IMF: Tame appetite for borrowing

By MARTIN LUTHER OKETCH
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Read interview below:
IMF Resident Representative, Mr. Sébastien Walker and Mr. Martin Luther Oketch.

1. **Dr Walker welcome to Uganda what have you liked in Uganda in short time you have been?**

Thank you, Martin. I first visited Uganda in 2013, and now that I live here, I appreciate even more the friendly and resourceful people, the lush vegetation, and the food – I am a big fan of kalo and groundnut sauce.

2. **What were you doing before coming to Kampala's office as the new IMF resident Representative?**

I was at IMF headquarters in Washington, DC, where I worked on expenditure policy in the Fiscal Affairs Department and on several West African countries in the African Department. During my IMF career and my studies, I have worked on twelve different African countries.

3. **What is going to be your mission while in Uganda as the resident representative?**

I am here to support the excellent relationship between Uganda and the IMF by acting as a trusted advisor to the authorities, notably at the Ministry of Finance, Planning, and Economic Development and the Bank of Uganda; I am also the first point of contact for them, parliamentarians, civil society, youth networks, the media, development partners, and the private sector.

4. **What is the current status of the relationship between the IMF and Uganda?**

Our work in Uganda continues through regular policy advice and capacity development, which includes technical assistance and training for policymakers. We have notably been supporting Uganda's efforts to improve domestic revenue mobilization, strengthen its climate-related public investment management, and bolster its financial supervision and regulation.

5. **Which new programs is the IMF going to introduce for Uganda since the Extended Credit Facility (ECF) arrangement has expired?**

The previous IMF-supported program, which expired in June 2024, helped to guide Uganda's post-pandemic recovery and maintain macroeconomic stability. The Ugandan authorities have expressed interest in a new IMF-supported program and negotiations will commence once sufficient information about the latest developments has been gathered.

6. **Uganda public debt level has reached a moderate level of debt sustainability, what should the Uganda government do to reduce borrowing?**

We assess Uganda's public debt to be sustainable with a moderate risk of debt distress. To reduce its borrowing, Uganda should continue with its fiscal consolidation efforts, mainly by stepping up its efforts to mobilize domestic revenues and especially by phasing out tax exemptions. It should also focus on containing low-priority current spending.

7. **What are the current key risks you are seeing that Uganda's economy is facing?**

The main risks we see are from delays in domestic revenue mobilization to fund Uganda's development needs and from insufficient accumulation of foreign exchange reserves. Uganda's mostly rain-fed agriculture is vulnerable to climate shocks, while delayed reform implementation, especially in fighting corruption, could weigh on the economy more generally.

8. **Countries in Sub-Saharan Africa are trying to implement difficult and much-needed reforms to restore macroeconomic stability; where do Uganda need to do more reforms that will help the country achieve sustainable economic development with high employment rate?**

Uganda needs to strengthen governance through better enforcement of its anti-corruption framework, improve its business environment, and enhance regional trade integration. Higher social spending to improve Uganda's human capital and better infrastructure would contribute to higher and more inclusive growth and to Uganda's progress towards the Sustainable Development Goals.

9. **Foreign exchange reserve plays a key role in the country's balance of payment position; what is the appropriate duration foreign exchange reserve cover should a country like Uganda have?**

The appropriate level of foreign exchange reserves depends on a country's circumstances. For a country such as Uganda, we would recommend foreign exchange reserves worth at least 3.5 months of imports to be able to meet the country's needs in the event of a shock.

10. **What is the IMF's view on Uganda's monetary policy stance?**

The Bank of Uganda has been a pioneer in inflation-targeting in the region and has a strong record of accomplishment in anchoring inflation expectations. The monetary policy stance should continue to be guided by the Bank of Uganda's target of 5 percent for core inflation (which excludes volatile energy and food prices). With core inflation now at 3.8 percent, and as risks of higher inflation recede, there is room for the BOU to continue gradually lowering the Central Bank Rate while keeping the exchange rate flexible and monitoring the global environment. This will help stimulate credit in the private sector and improve the competitiveness of exporters.