



UGANDA

TECHNICAL ASSISTANCE REPORT—REPORT ON THE FINANCIAL TRANSACTIONS AND BALANCE SHEETS MISSION

September 2017

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UGANDA

REPORT OF THE MISSION ON FINANCIAL TRANSACTIONS AND BALANCE SHEETS

January 5–16, 2015

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Content	Page
Abbreviations.....	4
Executive Summary	5
Action Plan for Developing Financial Transactions and Balance Sheets.....	7
I. Introduction	10
II. Institutional and Legal Setting	11
III. Building the Integrated Sectoral Accounts Approach in Uganda.....	12
IV. Balancing Principles in the Integrated Sectoral Accounts Approach.....	23
V. Data Requirement of Financial Stability Department (FSTD)	26
 Annexes	
I. List of Officials Met by the Mission	28
II. Examples where Taking the Differences between Positions' Data Need to be Adjusted to Derive Transactions	29
III. Data Requests.....	32
IV. Link between Financial Assets Classification and Functional Categories	34
V. Data Availability Matrix	35

ABBREVIATIONS

<i>2008 SNA</i>	<i>System of National Accounts 2008</i>
BOU	Bank of Uganda
CCI	Consumer Confidence Index
CIS	Collective Investment Schemes
CMA	Capital Markets Authority
DTC	Deposit-taking Corporations except the central bank
EAC	East African Community
EBU	Extra-Budgetary Units
ESSD	External Sector Statistics Division, Statistics Department, BOU
FC	Financial Corporation
FMD	Financial Markets Department, BOU
FOF	Flow of Funds
FSD	Fiscal Statistics Division, Statistics Department, BOU
FSTD	Financial Stability Department of BOU
GFS	Government Finance Statistics
GGG	General Government Sector
GOU	Government of Uganda
HFCE	Household final consumption expenditure
IIP	International investment position
IRAU	Insurance Regulatory Authority of Uganda
LG	Local government
MFI	Micro finance institutions
MSDDD	Monetary Statistics and Data Dissemination Division, Statistics Department, BOU
MOFPED	Ministry of Finance, Planning and Economic Development
MOU	Memorandum of Understanding
NFC	Nonfinancial corporation
NSSF	National Social Security Fund
OAG	Office of Accountant General
OFC	Other financial corporation
ROW	Rest of the World
RSD	Real Sector Division of the Statistics Department of BOU
SACCO	Savings and credit cooperative organizations
SD	Statistics Department of BOU
STA	Statistics Department of the IMF
UBOS	Uganda Bureau of Statistics
URA	Uganda Revenue Authority
URBRA	Uganda Retirement Benefits Regulatory Authority
USE	Uganda Securities Exchange

EXECUTIVE SUMMARY

In response to a request from the Bank of Uganda (BOU) and in consultation with the African Department, a mission visited Kampala, Uganda during January 5–16, 2015, to provide technical assistance (TA) to the BOU for improving the existing financial transactions and balance sheet accounts by institutional sectors. This activity (15STU53) is conducted with support from the AFRITAC East.

The mission reviewed the existing quarterly flow of fund accounts by institutional sectors and provided advice for development of sectoral financial transactions and balance sheets following the *System of National Accounts 2008 (2008 SNA)*. In addition, the mission conducted an outreach workshop mainly for all the agencies that provide important data for development of sectoral financial transactions and balance sheets and possible user departments of the BOU.

The mission together with the staff of the Real Sector Division (RSD) of Statistics Department (SD) of BOU held discussions with the Monetary Statistics and Data Dissemination Division (MSDDD), External Sector Statistics Division (ESSD), Fiscal Statistics Division (FSD) of SD, Nonbanking Financial Institutions /Financial Markets Departments (FMD) of the BOU, Uganda Bureau of Statistics (UBOS), Insurance Regulatory Authority of Uganda (IRAU), Ministry of Finance, Planning and Economic Development (MOFPED), Uganda Retirement Benefits Regulatory Authority (URBRA), Capital Markets Authority (CMA), and Uganda Revenue Authority (URA) to identify data that can potentially be used for development of financial transactions and balance sheets by institutional sectors. The mission commended the cooperation extended by the authorities of all these agencies to provide the data for development of financial transactions and sector balance sheets.

The mission suggested to develop the financial transactions and balance sheets based on a holistic approach following the integrated sectoral accounts framework of the *2008 SNA*. This approach will highlight the interconnectedness of the four main sectors of the Ugandan economy. The report builds on technical assistance provided recently on i) Government Finance Statistics (July 8–18, 2014); ii) Monetary and Financial Statistics (March 26–April 6, 2012); and iii) Balance of Payments (February 4–15, 2013).

The Templates for Minimum and Encouraged Set of Internationally Comparable Sectoral Accounts and Balance Sheets (Templates), which were developed by the Working Group on Sectoral Accounts, provided the basis for the discussions on sector and financial instrument breakdowns for the development of financial transactions and sector balance sheets. The mission agreed with the staff on the minimum sector and financial instrument breakdowns for the development of financial transactions and balance sheets.

The mission provided RSD staff with a data availability matrix for the development of financial transactions and balance sheets based on the various data sources identified during

the mission. The mission assessed that development of experimental financial transactions and sector balance sheets in the near future is possible. However, the development of final accounts which are consistent with nonfinancial accounts would take two to three more years and that too depend on obtaining additional source data, especially for the nonfinancial corporations.

The mission observed that the current staff resource is not commensurate with the work that is to be undertaken in connection with the compilation of financial transactions and balance sheets by institutional sectors following the *2008 SNA*. Further, the capacity of the existing staff in terms of their understanding of the *2008 SNA* framework on sectoral accounts and balance sheets requires improvement.

The mission recommended to the BOU to review the existing memorandum of understanding (MOU) with the URA and ensure that the data on nonfinancial corporations are obtained regularly for the development of consistent nonfinancial accounts for this sector and financial indicators requested by the Financial Stability Department.

The mission recommended that the BOU collaborate with UBOS and agree on arrangements for compilation of current and capital accounts for different institutional sectors. This would be necessary to ensure that the perspective of the financial accounts is consistent with the nonfinancial accounts.

Benchmark Actions

A detailed work program has been developed and agreed with the BOU for the implementation of the quarterly sectoral financial transactions and balance sheets. Important benchmark actions due for completion in the coming eight to ten months are provided below:

- Experimental annual and quarterly sectoral stocks and transactions of financial assets and liabilities are compiled following the conceptual framework of the *2008 SNA* to the extent possible as per the template agreed.
- Annual current and capital accounts are compiled for the BOU and deposit-taking corporations following the conceptual framework of the *2008 SNA* to the extent possible.
- Collaboration of the source data agencies is established to agree on data requirements, frequency (quarterly), timeliness, and data transmission arrangements.

ACTION PLAN FOR DEVELOPING FINANCIAL TRANSACTIONS AND BALANCE SHEETS

OBJECTIVES:

Description	Verifiable Indicators	Assumptions/Risk
Develop financial transactions and balance sheets by institutional sectors following the conceptual framework of the 2008 SNA to the extent possible.	<p>Annual stocks and transactions of financial assets and liabilities by institutional sectors.</p> <p>Quarterly stocks and transactions of financial assets and liabilities by institutional sectors.</p> <p>Annual current and capital accounts by institutional sectors.</p>	<p>Collaboration and support from different stakeholders (MOFPED, IRAU, URBRA, URA, CMA, etc.) is necessary for developing annual /quarterly stocks and transactions of financial assets and liabilities.</p> <p>Support and cooperation of the MOFPED is necessary for collecting annual/quarterly data for general government sector.</p> <p>Enhanced coordination with different departments of the BOU is necessary.</p> <p>Additional staff with sufficient knowledge of sectoral accounts frameworks will be needed.</p> <p>Technical assistance and training and improved capacity will be needed.</p>

OUTCOMES:

Outcomes Description	Verifiable Indicators	Completion Date	Implementation Status/Assumptions
Experimental annual sectoral stocks and transactions of financial assets and liabilities are compiled following the conceptual framework of the 2008 SNA to the extent possible as per the template agreed.	Annual data are compiled from 2014.	December 2015	<p>Use the existing data together with many other data sources identified during the mission to produce these accounts.</p> <p>Active collaboration with different stakeholders is needed to produce these accounts.</p>
Experimental quarterly sectoral stocks and transactions of financial assets and liabilities are compiled as per the template agreed.	Quarterly data are compiled from 2015 Q1.	December 2015	<p>Use the existing data together with many other data sources identified during the mission to produce these accounts.</p> <p>Active collaboration with different stakeholders is needed to produce these accounts.</p>
Annual current and capital accounts for General Government sector are compiled following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled from 2014.	June 2016	Ongoing collaboration with UBOS, MOFPED and FSD is necessary.

