THE REPUBLIC OF UGANDA

DEBT SUSTAINABILITY ANALYSIS REPORT 2016/17

December 2017

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DECEMBER 2017

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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Preface

Section 42 of the Public Finance Management Act (2015) charges the Minister responsible for Finance with managing public debt, while Section 5(2) of the Charter for Fiscal Responsibility obliges Government to prepare an annual Debt Sustainability Analysis (DSA) Report. Pursuant to these legal provisions, Government has prepared this FY2016/17 DSA Report to update policy makers on Uganda's debt portfolio and assess the risks and vulnerabilities associated with planned future borrowing with a view to ensuring long term debt sustainability.

Government's deliberate decision to frontload infrastructure spending in the medium term means that there will be a higher rate of debt accumulation than in the previous years. However, this is expected to subside after the medium term as these infrastructure projects come to completion. Despite this, this DSA Report shows that Uganda's public debt remains sustainable over both the medium and long term, but at moderate risk of debt distress.

I wish to thank the team which put this report together. This team was led by the Macroeconomic Policy Department and also comprised officers from the Directorate of Debt and Cash Policy, the Bank of Uganda and the Parliament Budget Office.

Comments aimed at improving subsequent versions are welcome.

Keith Muhakanizi

PERMANENT SECRETARY / SECRETARY TO THE TREASURY

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List of Acronyms

ADB/F	African Development Bank/Fund
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
CPIA	Country Policy and Institutional Assessment
DOD	Debt Outstanding and Disbursed
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAC	East African Community
EAMU	East African Community Monetary Union
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
IDA	International Development Association
IMF	International Monetary Fund
LIBOR	London Interbank Offered Rate
LICs	Low Income Countries
NDP	National Development Plan
PDMF	Public Debt Management Framework
PPG	Public and Publically Guaranteed
PV	Present Value
WEO	World Economic Outlook

Executive Summary

The results of this Debt Sustainability Analysis show that Uganda moved from low to moderate risk of debt distress. Despite this, external public and publicly guaranteed (PPG) debt was found to be sustainable in the medium and long term. There has been an increase in vulnerabilities compared to previous DSA assessments, and the major risks to the outlook relate to the poor performance of exports as well as an increased rate of debt accumulation, particularly on non-concessional terms.

The stock of total public debt grew from US$ 8.4 billion at the end of June 2016 to US$ 9.4 billion in June 2017. This represents an increase from 34.6% of GDP to 37%. The increase was largely on account of external debt, which grew from US$ 5.2 billion to US$ 6.2 billion over the period. Domestic debt in foreign currency terms remained unchanged at US$ 3.2 billion (despite an increase in Shilling terms) due to a 5.5% depreciation of the Shilling between June 2016 and June 2017.

The **present value of external** public and publicly guaranteed (PPG) debt to GDP is projected to increase from 14.4% in FY2016/17 to 16.6% in FY2017/18, and to peak at 25.7% in FY2021/22. **Nominal total public debt** is projected to increase from 37% of GDP in FY2016/17 to 40.2% in FY2017/18, before peaking at 47.8% in FY2020/21. The **present value** of total public debt will follow a similar trend, increasing from 27.1% in FY2016/17 to peak at 35.1% in FY2021/22.

Stress tests on total public debt indicate significant risks related to non-debt variables, particularly interest rates and the exchange rate. This underscores the need to borrow on concessional terms as much as possible. A key concern is the slow growth in exports, which represent an important source of foreign exchange with which Government meets its external debt service obligations. The stress test on the PV of External Debt to Exports significantly breaches its threshold from FY2019/20 until FY2024/25, causing Uganda to decline from low to moderate risk of debt distress.

Government will continue efforts towards improving project implementation across the entire project cycle, including the production of high quality feasibility studies and proper, timely management of the land acquisition process. Untimely project implementation tends to lead to cost overruns and delays as well as reducing the benefits of infrastructure projects, which undermines economic growth and affects the country's ability to repay its debts.

SECTION ONE: INTRODUCTION

Uganda aspires to transform from a peasant to a modern and prosperous country within 30years, as set out in the Vision 2040. The NDP II, the second in a series of development plans through which the Vision will be achieved, identifies infrastructure development as a critical way of unlocking the binding constraints to Uganda's development. The Plan lists a number of infrastructure projects that will accelerate the country's transformation and elevate the country from low to middle income status.

These projects will largely be financed through external borrowing. As such, it is critical that debt sustainability is a key consideration in the decision making process with respect to these and other public projects. To this end, Government prepares an annual Debt Sustainability Analysis (DSA) Report. The report uses a consistent macroeconomic framework to assess Uganda's current and future debt levels, as well as the country's ability to meet its debt obligations and any risks and vulnerabilities that might arise therefrom.

The DSA informs decision making at different levels of Government, and is a key input into Government's Medium Term Debt Strategy, the National Budget Strategy, the Medium Term Expenditure Framework, and the Fiscal Risks Statement.

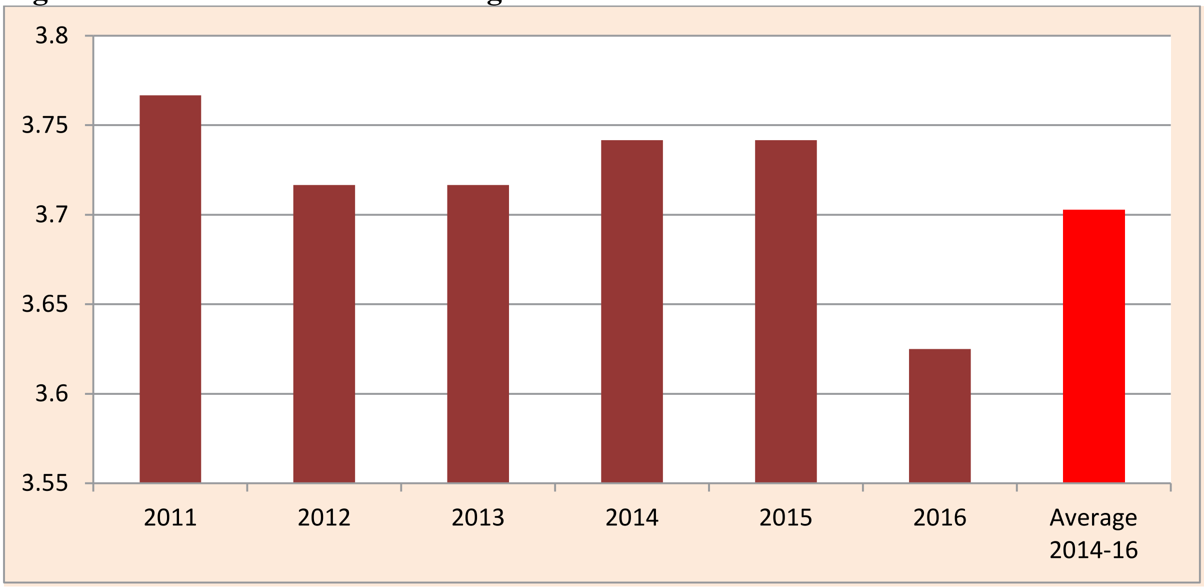
The report captures external debt stock as debt outstanding and disbursed (DOD), rather than debt committed. Debt committed includes both disbursed and undisbursed debt, and is reported in other publications of the Ministry, such as the annual Report on Loans, Grants and Guarantees.

The rest of this report is structured as follows: Section 2 gives an overview of the methodology and scope for the analysis, Section 3 sets the context for the report, highlighting the existing level of debt and its cost and risk profile. Section 4 discusses the assumptions underpinning the baseline projections in the DSA, while Section 5 presents and discusses the results of the analysis. Section 6 concludes.

SECTION TWO: METHODOLOGY AND SCOPE

This DSA was conducted using the standardized joint World Bank/IMF Debt Sustainability Framework for Low Income Countries (DSF-LICs) analytical tool. The DSF uses indicative thresholds of debt burden indicators, which depend on the quality of a country's policies and institutions as measured by the World Bank under the CPIA. It comprises external and domestic debt, and is based on the framework for low-income countries approved by the respective Executive Boards. The framework provides results for the baseline assumptions and stress test scenarios. According to the 2016 CPIA rating, Uganda is classified as medium policy performer with a three-year moving average CPIA score of 3.7 (see Figure1 below).

Figure 1: Trends in the CPIA for Uganda



Source: World Bank.

