INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

UGANDA

# Initiative for Heavily Indebted Poor Countries
# Second Completion Point Document

Prepared by the Staffs of the IMF and IDA

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Tables

## I. Introduction

1. Uganda reached its Decision Point under the original framework of the Heavily Indebted Poor Countries (HIPC) Initiative in April 1997, and its completion point one year later, in April 1998. Accordingly, it was granted US$347 million of debt relief in net present value (NPV) terms.[1] Already, a total of US$45 million in debt service relief, in nominal terms, was provided in fiscal year 1998/99 and about US$42 million is expected to be received in 1999/00.

2. In January 2000, the Executive Boards of the IDA and the IMF decided that Uganda was eligible and qualified for additional debt relief under the enhanced HIPC framework, and committed the amounts of their respective assistance at the completion point subject to satisfactory assurances of participation by Uganda's other creditors.[2] Uganda's eligibility reflected the effectiveness of its poverty reduction strategy to date, the effective application of resources from debt relief under the original HIPC framework to its poverty reduction programs, the consultative process involving civil society, local authorities, donors, and parliament in the formulation of its poverty reduction strategy, and the authorities sustained progress in implementing economic and structural reforms.

3. This document is organized as follows. Section II discusses recent adjustment and structural reform efforts. Section III reports on the status of creditors' participation and data reconciliation and Section IV presents conclusions.

## II. Recent Economic Performance[3]

4. Real GDP growth reached 7.8 percent in 1998/99, consistent with macroeconomic stability. Growth in the current year is expected to be 4.5 percent, compared with the original 7 percent forecast. This slower rate of growth reflects the impact of exogenous factors: a drought, which has reduced agricultural production somewhat, and a sharper-than-envisioned deterioration in the terms of trade, which has reduced real demand. However, when account is taken of these exogenous factors, inflation remains subdued; both overall and underlying

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[1] Documents IDA/SecM99-475 (7/26/99) and EBS/99/138 (7/23/99).

[2] Documents IDA/R2000-9 (1/27/00) and EBS/00/6 (1/19/00). As under the enhanced HIPC framework, the amount of assistance is no longer agreed at the Completion Point but at the Decision Point, the Executive Boards decided on January 28, 2000 to provide additional debt relief of US$656 million in NPV terms, sufficient to meet a target of NPV of debt of 150 percent of exports of goods and nonfactor services as of end-June 1999. The cost shares for the IMF and the IDA are US$91 million and US$357 million, respectively.

[3] See EBS/00/64 (4/3/00) for detailed assessment of recent economic performance.

inflation were below 3 percent at end-February. Government revenues were below projections in the first half of the year; however, these revenue shortfalls were offset by lower expenditure. Nevertheless, expenditures on Priority Program Areas (PPAs) were broadly as envisioned targets for the first half of the year. Because of these actions, the government's fiscal deficit in the first half of the year was in line with original targets. The external position remained comfortable, as the depreciation of the Uganda shilling essentially offset the terms of trade deterioration; as of end-December, reserves were equivalent to over five-month import cover. Over the medium term, real growth is expected to pickup while underlying inflation remains at less than 5 percent.

## III. ENHANCED ASSISTANCE AND CREDITOR PARTICIPATION

### A. Assistance Under the Enhanced Framework

5. Based on an updated estimation of the NPV of external public and publicly guaranteed debt agreed by the Executive Boards of the IDA and the IMF at the Second Decision Point (US$1,748 million), Uganda's creditors agreed to provide additional debt relief of US$656 million (Tables 1 and 2). The Executive Boards also endorsed the suggested amounts and delivery profiles of assistance under the enhanced Initiative for the IMF and the IDA (Tables 3 and 4).