Outcomes Description	Verifiable Indicators	Completion Date	Implementation Status/Assumptions
Annual current and capital accounts are compiled for the BOU and deposit taking corporations following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled from 2014.	June 2015	Ongoing collaboration with UBOS is necessary.
Annual current and capital accounts are compiled for the collective investment schemes, insurance and pension funds following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled from 2015	June 2016	Ongoing collaboration with UBOS and URBRA is necessary.
Annual current and capital accounts are compiled for other financial corporations (except insurance and pension funds) following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled from 2015.	June 2016	Ongoing collaboration with UBOS is necessary.
Annual current and capital accounts are compiled for nonfinancial corporations following the conceptual framework of the 2008 SNA to the extent possible.	Annual data are compiled from 2012.	2017	Ongoing collaboration with UBOS and URA is necessary.
Collaborate with IRAU to agree on data requirements, frequency (quarterly), timeliness, and data transmission arrangement for insurance companies.	IRAU will collect data from insurance companies and regularly transmit data to BOU according to specifications.	June 2015	Data for compilation of nonfinancial accounts could be collected by RSD from IRAU and balance sheet data from the MSDDD.
Collaborate with URBRA to agree data requirements, frequency (quarterly), timeliness, and data transmission arrangement for pension funds.	URBRA will collect data from pension funds and regularly transmits data to BOU according to specifications.	June 2015	Data for compilation of nonfinancial accounts could be collected by RSD from URBRA and balance sheet data from the MSDDD.
Collaborate with URA for financial reports of nonfinancial corporations and agree on regular transmission arrangements.	URA will collect data from NFCs and regularly transmit data to BOU.	June 2015	
Collaborate with the CMA for provision of quarterly data on stocks and transactions on corporate bonds and equities, and financial reports of collective investment schemes and agree on regular transmission arrangements.	CMA regularly transmits the required data.	June 2015	

Outcomes Description	Verifiable Indicators	Completion Date	Implementation Status/Assumptions
Collaborate with the MOFPED to agree on annual/quarterly data on government sector and transmission arrangements.	MOFPED regularly transmits data according to specifications.	June 2015	
Collaborate with the Office of Accountant General (OAG) and Privatization Unit to agree on the specification of annual data on public nonfinancial corporations and transmission arrangements.	OAG and Privatization Unit regularly transmit data according to specifications.	June 2015	
Collaborate with the FMD (Central Depository) to agree on requirements for stocks and transactions data on Government securities.	FMD transmits data according to specifications.	June 2015	
Additional staff are allocated for this project on compilation of financial transactions and balance sheets as required.	Additional staff members are allocated to work on this project through reallocation of staff / work in the SD.	2015	
Annual and quarterly sectoral stocks and transactions of financial assets and liabilities that are consistent with the nonfinancial accounts are compiled and disseminated through the website of BOU (including source data and methodologies).	Annual and quarterly data are disseminated regularly. Sources and methods of compilation are made available on the website of the BOU.	2017/18	

I. INTRODUCTION

1. In response to a request from the Bank of Uganda (BOU) and in consultation with the African Department, a mission visited Kampala, Uganda during January 5–16, 2015, to provide technical assistance (TA) to the BOU for improving the existing financial transactions and balance sheet accounts by institutional sectors. This activity (15STU53) is conducted with support from the AFRITAC East.

2. The mission reviewed the existing quarterly flow of fund (FOF) accounts (see section III for details) by institutional sectors and provided advice for development of sectoral financial transactions and balance sheets following the *System of National Accounts 2008* (2008 SNA). In addition, the mission conducted an outreach workshop mainly for all the agencies that provide important data for development of financial transactions and balance sheets and possible user departments of the BOU. The workshop briefly discussed the existing sources and methods of FOF accounts, overview of sectoral accounts and balance sheets as per the 2008 SNA, templates for the minimum and encouraged set of internationally comparable financial flows and stocks, and analytical uses of the sectoral accounts data. The deliberations of the workshop were well received by the participants from the Uganda Bureau of Statistics (UBOS), Ministry of Finance, Planning and Economic Development (MOFPED) and different departments of the BOU.

3. The mission together with the staff of the Real Sector division (RSD) of Statistics Department (SD) of BOU held discussions with the Monetary Statistics and Data Dissemination Division (MSDDD), External Sector Statistics Division (ESSD), Fiscal Statistics Division (FSD) of SD, Nonbanking Financial Institutions Department (NBFID), and the Financial Markets Department (FMD) of the BOU, as well as with the Uganda Bureau of Statistics (UBOS), Insurance Regulatory Authority of Uganda (IRAU), Ministry of Finance, Planning and Economic Development (MOFPED), Uganda Retirement Benefits Regulatory Authority (URBRA), Capital Markets Authority (CMA), and Uganda Revenue Authority (URA) to identify data that can potentially be used for development of financial transactions and balance sheets by institutional sectors. The list of officials met by the mission is provided in the Annex I. The mission's advice builds on the previous TA reports¹ on Government Finance Statistics (GFS), Monetary and Financial Statistics (MFS) and Balance of Payments (BOP), and benefitted from collaboration with the concerned divisions of the Statistics Department of IMF (STA).

¹ The mission consulted the following TA mission reports: i) GFS (July 8–18, 2014); ii) MFS (March 26–April 6, 2012); and iii) BOP (February 4–15, 2013).

4. The Templates for Minimum and Encouraged Set of Internationally Comparable Sectoral Accounts and Balance Sheets (Templates),² which were developed by the Working Group on Sectoral Accounts,³ provided the basis for the discussions of a work program on developing financial transactions and balance sheets.

5. The mission would like to express its appreciation for the cooperation and support extended by the authorities of the BOU, CMA, IRAU, MOFPED, UBOS, URA, and URBRA.

II. INSTITUTIONAL AND LEGAL SETTING

6. The SD comprises four divisions covering the areas of real, external, monetary and financial, and fiscal statistics. The SD is responsible for compilation of monetary and financial statistics (MFS), the balance of payments and international investment position (IIP) data, trade and external debt statistics, composite indicator of economic activity (CIEA), business tendency index (BTI), consumer confidence index (CCI), FOF accounts, etc. Specifically, the RSD is in charge of CIEA, BTI, CCI, and flow of fund accounts.

7. The UBOS compiles annual GDP estimates by production and by expenditure and quarterly GDP by production, and the MOFPED compiles GFS quarterly and annually. At present, there is no agreement between BOU and UBOS on the division of work for compilation of sectoral accounts and balance sheets in general and financial transactions and balance sheets in particular. The mission's discussions with the staff of UBOS highlighted that they have no objection if BOU assumes the responsibility for the compilation of the quarterly sectoral financial transactions and balance sheets. However, given their experience in compilation of production accounts for different sectors and expenditure components of GDP, UBOS agreed to collaborate with the RSD in compilation of nonfinancial accounts for the general government and financial corporation sectors. Therefore, it becomes clear that the RSD will be primarily responsible for financial transactions and balance sheets compilation and ensuring their consistency with the nonfinancial accounts, to the extent possible.

8. The RSD comprises a Division Head and eight staff members. The mission worked closely with the staff of the RSD and noted that two staff members work on the quarterly FOF and other work assigned to them. The mission found the staff to be cooperative, responsive, and inquisitive. The mission observed that the current staff resource is not commensurate with the work that is to be undertaken in connection with the compilation of financial transactions and balance sheets by institutional sectors following the 2008 SNA. As

² The Templates are available at: <http://www.imf.org/external/np/sta/templates/sectacct/index.htm>.

³ The working group consists of the Bank for International Settlements, the European Central Bank, Eurostat, the International Monetary Fund (Chair), the Organization for Economic Cooperation and Development, and the United Nations.

requested by the mission, the Director of the SD has agreed to allocate additional staff to work on this project through reallocation of staff / work in the SD.