Consequently, the relevant indicative debt burden thresholds for external debt for a country classified as a medium policy performer are as highlighted in Table 1 below:

Table 1: Indicative debt burden thresholds

Indicative debt burden thresholds	Weak CPIA <3.25	Medium 3.25 <CPIA<3.75	Strong CPIA >3.75
Solvency Ratios			
PV of External Debt to GDP	30	40	50
PV of External Debt to Exports	100	150	200
PV of External Debt to Revenue	200	250	300
PV of Public debt to GDP	36	56	74
Liquidity Ratios			
External Debt Service to Exports	15	20	25
External Debt Service to Revenue	18	20	22

Source: World Bank/IMF LIC DSF

SECTION THREE: RECENT DEVELOPMENTS IN PUBLIC AND PUBLICLY GUARANTEED DEBT

Overview of Uganda's debt

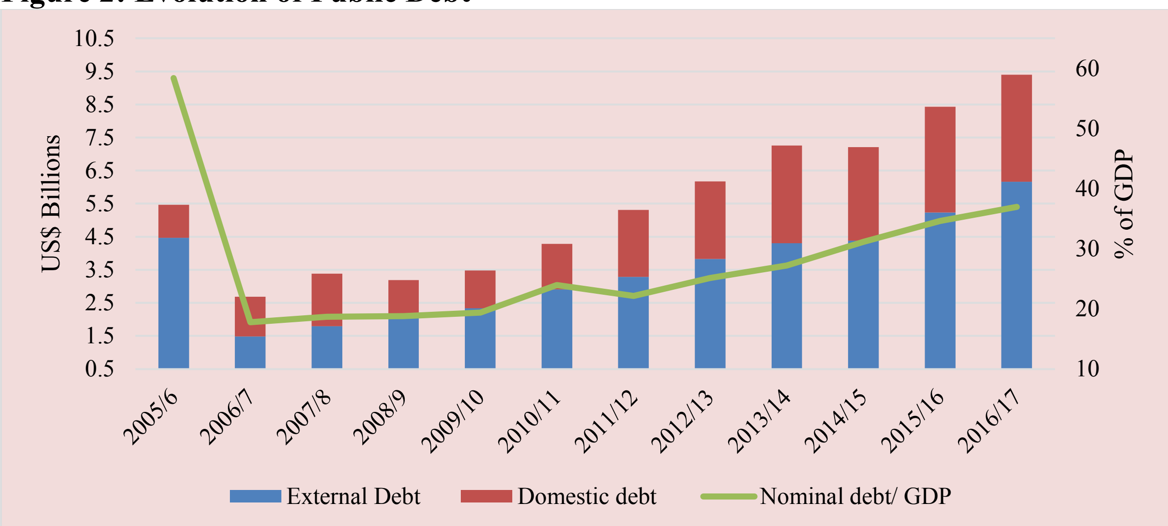
The stock of public sector debt grew from US$ 8.4 billion in FY2015/16 to US$ 9.4 billion in FY2016/17, driven by an increase in external debt, which increased from US$ 5.2 billion in FY2015/16 to US$ 6.2 billion in FY2016/17, while the stock of domestic debt in US dollars remained unchanged at US$ 3.2 billion. Whereas domestic debt (at cost value) increased from Shs 10,884 billion in June 2016 to Shs 11,595 billion in June 2017, a 5.5% depreciation of the shilling over the same period left the dollar amount unchanged.

Public sector debt rose from 34.6% of GDP in 2015/16 to 37% in FY2016/17, of which external and domestic comprised 24.3% and 12.7% respectively. The nominal debt to GDP is projected to peak at 47.8% in FY2020/21, largely driven by external borrowing to finance infrastructure projects.

In Present Value (PV) terms, public sector debt to GDP is projected to increase from 27.1% in FY2016/17 to 35.1% in 2021/22. This is below the requisite thresholds of: 56% for CPIA medium performers in the LIC DSF and 50% for both the Public Debt Management Framework (PDMF) and the East African Monetary Union (EAMU) Protocol.

Figure 2 below shows the evolution of public debt (both external and domestic) in billions of US Dollars between FY2005/6 and FY2016/17. The figure also plots trends in total nominal debt to GDP.

Figure 2: Evolution of Public Debt

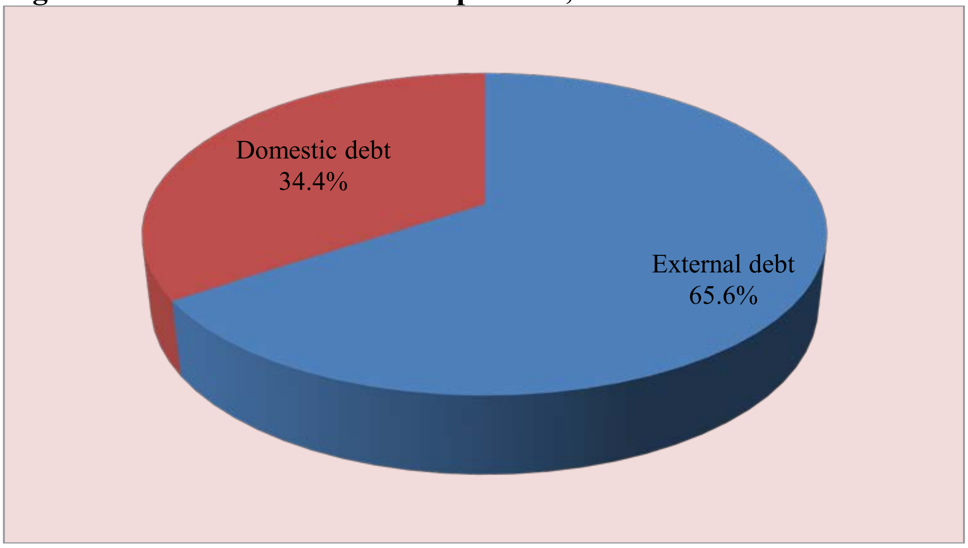


Source: Ministry of Finance, Planning and Economic Development

Composition of Public Debt

In FY2016/17, external debt comprised 65.6% of the total public debt, with domestic debt accounting for the rest, as shown in Figure 3 below. The share of domestic debt declined from 37.9% in 2015/16 to 34.4% in FY2016/17. Short-term debt (treasury bills) constituted 27% of the total domestic debt stock, while medium to long-term debt (treasury bonds) amounted to 73%. Commercial banks held the largest share of treasury bills while pension and provident funds held the largest share of treasury bonds.

Figure 3: Public Debt Stock Composition, June 2017



Source: Ministry of Finance, Planning and Economic Development

Of the total external disbursed and outstanding debt, 70.8% is owed to multilateral creditors, while 26.6% and 2.6% is owed to bilateral and commercial creditors respectively. Multilateral lenders are dominated by the International Development Association (IDA), a concessional lender, whereas China (non-concessional lender) dominates the bilateral creditors.

Table 2: Distribution of External Debt Stock by Creditor Category

Creditor Category	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Multilateral Creditors	90.1%	87.9%	86.9%	87.4%	85.5%	76.6%	70.8%
o/w IDA	61.9%	59.4%	58.6%	58.3%	55.8%	48.9%	45.2%
Bilateral Creditors	9.9%	12.1%	13.1%	12.6%	14.5%	23.4%	26.6%
Non Paris Club	8.0%	10.4%	11.3%	10.4%	12.3%	20.4%	22.8%
o/w China	3.3%	7.0%	8.0%	7.7%	9.6%	17.8%	20.3%
Paris Club	1.9%	1.6%	1.8%	2.2%	2.2%	3.0%	3.8%
o/w Japan	0.7%	0.7%	0.9%	1.3%	1.7%	2.4%	3.0%
Commercial Bank	-	-	-	-	-	-	2.6%

Source: Ministry of Finance, Planning and Economic Development

IDA`s share in total public debt has been on a downward trend while China's share has been increasing. Debt owed to IDA has declined from 61.9% of the total stock in FY2010/11 to 45.2%. Over the same period, debt owed to China has increased from 3.3% to 20.3%, as shown in Table 2.

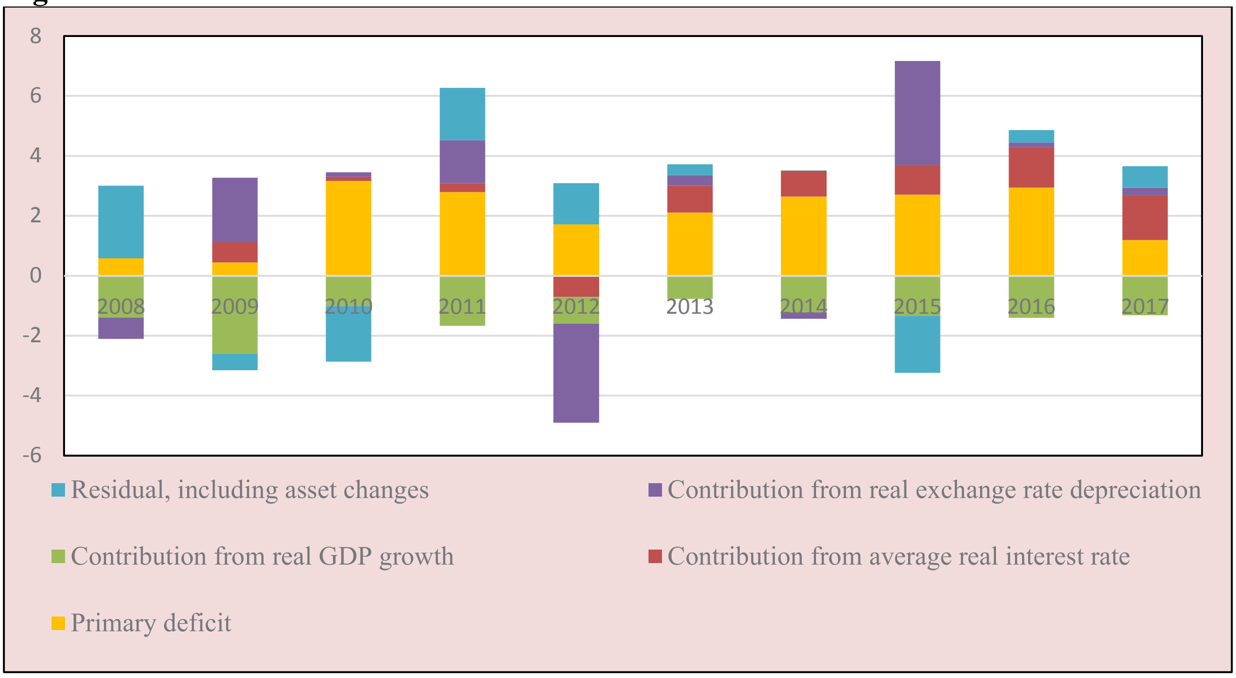
Drivers of Debt Accumulation

In order to assess debt sustainability and to propose ways of ensuring that debt does not rise beyond manageable levels, it is important to have a clear understanding of the main factors behind the observed debt dynamics.

