MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

MEDIUM TERM DEBT MANAGEMENT STRATEGY 2024/25-2027/28

MARCH 2024

MOFPED
#Doing More

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AFD	French Agency for Development
ADB	African Development Bank
ADF	African Development Fund
ATM	Average Time to Maturity
ATR	Average Time to Refixing
BADEA	Arab Bank for Economic Development of Africa
BOU	Bank of Uganda
CAS	Credit Adjustment Spread
CFR	Charter for Fiscal Responsibility
DOD	Debt Disbursed and Outstanding
EIB	European Investment Bank Highly
EURIBOR	Euro Interbank Offered Rate
FX	Foreign Exchange
GDP	Gross Domestic Product
GoU	Government of Uganda
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IR	Interest Rate
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
MOFPED	Ministry of Finance, Planning and Economic Development
MTDS	Medium Term Debt Management Strategy
MTFF	Medium Term Fiscal Framework
NDF	Net Domestic Financing
NDP	National Development Plan
PV	Present Value
SOFR	Secured Overnight Financing Rate
ST	Short Term

FOREWORD

The Ministry of Finance, Planning and Economic Development (MOFPED) prepares and revises the Medium-Term Debt Management Strategy (MTDS) annually, in compliance with section 13(10) (a)(iv) of the Public Finance Management Act (2015). This statute mandates the Minister of Finance, Planning and Economic Development to table a plan on public debt and any other financial liabilities to Parliament alongside the National Budget.

The MTDS provides a framework which guides the Government on the most feasible financing mix to achieve a debt portfolio that is affordable in terms of cost and risks. This systematic approach to debt management will in the medium to long run help the Government acquire better financing terms from development partners, improve Uganda's credit rating, and attain fiscal sustainability amongst other achievements.

Through a consultative process, a team of officials from Bank of Uganda (BOU), Parliamentary Budget Office (PBO), National Planning Authority (NPA), and this Ministry assessed the cost and risk trade-offs of various debt management strategies. This was done while utilising the World Bank and the International Monetary Fund's excel-based MTDS analytical tool. The strategies were formulated and evaluated based on consistent macroeconomic assumptions and interest rates. They were further scrutinized to evaluate the resilience of debt indicators such as interest payment to GDP to unforeseen fluctuations in prevailing and projected market rates.

The implementation of the FY 2024/25 MTDS will therefore provide a guiding principle to ensure prudent acquisition of debt within a suitable cost and risk framework to support the Government's development agenda in line with the provisions of Public Investment Financing Strategy (PIFS) and continued fiscal consolidation.

Matia Kasaija (MP)
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy (MTDS) is prepared and revised annually to guide public debt management in the medium-term. This provides for the assessment of the costs and risks of public debt in light of the prevailing domestic and global financial market conditions and the macroeconomic assumptions that informed the development of the previous MTDS.

The FY 2024/25 MTDS is the 10th published edition with the overall objective of meeting the government's financing needs at the lowest cost and a prudent degree of risk. This strategy aims at achieving the following specific objectives:

1. Manage external debt interest rate risks by gradually reducing the acquisition of the currently costly variable rate loans.
2. Reduce domestic debt refinancing risk by issuing longer-dated securities.
3. Minimize the appetite for commercial borrowing for direct budget financing by leveraging innovative financing options to reduce the cost and refinancing risk on external debt.

Uganda's public debt stock has been on the rise in the last five years from UGX 42.20 trillion in June 2019 to UGX 86.75 trillion in June 2023. By the end of December 2023, total public debt had increased to UGX 93.38 trillion, marking a notable rise of UGX 12.61 trillion from UGX 80.77 trillion recorded at end December 2022. This indicates a 13.6% growth in debt stock over the span of a year. The rise is on account of progressive acquisition of commercial loans for budget support and costs associated with increased domestic borrowing.

The implementation of the FY 2022/23 MTDS was affected by a global escalation of interest rates, attributed to the tightening of monetary policy by the US Federal Reserve, the European Central Bank, and the Bank of Uganda, aimed at curbing inflation. Due to the domestic interest rates rising more sharply than external rates, domestic borrowing totalling USD 500 million was substituted with external financing in order to avert incurring high interest rates prevailing on the domestic market. Nonetheless, the MTDS fulfilled its objective by securing 98.3% of the planned borrowing to meet the Government's financing requirements. However, this achievement came at a higher-than-projected cost with total interest payments as a percentage of GDP of 3.42% against an operational target of 2.93%.

By the first half of the fiscal year 2023/24, the performance of the MTDS had already been affected by supplementary expenditure requirements leading to an increase in the fiscal deficit. This led to external and domestic borrowing beyond projections in the FY 2023/24 budget. Major breaches have been observed in domestic debt operational targets with interest payments as a percentage of GDP, reaching 2.88% by the end of December 2023, against the MTDS target of ≤2.43%. Additionally, domestic debt maturing within one year as a percentage of the total stood at 3.63% by the end of December 2023, against an annual target of ≤3.17%.

During FY 2024/25, the Government of Uganda (GoU) will effectively manage borrowing costs and risks by determining the appropriate balance between domestic and external borrowing. In addition, it will explore alternative financing options with competitive rates to reduce the need for Net Domestic Financing (NDF) in meeting its budgetary requirements.

The Government will therefore implement a macroeconomic framework that envisages 40% of the total borrowing to be sourced externally, while 60% will be sourced domestically. This plan anticipates a gradual decrease in domestic borrowing by reducing the NDF. This blend is intended to progressively integrate alternative financing in the fulfilment of the provisions of the Public Investment Financing Strategy (PIFS).

Furthermore, the strategy aligns with the established objectives of the debt strategy, including meeting government financing requirements while mitigating the risk associated with domestic debt refinancing and reducing the reliance on commercial borrowing.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The Medium-Term Debt Management Strategy (MTDS) provides a framework within which the Government can make informed choices on how its financing requirement should be met, while considering constraints and potential risks pertaining to different debt instruments. This systematic approach to decision making has strengthened the debt management function and enhanced analytical capacity of staff and helped reduce operational risks. The Government of Uganda prepares the MTDS every year in fulfilment of Section 13(10) (a)(iv) of the Public Finance Management Act (2015).

The strategy is prepared taking into consideration projected financing terms of anticipated new borrowing, the type of borrowing and the associated risks or shocks that may impact the Government's ability to meet its debt obligations. It also considers global and domestic economic and financial developments. Several alternative financing options are evaluated under consistent macroeconomic assumptions, economic outlook and shock scenarios to help in the selection of the most feasible option.

Uganda's public debt stock has been on the rise in the last five years from UGX 42.20 trillion in June 2019 to UGX 93.38 trillion in December 2023. This is on account of progressive acquisition of commercial loans for budget support and costs associated with increased domestic borrowing. Domestic debt more than doubled from UGX 15.51 trillion in June 2019 to UGX 38.01 trillion in December 2023, while external debt increased from UGX 30.69 trillion to UGX 55.37 trillion during the same period. This resulted into the deviation in the debt management targets set in the MTDS, thus posing challenges in public debt management.

The proportion of the cost indicators of interest payments to GDP and the weighted average interest rates indicated an upward trend, rising from 2.3% and 5.6% in June 2019 to 3.6% and 7.3%, respectively, in December 2023. Similarly, the risk indicators deteriorated during the same period. This is evidenced by the Average Time to Maturity (ATM), Average Time to Refixing (ATR), and the percentage of short-term debt as a portion of reserves which worsened from 10.7 years, 10.3 years, and 4.7% in June 2019 to 8.9 years, 8.3 years, and 9.29%, respectively, in December 2023. This decline in performance of both cost and risk indicators is largely attributed to an increased rate of both domestic and external debt accumulation to finance the fiscal deficit. This is coupled with a rise in non-concessional and commercial borrowing from the external market.

To minimise the cost and risk associated with future borrowing, the government needs to develop alternative ways of mobilising de velopment financing to abate the accruing challenges. There is a need to urgently focus on reducing the debt service burden by averting the growth of domestic debt borrowing, as well as sourcing for external financing with lower interest rates and favourable terms. This, coupled with the continued fiscal consolidation program to reduce the requirement for additional borrowing in the course of the execution of the budget beyond what has been set out in the MTDS.

1.2 Overall Objective

To meet the medium-term financing requirements at the lowest possible cost consistent with a prudent degree of risk.

1.2.1 Specific Objectives

a) To manage the external debt interest rate risks by gradually reducing the acquisition of the currently costly variable rate loans.
b) To reduce domestic debt refinancing risk by issuing longer-dated securities.
c) To minimize the appetite for commercial borrowing for direct budget financing by leveraging innovative financing options to reduce the cost and refinancing risk on external debt.