9. The mission noted that the capacity of the existing staff in terms of their understanding of the *2008 SNA* framework on sectoral accounts and balance sheets requires improvement. This issue needs to be addressed in the immediate future so that the compilation of financial transactions and balance sheets can be implemented efficiently, as per the agreed work plan.

1. Recommendations:

- *As agreed with the mission, retain the existing staff and also increase staff strength of the RSD for compiling the financial transactions and balance sheets efficiently, as needed.*
- *Collaborate with UBOS in the compilation of nonfinancial accounts for the general government and financial corporation sectors.*
- *Take necessary steps for capacity development of the RSD staff on the 2008 SNA framework.*

III. BUILDING THE INTEGRATED SECTORAL ACCOUNTS APPROACH IN UGANDA

10. The RSD started compiling the financial transactions (FOF accounts) by institutional sectors in 2012 using the data from government finance statistics (GFS), balance of payments, monetary and financial statistics (MFS) and *Statistical Abstract* published by UBOS. These accounts are compiled on a quarterly basis one month after the end of the quarter. The coverage of the institutional sectors and financial instruments does not follow the *2008 SNA*. The scope of the institutional sectors is limited to the general government, banking system, rest of the resident sectors and the rest of the world. The data on assets and liabilities are presented in terms of domestic and foreign financing with no instrument details as per the *2008 SNA*.

11. The mission assessed the possibility for developing the sectoral financial transactions and balance sheets on a quarterly basis following the *2008 SNA*. From this perspective, a review of various data sources was undertaken. As mentioned in section II, at present, the responsibility for compilation of different macroeconomic statistics for Uganda is with different divisions of the SD, MOFPED, and UBOS. The mission suggested developing the financial transactions and balance sheets based on a holistic approach following the integrated sectoral accounts framework of the *2008 SNA*. The mission explained to the SD that the development of the financial transactions and balance sheets following the *2008 SNA* is the right opportunity for implementing this approach and, at the same time, will highlight the interconnectedness of the four main sectors of the economy. In addition, this would assist in developing these statistics consistently for the Ugandan economy.

12. The mission noted that the initial priority for compilation should be based on minimum breakdown of sectors and financial instruments, as per the template on sectoral financial stocks and flows. This section provides an assessment of sources available by institutional sectors and methods for compilation of financial transactions and balance sheets and section IV explains the balancing principles in implementing the Integrated Sectoral Accounts Approach.

III. 1 Nonfinancial Corporations

13. Nonfinancial corporations (NFCs) consist of a few public and a large number of private corporations in Uganda. As such, there is no comprehensive direct data source that provides information on financial balance sheets and transactions of this sector regularly. But, there are some data available from the private capital survey conducted by the SD on a quarterly basis. However, these data are only for enterprises with counterparts in the rest of the world (ROW). On the other hand, there are some counterpart data available from some domestic sectors such as general government (GG) and financial corporations (FCs). It was noted that the MOFPED has made some efforts to compile income, expense, investment in nonfinancial assets, net acquisition of financial assets and incurrence of liabilities for around 25 public NFCs based on the financial statements of these corporations. Results of the analysis are published in the *Statistical Abstract* of the MOFPED with a lag of more than two years. Financial assets and liabilities presented with domestic and foreign breakdown and details as per the financial instruments classification of the 2008 SNA are not available. The mission visited the Office of Accountant General (OAG) to explore the availability of financial data of public NFCs on a quarterly basis. As such, the OAG does not collect financial data of public NFCs regularly. The OAG informed the mission about its plans to collect quarterly financial information in future and requested the BOU to convey the specific requirements officially so that their data collection could accommodate the BOU's requirements.

14. Another potential source for NFCs' data is the URA. The mission visited the Statistics Division of URA to discuss the availability of NFCs' data. The URA receives information on profit and loss, investment in nonfinancial assets, financial assets and liabilities for NFCs, mainly for the purpose of tax monitoring and assessment. These data are reported by NFCs annually using an online reporting system. The data are available with a time-lag of around 10–12 months after the end of a financial year.

15. The mission noted that the mapping of financial reports information to assets/liabilities in the reporting forms is not carried out properly and requires improvement. It was observed that the data on nonfinancial assets, income, and expense are reported more systematically compared to financial asset/liabilities. For example, different liabilities (loans, debt securities, other accounts payable, and etc.) were clubbed together and presented as a single item, other accounts payable. Such reporting errors need to be improved at the earliest. It should be noted that this dataset was not used for statistical purposes earlier and would be a

very good source for developing and improving sectoral accounts of NFCs. The URA officials were very supportive and positive to our suggestions. As suggested by the mission, URA will provide the data for NFCs representing 90 percent of total assets of all NFCs. They agreed to share the data, initially, for four years (2010–13) after an official request is received from the BOU and also agreed to improve the quality of the data reported by NFCs based on the feedback from BOU.

16. In the absence of direct data readily available at this stage, the mission suggested using the counterparty information and micro databases of instruments for developing the estimates of assets in deposits (commercial banks, savings and credit cooperative organizations (SACCOs), and micro financial institutions (MFIs), securities (FMD data and IIP), equity and investment fund shares (CMA data and IIP), insurance technical reserves (IRAU data) and liabilities in securities (CMA data and IIP) / loans (commercial banks, SACCOs, MFIs, GFS data for loans to public corporations). Further improvements could be made in the short-term using direct financial data from the URA, especially for estimating the unlisted share liabilities and other accounts payable/receivable. Future missions under this project could provide further guidance on this issue.

2. Recommendations:

- *Develop financial transactions and balance sheets for NFCs using the counterparty data identified.*
- *Improve the estimates of unlisted share liabilities and other accounts payable/receivable in the short-term using the financial reports data from the URA.*

III. 2 Financial Corporations

17. In Uganda, the FCs sector has the following sub-sectors:

- i) Bank of Uganda (central bank)
- ii) Deposit-taking corporations except the central bank (DTCs)
 - Commercial banks, credit institutions, MFIs, and SACCOs
- iii) Other financial corporations (OFCs)
 - Insurance companies, pension funds (National Social Security Fund and private pension funds), collective investment schemes (CIS), financial auxiliaries, and OFCs not elsewhere classified.

III.2.1 Central bank

18. The mission met the MSDDD to discuss the detail and frequency of the BOU's balance sheet. The BOU prepares its balance sheet data monthly and the instrument detail is sufficient for purposes of the financial account and balance sheet. There are counterpart data for the positions of ODCs deposits and loans with the BOU, as well as the holdings of Government of Uganda (GOU) debt securities (both Treasury bills and Treasury bonds). These assets and liabilities are all denominated in Ugandan shillings and the BOU does not revalue its holdings of debt securities to market price. Therefore, taking differences in positions as a proxy for (net) transactions is appropriate. However, for balance sheet purposes, the *2008 SNA* recommends that debt securities be recorded at market price. The FMD maintains records of all GOU debt securities, their issues, the issue prices, transactions at issue and in the secondary market, and records these debt securities at cost value (that is, the proceeds at time of initial sale), nominal value, and at current market price. The value of the outstanding GOU debt securities at the end of the quarter could be obtained from the FMD for use in the construction of the sectoral balance sheet, at least initially, for internal use within the BOU.

19. As part of the BOU's monetary policy activity, it undertakes repurchase agreements (repos) and reverse repos with DTCs. These transactions involve the outright sale (purchase) of a financial asset (usually a government bond or Treasury bill), with a commitment to repurchase (resell) the security at some fixed date (or on demand). Although there is a change in legal ownership, the economic ownership remains with the original holder (seller) of the security. Following the *2008 SNA*, these transactions are regarded as a collateralized loan, not as the outright sale (purchase) and subsequent repurchase (resale) of the instrument itself.

20. The BOU produces a monthly statement on its transactions in, and holdings of, international reserves. These data are also available by instrument. These data are included in the balance of payments and the IIP and should be used as part of the liabilities of the ROW sector.

21. The BOU will have assets and liabilities with the GOU and the ROW, which should be consistent with the counterpart information for these two sectors. The mission was informed that the BOU is the data source for both of these datasets for the counterpart values for deposits, instruments in reserve assets (such as deposits abroad or debt securities issued by foreign governments) or debt securities issued by the GOU, and so the counterpart values should be identical. Even so, the mission recommended that these data be checked by the SD to ensure that there are no errors for timing differences. Accordingly, the information available for the central bank sub-sector is complete, including some data on from-whom-to-whom basis.