As illustrated in Figure 5, and as largely expected, the primary balance has been the major factor contributing to the increase in Uganda's debt since FY2009/10. The contribution of the primary balance over this period is consistent with Government's deliberate policy to invest in physical infrastructure so as to unlock the country's productive capacities, as highlighted in both NDP I and NDP II. More recently, we observe that the real interest rate is contributing to rising debt levels. This is explained by the higher average real interest as Government taps into domestic and non-concessional external sources.

The main factor mitigating the increase in debt has been growth in real GDP. For debt to remain sustainable, it is critical that real GDP continues to grow at a rate higher than the average real interest rate on Government debt. An increase in the average real interest rate, and / or a decline in real GDP growth would pose a serious risk to debt sustainability.

Figure 5: Historical Drivers of Public Debt

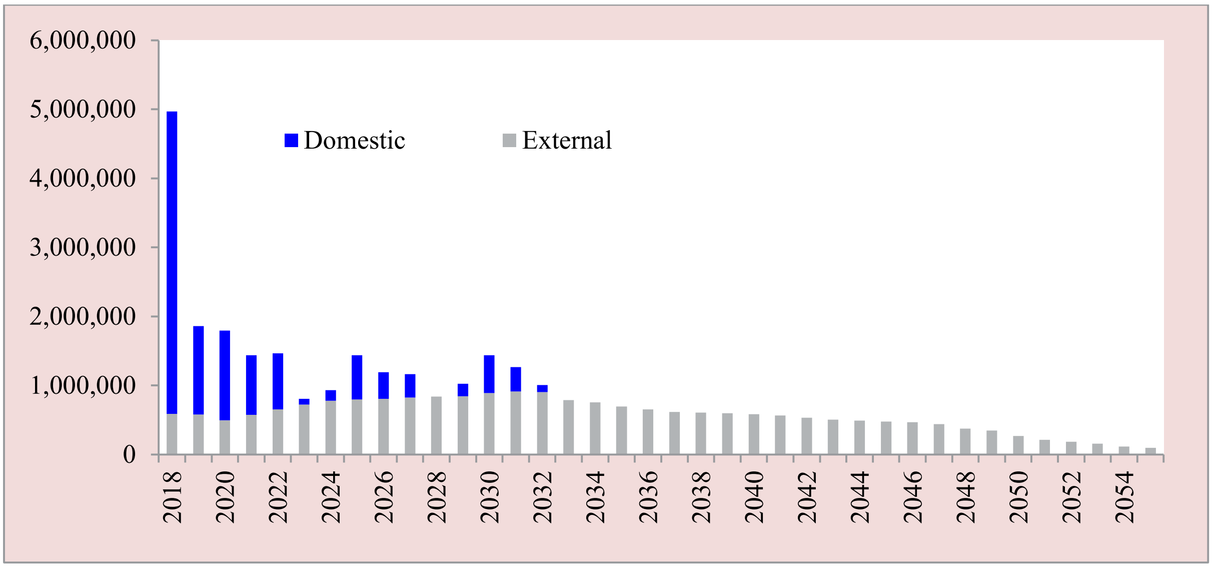


Source: Ministry of Finance, Planning and Economic Development

Redemption profile

As shown in Figure 4, the redemption profile for external debt is smoothly spread across many years, while redemptions for domestic debt are concentrated in a few years, particularly the first year of projection. The large share of domestic debt maturing in the first year of projection (38.4%) gives rise to significant refinancing risk.

Figure 4: Redemption Profile as at end June 2017



Source: Ministry of Finance, Planning and Economic Development

Risk and Cost Profile of the Existing Debt

Cost of Debt

Interest Payments to GDP and Weighted Average Interest Rate

Interest payments declined to 2.3% of GDP in June 2017 from 2.4% in June 2016. The decline was largely on account of the decrease in interest rates on domestic debt by 60 basis points between June 2016 and June 2017, which offset the increase of 20 basis points in external interest rates. It is noteworthy that average interest rates on external debt have been rising over the years, increasing from 0.9% in June 2015 to 1.4% in June 2017. This is consistent with the increasing recourse to non-concessional modes of financing. The weighted average interest rate for total debt declined from 6.8% in June 2016 to 6.3% in June 2017, driven by lower interest rates on domestic debt. However, domestic debt interest payments as a percentage of GDP remain significantly higher than external interest payments in both periods (see Table 3 below).

Table 3: Cost and risk profile of the existing debt

Risk Indicators		Jun-16			Jun-17		
		External	Domestic	Total debt	External	Domestic	Total debt
Cost of debt	*Interest payment as % GDP*	0.3	2.1	2.4	0.3	2	2.3
	Weighted Av. IR (%)	1.2	16.2	6.8	1.4	15.6	6.3
Refinancing risk	*ATM (years)*	17.5	3.3	12.2	16.1	3.7	11.9
	Debt maturing in 1yr (% of total)	1.1	44.9	17.6	2.7	38.4	14.8
	Debt maturing in 1yr (% of GDP)	0.2	5.8	6.1	0.6	4.8	5.4
Interest rate risk	*ATR (years)*	17.3	3.3	12	15.8	3.7	11.7
	Debt refixing in 1yr (% of total)	3.6	44.9	19.1	6	38.4	17
	Fixed rate debt (% of total)	97.5	100	98.5	96.6	100	97.8
FX risk	*FX debt (% of total debt)*			62.4			66
	ST FX debt (% of reserves)			2			4.8

Source: Ministry of Finance, Planning and Economic Development

Refinancing risks

Average Time to Maturity

The Average Time to Maturity (ATM) of the total debt stood at 11.9 years in June 2017, declining from 12.2 years in June 2016. This was mainly on account of the reduction in the ATM of external debt declining by 1.4 years to 16.1 years compared to the slight increase of 0.4 years in the domestic debt ATM. This is explained by the weighted increase of shorter maturities, ranging 3 – 15 years, of external loans being contracted during the period; all indicative of a significant shift from the traditional concessional borrowing of over 30 year's maturities.

Debt maturing in one year

The debt maturing in one year as a percentage of total debt declined by 2.8 percentage points to 14.8% in June 2017 largely on account of the domestic debt maturing in one year dropping from 44.9% in June 2016 to 38.4% in June 2017. The decline in the domestic debt maturing in one year is consistent with Government efforts to issue longer dated securities, and is also reflected in the increase of the ATM of domestic debt. Conversely, the external debt maturing in one year as a percentage to total external debt increased to 2.7% in June 2017 compared to 1.1% in June 2016. This is consistent with the decline in the external ATM between the two periods and indicative of an increase in shorter external maturities being contracted during the period.

Interest rate risks

Average Time to Re-fixing

The Average Time to Re-fixing (ATR) of total debt declined slightly to 11.7 years in June 2017 compared to 12.0 years in June 2016. This was largely on account of a reduction in the average time external debt would be subjected to new interest rates, 15.8 years down from 17.3 years in June 2016, consistent with the aforementioned reduction of the external debt ATM. This is further consistent with the decline in the fixed rate external debt as a percentage of total external debt, from 97.5% in June 2016 to 96.6% in June 2017.

Exchange rate risks

The share of external debt to total debt increased by 3.6 percentage points from 62.4% in June 2016 to 66.0% in June 2017. This shows that there is increased exposure to movements in the exchange rate. Nevertheless, the share of external debt to total debt remains below the 80% ceiling contained in the Public Debt Management Framework (2013). Further, the short-term external debt maturities as a percentage of reserves increased from 2.0% in June 2016 to 4.8% in June 2017 mainly on account of the US$200 million PTA loan.

SECTION FOUR: BASELINE MACROECONOMIC ASSUMPTIONS

Macroeconomic Assumptions

The economy is projected to grow by 5% in real terms in FY2017/18, above the 4% growth registered in FY2016/17. This growth will be driven by higher growth rates in agriculture and services, supported by improved implementation of infrastructure projects and a return to normal weather conditions. Real GDP growth is expected to average at about 5.9% in the medium-term and 6.7% in the long-term. This growth will be supported by enhanced productive capacity from the completion of infrastructure projects, investment in agriculture, regional integration and oil production, as well as enhanced efficiency in resource allocation.