1.3 Scope of the Strategy

In terms of sectoral coverage, this strategy covers central government debt and does not include borrowing by local government and public corporations. Additionally, since our guaranteed debt is below 1% of the GDP, the materialisation of the contingent liabilities arising from guarantees is also excluded from this strategy. For instrument coverage, the strategy only covers debt securities and loans.

CHAPTER 2: PUBLIC DEBT PORTFOLIO ANALYSIS AS AT DECEMBER 2023

2.1 Stock of Government External and Domestic Debt

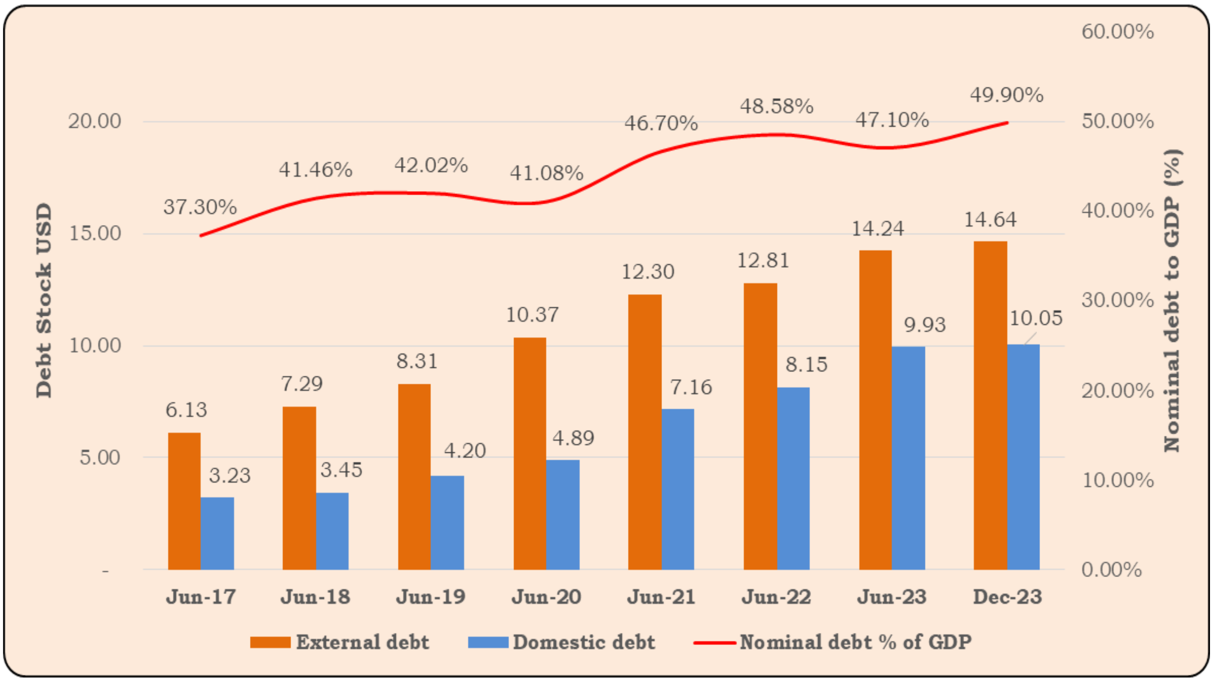
By the end of December 2023, total public debt had increased to USD 24.69 billion, equivalent to UGX 93.38 trillion, marking a notable rise of USD 2.95 billion (UGX 12.61 trillion) from USD 21.74 billion (UGX 80.77 trillion) recorded at the end of December 2022 (Figure 1). This indicates a 13.6% growth in debt stock over the span of a year, out of which external and domestic debt registered increments of USD 1.79 billion and USD 1.16 billion, respectively.

The increase in external debt primarily stemmed from substantial loan disbursements, notably the budget financing loan of USD 545.45 million from Stanbic Bank, alongside IMF extended credit facility and SDR drawdown totalling to USD 370.64 million. Meanwhile, the increase in domestic debt was necessitated by heightened expenditure requirements, leading to additional borrowing from the domestic market to fulfil budgetary requirements. In addition to these, exchange rate variations contributed to the increased total debt stock as evidenced by the appreciation of the US dollar against other major currencies.

In the period under review, the nominal value of public debt as a percentage of GDP marginally increased to 49.9%[1], up from 49.6% in December 2022. The upward trend in debt to GDP is depicted in Figure 1.

[1] The GDP used for the December 2023 ratio is quarterly cumulative GDP from October 2022 to September 2023.

Figure 1: Public Debt Stock (in USD Billion) from FY 2016/17 to December 2023



Source: MoFPED, DPI

Out of the total debt stock as of December 2023, external debt accounted for 59.3%, equivalent to USD 14.64 billion, and 40.7% was domestic debt, amounting to USD 10.05 billion.

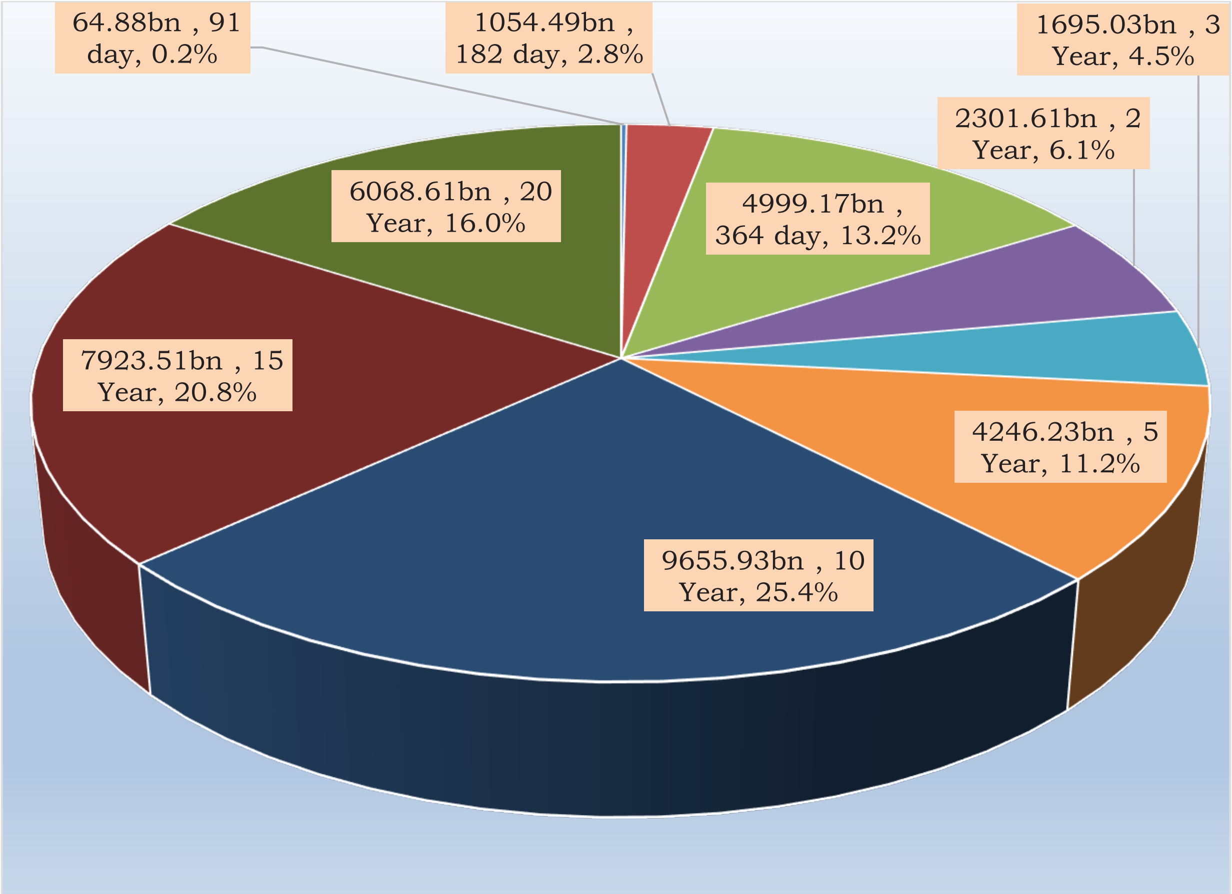
2.2 Composition of Government Debt as at December 2023

The sections below provide a snapshot of the composition of the Government's debt portfolio as of December 2023.

2.2.1 Domestic Debt Composition

At the close of December 2023, domestic debt stock was UGX 38.09 trillion. Out of this, 16.1% amounting to UGX 6.1 trillion was in form of Treasury Bills that is Government Securities with durations of 91, 182, and 364 days, and 83.9% equivalent to UGX 31.89 trillion were Treasury Bonds that is Government Securities between 2 and 20 years. This distribution is highlighted in Figure 2.