3. Recommendations:

- *The BOU use the data from the ISR form in the preparation of the central bank sector for the financial transactions and balance sheet. However, for transactions in reserve assets (and other assets and liabilities denominated in foreign currency), the BOU use the transactions data provided by the BOU's Chief Accountant's Office to the ESSD.*
- *For the balance sheet of the central bank, use the information from ISR, which should be supplemented, wherever possible, by the use of market prices for its holdings of GOU debt securities.*

III.2.2 Commercial banks

22. The mission further discussed with the MSDDD the balance sheet data reported by the commercial bank sub-sector of DTCs on form 2SR. These data are reported to the BOU under the Banking Survey, conducted monthly and included in the Standardized Reporting Forms to the IMF's Statistics Department (STA).

23. The data are comprehensive for commercial banks but not for other DTCs such as SACCOs and MFIs. The data from banks provide considerable instrument detail by institutional sector counterparty, especially for deposits and loans. Accordingly, all the other sectors' deposit assets and loan liabilities with commercial banks can be obtained directly from this data source, especially for households and NFCs, where direct collection of data is (largely) impractical.

24. These data also identify separately holdings of GOU debt securities (both short-term and long-term) and holdings of other sectors' debt securities are also identified by individual sector. The holders by sector of the DTCs' debt securities on issue are also reported. While it is possible that there will be trading in the secondary market for these securities, for the most part, there is little such activity: these instruments are normally held to maturity.

25. For the most part, taking the difference between the closing and opening balances for many of these instruments provides a good proxy for transactions. There are, however, three instances where adjustments are required. These are set out in Annex II. The mission noted that the data on other economic flows is important in their own right (for example, exchange rate losses are an important economic phenomenon).

4. Recommendations:

- *The BOU use the data from 2SR for the construction of the financial transactions and balance sheet data for commercial banks (as part of the DTCs sub-sector).*

- *As explained during the mission, the BOU use differences of the financial assets and liabilities to derive the commercial banks' financial transactions while making adjustments for exchange rate changes for those assets that are denominated in foreign currency (separately for different foreign currencies), and that are valued at market prices.*
- *The BOU add back write-offs of loan assets (reported on the banks' profit and loss statement) to the differences in balance sheets to derive the banks' financial transactions in loans. As the write-offs are not reported by institutional sector, the mission further recommended that the BOU allocate the write-offs to institutional sector in proportion of the total assets outstanding.*
- *The BOU confront the data on GOU debt securities that are provided by the FMD, by institutional sector, with those reported by the commercial banks, and, in the event of differences, make adjustments to the latter to ensure that these data are consistent.*
- *The BOU value its holdings of equities of unlisted enterprises following the own funds at book value approach. Any holdings of listed enterprises should be reported at market price for inclusion in the balance sheets but any transactions should be recorded at transaction price, if possible.*

III.2.3 MFIs and SACCOs

26. At present, the MSDDD obtains balance sheet data from the three MFIs that are deemed to be deposit-taking. However, the MSDDD is exploring the possibility of expanding the coverage to other MFIs with TA⁴ from the Monetary and Financial Statistics (MFS) mission of the STA.

27. The BOU is presently collecting balance sheet data (with limited instrument detail, and no counterpart information) from about 160 SACCOs that together represent about 70 percent of the total deposits of the industry. These data are not yet disseminated and no attempt has been made to date to produce a universe estimate of the balance sheet information. The MFS mission mentioned above explored this issue with the BOU and its recommendations, included adding counterpart information on the balance sheets. Once the BOU has implemented the recommendations of that mission, including the estimation of universe estimates for all SACCOs, these data could be useful for improving the financial transactions and balance sheets for DTCs (and for the counterparties, by instrument).

5. Recommendation:

- *The BOU obtain balance sheet data on SACCOs and MFIs in line with the recommendations of the MFS mission conducted concurrently with this mission*

⁴ The MFS mission of STA visited the BOU during January 12–22, 2015. This mission provided TA in expanding the coverage of DTCs in the SRFs 2SR and 4SR.

and use those data for improving the financial transactions and balance sheets for DTCs.

III.2.4 CISs and financial auxiliaries

28. The mission, together with the SD, visited the CMA to discuss its mandate and data collection. At present, its responsibilities include the issuance of bonds on the Uganda Securities Exchange (USE), the regulation of CIS, MFIs that are not regulated by the BOU, fund managers, financial advisors, and financial administrators.

29. At present, there is very little activity in non-Government of Uganda bonds, and there are no corporations ready for privatization (though some are expected to be ready in the next two years or so). As a result, the CMA's focus is on ensuring that enterprises listed on the USE meet the regulatory requirements of financial disclosure, protection of minority shareholders' rights, and similar concerns. There are only eight enterprises currently listed on the USE.

30. There are, at present, only two CISs in Uganda. They are closed end funds but they are not listed on the USE. Financial statements are submitted quarterly and annually. However, along with the liberalization of financial markets in Uganda, it is expected that the number and types of funds will increase. The CMA agreed to cooperate with the BOU to provide the necessary information. See Annex III for the proposed list of items that should be collected. Currently, CISs are not permitted to invest outside the East African Community (EAC). If and when that restriction is lifted, such investments should also be reported, by instrument category, separately.

31. The financial auxiliaries (such as fund managers, financial advisors and financial administrators), are required to report their financial statements to CMA on quarterly and annual basis. Their balance sheets are unlikely to be very large as their role is that of agent, not principal, so that most of the funds they manage are for other entities (such as CISs or pension funds).

6. Recommendations:

- *The BOU obtain balance sheet data, with counterpart institutional sector of the instruments, on CIS for inclusion in the sectoral financial transactions and balance sheets. Where data are reported by the CMA at market price, these should be used in the balance sheets but price changes should be removed (where possible) for construction of the sub-sector's financial transactions.*
- *The BOU obtain from the CMA data on non-GOU debt security issues and any equity issues (of listed entities) during the period (if any) as well as data on the outstanding value of non-GOU debt securities on issue and equities at market price. The first set of data should be used in the construction of the counterpart*

institutional sectors' financial transactions and the second datasets should be used in the construction of the counterpart institutional sectors' balance sheets.

III.2.5 Insurance corporations

32. The mission, along with staff of the SD, visited the Insurance Regulatory Authority of Uganda (IRAU). The meeting was very useful and productive, and the IRAU was very cooperative. Currently, there are 21 nonlife insurers, 8 life insurers, and 1 reinsurance company regulated by the IRAU. The IRAU receives unaudited financial statements quarterly and audited statements annually.

33. The mission reviewed the information that insurance companies are required to provide to the IRAU and noted that the balance sheet information approximates the instrument breakdown of the 2008 SNA. Some counterpart institutional sector data are provided on the asset side (such as debt securities which are to be reported for the Government of Uganda, fixed deposits at ODCs, and other long-term assets should be specified) but it is more limited on the liability side, where the only identified counterpart sector is for bank loans. Technical reserves are not identified by counterparty, but for life insurance it can be assumed that the counterparts are households.⁵ The IRAU indicated a willingness to modify its reporting requirements to accommodate the BOU's needs. The IRAU indicated that it would require three to four months' notice for incorporating changes to the report forms.

7. Recommendation:

- *The BOU obtain from the IRAU balance sheet data, by counterpart institutional sector, of insurance companies, and use those data in the construction of the financial transactions and balance sheets for the insurance sub-sector.*

III.2.6 Pension funds

34. The mission and the SD met the CEO of the Uganda Retirement Benefits Regulatory Authority (URBRA) to discuss reporting requirements under the new legislation. Under the Retirement Benefits Regulatory Authority Act, passed in 2011, the GOU aims to liberalize the pensions sector with the view to opening up retirement schemes to more Ugandans. At present, of a workforce of about 13.4 million persons, fewer than 1 million have retirement plans. These include 350,000 public servants and 500,000 private sector employees who

⁵ It is not clear how much life insurance business is written with nonresidents.

contribute (along with their employers) to the National Social Security Fund (NSSF).⁶ The Act gives URBRA the power to license and regulate pension funds. If the Retirement Benefits Sector Liberalization Bill is enacted in 2015, it is expected that several hundred schemes will be licensed over the course of the next few years so that a much larger portion of the workforce will be covered, including those working in the (very large) informal sector of the economy. With such a development, there will be a large pool of funds available for investment in Uganda (and also the EAC). As the reporting environment is in its infancy, it is an opportune time to obtain data on the assets and liabilities of these funds.