Annual headline inflation is projected to drop to an average of 4.9% in FY2017/18 from 5.7% in FY2016/17. This is on account of; low food crop inflation supported by normalization of weather conditions; low demand pressures; and a relatively stable exchange rate. In the medium term, headline inflation is projected to average 5.3%, rising to 6.1% in the long term. Core inflation is expected to stabilize around the BOU's 5% target in the medium to long term.

In FY2017/18, the Shilling is expected to depreciate against the US Dollar by an average of 4.1%, compared to 2.7% in FY2016/17. This will be driven by Government dollar demand arising from infrastructure investments, the expected monetary policy tightening in the USA and a rise in international crude oil prices. In the medium term, the exchange rate is projected to depreciate by an average of 3.7% and 0.3% in the long-run as the country is expected to start earning oil revenues.

Fiscal Assumptions

As was the case in FY2016/17, tax revenue as a percentage of GDP is expected to increase by 0.3%, to Shs.14,403 Billion in FY2017/18. In FY2018/19, it is projected to increase by 0.7% to Shs.16,692 Billion on account of a combination of improved tax administration and new tax measures. Specific attention will be paid to: expansion of withholding tax agents; determination of rentable values for commercial properties; improving on data analysis (audit information); improving VAT compliance of the telecom sector by enforcing the commission model rather than the discount model; debt recovery; and engaging the Judiciary to expedite tax cases, among others. In the medium term, tax revenue is projected to grow by 0.5% of GDP to reach a peak of 18.4% in the long term; driven by reforms in the tax system and efficiency in tax administration. This will also require investments in tax collection systems, equipment and human resources. Table 4 below summaries the fiscal assumptions used in the DSA.

Table 4: Summary of Fiscal Assumptions

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Fiscal projections (Shs Bn)							
Revenue and Grants	14,026	16,111	17,940	21,343	24,157	27,453	31,105
Grants	950	1,708	1,248	2,130	1,901	1,676	1,453
Primary Expenditure	15,114	20,230	23,954	26,877	27,928	31,313	32,105
Total Interest Expenditure	2,323	2,285	2,452	2,706	3,072	3,340	3,662
Total Expenditure	17,437	22,515	26,406	29,583	31,000	34,653	35,767
Primary Deficit	1,088	4,119	6,013	5,534	3,771	3,860	1,000
Overall Budget Deficit	3,411	6,404	8,466	8,240	6,843	7,201	4,661
As a percentage of GDP							
Revenue and Grants	15.4%	16.0%	16.2%	17.3%	17.4%	17.6%	17.9%
Total Expenditure	19.1%	22.4%	23.8%	23.9%	22.3%	22.2%	20.5%
Primary Deficit	1.2%	4.1%	5.4%	4.5%	2.7%	2.5%	0.6%
Overall Budget Deficit	3.7%	6.4%	7.6%	6.7%	4.9%	4.6%	2.7%
Memorandum Items							
Real GDP Growth	4.0%	5.0%	5.5%	6.0%	6.5%	6.7%	6.7%
Nominal GDP (Shs Bn)	91,351	100,508	111,054	123,709	138,838	155,935	174,114

Source: Ministry of Finance, Planning and Economic Development

In line with the aspirations enshrined in the Vision 2040, Government will continue to prioritize infrastructure investment to enhance growth and propel the country to middle income status. Government expenditure is therefore projected to increase from 19.1% of GDP in FY2016/17 to an average of 22.5% in the medium term and 23.0% over the long-term. The fiscal deficit including grants is projected to expand to 6.4% of GDP in FY2017/18 from 3.9% in FY2016/17 on account of scaling up public infrastructure investment. Subsequently, the deficit is projected to average at 5.3% of GDP in the medium term. The fiscal deficit is however projected to reduce to 3.0% in the long term in line with requirements of the EAMU convergence criteria supported by completion of major infrastructure projects and reforms in the tax system which will boost revenue and reduce reliance on borrowed funds.

Financing Assumptions

In light of the high interest costs associated with domestic borrowing; and with a view to ensuring adequate growth of private sector credit, Government will scale down on domestic borrowing in the medium term. As such, the deficit will be largely financed using external resources during the medium term. Government expects to increase the share of domestic borrowing in the long term, as the domestic market becomes more developed.

Despite the desirability and continued preference for concessional external resources, Government is cognizant of the fact that such resources are insufficient to meet Uganda's development financing. As such, Uganda will increasingly turn to non-concessional financing, although this will be done in a manner that does not jeopardize debt sustainability.

Balance of Payments Assumptions

In the medium term, commodity prices of exports and imports were taken from the IMF's World Economic Outlook (WEO) while volumes were based on real growth rates of the relevant sub-sectors. Exports of services were projected to grow in line with nominal GDP growth of advanced economies, while imports of services were broadly forecast to grow in line with imports of goods.

In the long term, the values of both exports and imports of goods and services were forecast as a constant share of GDP based on the average of the last four years of the medium term. Oil imports were discounted from FY2023/24 on the assumption that some oil will be produced locally. The proportions applied were; 15% between from FY2023/24 to FY2024/25, 25% between FY2025/26 and FY2026/27. The proportions were raised gradually to 90 percent towards the end of the projection period.

The income inflows/outflows forecasts in the medium term were based on LIBOR, and computed as the stock of financial assets/liabilities in the previous period, multiplied by the LIBOR rate for the current period. LIBOR rate projections were taken from the IMF's WEO.

Inflows of private transfers were forecast to grow in line with nominal GDP growth of advanced economies in the medium term. In the long term, these flows were assumed to grow at an average growth rate of the medium term estimated at 2.7%.

Foreign Direct Investment (FDI) inflows were projected to grow in line with Uganda's nominal GDP growth in dollar terms in the medium term, and were forecast as a constant share of GDP in the outer years.

The stock of gross reserves was fixed at 4.5 months of future import cover throughout the outer years in line with the East African Community (EAC) Monetary Union convergence criteria.

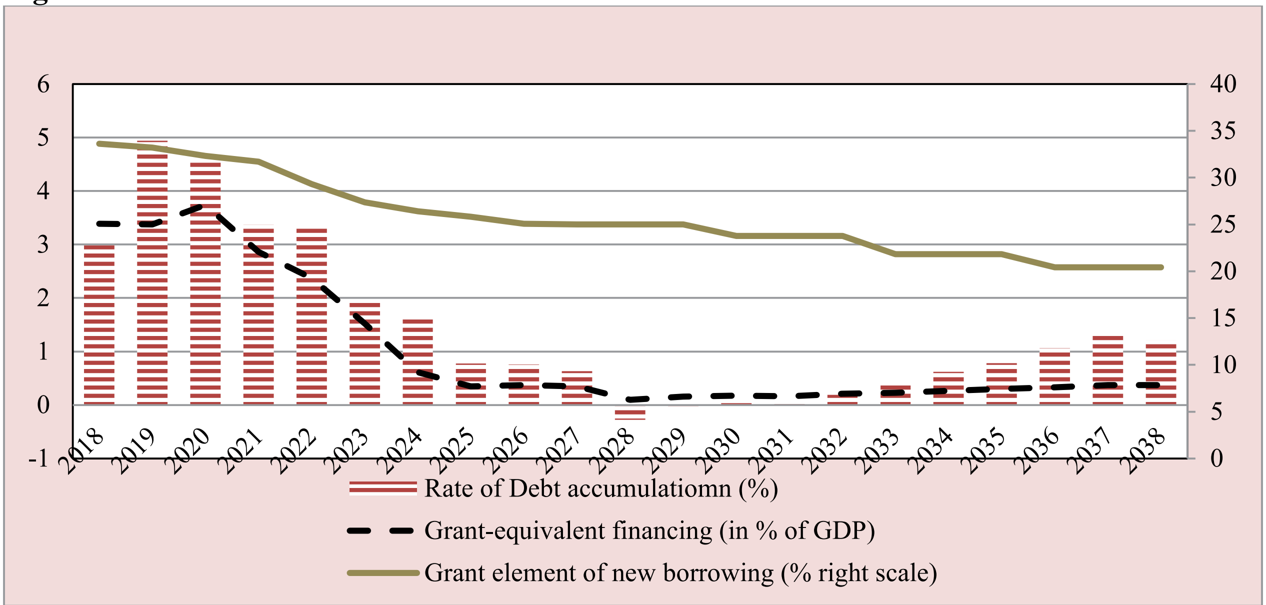
SECTION FIVE: DSA RESULTS AND ANALYSIS

This section presents the findings of the Analysis. The main finding is that Uganda moved from low to moderate risk of debt distress as a result of a projected higher rate of debt accumulation in the medium term, driven by the need for infrastructural development.

Sustainability of External Public and Publicly Guaranteed Debt

External debt is projected to increase in the medium term, in line with the infrastructure expansion discussed in the previous section. As shown in Figure 6 below, debt accumulation after the medium term is projected to decline significantly, as major infrastructure projects are completed and oil revenues become available, leading to a reduction in Government's borrowing requirements. Throughout the projection period, there will be a reduction in both the grant – equivalent financing as a percentage of GDP and the grant element of new borrowing, as the country is expected to graduate to middle income status and have less access to grants and concessional loans.