### B. Creditor Participation and Data Reconciliation

6. **Creditor Participation.** Participation of all creditors is crucial to provide full relief to Uganda from the second completion point onward, and to secure equitable burden sharing. Under the original HIPC Initiative, Uganda has been able to secure assistance from the large majority of its multilateral creditors, except for the East African Development Bank and PTA Bank.[4] Uganda has also signed agreements with all its Paris Club creditors, except Italy. However, it has not been able to reschedule its arrears and current maturities with most non-Paris Club bilateral creditors (except Rwanda and Tanzania).[5] In the past weeks, Uganda and India engaged discussions with a view to settling bilateral claims, on terms comparable to those offered by the Paris Club. Negotiations are currently under way.

7. Consistent with the recommendations of the Executive Boards of the World Bank and IMF at the Decision Point under the enhanced HIPC Initiative, management and staff have

[4] Discussions are on-going to find a solution whereby these institutions can also deliver their share of the debt relief. The Islamic Development Bank has confirmed its participation in the HIPC Initiative, but the Ugandan authorities confirmed that no debt relief has yet been received.

[5] This general issue is to be discussed by the World Bank and IMF Boards on the basis of a joint Bank/IMF paper.

continued their efforts to gather participation of all creditors for the enhanced Initiative. At this stage, IDA, the IMF, and the Paris Club have confirmed their willingness to provide additional assistance to Uganda. The International Fund for Agricultural Development, the European Union/European Investment Bank, the Nordic Development Fund, the OPEC Fund, and BADEA have indicated their willingness to participate in the enhanced HIPC Initiative in principle, and are in the process of taking further steps to confirm their additional assistance to Uganda. Altogether, these creditors account of 85 percent of Uganda's external debt. The African Development Bank Group, which accounts for about 9 percent of the debt, has stated its intention to participate in the enhanced HIPC Initiative framework, but the modalities of its participation remain to be finalized.. Other smaller multilateral development banks have been contacted to find a suitable solution to their participation. Further efforts will be needed to secure the participation of bilateral non-Paris Club creditors to both the original and enhanced HIPC Initiatives.

8. **Reconciliation of debt data.** The reconciliation of Uganda's external debt data is already well advanced. During the update of the DSA, data have been reconciled with that of multilateral financial institutions. Uganda has sent requests for financial statements to all its bilateral creditors, and has received positive responses in most cases. The reconciliation of Paris Club debt was achieved in the context of the original framework, but additional statements have been received on the new debt position as of June 1999. Several non-Paris Club bilateral creditors have sent financial statements (while in some cases indicating their unwillingness to provide debt relief), others have yet to respond. Overall, more than 90 percent of Uganda's external debt has been reconciled.

## IV. CONCLUSIONS

9. The staffs of the IMF and IDA are of the view that Uganda's economic performance since reaching the Decision Point under the original HIPC Initiative has been satisfactory. A PRSP has been presented by the authorities and a staff assessment of the PRSP is being circulated separately. Uganda has made substantial efforts to clear its arrears to bilateral creditors, and remaining arrears reflect only the unwillingness/inability of the creditors concerned to offer HIPC debt relief under the original framework. The staffs will update the Boards on the issue of satisfactory assurances of creditor participation under the enhanced HIPC Initiative prior to the Board meeting. In the light of the above, the staffs of the IMF and IDA recommend that Executive Directors determine that the conditions for reaching the completion point under the enhanced HIPC Initiative have been met once they endorse the joint staff assessment of the PRSP. Completion point assistance will be subject to the receipt of satisfactory assurances from Uganda's other creditors. The staff proposes that the Boards decide that satisfactory assurances will be reached when the AfDB has confirmed its unconditional participation. In the meantime, IDA and the IMF will continue to provide interim relief as set forth at the decision point.