35. The CEO was very welcoming and cooperative. He advised the meeting that pension funds are required to report unaudited financial statements quarterly and audited statements annually. There is a lag of one month for the quarterly returns and three months for the annual. As the information requested for the quarterly returns is the same as that for the annual, the quarterly returns should be of sufficiently high quality. The CEO suggested that the BOU provide the URBRA with the information required for the FOF and the SBSs and these could be included in the standard reporting forms. These have not yet been finalized.

36. Under the URBRA Act, pension funds are proscribed from certain activity. They are not permitted to lend. However, earlier legislation, under which pension funds had been operating prior to the passage of the URBRA Act, allowed pension funds to make loans under certain circumstances. These loans will be allowed to run their course but no new loans will be allowed. Until these loans are fully repaid, they should be reported to URBRA and should be included in the financial transactions and balance sheets. The URBRA Act also prohibits pension funds from using financial derivatives.

37. Under the URBRA Act, the NSSF will no longer have a monopoly of investment for social security purposes. Employees (and employers) will be able to choose where they place their contributions. This raises the question as to whether the NSSF should be treated as a general government unit or a financial corporation. Because it no longer has a monopoly of these contributions, and is therefore, not a general fund for all employees, it should be classified as a financial corporation and be included with other pension funds. The URBRA will collect data from the NSSF in the same manner as it will collect data from other pension funds and they should be included with the provision of data to the BOU.

38. At present, the Public Service Pension Scheme is currently defined benefits, non-contributory plan, with no funds set aside. Payments are made from current revenue of the GOU. Under the changes to pension legislation, it is intended that future public service employees will have a defined contributions pension, and there will be a fund set up to manage the contributions of both employer and employees. Once such changes are brought

⁶ Even though, the contributions to the NSSF are compulsory for those outside the Government Retirement Schemes, given the size of the informal sector in Uganda, only employees in enterprises that employ five or more persons contribute to the NSSF.

into effect, the fund will be licensed by UBRRA and the data reported should be included with the provision of data to the BOU.

39. The Parliamentary Pension Fund is separate from the public service pension scheme. It has investments of its own and it will be required to report to the UBRRA in the same manner as other pension funds. These data should be included with the provision of data to the BOU.

8. Recommendation:

- *The BOU obtain from the UBRRA balance sheet data, by counterpart institutional sector, of pension funds, and use those data in the construction of the financial transactions and balance sheets for the pension sub-sector.*

III.3 General Government Sector

40. The general government sector (GGS) in Uganda consists of central government, local governments (LG), and extra budgetary units (EBUs). The EBU sub-sector mainly includes universities, other educational institutions, research institutions, councils, commissions and various other semi-autonomous agencies. LGs comprise districts, municipal councils and town councils. The MOFPED compiles the financial flows and stocks for the central government with annual/quarterly frequency following the 2008 SNA financial instrument classification with counterparty information for total resident and ROW sectors. The flows are derived as the difference between opening and closings positions, and thus, also include other economic flows. Therefore, for deriving transactions data on debt securities and loans from the ROW, flows data need to be adjusted for changes due to revaluation in respect of these financial instruments. However, the FMD agreed to provide transactions data of central government debt securities and the fiscal statistics division of the SD agreed to provide transactions data on loans from the ROW on quarterly basis, which could be directly used in the development of financial accounts. The mission also noted that the external debt database can provide the value of debt outstanding with the ROW on the exchange rate as on the date of balance sheet. However, the basis for estimation of the central government equity (shares and other equity) assets in public corporations as well as the number of corporations included in the estimate is not clear. As most of the public corporations are unlisted, the mission suggests valuation of stocks of unlisted shares using own funds book value following one of the methods permitted in the 2008 SNA.

41. Regarding LGs, the data (revenue, expense, net acquisition of nonfinancial /financial assets and net incurrence of liabilities) are available with annual frequency. The mission was informed that the grants from the central government account for around 95 percent of revenues of LGs and their acquisition of financial assets/incurrence of liabilities is minimal. In addition, the MOFPED has compiled the annual data of EBUs on revenue/expense/ net acquisition of nonfinancial/financial assets/net incurrence of liabilities details following the

2001 GFS framework. However, data for these units are not aggregated, mainly due to differences in reporting periods of these entities. As in the case of LGs, financial assets/liabilities of these entities are not significant and, therefore, the latest available annual data for local government and EBUs could be used to estimate the quarterly financial asset/liabilities for the GGS in the subsequent years.

9. Recommendations:

- *Collaborate with the MOFPED to agree on annual/quarterly financial flows and stocks data on government sector and transmission arrangements.*
- *Collect transactions data on loans from the ROW on quarterly basis from the FSD.*
- *Agree with the FMD on the collection of transactions data of central government debt securities on a quarterly basis.*

III.4 Household and NPISHs sectors

42. In general, the financial transactions and balance sheets data for these two sectors will be based on counterpart data of other sectors. The mission noted that counterparty information and micro databases of instruments could be used for developing the estimates of assets in deposits (commercial banks, SACOS, MFIs)/ debt securities (CMA and FMD)/equities and investment fund shares (CMA and ROW)/insurance technical reserves and pension entitlements (IRAU/URBRA) and, loan liabilities (commercial banks, SACOs, MFIs). However, further improvements could be made to the loan liabilities of households by including the loans of GGS, public / private corporations, etc. to their employees and money lenders loans to households. Similarly, capturing the unlisted equity held by household would improve the estimates of equity assets of this sector.

10. Recommendations:

- *Develop financial transactions and balance sheets for the household and NPISHs sectors combined using the counterpart data identified.*
- *Improve the estimates of loan liabilities and unlisted equity assets of households to bring overall improvement in the sectoral financial transactions and balance sheets.*

III.5 Rest of the World

43. Data for the ROW are provided by the financial account of the balance of payments statistics, and the IIP statistics. However, it should be noted that the balance of payments and IIP data are presented from the point of view of the domestic economy, whereas for the ROW, the data are presented from the point of view of the ROW.

44. In the financial account of the balance of payments and the IIP, the primary classification of the data is on the functional categories: direct investment, portfolio investment, financial derivatives, other investment, and reserve assets.⁷ Instrument detail is found within those functional categories. For the financial transactions and balance sheet of ROW, the functional categories are not important. The information should be provided with the instrument breakdown provided above. This is possible for all functional categories except direct investment, where the instrument detail is a two-way split between equity and debt instruments (with no further detail). However, the Private Capital Flows Survey conducted by the ESSD of the SD provides the instrument detail. For the reference of compilers, the link between financial asset classification of the 2008 SNA and functional categories of the *Balance of Payments and international Investment Position Manual, Sixth edition (BPM)* is provided in the Annex IV.

45. The balance of payments and the IIP are prepared in US dollars; the financial transactions and balance sheet in Ugandan shillings. Accordingly, the ESSD should be asked to provide the information in Ugandan shillings, using the average rate of change for transactions and the end of period rate of exchange for the IIP.

46. For external debt data for GGS and public sector corporations, the information is prepared in the FSD. These data record transactions at the rate of exchange at the time of the transaction as well as the rate of exchange at the end of the period. In due course, when the ESSD moves towards constructing the IIP at end of period positions (rather than summing the transactions, as at present), the presentation of data for ROW should ensure that the external debt data from the FSD and those from the ESSD are consistent.

47. The mission provided RSD staff with a data availability matrix for the development of financial transactions and balance sheets based on the various data sources discussed above (see Annex V).

11. Recommendations:

- *The ESSD provide RSD with the balance of payments data and the IIP data by instrument, in Ugandan shillings.*
- *In due course, when the ESSD has adopted end of period prices and exchange rates for the IIP, it provides RSD with these data and revised back data to the point where these valuation principles have been adopted, as well as the Other Changes in Financial Assets and Liabilities Account, in Ugandan shillings.*

IV. BALANCING PRINCIPLES IN THE INTEGRATED SECTORAL ACCOUNTS APPROACH

48. There are three balancing principles that need to be undertaken when producing the sectoral financial transactions and balance sheets following the Integrated Sectoral Accounts

⁷ Reserve assets are only found on the assets side of the balance of payments and the IIP.

