Current
Policy Support Instrument —Informational Annex**

Prepared by the African Department
(In consultation with other departments)

April 27, 2010

- **Relations with the Fund.** Describes financial and technical assistance by the IMF and provides information on the safeguards assessment and exchange system. Outstanding Fund credit was SDR 6 million (3.3 percent of quota) at end-March, 2010.
- **Joint Bank-Fund Work Program.** Describes Bank-Fund collaboration through June 2011.

	Contents	Page
I.	Relations with the Fund	3
II.	Joint Bank-Fund Work Program.....	7

APPENDIX I. UGANDA: RELATIONS WITH THE FUND
(As of March 31, 2010)

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

II. General Resources Account:	SDR Million	%Quota
Quota	180.50	100.00
Fund holdings of currency	180.51	100.00

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	173.06	100.00
Holdings	143.64	83.03

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
PRGF Arrangements	6.00	3.32

V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
PRGF	Sep 13, 2002	Jan 31, 2006	13.50	13.50
ESAF/PRGF	Nov 10, 1997	Mar 31, 2001	100.43	100.43
ESAF	Sep 06, 1994	Nov 09, 1997	120.51	120.51

VI. Projected Payments to Fund¹

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

	<u>Forthcoming</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal	0.20	1.00	1.20	1.20	1.20
Charges/Interest	0.07	0.08	0.09	0.09	0.09
Total	0.27	1.08	1.29	1.29	1.29

VII. Implementation of HIPC Initiative:

	<u>Original Framework</u>	<u>Enhanced Framework</u>	<u>Total</u>
I. Commitment of HIPC assistance	Apr 1997	Feb 2000	
Decision point date			
Assistance committed by all creditors (US\$ Million) ²	347.00	656.00	

¹When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Of which: IMF assistance (US\$ million)	68.90	91.00
(SDR equivalent in millions)	51.51	68.10
Completion point date	Apr 1998	May 2000

II. Disbursement of IMF assistance (SDR Million)

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 ³	--	2.06	2.06
Total disbursements	51.51	70.16	121.67

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I.	MDRI-eligible debt (SDR Million) ⁴	87.73
	Financed by: MDRI Trust	75.85
	Remaining HIPC resources	11.88

II. Debt Relief by Facility (SDR Million)

<u>Delivery</u> <u>Date</u>	<u>Eligible Debt</u>		
	<u>GRA</u>	<u>PRGF</u>	<u>Total</u>
January 2006	N/A	87.73	87.73

² 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 amounts can not be added.

³ 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.

⁴ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the 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.

IX. Safeguards Assessments

Under the Fund's safeguards policy, assessments with respect to the PSI are voluntary. An update assessment of the Bank of Uganda (BOU) was completed on April 10, 2007 and concluded that the BOU had strengthened its safeguards framework since the 2003 assessment. The main developments included implementation of International Financial Reporting Standards, publication of financial statements, establishment of an audit committee, and strengthening of the internal audit function. Staff made recommendations to address remaining vulnerabilities in the legal and internal control areas.

X. Exchange Rate Arrangement

The official exchange rate is determined on the interbank market for foreign exchange. As of March 31, the official exchange rate was U Sh 2084.4 per U.S. dollar. The exchange system is free of restrictions on the making of payments and transfers for current international transactions. Uganda's exchange rate regime is classified as floating.

XI. Article IV Consultation

The Executive Board concluded the last Article IV consultation on January 7, 2009. The next Article IV consultation with Uganda will be held on the 24-month cycle, subject to the provisions of the decision on consultation cycles approved on July 15, 2002.

In February and April 2001, joint World Bank/Fund missions visited Kampala as part of the Financial Sector Assessment Program (FSAP). A final report was provided to the authorities in November 2001, and an MFD mission discussed the report with the authorities during the Article IV consultation discussion in November 2002; the Financial System Stability Assessment was prepared for Board discussion in February 2003. In November 2004, a joint World Bank/Fund missions visited Kampala for a FSAP update.

XII. Policy Support Instrument (PSI)

Uganda initiated a 16-month PSI with the Fund in January 2006. The 16-month PSI was replaced by a new three-year PSI in December 2006, and extended for an additional year in December 2009.

XIII. Technical Assistance

Uganda has received extensive technical assistance from the Fund in recent years.⁵

⁵ For a description of technical assistance provided prior to 2006, see the staff report for Uganda's request for a three-year PSI (Country Report 06/155).

FAD has provided TA to the Uganda Revenue Authority (URA) in the areas of revenue administration and oil revenue management, with three missions from headquarters visiting Kampala during 2008. FAD—represented by three public financial management (PFM) advisors and one revenue administration advisor at AFRITAC East—continues to provide follow-up TA in several fiscal areas, such as cash management; the design of a comprehensive donor-supported PFM reform strategy; and revenue collection enhancements.

A TA mission on enhancing the effectiveness of monetary policy implementation and developing financial markets was conducted in August 2005; in April 2006 MCM and the BOU held a joint workshop on financial market development. In 2008 and 2009 MCM has provided TA to build capacity to undertake financial stability analysis and reporting; and more recently MCM has provided TA in the monetary operations area.

XIV. Future Technical Assistance Priorities

The priorities for Fund technical assistance in the next few years will be in the areas of tax administration, public expenditure management, especially control and monitoring of public arrears at both central and local government levels, monetary and exchange rate management, bank supervision, national accounts statistics, reporting standards for government finance statistics, monetary and balance of payments statistical reporting, central bank accounting, and audit and debt management.

XV. Resident Representative

The Fund has maintained a resident representative in Uganda since July 1982.

APPENDIX II. JOINT BANK-FUND WORK PROGRAM, JUNE 2010 – JUNE 2011

Title	Products	Provisional timing of missions (if relevant)	Expected delivery date
1. World Bank Work Program	The work program will continue to concentrate on areas within the existing portfolio, including infrastructure development (transport and energy), secondary education, health infrastructure, agricultural research, advisory services and training, Kampala infrastructure development, and local government service delivery (including Northern Uganda rehabilitation). In addition, the Bank project to support public service performance enhancement, Northern Uganda social protection, minerals development and environment sustainability will be maintained.		
	Public Expenditure Review on budget composition trends and efficiency in the road sector will be delivered to client.		June 2010
	Public Expenditure Review on Investment Planning concept discussed with government and work started	May 2010	December 2010
	Poverty Reduction Support Credit to enhance effectiveness of service delivery, public sector management, and human development issues.	June 2010	August 2010
	Strategy paper for GOU's negotiation with other member states on the efforts towards elimination of non-tariff barriers. Follow-up work on implementation of the report recommendations with particular emphasis on adaptation of experiences from other RECs, in depth study of the diary sector in the region, will be completed		September 2010
	A new study on shared/spatial growth with special focus on agriculture, labor and integration of leading and lagging	June 2010	May 2011

	areas, will be initiated.		
2. Fund Work Program	Seventh Review and Request for a new PSI.	March 2010	May 2010
	Staff visit on the government budget	May 2010	June 2010
	First review under the PSI	September 2010	November 2010
3. Joint Work Program	Joint DSA	March 2010	May 2010
	JSAN on the NDP (new PRSP).	March 2010	April 2010