Table 1. Uganda: Nominal and Net Present Value (NPV) of Debt, end-June 1999 1/
(In millions of U.S. dollars, unless otherwise indicated)

| | Nominal Debt | NPV of Debt | Share |
|---|---|---|---|
| Total | 3,217.3 | 1,748.3 | 100.0 |
| Multilateral | 2,777.7 | 1,454.7 | 83.2 |
| IDA | 1,944.7 | 950.5 | 54.4 |
| IMF | 351.1 | 242.4 | 13.9 |
| AfDB/F | 320.3 | 158.0 | 9.0 |
| IFAD | 56.6 | 26.9 | 1.5 |
| EU/EIB | 50.9 | 37.7 | 2.2 |
| Nordic Development Fund | 19.3 | 9.9 | 0.6 |
| OPEC Fund | 15.3 | 13.6 | 0.8 |
| BADEA | 12.0 | 10.9 | 0.6 |
| Other: | 7.5 | 4.9 | 0.3 |
| East African Development Bank | 2.6 | 1.9 | 0.1 |
| Islamic Development Bank | 3.5 | 1.4 | 0.1 |
| PTA Bank | 1.2 | 1.3 | 0.1 |
| Shelter Afrique | 0.2 | 0.2 | 0.0 |
| Bilateral | 409.5 | 267.7 | 15.3 |
| *Of which: Paris Club* | 279.1 | 190.4 | 10.9 |
| non-Paris Club 2/ | 130.5 | 77.4 | 4.4 |
| Commercial 2/ | 30.1 | 25.8 | 1.5 |
| NPV of debt-to-exports ratio before assistance (in percent) | | 240 | |
| Possible assistance under the enhanced HIPC Initiative | | 656 | |
| NPV of debt-to-exports ratio after assistance (in percent) | | 150 | |
| Memorandum item: | | | |
| Exports of goods and nonfactor services (three-year average) | | 728.3 | |

Sources: Ugandan authorities; and staff estimates.

1/ Figures are based on end-June 1999 data, using end-June 1999 exchange rates and the six-month average Commercial Interest Reference Rate (CIRR) at end-June 1999.
2/ NPV of debt: assumes that other bilateral and commercial creditors provide treatment comparable to that by the Paris Club in 1998.

Table 2. Uganda: Bilateral and Commercial Creditors, end-June 1999 1/
(In millions of U.S. dollars)

| | Legal situation | | After comparable treatment to that agreed with the Paris Club in 1998 2/ | |
|---|---|---|---|---|
| | Nominal stock | NPV | Nominal stock | NPV |
| Paris Club creditors | 286.5 | 227.1 | 279.1 | 190.4 |
| Austria | 25.9 | 18.1 | 25.9 | 18.1 |
| Finland | 5.3 | 2.9 | 5.3 | 2.9 |
| France | 26.5 | 22.4 | 19.4 | 17.8 |
| Germany | 0.9 | 1.1 | 0.9 | 1.1 |
| Israel | 4.8 | 5.2 | 4.8 | 5.2 |
| Italy | 118.6 | 86.2 | 118.2 | 54.1 |
| Japan | 51.6 | 44.0 | 51.6 | 44.0 |
| Norway | 0.1 | 0.1 | 0.1 | 0.1 |
| Spain | 42.6 | 36.1 | 42.6 | 36.1 |
| Sweden | 0.0 | 0.0 | 0.0 | 0.0 |
| United Kingdom | 9.9 | 10.7 | 9.9 | 10.7 |
| United States | 0.2 | 0.1 | 0.2 | 0.1 |
| Non-Paris Club creditors | 357.3 | 284.8 | 130.5 | 77.4 |
| Abu Dhabi | 4.4 | 4.4 | 0.9 | 0.9 |
| Burundi | 1.6 | 1.6 | 0.3 | 0.3 |
| China | 38.2 | 28.1 | 23.1 | 7.4 |
| India | 65.8 | 64.2 | 13.2 | 9.8 |
| Iraq | 0.0 | 0.0 | 0.0 | 0.0 |
| Kuwait | 29.5 | 25.6 | 27.1 | 17.7 |
| Lybia | 114.0 | 111.2 | 34.4 | 21.8 |
| Nigeria | 11.1 | 10.8 | 2.2 | 2.4 |
| North Korea | 11.2 | 10.4 | 2.5 | 0.8 |
| Pakistan | 3.2 | 3.2 | 3.2 | 0.7 |
| Rwanda | 7.9 | 7.9 | 1.6 | 1.5 |
| Saudi Arabia | 8.8 | 6.1 | 8.8 | 4.1 |
| South Korea | 4.7 | 2.9 | 4.7 | 1.5 |
| Tanzania | 56.9 | 8.5 | 8.5 | 8.5 |
| Commercial creditors | 41.6 | 43.3 | 30.1 | 25.8 |
| Italy | 0.3 | 0.3 | 0.3 | 0.3 |
| Panama | 0.1 | 0.1 | 0.0 | 0.0 |
| Spain | 1.6 | 1.6 | 1.6 | 1.4 |
| Sweden | 3.5 | 4.5 | 3.5 | 4.5 |
| United Kingdom | 30.8 | 31.5 | 17.3 | 13.3 |
| Yugoslavia | 7.3 | 7.3 | 7.3 | 6.4 |