Figure 2:Domestic Debt Composition by Maturity at End December 2023



Source: MOFPED

Out of the total domestic debt stock, 10- and 15-year Treasury Bonds constituted 46.25%. Of this, 25% was on account of 10-year securities and 21% on the 15-year T-bonds. This is in line with the Government's debt management strategy of issuing longer dated instruments to reduce the refinancing risk in the domestic debt portfolio. These were followed closely by the 20-year T-bond and T-bills each constituting 16% of the domestic debt stock.

2.2.2 External Debt Composition

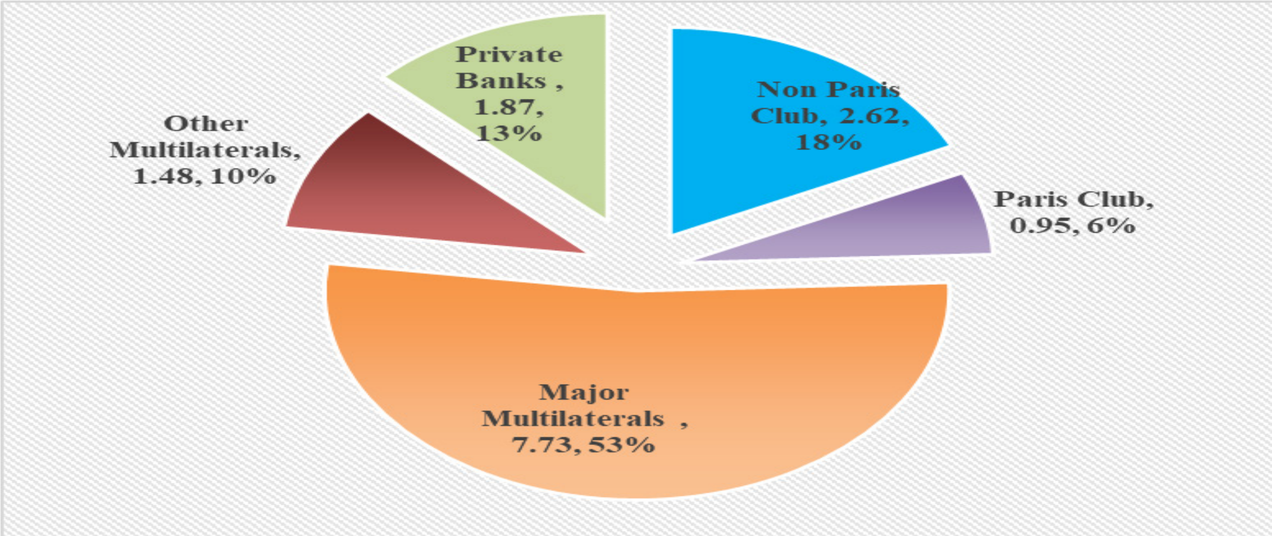
At 62.85% equivalent to USD 9.20 billion, multilateral creditors continue to hold the largest portion of Uganda's external debt stock. The major multilateral creditors—the International Development Association (IDA), the International Monetary Fund (IMF) and African Development Fund (AfDF) hold the largest share of Uganda's external debt stock, equivalent to USD 7.73 billion, accounting for 52.77% of the external debt portfolio.

Among other multilateral creditors, the African Development Bank (ADB), the Islamic Development Bank (IDB) and the International Fund for Agriculture (IFAD) held 10.08% of the external debt portfolio, equivalent to USD 1.48 billion as of the end of December 2023. Bilateral creditors categorised into Paris Club and non-Paris Club held a share of 6.48%, equivalent to USD 0.95 billion and 17.88% equivalent to USD 2.62 billion, respectively. On the other hand, private banks and development finance institutions like AFREXIM and Stanbic Bank amongst others held 12.80%, equivalent to USD 1.87 billion.

Bilateral creditors are dominated by Exim Bank of China and UKEF, holding USD 2.51 billion and USD 0.37 billion, respectively, while private banks are dominated by Stanbic Bank holding USD 0.79 Billion during the same period.

Notably, the share of multilateral creditors out of the total external debt stock has increased from 62.08% as of the end of December 2022 to 62.85% as of the end of December 2023 along with an increase in the share of private banks moving from 9.89% to 12.80% in the same period. On the other hand, bilateral creditors' holding reduced from 28.03% to 24.35% during the period under review. This was attributed to increased disbursements of the budget financing from Standard Bank, IMF extended credit facility and SDR draw down. Figure 3 shows external debt stock by creditor composition for December 2023.

Figure 3: External Debt Composition by Creditor in USD Billion as at December 2023

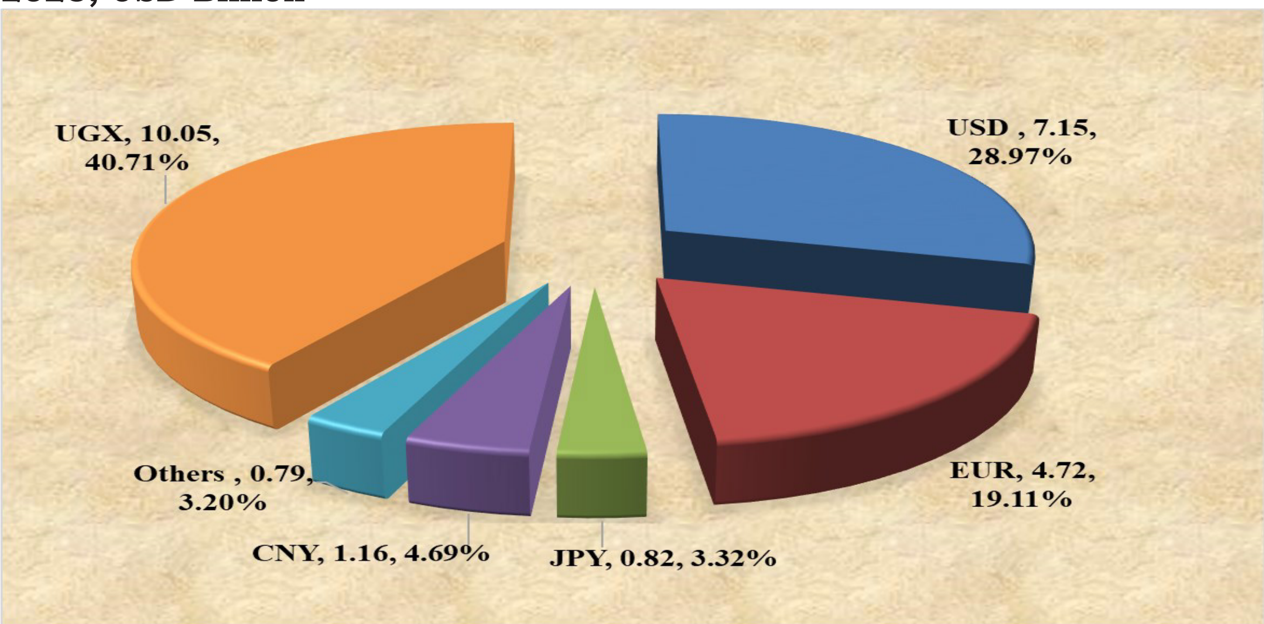


Source: MOFPED, DPI

2.2.3 Public Debt by Currency Composition

The currency composition of GOU's total debt portfolio by end of December 2023 was dominated by debt in Uganda shillings at 40.71% followed by USD denominated debt at 28.97% and EUR at 19.11% as is shown in Figure 4.

Figure 4: Government Debt by Currency Composition at end December 2023, USD Billion



Source: MOFPED, DPI

2.2.4 Public Debt Composition by Interest Rate Type

As of December 2023, fixed rate debt constituted USD 11.43 billion representing 78.10% of the portfolio ensuring relative predictability in debt servicing costs, while variable rate debt constituted 21.9% amounting to USD 3.21 billion. China holds the highest share of variable rate debt of USD 961.56 million and this is followed by Standard Bank with USD 785.83 million while multilateral creditors hold the highest share of fixed rate debt at 60.84% equivalent to USD 8.91 Billion. The predominance of multilateral creditors in the fixed-rate segment reflects favourable borrowing terms and stability, given these institutions often offer longer maturities and lower rates. Variable rate loans exposes Uganda to potential volatility in interest payments due to market fluctuations. The risk is amplified in an environment of rising global interest rates, which could significantly increase debt servicing costs and affect the fiscal balance.