Figure 6: Debt Accumulation



Source: Ministry of Finance Planning and Economic Development.

External Debt Burden Indicators

Under the baseline scenario, all PPG external debt burden indicators remain below their indicative thresholds over the projection period. However, there is a breach of the PV of the external debt to exports ratio in both the historical and most extreme shock scenarios. Debt service indicators are projected to remain comfortably below their indicative thresholds, reflecting low risk of liquidity despite the rapid accumulation of debt. This is because concessional debt continues to form a large share of Uganda's external debt, as discussed in Section Three. Table 5 below shows the external DSA results.

Table 5: Summary of External Debt Sustainability Assessment

	Thresholds	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
				Solvency Ratios					
PV of External Debt to GDP	40	14.4	16.6	19.8	22.9	24.6	25.7	24.8	23.7
PV of External Debt to Export of Goods and Services	150	77.5	92.0	110.2	128.9	137.2	144.6	139.2	126.6
PV of External Debt to Domestic Budget Revenue	250	100.4	115.8	131.5	147.4	153.3	155.4	145.8	142.7
				Liquidity Ratios					
External Debt Service to Export of Goods &Services	20	2.3	6.5	3.8	5.4	6.2	6.6	6.8	7.3
External Debt Service to Domestic Budget Revenue	20	2.9	8.1	4.5	6.1	6.9	7.1	7.2	8.2

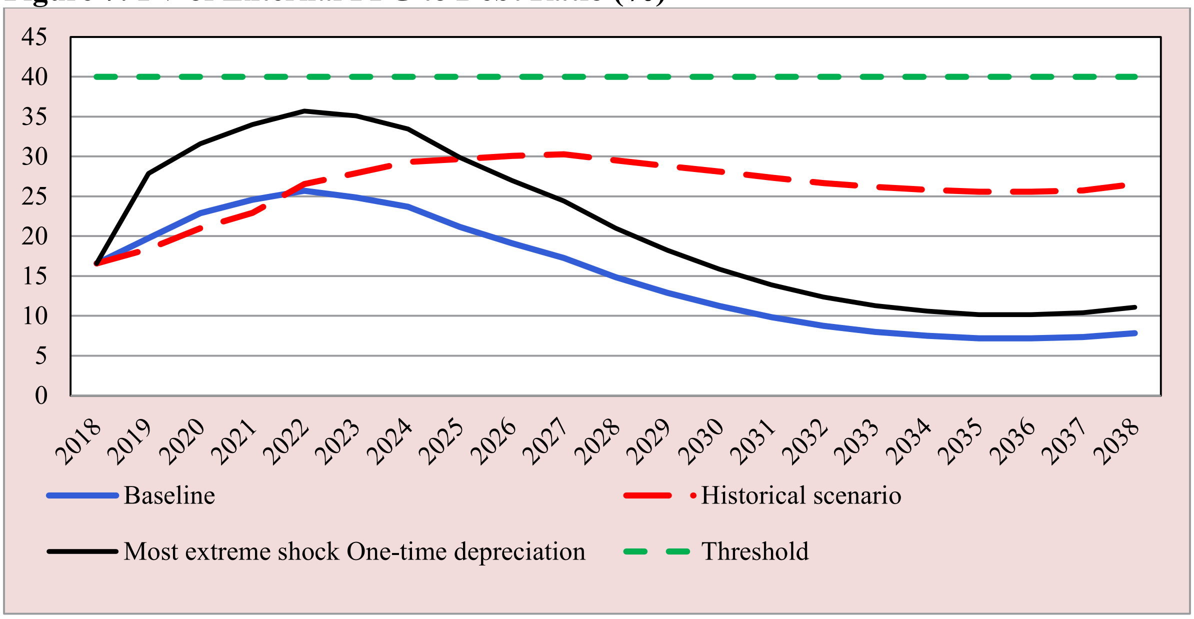
Source: Ministry of Finance Planning and Economic Development

Solvency Ratios

PV of Debt to GDP ratio

The PV of external public and publicly guaranteed debt to GDP is projected to increase from 14.4% in FY2016/17 to 16.6% in FY2017/18. This ratio will continue to increase throughout the medium term peaking at 25.7% in FY2021/22. Despite the increased rate of external debt accumulation, this ratio will remain well below its indicative threshold all through the projection period, as highlighted in Figure 7 below.

Figure 7: PV of External PPG to Debt Ratio (%)



Source: Ministry of Finance Planning & Economic Development

In nominal terms, the external debt to GDP will increase from 24.3% in FY2016/17 to 38.4% in FY2021/22 before reducing gradually in the long term.

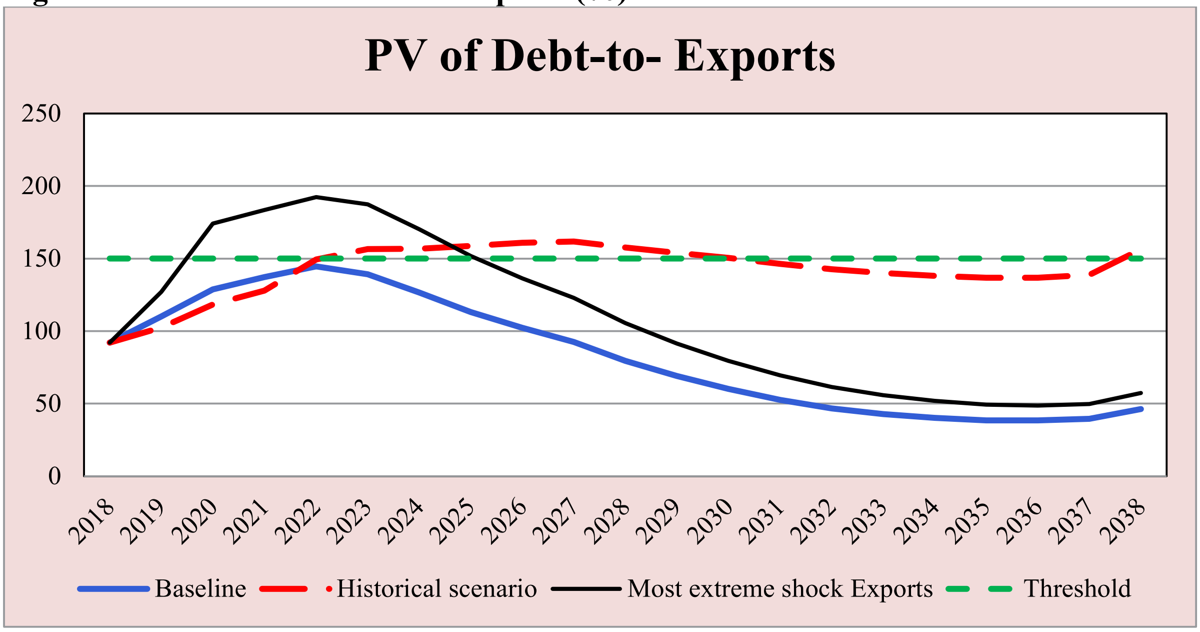
PV of External Debt to Exports

The PV of external debt to exports of goods and services is projected to remain below its indicative threshold of 150 in the baseline, peaking at 144.6% in FY2021/22 before starting to decline at the onset of oil production.

However, the LIC-DSF contains standardized stress tests that help to understand the evolution of debt ratios in the event of a shock to the baseline assumptions. Results of stress tests indicate that a shock to exports[1] would raise the PV of external debt to exports to 192.3%, well above its threshold.

Exports constitute an important variable in the analysis of external debt sustainability since they are a critical source of foreign exchange, which a country needs to service its foreign currency denominated debt. The performance of this ratio therefore implies that Uganda needs to significantly improve its export performance especially in the medium term. Figure 8 below shows the evolution of the PV of external debt to exports through the projection period.

Figure 8: PV of External Debt to Exports (%)



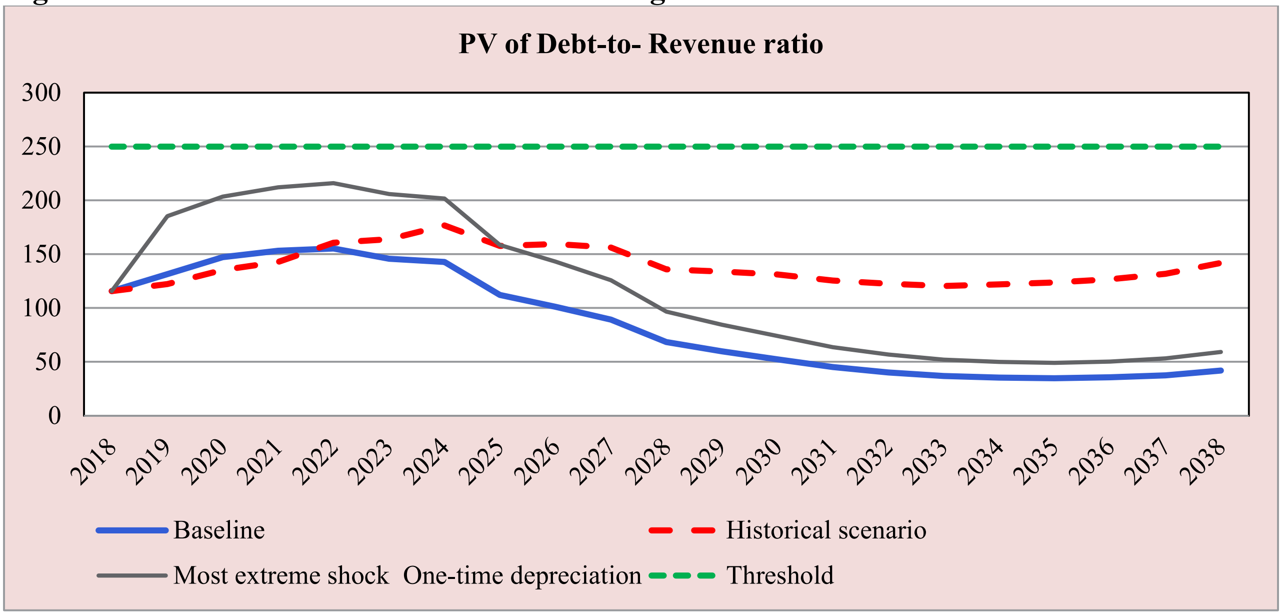
Source: Ministry of Finance Planning and Economic Development

[1] The shock in this case is that exports grow at their historical average minus one standard deviation.