Sources: Ugandan authorities; and staff estimates.

1/ Includes commercial loans.
2/ Involving an 80 percent NPV reduction on eligible debt.

Table 3. Uganda: Estimated Assistance at Second Decision Point in 2000 1/
(In millions of U.S. dollars in NPV terms at end-June 1999, unless otherwise indicated)

| | Total (US$ m.) | Multilaterals (US$ m.) | Bilateral and Commercial (US$ m.) | Common Reduction Factor (In percent) 2/ | Required NPV Debt Reduction on Comparable Treatment of Overall Exposure 3/ |
|---|---|---|---|---|---|
| Debt relief baseline scenario | 656 | 546 | 110 | 37.52 | |
| Memorandum items: | | | | | |
| NPV of debt | 1,748.3 | | | | |
| Multilateral institutions | 1,454.7 | | | | |
| Bilateral and commercials | 294 | | | | |
| Paris Club | 190 | | | | 87.5 |
| *Of which: pre-cutoff-non-ODA de* | 63 | | | | 102.8 |
| Non-Paris Club bilateral creditors | 77 | | | | 87.5 |
| *Of which: pre-cutoff-non-ODA de* | 65 | | | | 91.8 |
| Commercial creditors | 26 | | | | |
| Three-year export average | 728 | | | | |
| NPV of debt-to-exports ratio (in percent) | 240 | | | | |

Sources: Ugandan authorities; and staffs estimates.

1/ Assumes a proportional burden-sharing approach after application of Lyon terms.
2/ After full application of traditional debt relief mechanisms.
3/ Includes traditional debt relief mechanisms.

Table 4. Uganda: Estimated Delivery of IDA Assistance Under the HIPC Initiative, FY2000-2020 1/

(In millions of U.S. dollars, unless otherwise indicated)