2.3 Cost and Risk indicators of Public Debt

Table 1: Cost and Risk Indicators of the Existing Central Government Debt as at December 2023

Risk Indicators		Dec-22			Dec-23		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (in billions of UGX)		47,760.2	33,014.6	**80,774.8**	55,367.97	38,009.29	**93,377.25**
Amount (in billions of USD)		12.9	8.9	**21.7**	14.64	10.05	**24.69**
Nominal debt as percent of GDP		29.35	20.29	**49.64**	29.59	20.31	**49.91**
PV as percent of GDP		21.1	20.3	**41.4**	21.5	20.3	**41.9**
Cost of debt	Interest payment as percent of GDP	0.7	2.9	**3.6**	0.7	2.9	**3.6**
	Weighted Av. IR (percent)	2.4	14.3	**7.2**	2.5	14.2	**7.3**
	ATM (years)	10.9	6.6	**9.1**	10.6	6.4	**8.9**
	Debt maturing in 1yr (percent of total)	5.0	23.0	**12.4**	2.4	26.7	**12.3**
Refinancing risk	Debt maturing in 1yr (percent of GDP)	1.5	4.7	**6.2**	0.7	5.4	**6.1**
	ATR (years)	10.0	6.6	**8.6**	9.5	6.4	**8.3**
	Debt refixing in 1yr (percent of total)	24.0	23.0	**23.6**	23.6	26.7	**24.8**
	Fixed rate debt incl T-bills (percent of total)	78.7	100.0	**87.4**	77.8	100.0	**86.9**
Interest rate risk	T-bills (percent of total)	0	15.01	**6.14**	0	16.46	**6.70**
FX risk	FX debt (percent of total debt)			59.13			59.29
	ST FX debt (percent of reserves)			18.15			9.29

Source: MOFPED, DPI

2.3.1 Cost of Debt

At the end of December 2023, total interest payments as a share of GDP weighted average interest rate slightly increased to 7.3% from 7.2% during the same period.

2.3.2 Refinancing/ Roll Over Risks

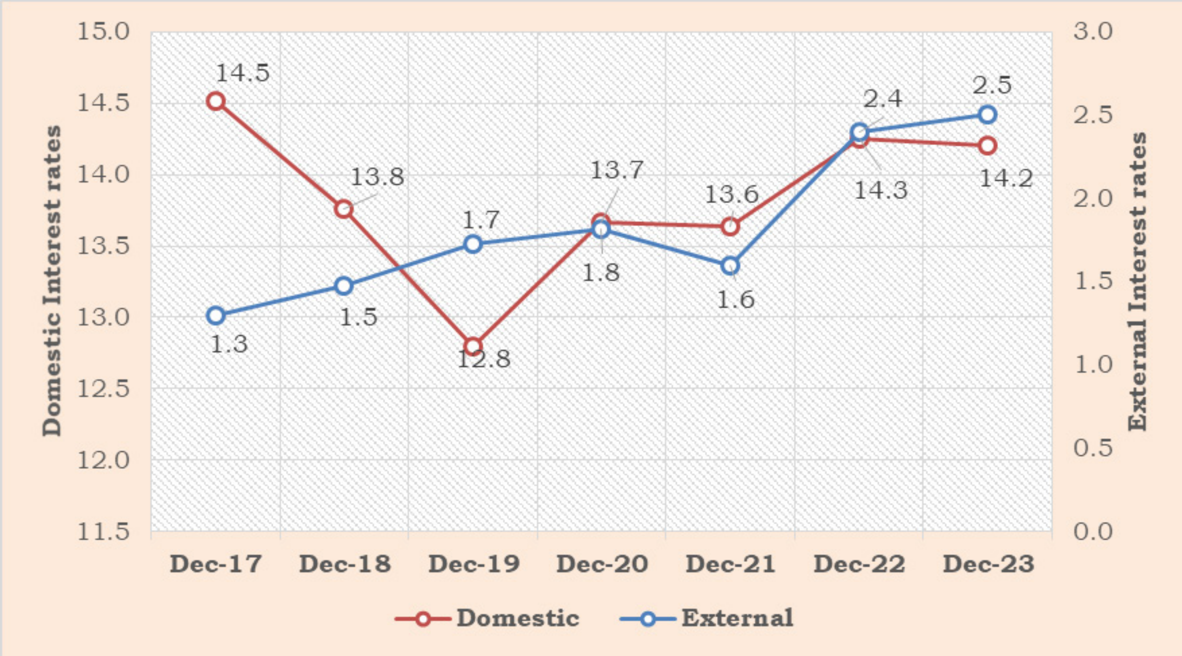
Key indicators for assessing refinancing risk include the proportion of debt maturing within one year relative to total public debt and the Average Time to Maturity (ATM). The observed decrease in ATM from 9.1 years to 8.9 years during the review period points to a marginally increased refinancing risk. This trend is further evidenced in the external debt portfolio, where the ATM reduction from 10.9 years to 10.6 years reflects a shift towards new external borrowings under commercial terms, characterized by shorter maturities.

Moreover, the domestic debt segment also witnessed a reduction in ATM from 6.6 years to 6.4 years, a move driven by the issuance of shorter-term instruments in response to high inflation. This adjustment suggests a cautious approach by the Government to prevent being locked into higher interest rates associated with longer-term bonds in a volatile interest rate environment.

2.3.4 Interest Rate Risks

The Average Time to Refixing (ATR) best defines interest rate risk in the debt portfolio as the total time it takes for interest rates in the debt portfolio to change.

Figure 5: Trend of weighted Average Domestic and External Interest rates to December 2023



Source: MOFPED, DPI

As indicated in Figure 5, the weighted average interest rate for domestic debt reduced slightly from 14.3% to 14.2% in December 2023 while for external debt, there was an increase from 2.4% to 2.5% in the same period. On the external part, the increase is explained by the increased interest rates in the global financial markets while the reduction in the weighted average interest rate for domestic debt was on account of increased administrative action to lower the cost of domestic debt.

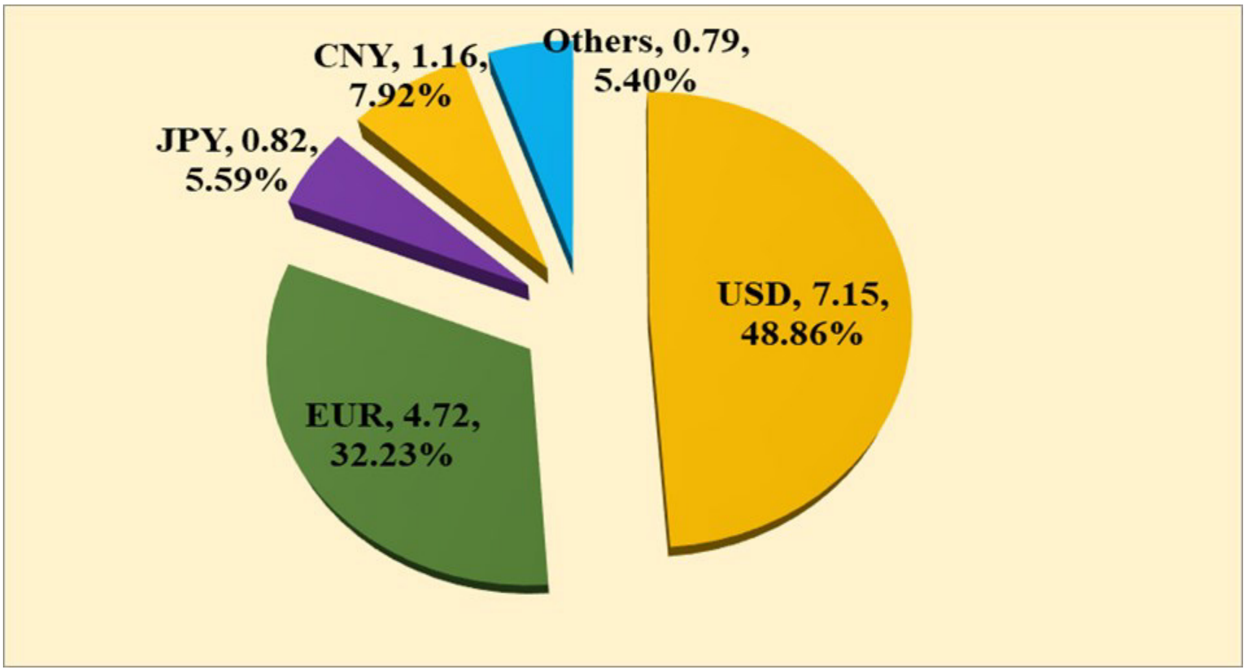
The Average Time to Refixing (ATR) of total public debt (external and domestic) reduced from 8.6 years as of December 2022 to 8.3 years as at December 2023. Given the existing high volatility of the market interest rates globally, a shorter ATR is risky because interest rates are subject to change to a higher rate in a short time, resulting into higher debt service costs.

2.3.5 Exchange Rate Risk

Foreign currency risk between December 2022 and December 2023 was relatively stable with the share of foreign currency debt in the total public debt portfolio remaining at 59%. Short-term debt as a percentage of reserves reduced significantly from 18.15% to 9.3% in the same period signifying reduced pressure on the foreign currency reserves during the year.