Approach: horizontal balancing, stock/flow balancing, and vertical balancing. These help make data internally consistent and also useful to identify gaps and errors in data.

IV.1 Horizontal balancing

49. Horizontal balancing means that the sum of all transactions (positions) of each financial instrument must equal the sum of all transactions (positions) of the equivalent liability. For example, the value that DTCs report for their deposit liabilities must equal the total value of the asset holders' deposits. Equally, net purchases (holdings) of equities during a period must equal the value of equities issued during the period.

50. In the former case (deposits), there is a single source of information – the DTCs – so that the sum of the assets should equal the sum of the liabilities when the data are entered. However, for the latter case (equities), there is more than one source of data (assets holdings will be reported by DTCs, insurance companies, pension funds, etc., while the liability data will be provided, among other places, from the Private Capital Flows Survey (at least, initially) for NFCs (which only covers transactions with nonresidents), and the financial sub-sectors that report their balance sheets to the BOU, the IRAU, the CMA, or URBRA. In this instance, in order to ensure that the sum of all the transactions (positions) in assets equals the sum of the transactions (positions) in the liability, there needs to be a residual sector. Thus, for example, if total of transactions reported by the holders is 50, while the total estimate of issues is 40, the implication is that the residual sector has had net sales of 10 during the period. Equally, if the value of the reported equity asset outstanding at the end of the period is 500 while the value for the reported level of equity liability for shareholders' funds is 600, the implication is that the residual sector would have a holding of 100. If the reported assets holdings at the end of the period are larger than the reported liability, the implication is that the residual sector would have a negative value. This is not possible, which would imply that the liability value is too low and needs to be increased, or the asset acquisition is too high and needs to be reduced.

12. Recommendations:

- *Ensure horizontal consistency of different financial instruments in the development of sectoral financial transactions and balance sheets.*

IV.2 Stock/Flow balancing

51. The stock/flow balancing is part of the balancing of an integrated system so that the closing balance is equal to the opening balance *plus* transactions *plus* other changes (such as exchange rate or price changes, which cause changes to the value of the instrument but do not involve a transaction). Thus, for example, if the opening balance of an instrument is 1000 and the closing balance is 1100, the *sum* of transactions and other changes should equal 100. For instruments that are valued in Ugandan shillings and are not subject to price

changes, such as deposits, there is unlikely to be any “other changes.” Even so, as noted above, for some instruments that are denominated in Ugandan shillings and are valued at nominal value, such as loans, the difference between opening and closing balances may be affected by write-offs during the period. These are not regarded as transactions and should be excluded from the calculation of transactions; however, for positions, amounts that have been written off should be included. Thus, if the opening balance is 500 and there were 50 new loans made during the period (and there were no repayments of any outstanding loans), and there were 10 loans written off, the closing balance will be 540, but transactions will be 50, that is the difference between the opening and closing balances is more than just the transactions during the period.

52. A similar situation arises where there is a debt denominated in a foreign currency. If the rate of exchange changes during the period, there will be changes to the closing balance that are attributable to changes in the exchange rate, and not (necessarily) to transactions. Thus, for example, if there is a GOU foreign loan of USD1000, and the rate of exchange at the beginning of the period is 2,500 Ugandan shillings to the US dollar, the Ugandan shilling value of the debt outstanding at the beginning of the period is 2,500,000. If there are no new loans by the GOU during the period, there are no repayments on outstanding loans, and the closing rate of exchange is 2,750 Ugandan shillings to the US dollar, the closing is 2,750,000 Ugandan shillings. There were no transactions but the value of the debt rose. This change should be accounted for in the “Other Changes in Assets and Liabilities Account,” thereby ensuring an internal consistency within the framework of the sectoral accounts and balance sheets following the 2008 SNA.

13. Recommendation:

- *The BOU reconcile differences between the value of changes in balances outstanding with the transactions (for example, by adjusting for exchange rate changes, for write-off of loans by DTCs, for transaction value versus market prices) through the construction of an “Other Changes in Assets and Liabilities Account” so that the sum of the opening balance, transactions and any “other changes” equals the closing balance for each of the instruments in the 2008 SNA framework.*

IV.3 Current, Capital accounts, and Vertical Consistency

53. The UBOS produces the following important items as part of their GDP compilation process regularly: output, intermediate consumption and value added by economic activity, gross domestic product, gross national income, final consumption expenditure of government and households, gross capital formation, etc. The base year of national accounts was revised recently to 2009/10 following the 2008 SNA. The estimate of household final consumption expenditure (HFCE) is still derived as a residual and, therefore, includes any errors and

omissions in other expenditure components and GDP by economic activity. It is understood that UBOS plans to develop the independent estimates of HFCE during 2015.

54. At present, the current and capital accounts by institutional sectors are not compiled. The mission explained the need for compilation of these accounts to understand the linkages between real and financial sectors and also for ensuring the vertical consistency of nonfinancial accounts with financial accounts following the 2008 SNA, which refers to obtaining same figures for net lending / borrowing from nonfinancial and financial accounts for different institutional sectors and total economy. It explained to the staff that the vertical consistency could be achieved with some effort for GGS and FCs, while for the remaining resident sectors (households, NPISHS, and NFCs) this could be done only in combined form, initially.

55. The mission noted that sufficient information is readily available for the GG and some sub-sectors of financial corporations (central bank and commercial banks) for compilation of current and capital accounts on quarterly basis from their balance sheets. Therefore, compilation of nonfinancial accounts for these sectors could be taken up on priority in collaboration with UBOS. This work could be extended to CIS, insurance and pension fund sub-sectors of financial corporations in the short-term and NFCs in the medium term depending on the availability of financial reports data on profit and loss accounts, and investment in nonfinancial assets of these entities.

14. Recommendations:

- *From the vertical consistency perspective, compilation of current and capital accounts for the GG and FCs shall be given priority.*
- *Collaborate with UBOS and agree on arrangements for compilation of current and capital accounts for the GG and FC (central bank and DTCs) sectors on quarterly basis.*
- *Compile the current and capital accounts for CIS, insurance and pension fund sub-sectors of FCs on quarterly basis in the short-term.*

V. DATA REQUIREMENT OF FINANCIAL STABILITY DEPARTMENT (FSTD)

56. As a follow-up to the outreach workshop, the FSTD requested the SD to develop the following financial soundness indicators for households and corporations with TA from the mission.

- Households: debt to GDP ratio, assets to GDP ratio, debt service and principal payments to income, saving to income ratio, debt to gross disposable income.
- Corporations: debt to equity, return to equity, earnings to interest and principal expenses, net foreign exchange exposure to equity, current assets to current liabilities.

57. In a meeting with the FSTD, the mission noted that many of the data the FSTD had indicated it needed to assess financial stability were in the real economy (nonfinancial accounts) for NFCs and the household sectors. The mission pointed out that these data are not expected to be produced by UBOS and SD as part of the development of financial accounts that are consistent with the nonfinancial accounts for at least two to three years. The discussion also explored the possibility of using the financial statements' data of NFCs from the URA noting that these data and their processing still require further development and improvement before they can be used with any confidence. The mission noted that, these problems notwithstanding, it may be possible to obtain reasonably good quality aggregates of NFCs' profit and loss statement, cash flow statements, and balance sheets from these financial statements if the exercise were concentrated on those very large enterprises that represent about 90 percent of total assets of the sector. Such enterprises are likely to be counted in the hundreds, rather than the thousands, making addressing data quality issues much more manageable.