| FY | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Projected debt service to IDA before original assistance | 33.1 | 38.8 | 44.8 | 52.5 | 62.4 | 71.7 | 73.2 | 73.5 | 92.3 | 92.7 | 95.5 | 99.8 | 101.9 | 105.6 | 105.9 | 104.3 | 113.5 | 115.7 | 108.7 | 112.1 | 112.5 |
| **Original assistance** | | | | | | | | | | | | | | | | | | | | | |
| IDA debt service reduction | 16.7 | 19.7 | 19.8 | 19.7 | 8.1 | 8.0 | 8.0 | 7.9 | 9.4 | 9.3 | 9.2 | 9.2 | 9.0 | 9.0 | 8.9 | 8.8 | 8.7 | 8.7 | 7.9 | 7.8 | 7.6 |
| Projected remaining debt service to IDA | 15.8 | 17.9 | 22.6 | 26.4 | 46.2 | 53.5 | 54.5 | 54.3 | 58.3 | 60.8 | 63.7 | 67.6 | 71.9 | 75.4 | 78.0 | 81.0 | 81.2 | 80.8 | 81.1 | 81.6 | 81.1 |
| *Percentage reduction of debt service* | *50.6%* | *50.6%* | *44.2%* | *37.6%* | *13.0%* | *11.2%* | *10.9%* | *10.8%* | *10.2%* | *10.0%* | *9.7%* | *9.2%* | *8.9%* | *8.5%* | *8.4%* | *8.4%* | *7.7%* | *7.5%* | *7.3%* | *7.0%* | *6.7%* |
| **Enhanced assistance** | | | | | | | | | | | | | | | | | | | | | |
| Additional IDA debt service reductior 2/ | 4.3 | 9.7 | 12.2 | 14.3 | 24.9 | 28.9 | 29.4 | 29.3 | 31.5 | 32.9 | 34.4 | 36.5 | 38.9 | 40.7 | 42.1 | 43.8 | 43.8 | 43.6 | 43.8 | 44.1 | 0.0 |
| Projected remaining debt service to IDA | 11.6 | 8.2 | 10.4 | 12.2 | 21.3 | 24.6 | 25.1 | 25.0 | 26.8 | 28.0 | 29.3 | 31.1 | 33.1 | 34.7 | 35.9 | 37.3 | 37.3 | 37.2 | 37.3 | 37.5 | 81.1 |
| *Percentage reduction of debt service 2/ 3/* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *54.0%* | *0.0%* |
| **Total assistance under the original and enhanced HIPC Initiative frameworks** | | | | | | | | | | | | | | | | | | | | | |
| Total IDA debt-service reduction | 21.0 | 29.3 | 32.0 | 34.0 | 33.1 | 36.9 | 37.4 | 37.3 | 40.9 | 42.1 | 43.6 | 45.7 | 47.9 | 49.7 | 51.1 | 52.5 | 52.6 | 52.3 | 51.7 | 51.9 | 7.6 |
| *Total projected percentage reduction of debt service* | *63.5%* | *75.5%* | *71.4%* | *64.8%* | *53.0%* | *51.5%* | *51.1%* | *50.7%* | *44.3%* | *45.4%* | *45.7%* | *45.8%* | *47.0%* | *47.1%* | *48.2%* | *50.4%* | *46.3%* | *45.2%* | *47.6%* | *46.3%* | *6.7%* |
| **Memorandum item:** | | | | | | | | | | | | | | | | | | | | | |
| HIPC Initiative assistance in NPV terms | | | | | | | | | | | | | | | | | | | | | |
| under original framework 160 | | | | | | | | | | | | | | | | | | | | | |
| under enhanced framework 357 | | | | | | | | | | | | | | | | | | | | | |

1/ Assistance under the original HIPC framework will be provided until 2038.

2/ For FY2000, the 54 percent debt-service reduction applies only to the remaining debt service due between February 1-June 30, 2000, which is estimated to be US$7.92 million.

3/ The 54 percent debt-service reductions (on debt service as it comes due) are calculated using the end-June 1999 SDR-US$ exchange rate.

Table 5. Uganda: Proposed Delivery of IMF Assistance under the HIPC Initiative 1/

(In millions of U.S. dollars, unless otherwise indicated)