Figure 6 illustrates the share of major foreign currency denominated debt as of December 2023.

Figure 6: External Debt Currency Composition as at December 2023, USD Billion



Source: MOFPED, DPI

CHAPTER 3: PERFORMANCE OF THE MTDS FOR FY 2022/23 AND HALF YEAR PERFORMANCE OF MTDS FOR FY 2023/24

3.1 Performance of the MTDS for FY 2022/23

The overall performance of FY 2022/23 MTDS was influenced by increasing interest rates due to tightening of monetary policies by the US Federal Reserve, the European Central Bank, and the Bank of Uganda aimed at controlling inflation.

The planned domestic borrowing of UGX 1,867.2 billion was substituted with external financing of USD 500 million. This impacted both the operational target and instrument performance of the FY 2022/23 MTDS. By June 2023, majority of the operational targets outlined in the FY 2022/23 MTDS had been breached as indicated table 2.

However, the MTDS successfully fulfilled the Government's financing requirements by securing 98.3% equivalent to UGX 18,691.9 billion of the planned borrowing. However, this achievement came at a higher-than-projected cost, resulting in higher than estimated total interest payments as a percentage of GDP of 3.42% against 2.93%.

The performance of the MTDS can be analysed through two aspects: operational target performance and disbursement/issuance performance, as elaborated below:

3.2 Operational Target Performance of FY 2022/23 MTDS

FY 2022/23 operational target included interest payment as a percentage of GDP, debt refixing in 1 year (% of total), and debt maturing in one year as a percentage of the total, respectively, as outlined in Table 2.

Table 2: Cost and Risk Operational Objectives and Performance of FY 2022/23 as at end June 2023

Cost and Risk exposures	Cost and Risk Indicators	Jun-22	Target Ranges 2022/23	Jun-23
Cost of debt	External Debt Interest payment as percent of GDP	0.39	≤0.53	0.73
	Domestic Debt Interest payment as percent of GDP	2.27	≤2.40	2.69
	Total Interest payment as percent of GDP	2.66	≤2.93	3.42
	Total Implied Interest rate (percent)	6.29	≤6.88	7.27
Refinancing risk	External Debt maturing in 1yr (percent of Total)	5.58	≤5.28	4.71
	Domestic Debt maturing in 1yr (percent of Total)	26.84	≤23.02	23.19
	Total Debt Maturing in one year (percent of total)	13.23	≤13.24	12.07
Interest rate risk				
	External Debt Refixing in 1 year (percent)	18.45	≤21.42	25.45
	Domestic Debt Refixing in 1 year (percent)	22.24	≤23.02	23.19
	Total Debt Refixing in 1 year (percent)	19.89	≤20.98	24.55

Source: MoFPED, DPI

3.2.1 Cost of Debt

To establish the operational target for the cost of debt, interest payment to GDP and implied interest rates were utilized. As at end June 2023, external debt interest payments as a percentage of GDP, domestic debt interest payments as a percentage of GDP, and total debt interest payments as a percentage of GDP stood at 0.73%, 2.69%, and 3.42%, respectively. This surpasses the operational targets of ≤0.53%, ≤2.40%, and ≤2.93%, correspondingly. This breach is consistent with the deviation in implied interest rates, averaging 7.27% by the end of June 2023, against the target of ≤6.88%. The deviation can be attributed to the escalation in both external and domestic interest rates beyond the projections outlined in the MTDS. The increase in interest rates follows the global trend of central banks tightening monetary policies to combat high inflation levels.

3.2.3 Interest Rate Risk

During the period, the risk of paying higher interest rates by the Government increased due to interest rate hikes abroad. These policy actions led to an increase in SOFR and EURIBOR, thereby increasing the cost of variable rate debt. For example, during the period SOFR increased by 396 basis points while EURIBOR increased by 366 basis points. This increased the cost of variable rate debt by the same basis points.

3.3 Instrument Performance of MTDS for FY 2022/23

By June 2023, the Government had borrowed UGX 18.691 billion, equivalent to 98.3% of the planned borrowing outlined in the FY 2022/23 MTDS, which was UGX 19.020 billion. External borrowing amounted to UGX 7.558 billion, while domestic borrowing stood at UGX 11.134 billion. The performance is illustrated in Table 3.

Table 3: Projected and actual disbursement/issuance for FY 2022/23 MTDS by instruments type, UGX

Instrument	FY 2022/23 Projected disbursment in Millions	Actual disbursment for FY 2022/23	Share of FY 2022/23 projected disbursment (%)
External debt			
IDA/ADF_Fx	1,096,708	1,059,460	97
Concessional_Fx	929,352	400,243	43
Semi_Concessional_Fx	1,274,255	2,530,696	199
Semi_Concessional_Var	729,022	-	-
Non_Commercial_Fx	234,508	174,188	74
Non_Commercial_Var	470,683	175,223	37
Commercial_Var	2,017,426	3,217,913	160
International_Bond_Fx	-	-	-
Total external	**6,751,955**	**7,557,722**	**112**
Domestic debt			
T-bills	5,194,484	5,515,514	106
2-Tbond	769,867	649,252	84
3-Tbond	962,334	1,185,401	123
5-Tbond	769,867	621,907	81
10-Tbond	1,539,734	503,273	33
15-Tbond	1,684,084	1,298,148	77
20-Tbond	1,347,267	1,360,715	101
Total domestic	**12,267,637**	**11,134,211**	**90.8**
Total Gross Borrowing	**19,019,592**	**18,691,934**	**98.3**

Source: DPI, MoFPED

The overperformance of 112% for the planned external borrowing follows the decision by the government to replace part of the FY 2022/23 domestic borrowing with external borrowing to avoid crowding out the private sector credit and minimise the cost of domestic borrowing. This resulted in 160% disbursement from commercial sources and 199% borrowing from semi-concessional sources. As expected, this translated into an underperformance of domestic borrowing, which was UGX 11,134 billion against the planned domestic borrowing of UGX 12,268 billion.

In comparison to the projected domestic borrowing for the fiscal year 2022/23, domestic borrowing fell short by UGX 1,133 billion, indicating that only 90.8% of the intended domestic borrowing was achieved. This shortfall was solely due to the planned domestic borrowing of UGX 1,867.2 billion being replaced with external financing of USD 500 million. Shorter-term instruments like T-bills and 3-year T-bonds exceeded expectations, reaching 106% and 123%, respectively. This outcome was driven by a deliberate government strategy to issue more short-term debt instruments. This was in response to the high interest rate environment caused by tightening monetary policies of major central banks. During periods of elevated interest rates, issuing short-term debt instruments helps prevent the commitment of higher interest rates over longer durations, thereby averting the entrapment of high-interest rate debts in longer-term securities.

3.4 Half-Year Performance of FY 2023/24 MTDS

The FY 2023/24 MTDS was formulated with specific objectives of managing external debt payments, mitigating domestic debt refinancing risks, and curtailing reliance on commercial borrowing. However, in the first half of FY 2023/24, there was an upward revision of the NDF occasioned by additional budget resource requirement. Consequently, this led to an increase in domestic debt issuance and thus breaches of various operational targets.

The breaches were observed in domestic debt interest payments as a percentage of GDP, reaching 2.88% by the end of December 2023, against the MTDS target of ≤2.43%. Additionally, domestic debt maturing within one year as a percentage of the total stood at 3.63% by the end of December 2023, exceeding the operational target of ≤3.17% set in the FY 2023/24 MTDS. Further details are provided in Table 4.

Table 4: Cost and Risk Half Year Performance of FY 2023/24

Cost and Risk exposures	Cost and Risk Indicators	Dec-22	Target Ranges 2023/24	Dec-23
Cost of debt	External Debt Interest payment as percent of GDP	0.69	≤0.75	0.74
	Domestic Debt Interest payment as percent of GDP	2.89	≤2.43	2.88
	Total Interest payment as percent of GDP	3.58	≤3.17	3.63
	Total Implied Interest rate (percent)	7.22	≤7.40	7.26
Refinancing risk	External Debt maturing in 1yr (percent of Total)	5.03	≤4.79	2.37
	Domestic Debt maturing in 1yr (percent of Total)	23.04	≤24.57	26.61
	Total Debt Maturing in one year (percent of total)	12.39	≤10.63	12.25
Interest rate risk				
	Total Fixed Rate Debt Portfolio including T-bills (as percent of total debt)		≥85.92	86.87

Source: DPI, MoFPED

3.5 Half-Year Instrument Performance of MTDS for FY 2023/24

Out of the intended borrowing of UGX 18.5 trillion in the FY 2023/24, UGX 9.3 trillion representing 50.5% of the projection had already been borrowed by the conclusion of the first half of the FY 2023/24 (Table 5). Out of the half year borrowing of UGX 9.3 trillion, domestic debt issuances accounted for 85.14% equivalent to UGX 7.95 trillion, while external debt accounted for 14.86% equivalent to UGX 1.39 trillion. These deviations are attributed to the upward adjustment of the Net Domestic Financing and the delayed disbursement of EUR 414.8 million in commercial budget financing.