15. Recommendation:

- *The mission recommended to the BOU to review the existing MOU with the URA and ensure that the data on NFCs are obtained regularly for the development of consistent nonfinancial accounts for this sector and financial indicators requested by the FSTD.*

Annex I. List of Officials Met by the Mission

Bank of Uganda

Dr. Adam Mugume	Executive Director Research
Mr. Kenneth Egesa	Director, Statistics Department
Mr. Kezekia Kizito	Assistant Director
Mr. Daniel Kaggwa	Division Head, Real Sector Division
Mr. Hudson Bunya	Real Sector Division, Statistics Department
Ms. Franklin K Sozi	Real Sector Division, Statistics Department

Capital Markets Authority

Ms. Nusula Nassuna	Senior Legal Officer
Mr. D Kizito	

Insurance Regulatory Authority of Uganda

Mr. Bernerd D. Obel	Assistant Director Operations
Mr. Ivan Kilameri	Actuarial Officer/Statistician

Uganda Retirement Benefits Regulatory Authority

Mr. Moses Bekabye	Chief Executive Officer
Ms. Rita Nansasi	Legal Services Manager

Uganda Bureau of Statistics

Mr. Bright Richard	Senior Statistician, National Accounts Division
Ms. Margaret K Nakirya	Senior Statistician, National Accounts Division

Ministry of Finance, Planning and Economic Development

Mr. Francis Wasswa
 Mr. Charles Matovu
 Mr. Mukasa Victor
 Mr. Joseph
 Ms. Lily Sommer

Uganda Revenue Authority

Ms. Nalukwago Milly Isingma
 Mr. Myingo Hassan
 Mr. Agaba Patrick
 Mr. W Ronald
 Mr. Ronald N Makumbi

Annex II. Examples where Taking the Differences between Positions' Data Need to be Adjusted to Derive Transactions

1. Foreign currency denominated items

While foreign currency denominated deposits and loans data are shown separately on the report forms (such as Forms 1SR and 2SR) from those denominated in Ugandan shillings, there is no breakdown by foreign currency. To derive transactions by changes in positions denominated in foreign currency, it is necessary to remove revaluation changes between the opening and closing positions. For example, assume there is a US dollar-denominated asset of \$100. Assume the exchange rate was 2500 Ugandan shillings to 1 US dollar at the time of the opening balance sheet, and that it was 2550 Uganda shillings at the end of the period. There were no transactions during the period. The opening position would be reported as 250,000 shillings, and the closing balance 255,000. The difference of 5,000 Ugandan shillings is not a transaction. To remove the valuation change, the opening and closing balances should be converted to the original currency and then the first difference should be taken, and then this should be re-converted back to Ugandan shillings. In this instance, the opening and closing positions are the same (\$100), so there would be no transactions. If, however, there had been a transaction during the period of \$20 so that the closing balance was \$120, the closing balance in Ugandan shillings would be $120 \times 2550 = 306,000$. The first difference between closing and opening balances is 56,000 shillings ($306,000 \text{ minus } 250,000$). To determine how much of that change is revaluation and how much a transaction, the opening and closing balances should be converted to US dollars (\$100 and \$120), the first difference taken (\$20), which should then be reconverted to Ugandan shillings, using the average rate of exchange for the period¹ ($(2500+2550)/2 = 2525$). This results in a transaction of 50,500 Ugandan shillings (2525×20), not 56,000 as would have been implied by taking the first difference between the closing and opening balance.

Moreover, when the assets or liabilities are denominated in several foreign currencies, it is important to try to obtain the amounts for each instrument by currency because different currencies will move by different amounts against the Ugandan shilling. If the exact amounts by currency are not available, it is preferable to obtain an approximation so that the calculation above can be done for each. The greater the currency breakdown and the greater the accuracy of the amounts by currency, the better the quality of the derived transactions.

¹ If the actual rate of exchange for the transaction is known, it should be used. However, most of the time, the actual rate of exchange is not known. In those instances, the average rate of exchange should be used for the period, and the shorter the period, the better (that is daily rate is preferable to the weekly rate; the weekly rate is preferable to the monthly rate; the monthly rates preferable to quarterly rate; etc.).

2. Market price valuations

The second instance where merely taking the first difference between closing and opening balances may include a valuation change (that is, a non-transaction change) is with regard to instruments that might be revalued to market price. These instruments are long-term debt securities² and equity instruments.

For long-term debt securities, revaluation is only relevant where the instrument is not intended to be held to maturity. At present, it appears that most debt securities are held to maturity, and therefore, are likely to be recorded at purchase price until the instrument matures. As a result, taking the first difference between closing and opening balances should provide a reasonable proxy for transactions, but the valuation principle for the balance sheet will not be the preferred one, that is, market price.

However, for equity instruments, the situation is less clear. Equity represents the shareholders' claims on the residual value of the enterprise, in the event of its liquidation. For the issuer, the valuation is usually recorded as the sum of all items under "shareholders' funds." These items include shares on issue, revaluations, reserve accounts, and retained earnings. While it is possible that these funds will be recorded at market price, for the most part, they are recorded at the price at the time these items are added to the balance sheet. Thus, for example, when retained earnings for a given period are added to shareholders' funds, they will be at the value for that period. These will gradually increase over time (assuming the enterprise is profitable and does not distribute all those profits). However, for the asset holders of these equity items, it is more likely that the items will be recorded at the time the acquisition was made and no further adjustments are made, unless or until these assets are sold. As a result, any additional value that may result (for example, from the accretion of retained earnings in the enterprise in which the holder is invested) may not be recorded on the books of the asset holder. There is a risk, in this situation, of a mismatch between the two sides, with the result that the residual sector (households) data will be distorted. It may not be possible to overcome this problem in the short-term, however, given the shortage of alternative data sources for equity investments but compilers and users should be aware of this potential shortcoming in the data.

3. Write-offs

The third instance where taking the first difference between closing and opening balances may not provide a good proxy for transactions is with regard to the treatment of loan loss provisions and their charge to income and/or the balance sheet. Charges of loan losses to the outstanding loan balance are not transactions, and should, therefore, be excluded from the FOF. Form 2SR provides the balances of loans, gross of loan loss provisions, which are

² Because of their nature, short-term debt securities usually are not revalued to market price, except where interest rates may be very high that the discount at issue price would be very large.

shown separately. The actual charges to income for loans written off during the period are included in the profit and loss statement. These write-offs should be added back to the closing balances for loans when calculating transactions during the period. That is, if the loan balance at the beginning of the period is 1000 and 1200 at the end, and there has been a charge of 50 to a loan deemed uncollectable (that is, it has been written off), assuming these loans are denominated in Ugandan shillings, the transactions are 250, that is, $1200 \text{ minus } 1000 \text{ plus } 50$.

It should be noted, however, that the loan balance outstanding for inclusion in the sectoral balance sheets should be net of loans written off during the period and charged to the outstanding balance but loan loss provisions should be ignored. The difference that therefore arises from the transactions data and the changes in the balance sheet positions should be recorded in the "Other Changes in Assets and Liabilities Account" (when constructed).

Annex III. Data Requests

1. From within the BOU

The FMD

i) Primary and secondary market transactions, by counterpart institutional sector of buyer/seller, in GOU debt securities during the period and ii) End of period outstanding value of GOU debt securities on issue, at nominal and market price, by counterpart institutional sector of holder.

The SD

ESSD: quarterly balance of payments data by instrument by institutional sector and quarterly international investment positions by instrument by institutional sector.

MS & DD: i) Commercial banks' 2SRs (showing instruments by institutional sector): opening and closing balances for the quarter and ii) SACCOs and MFIs (showing instruments by institutional sector): opening and closing balances for the quarter). Data should be grossed up to universe estimate (using ratio between total deposits of sample to total for all SACCOs and total assets of sample to total for all microfinance companies).

FSD: i) Central government fiscal statement by quarter (or sum of monthly data), showing the budgetary information on current and financial account activity; ii) external debt outstanding of GGS at end of period, in Uganda shillings and original currency; and iii) external borrowings and repayments of GGS during period, using rate of exchange on transaction date, in Ugandan shillings and original currency.

2. Outside the BOU

a. The CMA

i) The balance sheets of CIS, showing assets by instruments, by institutional sector of issuer; ii) all shares issued during the period for listing on the USE; and iii) all bond securities (other than those issued by the GOU) issued during the period, by issuer, and amounts.

b. URBRA

Income/expense and balance sheet data of pension funds.

c. IRAU

Income/expense and balance sheet data of insurance companies.

d. URA

Financial statements (income statement, balance sheet, cash flow statement) for enterprises representing 90 percent of total assets of all nonfinancial corporations, with a value for total assets for all nonfinancial corporations for fiscal year-ending in most recent year (and every year thereafter)

e. UBOS

Current and capital accounts by institutional sector, annually from 2014 onwards, and quarterly current and capital accounts by institutional sector as soon as they become available in 2017 (or earlier).