PV of External Debt to Domestic Budget Revenue

The PV of external debt to domestic budget revenue is expected to remain well below its threshold throughout the projection period, as shown in Figure 9. Nevertheless, the increasingly non-concessional nature of new debt means that this ratio will increase from 100.4% in FY 2016/17 to peak at 155.4% in FY2021/22. The increase in this ratio underscores the importance of Government's current efforts towards improving revenue collections and emphasises the need to expedite Government's Domestic Revenue Mobilization Strategy.

Figure 9: PV of External Debt to Domestic Budget Revenue



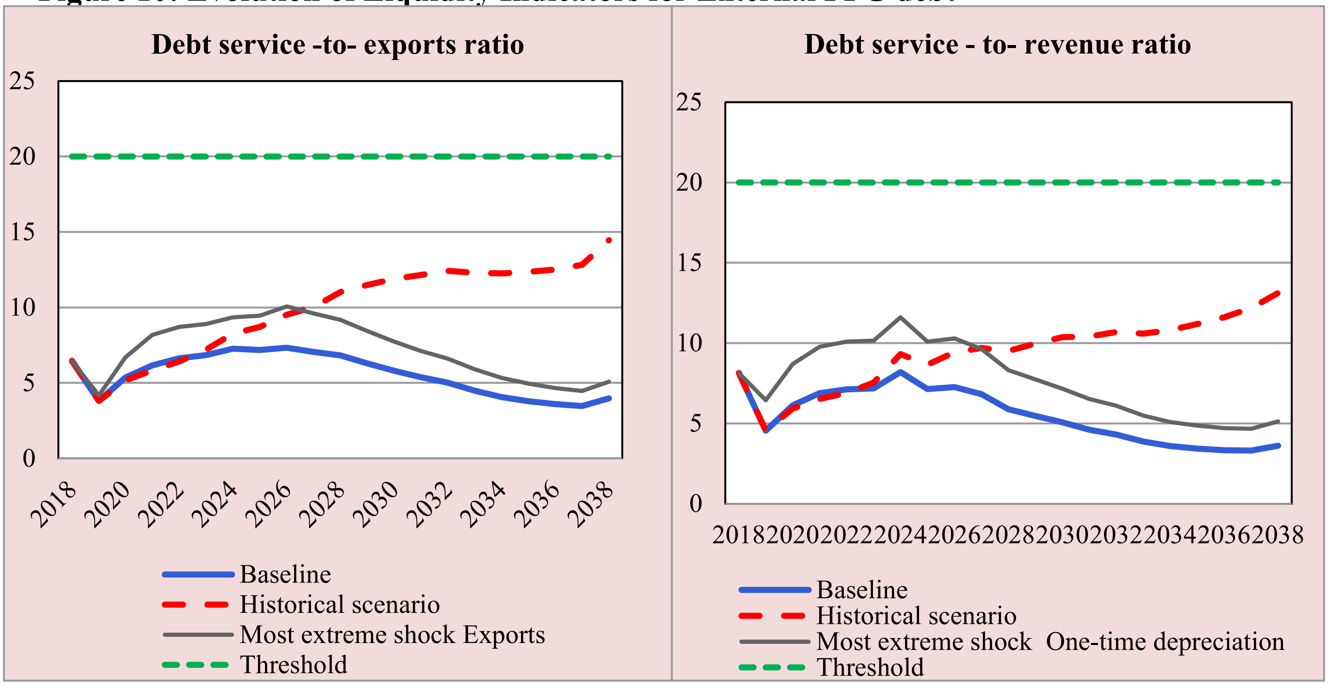
Source: Ministry of Finance, Planning and Economic Development

Liquidity Ratios

The LIC-DSF uses two liquidity indicators for external debt service, namely: external debt service to exports of goods and services and external debt service to domestic budget revenue. Both domestic revenue and exports of goods and services constitute important indications of a country's capacity to service its debt.

As shown in Figure 10 below, both liquidity ratios remain well below their respective thresholds throughout the projection period indicating low liquidity risk. This means that the country will be in position to meet its debt obligations when they fall due. However, the ratios increase drastically during the first year of projection (FY2017/18) indicating an increase in the debt service burden. External debt service to exports ratio is projected to increase from 2.3% in FY2016/17 to 6.5% in FY2017/18, while the external debt service to domestic budget revenue ratio is also projected to more than double from 2.9% in FY2016/17 to 8.1% in FY2017/18. This sharp increase is as a result of the repayment of the PTA commercial loan. This therefore reflects the impact of the increasingly non-concessional nature (shorter grace and maturity periods) of Uganda's external debt portfolio, which increases the country's debt service obligation in the near term.

Figure 10: Evolution of Liquidity Indicators for External PPG debt



Source: Ministry of Finance, Planning and Economic development

Sustainability of Public Debt

Public debt is a more comprehensive measure of the country's indebtedness, as it encompasses both domestic and external PPG debt. Public debt ratios show that despite the relatively high rate of debt accumulation in the medium term, Uganda's public debt will remain sustainable over both the medium and long term. Table 6 below presents the DSA results for public debt over the medium term.

Table 6: Summary of Public Debt Sustainability Assessment

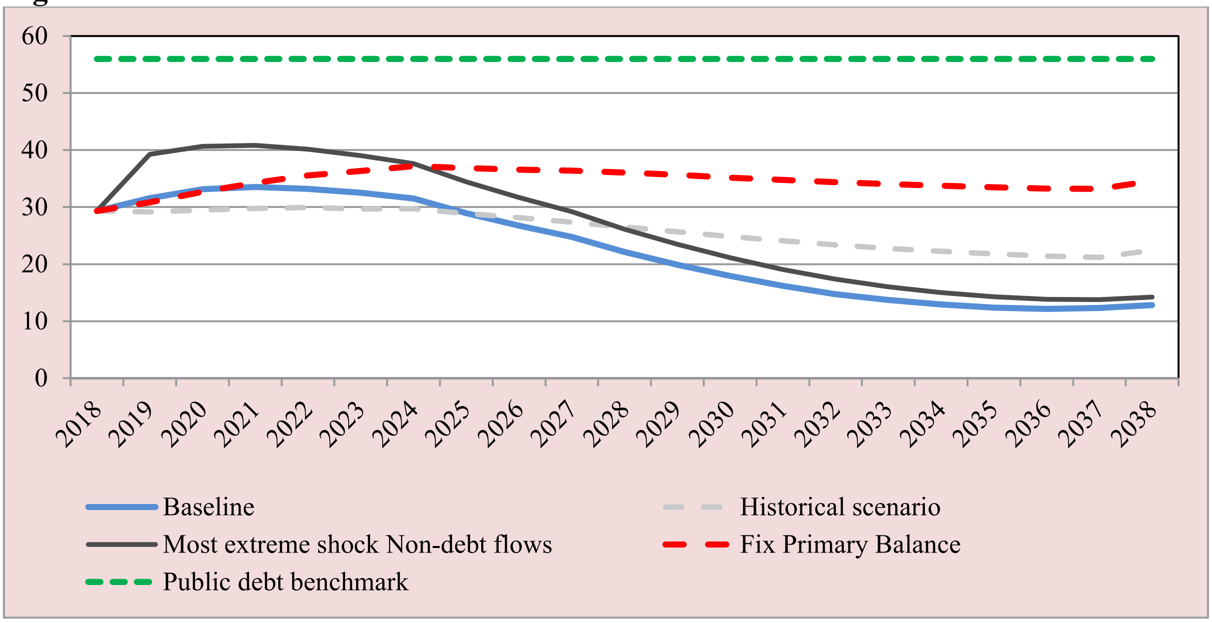
	Debt Strategy Thresholds	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Nominal Debt to GDP		37.0	40.2	43.7	47.0	47.8	47.8	45.1
External		24.3	27.3	31.5	35.6	37.5	38.4	36.5
Domestic		12.7	12.9	12.2	11.4	10.3	9.4	8.6
PV of Debt to GDP	50	27.1	29.5	32.0	34.3	34.9	35.1	33.4
External	30	14.4	16.6	19.8	22.9	24.6	25.7	24.8
Domestic	20	12.7	12.9	12.2	11.4	10.3	9.4	8.6

Source: Ministry of Finance, Planning and Economic Development

Nominal public sector debt is projected to increase from 37% of GDP in FY2016/17 to peak at 47.8% of GDP in FY2021/22, of which 9.4% will be domestic debt and 38.4% external.