Table 5: Projected and actual disbursement/issuance for FY 2023/24 MTDS by instruments type, UGX

	FY 2023/24 Projected disbursment (UGX. Million)	FY 2023/24 Half Year disbursment Actual (UGX. Million)	Share
External Debt			
ADF_Fixed	2,377,494	641,284	27.0%
Concessional_Fx	1,467,710	305,188	20.8%
Semi_Concessional_Fx	1,534,331	92,649	6.0%
Semi_Commercial_Fx	162,276	42,888	26.4%
Commercial_Var	492,627	138,618	28.1%
Highly_Commercial_Var	2,311,583	168,099	7.3%
Total external	**8,346,022**	**1,388,726**	**17%**
Domestic Debt			
T-Bills	4,063,828	4,380,222	107.8%
2-Tbond	711,170	319,014	44.9%
3-Tbond	812,766	578,617	71.2%
5-Tbond	914,361	264,700	28.9%
10-Tbond	1,015,957	501,584	49.4%
15-Tbond	1,219,148	859,726	70.5%
20-Tbond	1,422,340	1,050,459	73.9%
Total Domestic	**10,159,570**	**7,954,321**	**78.3%**
Total Gross borrowing	**18,505,591**	**9,343,047**	**50.5%**

Source: DPI, MoFPED

The half-year issuance of UGX 7.95 trillion indicates a 78.3% performance of domestic borrowing against the annual target of UGX 10.16 trillion. This is attributed to frontloading of domestic borrowing in the first half of the FY 2023/24. The low performance of external borrowing at 17% is on account of the Government's decision not to acquire the commercial financing of USD 414.8 million at the high interest rates.

CHAPTER FOUR: FY 2024/25 MEDIUM TERM DEBT MANAGEMENT STRATEGY

4.1 Introduction

In formulating the FY 2024/25 debt management strategy and the annual borrowing plan, four alternative borrowing strategies were developed and assessed based on uniform macroeconomic and market rate assumptions. The assessment was undertaken considering relevant interest and exchange rate shock scenarios to ensure that advice for sourcing of financing for the Government's borrowing requirements is at the lowest possible costs and most prudent risks. The concept of prudent degree of risk is premised on the desire for the government to borrow with regard to its ability to pay in the medium and long run.

The following are the specific objectives of FY 2024/25 MTDS:

1. To manage the external debt interest rate risks by gradually reducing acquisition of the currently costly variable rate loans.
2. To reduce domestic debt refinancing risk by issuing longer-dated securities.
3. To minimize appetite for commercial borrowing for direct budget financing by leveraging innovative financing options to reduce the cost and refinancing risk on external debt.

4.2 Macro assumptions

The Debt Sustainability Analysis (DSA) indicates that in the FY 2023/24, there is an anticipated growth of 6.0%, which is expected to rise to 6.4% in fiscal year 2024/25. This growth is attributed to increased output in the services, industry, and agriculture sectors, driven by recovery in aggregate demand as inflation rates decrease. Factors contributing to this growth include: (i) the continued implementation of the Parish Development Model which is expected to boost agricultural production and productivity; (ii) increased activities in the oil and gas sector; (iii) growth in regional trade; (iv) and overall improvement in global economic conditions.

Over the medium term, real GDP growth is forecasted to average 7%, primarily due to heightened activity in the oil and gas sector, improved productivity in agriculture and manufacturing, and enhanced efficiency in public investments.

Revenue including grants is projected at 16.2% of GDP in FY2024/25, averaging 18.1% over the medium term. Short-term revenue increases are expected from the implementation of the Domestic Revenue Mobilization Strategy (DRMS), while long-term revenue gains will predominantly stem from oil and gas-related revenues. The fiscal deficit is expected to decrease from 5.5% of GDP in FY2022/23 to 4.2% in FY2023/24, further reducing to an average of 2.8% per annum over the remaining medium term. Detailed macroeconomic and fiscal assumptions are indicated in Table 6.

Table 6: Baseline Macroeconomic Assumptions, UGX Trillions

FY	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	Outturn	**Projections**					
Total revenue and grants	26.60	32.14	35.91	43.93	51.24	58.96	66.56
o/w grants	1.03	3.07	2.87	2.42	2.04	1.75	1.49
Bugetary Primary Expenditure	30.81	34.31	36.51	43.17	50.25	58.47	63.34
Total Expenditure	36.72	40.68	43.83	51.25	59.27	67.51	73.36
Budgetary Interest payments	5.91	6.38	7.32	8.08	9.02	9.04	10.02
Primary Expenditure	30.81	34.31	36.51	43.17	50.25	58.47	63.34
Overall Fiscal deficit	- 10.13	- 8.54	- 7.92	- 7.32	- 8.03	- 8.55	- 6.80
Primary deficit	- 4.22	- 2.16	- 0.59	0.76	0.99	0.49	3.22
As share of GDP							
FY	**Outturn**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Total revenue and grants	14.4%	15.9%	16.2%	17.7%	18.5%	19.1%	19.3%
Bugetary Primary Expenditure	16.7%	17.0%	16.4%	17.4%	18.1%	18.9%	18.3%
Budgetary Interest payments	3.2%	3.2%	3.3%	3.3%	3.3%	2.9%	2.9%
Overall Fiscal deficit	-5.5%	-4.2%	-3.6%	-3.0%	-2.9%	-2.8%	-2.0%
Primary deficit	-2.3%	-1.1%	-0.3%	0.3%	0.4%	0.2%	0.9%
Memorundum item							
FY	Outturn	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Real GDP growth	5.2%	6.0%	6.4%	7.0%	7.1%	7.0%	7.0%
Nominal GDP (UGX BN)	184.9	202.0	222.3	247.6	276.9	309.3	345.5

Source: MEPD, MoFPED

4.3 Market Rates Assumption and Shock Scenarios

4.3.1 Interest Rates Assumptions

The estimations for interest payments on the existing debt were derived from the volume and interest rates at which the debt was acquired on various dates. Regarding new financing, projections for interest rates in the domestic debt market for the next five years were established based on: (1) For FY 2023/24, utilizing the most recent secondary market interest rates (Yield curve), (2) Over the medium term, relying on anticipated inflation growth and historical trends of interest rate fluctuations from July 2019 to February 2024. As historical data indicated that Treasury bills are more responsive to interest rate adjustments compared to Treasury bonds, adjustments were made to Treasury bill interest rates in alignment with the inflation growth rate, while Treasury bonds were adjusted by 10% of the inflation growth rate.

In the external debt market, projections for reference interest rates on variable-rate loans were based on market expectations for the six-month term Secured Overnight Financing Rate (SOFR). Loans from the World Bank and African Development Fund were priced according to standardized concessional terms in the MTDS tool, featuring interest rates of 0.75% per annum, a maturity period of 40 years, and a grace period of 10 years. These concessional borrowing terms are applicable to low-income countries. Both concessional and semi-concessional fixed-rate loans are assumed to be secured at the current rates on committed loans throughout the medium term.

4.3.2 The Shock Scenarios

To assess the effects on cost and risk indicators when exchange rates depreciate beyond the levels anticipated in the baseline projections, a substantial exchange rate shock of a 30% depreciation against the USD was applied in 2024.

Furthermore, to assess changes in the same indicators resulting from interest rate increases exceeding those accommodated in the baseline projections, two scenarios; moderate and extreme interest rate shocks were considered. The moderate shock involved a 2.5% increase on variable rate loans and a 1.5% increase on domestic debt securities, over and above the baseline projections. The extreme shock on the other hand, entailed a 5% increase on variable rate loans and a 3% increase on domestic debt securities, again over and above the baseline projections. These analyses aimed to evaluate the resilience of debt indicators to unforeseen fluctuations in interest rates.

4.4 Analysis of Alternative Financing Strategies

The four alternative strategies were devised to offer various scenarios for meeting the Government's borrowing needs for the fiscal year 2024/25 (See Table 7). These strategies were initially based on an allocation between external and domestic financing, followed by the composition of each over a five-year period. Each strategy's blend of instruments mirrors potential funding sources.

The four outlined strategies include:

(1) Strategy 1 (S1): the Government's current borrowing mix of 28% external and 72% domestic;

(2) Strategy 2 (S2): more domestic borrowing, resulting in 25% external and 75% domestic;

(3) Strategy 3 (S3): equal shares of both, with a 50:50 ratio;

(4) Strategy 4 (S4): more external borrowing, with a mix of 40% external and 60% domestic.