Annex IV. Link between Financial Assets Classification and Functional Categories

Financial assets and liabilities classification ↓	Functional categories ↓				
	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
F1 Monetary gold and SDRs					
F11 Monetary gold					X
F22 SDRs				X ¹	X ¹
F2 Currency and deposits					
F21 Currency				X	X
F22 Transferable deposits	X			X	X
F29 other deposits	X			X	X
F3 Debt securities	X	X			X
F4 Loans	X			X	X
F5 Equity and investment fund shares					
F51 Equity					
F511 Listed shares	X	X			X
F511 Unlisted shares	X	X			x
F511 Other equity	X			X	
F52 Investment fund shares	x	X		x	X
F6 Insurance and pensions	X ²			X ³	
F7 Financial derivatives and employee stock options			X		X
F8 Other accounts receivable/payable	X			X	

Source: i) BPM6 and ii) Handbook of National Accounting: Financial Production, Flows and stocks in the System of National Accounts.

Shaded cells are not relevant

X - Shows applicable functional categories

x - Shows cases that are considered to be relatively uncommon

1 - SDR assets are reserve assets and SDR liabilities are other investment

2 - Mainly claims of pension funds on pension managers

3 - Non-life insurance technical reserves/ life insurance and annuity/pension entitlements/ claims of pension funds on pension managers/ entitlements to non-pension benefits

Annex V. Data Availability Matrix

Data Availability Matrix for Financial Assets

	NFCs	Financial corporations							GG	Hhlds+NPISHs	ROW	
		Monetary financial institutions			Insurance corp. and pension funds							
		Total	Central bank	Other deposit-taking corporations	Money market funds	Insurance corporations	Pension funds	Non MMF investment funds				OFCs
F1	Monetary gold and SDRs	@	1SR	@	@	@	@	@	@	@	@	@
	F11 Monetary gold	@	1SR	@	@	@	@	@	@	@	@	@
	F12 SDRs	@	1SR	@	@	@	@	@	@	@	@	@
F2	Currency and deposits	2SR/SACO/MFI	1SR	2SR/1SR/SACO/MFIs	CMA	IRAU	URBRA	CMA	4SR	GFS/1SR/2SR	2SR/SACO/MFI/IIP	IIP
	F21 Currency	2SR/SACO/MFI	1SR	2SR/1SR/SACO/MFIs	CMA	IRAU	URBRA	CMA	4SR	GFS/1SR/2SR	1SR/residual	IIP
	F22 Transferable deposits	2SR/SACO/MFI	1SR/2SR	2SR/1SR/SACO/MFIs	CMA	IRAU	URBRA	CMA	4SR	GFS/1SR/2SR	2SR/SACO/MFI	IIP
	F29 Other deposits	2SR/SACO/MFI	1SR/2SR	2SR/1SR/SACO/MFIs	CMA	IRAU	URBRA	CMA	4SR	GFS/1SR/2SR	2SR/SACO/MFI	IIP
F3	Debt securities	FMD/CMA/IIP	1SR/IIP/CMA	2SR/GFS/FMD/CMA	CMA	IRA/FMD/CMA/IP	URBRA/FMD/CMA/IIP	CMA	4SR/CMA/FMD	x	CMA/FMD/IIP	IIP
	F31 Short-term	FMD/CMA/IIP	1SR/IIP/CMA	2SR/GFS/FMD/CMA	CMA	FMD/CMA/IIP	FMD/CMA/IIP	CMA	4SR/CMA/FMD	x	CMA/FMD/IIP	IIP
	F32 Long-term	FMD/CMA/IIP	1SR/IIP/CMA	2SR/GFS/FMD/CMA	CMA	FMD/CMA/IIP	FMD/CMA/IIP	CMA	4SR/CMA/FMD	x	CMA/FMD/IIP	IIP
F4	Loans	MOFPED	1SR/GFS	2SR/SACOs/MFIs	x	IRAU/IIP	URBRA/IIP	x	x	GFS	X	IIP
F5	Equity and investment fund shares	CMA/IIP	1SR/IIP/CMA	2SR/CMA/IIP	CMA	IRAU/CMA	URBRA/CMA	CMA	4SR/CMA	GFS/IIP	CMA/IIP/IIP	IIP
	F51 Equity	CMA/IIP	1SR/2SR/IIP/CMA	2SR/CMA/IIP	CMA	IRAU/CMA	URBRA/CMA	CMA	4SR/CMA	GFS/CMA	CMA/IIP/IIP	IIP
	F511 Listed shares	CMA/IIP	1SR/2SR/IIP/CMA	2SR/CMA/IIP	CMA	IRAU/CMA	URBRA/CMA	CMA	4SR/CMA	GFS/CMA	CMA	IIP
	F512 Unlisted shares	GFS (PNFCs)	1SR/2SR	2SR	CMA	IRAU	URBRA	CMA	x	GFS	NO SOURCE	IIP
	F52 Investment fund shares/units	CMA	CMA	CMA	CMA	IRAU/CMA	URBRA/CMA	CMA	CMA	x	CMA/IIP	IIP
F6	Insurance and pensions	x	NIL	x	x	@	@	x	x	x	IRA/URBRA	IIP
F8	Other accounts receivable/payable	NO SOURCE	1SR	2SR	x	IRAU	URBRA	x	x	GFS	x	IIP

@ not relevant / for Uganda
x small /insignificant

HIGH QUALITY
 MEDIUM
 LOW

Data Availability Matrix for Liabilities

	NFCs	Financial corporations							GG	Hhlds + NPISHs	ROW	
		Monetary financial institutions			Insurance corp. and pension funds							
		Total	Central bank	Other deposit-taking corporations	Money market funds	Insurance corporations	Pension funds	Non-MMF investment funds				OFCs
		S11	S121	S122	S123	S128	S129	S124				S125+S126+S127
F1	Monetary gold and SDRs	@	@	@	@	@	@	@	@	@	@	IIP/1SR
	F11 Monetary gold	@	@	@	@	@	@	@	@	@	@	@
	F12 SDRs	@	@	@	@	@	@	@	@	@	@	IIP/1SR
F2	Currency and deposits	@	1SR	2SR/1SR/SACO/MFIs	@	@	@	@	@	@	@	IIP
	F21 Currency	@	1SR	2SR/1SR/SACO/MFIs	@	@	@	@	@	@	@	IIP
	F22 Transferable deposits	@	1SR/2SR	2SR/1SR/SACO/MFIs	@	@	@	@	@	@	@	IIP
	F29 Other deposits	@	1SR/2SR	2SR/1SR/SACO/MFIs	@	@	@	@	@	@	@	IIP
F3	Debt securities	CMA/IIP	1SR/IIP/CMA	2SR/CMA	@	IRAU/CMA/IIP	URBRA/CMA/IIP	@	4SR/CMA/IIP	GFS/FMD/1SR/2SR	@	IIP
	F31 Short-term	CMA/IIP	1SR/IIP/CMA	2SR/CMA	@	IRAU/CMA/IIP	URBRA/CMA/IIP	@	4SR/CMA/IIP	GFS/FMD/1SR/2SR	@	IIP
	F32 Long-term	CMA/IIP	1SR/IIP/CMA	2SR/CMA	@	IRAU/CMA/IIP	URBRA/CMA/IIP	@	4SR/CMA/IIP	GFS/FMD/1SR/2SR	@	IIP
F4	Loans	2SR/SACOs/MFIs/GFS	1SR/GFS	2SR	x	IRAU/2SR	URBRA/2SR	x	x	GFS/IIP	2SR/SACOs/MFIs	IIP
F5	Equity and investment fund shares	CMA/IIP	@	2SR/CMA/IIP	@	IRAU/CMA	URBRA/CMA	@	4SR/CMA	@	@	IIP
	F51 Equity	CMA/IIP	@	2SR/CMA/IIP	@	IRAU/CMA	URBRA/CMA	@	4SR/CMA	@	@	IIP
	F511 Listed shares	CMA/IIP	@	2SR/CMA/IIP	@	IRAU/CMA	URBRA/CMA	@	4SR/CMA	@	@	IIP
	F512 Unlisted shares	GFS (PNFCs)	@	2SR (?)	@	IRAU	URBRA	@	x	@	@	IIP
	F52 Investment fund shares/units	CMA	@	@	CMA	@	@	CMA	@	@	@	IIP
F6	Insurance and pensions	@	@	@	@	IRAU	URBRA	@	@	@	@	IIP
F8	Other accounts receivable/payable	NO SOURCE	1SR	2SR	x	IRAU	URBRA	x	x	GFS	NO SOURCE	IIP

@ not relevant / for Uganda
x small / insignificant

 HIGH QUALITY
MEDIUM
LOW