The PV of public sector debt to GDP will increase from 27.1% in FY2016/17 to peak at 35.1% in FY2021/22. This is below all the requisite thresholds of: 56% for CPIA medium performers and 50% for the PDMF and the EAMU Protocol. Despite this, the high rate of debt accumulation in the medium term compared to previous years highlights the need for Government to exercise caution when taking on new debt. Figure 11 below maps the evolution of the PV of total public debt to GDP over the projection horizon.

Figure 11: PV of Public Debt to GDP



Source: Ministry of Finance, Planning and Economic Development (MEPD)

The increase in external debt over the medium term reflects Government's commitment to enhance the productive capacity of the economy by closing the large infrastructural gap, with particular focus on the energy, oil and transport sectors. A significant proportion of these infrastructure projects will be financed using loans from external development partners, on both concessional and non-concessional terms. Government will continue to prioritize the use of concessional financing over non-concessional resources.

As observed in Table 6, there will be a decline in domestic debt to GDP, in line with Government's commitment to reduce its domestic borrowing levels with the intention of spurring growth in private sector credit.

Uganda's Overall Risk Rating.

Table 7: Mechanical Approach for Risk Rating (Criteria)

	Number of Debt burden indicators breaching threshold under baseline assumptions	Number of Debt burden Indicators breaching threshold under stress tests
Low Risk	0	0
Moderate Risk	0	1 or more
High Risk	1 or more	1 or more
In debt Distress	Country is already having problems servicing its debt (Arrears)	

Source: IMF

With reference to the mechanical approach outlined in Table 7 above, Uganda's risk rating will deteriorate from low to moderate risk of debt distress. This downgrade is on account of the significant breach in the stress test for the PV of external debt to exports. The country's debt portfolio therefore remains prone to increased vulnerabilities from low growth of exports.

SECTION SIX: CONCLUSION AND POLICY RECOMMENDATIONS.

The main conclusion of this year's DSA is that Uganda moves from low to moderate risk of debt distress, following a breach of the most extreme stress test in the PV of debt to exports. Despite this, all other debt burden indicators remain below their respective thresholds in both the baseline and extreme stress test scenarios. Particularly, the PV of total public debt to GDP increases from 27.1 in FY2016/17 to a peak of 35.1% in FY2021/22, well below the threshold of 50% as contained in the Charter for Fiscal Responsibility and the EAMU Protocol.

Despite increasing significantly over the medium term, the liquidity ratios (debt service to revenue and debt service to exports) remain well within their respective thresholds, meaning that Uganda is unlikely to face liquidity constraints with regard to servicing its debt.

Standardised stress tests on total public debt also indicate that the country is highly susceptible to shocks related to lower exports and real GDP growth, worsening/hardening of borrowing terms and sustained exchange rate depreciation.

Exports, in particular, are a significant cause of concern for external debt sustainability. It is therefore important that efforts towards enhancing export growth, such as the 2020 Coffee Roadmap, are fully supported and implemented.

In a bid to boost GDP Growth, which contributes significantly to debt sustainability, Government will concentrate on borrowing only for projects which generate a significant income and have a growth dividend.

Government will continue to promote efforts aimed at enhancing domestic revenue mobilisation, which will reduce the need to borrow resources to finance the budget. In particular, Government is expediting the implementation of the new Domestic Revenue Mobilization Strategy.

Finally, Government has also instituted a number of public investment management reforms, including the development of a user manual for project development and appraisal, as well as capacity building in MDAs to equip officers with project management skills.

GLOSSARY

1. **Average Time to Maturity:** ATM gives information on how long it takes on average to rollover or refinance the debt portfolio. Low value of ATM indicates that a high share of debt will be due for payment or roll over in the near future, implying a substantial exposure to refinancing risk if resources are not available to meet or roll over maturing debt. On the other hand, a high value of ATM indicates that a low proportion of debt will be maturing in the near future, implying a low exposure to refinancing risk.

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

3. **Concessionality:** Concessional loans are those whose grant element is not less than 35%. These typically come from multilateral creditors such as the IDA and the ADF/B.

4. **External Debt Service/ Domestic Budget Revenue:** This ratio describes the ratio of domestic revenue inflows to external outflows used for servicing external debt. An indicator used to measure liquidity risk.

5. **External Debt Service/ Exports (goods & services):** This ratio describes the share of foreign exchange earning inflows from exports to external outflows used for servicing external debt. This indicator is used to measure liquidity risk.

6. **External Debt/ Domestic Budget Revenue:** This ratio describes the share of total domestic budget revenues that is directed to pay external debt.

7. **Liquidity Risk:** A situation where available financing and liquid assets are insufficient to meet maturing obligations. The DSF includes indicative thresholds that facilitate the assessment of solvency and liquidity risk (Staff Guidance note on the DSF for LICs, IMF 2013).

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

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

10. **Present Value (PV):** PV captures the degree of concessionality of the debt stock. The more concessional the debt, the lower the PV compared to the nominal value. The benchmarks by which Uganda is assessed, such as those in the LIC-DSF; the PDMF and the EAMU convergence criteria, are all specified in PV terms.

11. **Public and Publicly Guaranteed Debt**: Total Public Debt plus debt guaranteed by government. However, in regard to guaranteed debt, the DSA only includes guaranteed debt that has become a liability to government upon default by the responsible debtor.

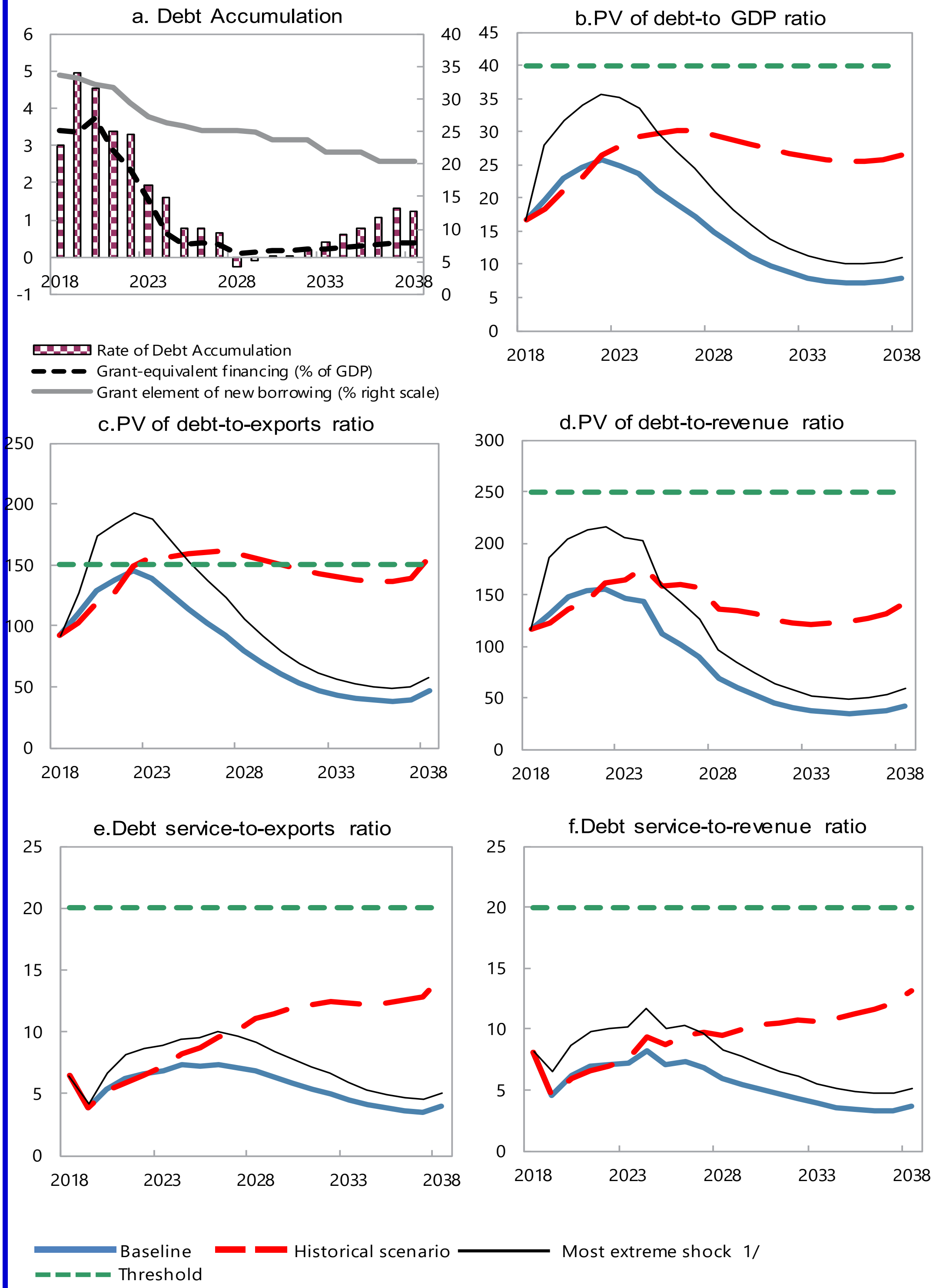
12. **Public Debt/GDP (Nominal):** A measure of the level of total public/government debt (external & domestic) relative to the size of the economy.