Table 7: Cost and Risk Analysis of the of Alternative Strategies as at end 2028

Risk Indicators		2023	As at end 2028			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		46.9	43.24	43.51	42.82	42.84
Present value debt as percent of GDP		39.6	37.69	38.31	37.03	37.02
Interest payment as percent of GDP		3.8	3.42	3.57	3.15	3.20
Implied interest rate (percent)		8.0	8.69	9.12	7.92	8.09
Refinancing risk2	Debt maturing in 1yr (percent of total)	11.5	10.68	10.51	8.99	9.50
	Debt maturing in 1yr (% of GDP)	5.7	4.62	4.57	3.85	4.07
	ATM External Portfolio (years)	10.5	10.92	10.73	10.52	11.00
	ATM Domestic Portfolio (years)	6.8	8.01	8.14	7.90	7.94
	ATM Total Portfolio (years)	9.1	9.52	9.39	9.52	9.71
Interest rate risk2	ATR (years)	8.3	9.05	8.98	8.56	8.90
	Debt refixing in 1yr (percent of total)	26.7	22.44	21.01	28.63	25.35
	Fixed rate debt incl T-bills (percent of total)	83.4	86.15	87.51	77.99	82.13
	T-bills (percent of total)	5.4	4.19	3.73	2.64	3.30
FX risk	FX debt as % of total	60.2	51.02	47.41	60.53	56.73
	ST FX debt as % of reserves	16.3	37.06	36.28	39.43	36.35

Source: MoFPED, DPI

KEY

- Best performing indicator (green)
- Second best indicator (yellow)
- Third best indicator (blue)
- Worst performing indicator (red)

4.4.1 Strategy 1 (S1): Current Strategy (28:72)

This strategy reflects the current macroeconomic framework, which anticipates an external to domestic borrowing ratio of 28:72 in FY 2024/25 over the medium term. On the external front, 58.45% will be obtained from concessional and semi-concessional sources, while the remaining 41.55% will be sourced from semi-commercial and commercial sources. Domestically, 38% will be acquired through Treasury bills, while 62% will come from longer-term Treasury bonds.

This strategy stands out positively with the total average time to refixing at 9.05%. However, this borrowing approach entails some drawbacks, including the highest proportion of debt maturing in one year as a percentage of GDP at 4.62%, the highest debt maturing in one year as a percentage of the total at 10.68%, and the highest percentage of T-Bills relative to the total at 4.19%.

4.4.2 Strategy 2 (S2): More Domestic Debt (25:75)

Strategy 2 proposes the ratio of external to domestic borrowing of 25:75 in FY 2024/25 and over the medium term, aiming to address immediate cash needs and mitigate exchange rate risks. While this approach may not be favoured due to its elevated interest expenses as indicated by highest interest payment to GDP ratio of 3.57% and the highest average interest rate of 9.12%, its formulation was influenced by the consistent historical trend of upward revisions in domestic borrowing during budget implementation. Despite its challenges, this strategy is relatively less risky compared to others, characterized by lower foreign currency and interest rate risks, albeit it does lead to the crowding out of private sector credit.

4.4.3 Strategy 3 (S3): Equal Shares of External and Domestic (50:50)

This strategy aims at evenly distributing the gross borrowing requirement between external and domestic debt options, which entails decreasing the current domestic debt issuance. The reduction in domestic borrowing is primarily intended to prevent the crowding out of credit to the private sector and decrease the cost of domestic borrowing. It also seeks to avoid further growth in the stock of domestic debt with the associated high servicing costs.

The strategy assumes an exploration of alternative external financing options with more competitive rates to reduce the need for NDF in meeting budgetary requirements. This, in fulfilment of the provisions of the Public Investment Financing Strategy, addresses the concerns that the Government has not fully tapped into other potential funding sources from the external sector.

This strategy is comparatively less expensive than all other strategies, with the lowest total interest payments to GDP of 3.15%, debt to GDP ratio of 42.82%, and weighted average interest rate of 7.92%. It aligns with the overarching goal of meeting the government's medium-term debt management objective of acquiring financing at minimal cost. However, naturally it carries the highest level of risk regarding exchange rate and interest rate fluctuations due to a higher proportion of external financing in the borrowing mix.

4.4.4 Strategy 4: More external borrowing (40:60)

This strategy aims to effectively manage borrowing costs and risks by determining the appropriate balance between domestic and external borrowing, as well as the composition of borrowing sources. This blend is intended to progressively integrate alternative financing avenues outlined in the PIFS. Specifically, for the fiscal year 2024/25, it is envisaged that 40% of the total borrowing requirement will be met through external sources, while the remaining 60% will be sourced domestically. This plan anticipates a gradual decrease in domestic borrowing by reducing NDF.

Regarding debt servicing expenses, Strategy 4 emerges as the second-best option, with a total interest payment to GDP ratio of 3.20%, a debt to GDP ratio of 42.84%, and a weighted average interest rate of 8.09%. This strategy which poses the lowest refinancing risk as indicated by the highest average time to maturity of 9.71 years strikes an optimal balance between borrowing costs and risks. It is anticipated that this approach will facilitate a smooth transition towards the implementation of the most cost-effective strategy over the medium term.

4.5 Selected Strategy for FY 2024/25

Strategy 4 is considered as the preferred option for fiscal year 2024/25 and the medium term due to its feasibility, moderate cost, and manageable risk. This strategy enables a smooth transition towards adoption of the more cost-effective strategy and exploring the use of innovative financing methods such as Panda, Samurai, and Sukuk Bonds. Furthermore, it aligns with the established objectives for the fiscal year 2024/25 debt strategy, which include increasing government financing while mitigating the risk associated with domestic debt refinancing, reducing reliance on commercial borrowing by capitalizing on alternative financing sources, and diminishing the cost and refinancing risk linked with domestic debt.

4.6 Operational target FY 2024/25

This section provides cost and risk targets that GoU must consider during the implementation of the FY 2024/25 borrowing. The indicators are highlighted in Table 8 and will be monitored during the fiscal year 2024/25.

Table 8: Operational target FY 2024/25

Cost and Risk exposures	Cost and Risk Indicators	Dec-23	Target Ranges 2024/25
Cost of debt	External Debt Interest payment as percent of GDP	0.74	≤0.98
	Domestic Debt Interest payment as percent of GDP	2.88	≤2.57
	Total Interest payment as percent of GDP	3.63	≤3.49
	Total Implied Interest rate (percent)	7.26	≤8.10
Refinancing risk	External Debt maturing in 1yr (percent of Total)	2.37	≤6.31
	Domestic Debt maturing in 1yr (percent of Total)	26.61	≤24.24
	Total Debt Maturing in one year (percent of total)	12.25	≤13.19
Interest rate risk			
	Total Fixed Rate Debt Portfolio including T-bills (as percent of total debt)	86.87	≥83.3

Source: MoFPED

To fulfil meeting the Government's financing needs at minimal cost within a prudent level of risk, and to gradually transition towards exploring innovative financing avenues, Government intends to maintain some of the previously set targets. Specifically, regarding interest payments as a percentage of GDP, it aims to limit external interest payments to no more than 0.98% of GDP; limit domestic interest payments to no more than 2.57% of GDP; and cap total interest payments to no more than 3.49% of GDP. Additionally, the total implied interest rate is targeted to be below 8.1% by the conclusion of FY 2024/25.

Regarding interest rate risk, the Government intends to maintain fixed-rate debt, including Treasury bills, at no less than 83.3% of the total debt portfolio. Government aims to restrict the proportion of external and domestic debt of total debt maturing within one year to no more than 6.31% and 24.4%, respectively. The total proportion of debt maturing within one year is planned to be capped at 13.19% of the total outstanding debt.

4.7 The Borrowing Plan for FY 2024/25.

The formulation of the Annual Borrowing Plan ensures that Government meets its financing needs at the lowest possible cost with prudent degree of risk. Additionally, it enhances predictability of government borrowing and helps promote development of the domestic market. The FY 2024/25 borrowing plan indicates total projected borrowing and the split between external and domestic sources. It also anticipates the exploration of innovative financing options available in both the domestic and external market such as the domestic infrastructure bond, Sukuk, Panda and Samurai bonds over the medium term.