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|---|---|---|---|---|---|---|---|---|---|---|
| Delivery schedule of IMF assistance under original HIPC Initiative (in percent of total assistance) | 15.0 | 13.0 | 12.0 | 11.0 | 9.0 | 8.0 | 6.0 | 4.0 | 0.0 | 0.0 |
| Delivery schedule of IMF assistance under enhanced HIPC Initiative (in percent of total assistance) 2/ | 8.2 | 17.7 | 13.3 | 13.5 | 17.7 | 14.9 | 7.5 | 4.7 | 2.1 | 0.4 |
| Debt service due on current IMF obligations 3/ | 19.8 | 48.1 | 42.7 | 43.9 | 51.3 | 45.8 | 36.2 | 24.8 | 12.6 | 2.3 |
| *Of which: Principal* | 18.8 | 46.6 | 41.4 | 42.9 | 50.5 | 45.1 | 35.8 | 24.6 | 12.6 | 2.3 |
| Interest | 0.9 | 1.5 | 1.3 | 1.1 | 0.8 | 0.7 | 0.4 | 0.3 | 0.0 | 0.0 |
| IMF assistance under original HIPC Initiative 4/ | 4.3 | 11.1 | 10.0 | 8.9 | 7.2 | 6.1 | 4.5 | 3.2 | 0.0 | 0.0 |
| IMF assistance under enhanced HIPC Initiative 4/ | 7.5 | 17.8 | 15.8 | 15.3 | 18.6 | 15.3 | 7.8 | 4.8 | 2.1 | 0.4 |
| Total IMF assistance under the HIPC initiative 5/ | 11.8 | 28.9 | 25.8 | 24.3 | 25.8 | 21.5 | 12.4 | 8.0 | 2.1 | 0.4 |
| *Of which: IMF assistance without interest* | 11.4 | 25.1 | 20.4 | 19.7 | 22.3 | 19.0 | 10.9 | 7.1 | 1.9 | 0.3 |
| Interest earnings of Uganda's account | 0.4 | 3.8 | 5.5 | 4.6 | 3.6 | 2.4 | 1.4 | 0.9 | 0.2 | 0.1 |
| Debt service due on current IMF obligations after total IMF assistance 6/ | 8.0 | 19.2 | 16.9 | 19.6 | 25.5 | 24.3 | 23.8 | 16.8 | 10.4 | 1.9 |
| Share of debt service due on current IMF obligations covered by total IMF assistance (in percent) 5/ | 59.5 | 60.0 | 60.5 | 55.3 | 50.3 | 46.9 | 34.2 | 32.4 | 16.9 | 17.6 |
| Memorandum items: | | | | | | | | | | |
| Profile of total assistance under HIPC (original and enhanced; in percent) | 11.1 | 15.7 | 12.7 | 12.4 | 14.0 | 11.9 | 6.8 | 4.4 | 1.2 | 0.2 |
| Proportion of each repayment falling due during the period to be paid by total HIPC assistance from the principal deposited in Uganda's account | 60.5 | 53.8 | 49.1 | 46.2 | 44.2 | 42.2 | 30.6 | 28.8 | 15.1 | 14.2 |
| Proportion of each repayment falling due during the period to be paid by enhanced HIPC assistance from the principal deposited in Uganda's account | 39.8 | 34.6 | 29.2 | 28.6 | 31.9 | 30.1 | 19.0 | 17.6 | 15.1 | 14.2 |
| Debt service due on current IMF obligations after total IMF assistance 5/ (in percent of exports) | 1.1 | 2.4 | 1.9 | 2.0 | 2.3 | 1.9 | 1.7 | 1.1 | 0.6 | 0.1 |

1/ Fiscal year begins July

2/ Total IMF assistance under the HIPC Initiative is US$ 159.9 million (equivalent to SDR 119.6 million) calculated on the basis of data available at the decision point, excluding interest earned on Uganda's account and on committed b undisbursed amounts as described in footnote 3. The SDR/U.S. dollar rate used is 0.749.

3/ As of Uganda's Second Decision Point (February 7, 2000).

4/ Includes estimated interest earnings on: (1) amounts held in Uganda's account; and (2), up to the 2nd completion point, amounts committed but not yet disbursed. It is assumed that the amounts in the account earn a rate of return o 4.9 percent. Interest accrued on (1) during a fiscal year will be used toward the first repayment obligation(s) falling due in the following fiscal year, except in the final year, when it will be used toward payment of the final obligation falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment obligation(s) falling due in fiscal year 2000/01

5/ Including total interest earnings as in footnote 3.