Table 9: FY 2024/25 Borrowing Plan

	FY 2024/25 Projected disbursment (UGX. trillion)	FY 2024/25 Projected Disbursment (USD. Million)	Share
External Debt			
ADF_Fixed	1.74	465.54	8.31%
Concessional_Fx	1.71	458.41	8.18%
Semi-Concessional_Fx	1.02	274.35	4.90%
Non-Concessional_Fx	0.70	186.88	3.33%
Non-Concessional_Var	0.92	245.51	4.38%
Commercial_Var	0.95	254.12	4.53%
Highly Commercial_Var	1.33	356.92	6.37%
Total external	**8.37**	**1,630.69**	**40%**
Domestic Debt			
T-Bills	4.77	1,277.79	22.80%
2-Tbond	0.75	201.76	3.60%
3-Tbond	0.88	235.38	4.20%
5-Tbond	1.26	336.26	6.00%
10-Tbond	1.38	369.89	6.60%
15-Tbond	1.63	437.14	7.80%
20-Tbond	1.88	504	9.00%
Total Domestic	**12.56**	**3,362.59**	**60%**
Total Gross borrowing	**20.93**	**4,993.29**	**100%**

Source: MoFPED

Based on the current macroeconomic projections for the Fiscal Year 2024/25 budget, the total gross financing requirement is estimated at UGX. 20.93 trillion. This amount is intended to be secured through a combination of domestic and external funding sources. Out of the UGX. 20.93 trillion required for financing in FY 2024/25, 40% amounting to UGX 8.37 trillion, is proposed to be acquired from the external market, while the remaining 60%, equivalent to UGX. 12.56 trillion, will be acquired domestically.

Commercial and non-concessional external financing is anticipated to make up 18.6% of the total borrowing in FY 2024/25 equivalent to UGX 3.90 trillion, while concessional and semi-concessional external financing will constitute 21.4% totalling UGX 4.48 trillion. Treasury bills are expected to constitute 22.8% of the total borrowing equivalent to UGX 4.77 trillion, while Treasury bonds will comprise of 37.2% equivalent to UGX 7.79 trillion.

4.8 Risks to Implementation of the Strategy

Potential risks to achieving this year's debt management objectives are as follows:

1. Increased expenditure requirements beyond the projections in the macroeconomic framework thus leading to supplementary budgets and the need for additional borrowing to meet the requirements.

2. Poor performance of projects arising from delay in completion of necessary delivery processes to enable commencement of projects and thus slow disbursements of loan and or project financing.

3. Persistent revenue shortfalls thus widening the fiscal deficit and resulting into increased borrowing beyond the macroeconomic framework used in the formulation of this strategy.

4. Failure to adhere to the planned fiscal consolidation path as provides for in the fiscal framework.

5. Volatility in the markets rates both domestically and globally resulting in the rise of interest rates and thus impacting of the cost of borrowing.

4.9 Policy recommendations for successful implementation of FY 2024/25 MTDS.

The difficulties posed by increasing borrowing costs and interest rate risks have persisted over the past five fiscal years, despite the formulation of the MTDS. To ensure successful implementation of this strategy, the following steps will be critical:

1. Undertake borrowing within the underlying macroeconomic assumptions in alignment to the proposed debt management strategy.
2. Pursue implementation of the Public Investment Financing Strategy by ensuring alignment of prioritized Government programmes and projects to suitable sources of financing. In addition, exploration of alternative affordable sources of financing to meet the budgetary requirements.
3. Implement the planned fiscal consolidation path indicated in the macroeconomic assumptions.

ANNEX

Annex 1: Glossary of Debt Terms

Average Time to Maturity (ATM): This provides an indicator for the average life of debt. It measures the average length of time it takes for debt instruments to mature and therefore the extent of the refinancing risk exposure. A long ATM implies lower refinancing risk exposure, and vice versa.

Average Time to Re-fix (ATR): ATR provides a measure for the average length of time it takes for interest rates to be reset. The longer the period, the lower the interest rate exposure.

Bilateral Creditor: A type of creditor in the context of external debt. Official Bilateral creditors include governments and their agencies, autonomous public bodies, or official export credit agencies.

Borrower (debtor): The organization or the entity defined as such in the loan contract, which usually is responsible for servicing the debt.

Bullet Repayment: The repayment of principal in a single payment at the maturity of the debt.

Concessional Loans: These 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 period.

Creditor: The organization or entity that provides money or resources and to whom payment is owed under the terms of a loan agreement. It is an entity with a financial claim on another entity.

Debt Default: Failure to meet a debt obligation payment, either *principal* or *interest*

Debt Disbursed and outstanding: The amount that has been disbursed from a loan commitment but has not yet been repaid or forgiven.

Debt Refinancing: Debt refinancing involves the replacement of an existing debt instrument or instruments including any arrears with a new debt instrument or instruments.

Debt Service: Refers to payments in respect of both *principal* and interest. Actual debt service is the set of payments made to satisfy a debt obligation, including principal, interest, and any late payment fees. Scheduled debt service is the set of payments, including principal and interest, which is required be made through the life of the debt.

Debt: All liabilities that pays that are debt instruments such loans and debt securities.

Disbursed Loans: The amount that has been disbursed from a loan but has not yet been repaid forgiven.

Domestic debt stock/GDP: This is a commonly used measure of the level of domestic debt relative to the size of the economy.

Domestic debt stock/Private Sector Credit (PSC): This ratio helps monitor the extent to which government borrowing may be crowding out the provision of credit to the private sector.

Domestic Debt: Debt liabilities owed by residents to residents of the same economy.

Domestic Interest Cost/Domestic Revenue (excluding grants): This ratio captures the budget sustainability of the domestic debt burden. The benchmark captures the relatively higher risk of accumulation of domestic debt in Uganda due to the relatively low level of Domestic revenue to GDP.

Domestic Interest Cost/Total Government expenditure: This ratio describes the share of total government expenditure that is directed to pay domestic interest costs. This therefore provides an indication of the extent to which available resources are used to meet finance costs at the expense of growth enhancing activities. The higher the ratio, the higher will be the risk of holding back economic growth.

External Debt: At any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of interest and/or *principal* by the *debtor* at some point(s) in the future and that are owed to non-residents by residents of an economy.

Face Value: Face value is the undiscounted amount of principal to be paid to the holder at maturity (e.g., the redemption amount of a bond).

Gross Domestic Product (GDP): Essentially, the sum of the gross value added of all resident producer units plus that part (possibly the total) of taxes on products, less subsidies products, that is not included in the valuation of output.

Interest: This is a form of investment income that is receivable by the owner of financial assets for putting such assets and other resources at the disposal of another institutional unit.

International Monetary Fund (IMF): Following the Bretton Woods Accords and established in 1945, the IMF is a cooperative intergovernmental monetary and financial institution with 187 member countries. Its main purpose is to promote international monetary cooperation so to facilitate the growth of international trade and economic activity more generally. The IMF provides financial resources to enable its members to correct payments imbalances without resorting to trade and payments restrictions.

International Development Association (IDA): IDA, established in 1960, is the concessional lending arm of the World Bank Group. IDA provides low- income developing countries (economies) with long- term loans on highly concessional terms typically, a ten-year grace period, a 40-year repayment period, and only a small servicing charge.

Multilateral Creditors: These creditors are multilateral financial institutions such as the IMF and the World Bank, as well as other multilateral development banks.

Nominal Value: The nominal value of a debt *instrument is* the amount that at any moment in time the *debtor owes* to the *creditor* at that moment; reference to the terms of a contract the debtor and creditor typically establish this value. The nominal value of a debt- instrument the value of the debt at creation, and any subsequent economic flows, such as transactions (e.g., repayment of *principal*), valuation changes.

Percent maturing in any year after year one: To avoid refinancing requirements being particularly concentrated in any single year, it is recommended to spread maturities evenly over the maturity curve. This risk control measure helps prevent rollover risk from being simply shifted to a later period, for example from year one to year two.

Percent Maturing in One Year: This is the share of debt maturing in the next twelve months. High proportions are indicative of high levels of interest rate or rollover risk. The risk is more pronounced in less liquid markets.

Present Value (PV): The present value (PV) is the discounted sum of all future *debt service* at a given rate of *interest*. If the rate of interest is the contractual rate of the debt, by construction, the *present value* equals the *nominal value*, whereas if the rate of interest is the market interest rate, then the present value equals the market value of the debt.

Principal Repayment: The payments that are made against the *drawn* and outstanding amount of the loan.

Share of Bonds/Bills: A target for the share of Treasury Bonds to bills outstanding within the domestic debt stock acts as a useful rule of thumb to help in achieving the benchmarks for managing refinancing risk.

Short-Term Debt: Debt that has maturity of one year or less. Maturity can be defined on either an original or a remaining basis.

Spread (Margin): A percentage to be added to some defined base interest rate, such as LIBOR, to determine the rate of interest to be used for a loan.

Stock of Debt: The amount outstanding as of a moment of time.

Treasury Bills: Negotiable securities issued by the government. In general, these are short-term obligations issued with maturity of one year or less. They are traded on a discount basis.

Treasury Bonds: Longer Term securities compared to Treasury Bills. Usually more than a year.

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