13. **Refinancing Risk:** Refinancing risk is the possibility of having the debt to be rolled over at a higher interest rate. In this report, two measures are used to assess the exposure of Uganda's public debt to refinancing risk: Redemption profile of debt and Average Time to Maturity (ATM) of debt stock.

14. **Solvency:** An economic agent (or a sector of an economy, or a country as a whole) is solvent if the present value of its income stream is at least as large as the PV of its expenditure plus any initial debt.

APPENDICES

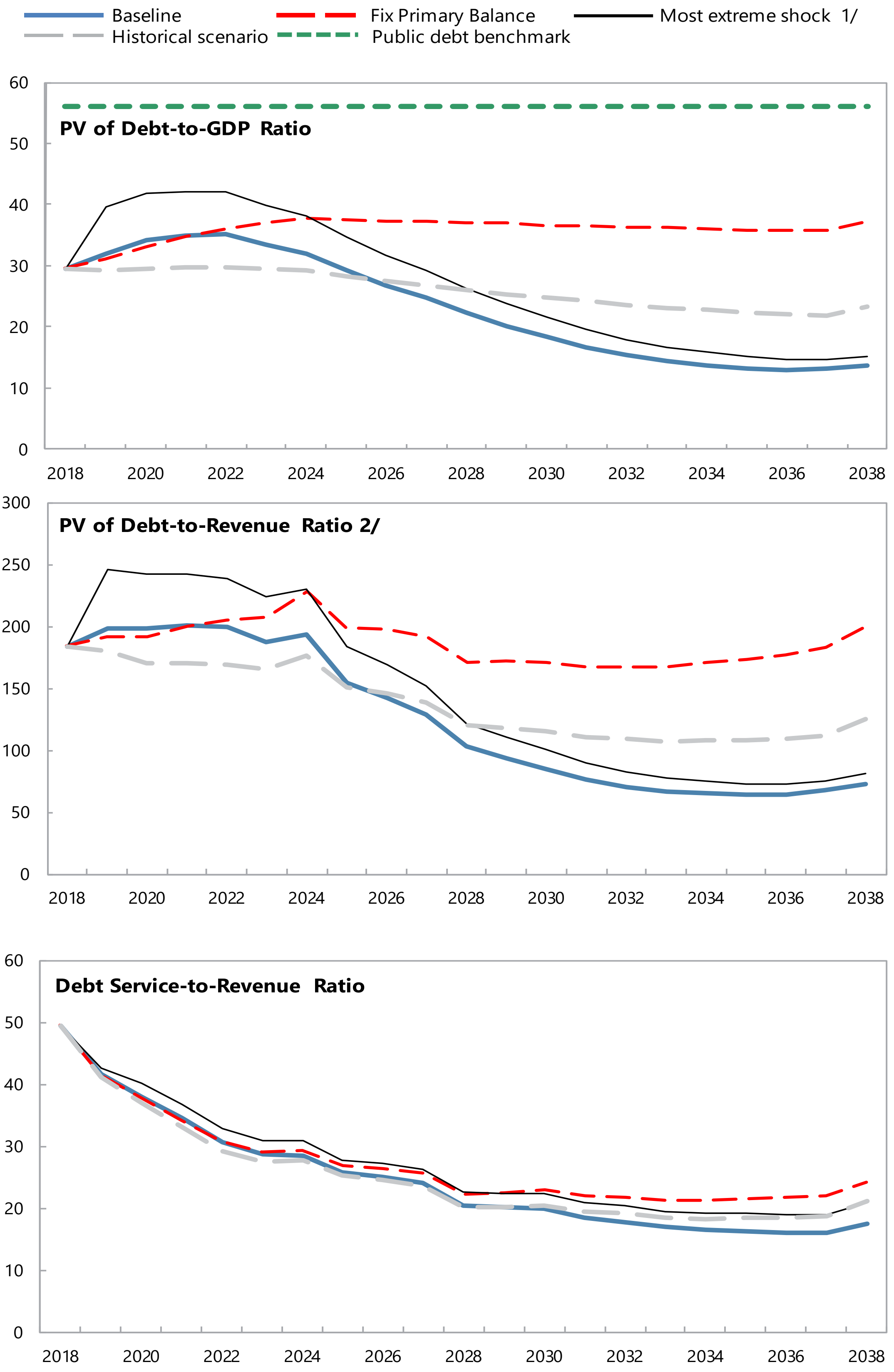
Figure 1a. Uganda: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2018-2038 1/



Source: Ministry of Finance, Planning and Economic Development.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2028. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 1b.Uganda: Indicators of Public Debt Under Alternative Scenarios, 2018-2038 1/



Source: Ministry of Finance, Planning and Economic Developmet
1/ The most extreme stress test is the test that yields the highest ratio on or before 2028.
2/ Revenues are defined inclusive of grants.

Table 1a .Uganda: External Debt Sustainability Framework, Baseline Scenario, 2015-2038 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6/]	Standard [6/]	Projections									
				Average	Deviation							2018-2023			2024-203
	2015	2016	2017			2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	**35.5**	**41.0**	**43.1**			**45.9**	**49.5**	**52.9**	**54.5**	**54.9**	**52.3**		**32.0**	**17.7**	
of which: public and publicly guaranteed (PPG)	18.9	21.5	24.3			27.3	31.5	35.6	37.5	38.4	36.5		20.7	10.3	
Change in external debt	4.6	5.5	2.1			2.8	3.6	3.4	1.6	0.4	-2.6		-4.2	0.2	
Identified net debt-creating flows	5.6	8.6	3.1			4.7	4.4	3.4	1.7	-0.9	-0.3		1.2	1.3	
Non-interest current account deficit	**7.0**	**5.6**	**7.1**	**6.9**	**1.2**	**8.5**	**9.3**	**8.9**	**7.9**	**4.7**	**5.4**		**5.7**	**4.2**	5.3
Deficit in balance of goods and services	10.1	8.8	7.1			8.9	10.7	11.5	10.6	10.0	10.7		9.8	8.9	
Exports	18.1	19.3	18.5			18.0	17.9	17.8	17.9	17.8	17.8		18.7	17.0	
Imports	28.2	28.1	25.6			27.0	28.6	29.3	28.5	27.8	28.5		28.5	25.9	
Net current transfers (negative = inflow)	-3.4	-2.7	-2.7	-3.3	0.6	-2.9	-2.9	-2.9	-3.0	-3.0	-2.9		-2.1	-1.1	-1.8
of which: official	-5.0	-5.9	-5.6			-5.8	-5.5	-5.5	-5.1	-4.6	-4.3		-2.3	-0.7	
Other current account flows (negative = net inflow)	0.4	-0.6	2.7			2.4	1.5	0.3	0.3	-2.3	-2.4		-2.0	-3.6	
Net FDI (negative = inflow)	**-2.0**	**-1.7**	**-1.8**	**-2.7**	**0.9**	**-2.4**	**-3.4**	**-3.8**	**-4.1**	**-3.4**	**-3.5**		**-3.1**	**-1.9**	-2.8
Endogenous debt dynamics 2/	**0.5**	**4.8**	**-2.2**			**-1.4**	**-1.5**	**-1.7**	**-2.1**	**-2.2**	**-2.2**		**-1.4**	**-1.1**	
Contribution from nominal interest rate	0.3	0.4	0.6			0.6	0.8	1.0	1.1	1.2	1.2		0.8	0.5	
Contribution from real GDP growth	-1.6	-1.9	-1.5			-2.0	-2.3	-2.7	-3.2	-3.4	-3.4		-2.1	-1.5	
Contribution from price and exchange rate changes	1.9	6.3	-1.3			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-1.0**	**-3.2**	**-1.0**			**-1.9**	**-0.8**	**0.0**	**-0.2**	**1.3**	**-2.3**		**-5.4**	**-1.1**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	33.2			35.1	37.8	40.2	41.5	42.1	40.6		26.2	15.3	
In percent of exports	...	...	179.1			194.8	210.5	226.4	232.0	237.1	227.5		140.2	90.2	
PV of PPG external debt	**...**	**...**	**14.4**			**16.6**	**19.8**	**22.9**	**24.6**	**25.7**	**24.8**		**14.9**	**7.8**	
In percent of exports	**...**	**...**	**77.5**			**92.0**	**110.2**	**128.9**	**137.2**	**144.6**	**139.2**		**79.5**	**46.2**	
In percent of government revenues	**...**	**...**	**100.4**			**115.8**	**131.5**	**147.4**	**153.3**	**155.4**	**145.8**		**68.5**	**41.9**	
Debt service-to-exports ratio (in percent)	**7.2**	**8.5**	**7.9**			**12.6**	**10.6**	**12.7**	**13.6**	**14.0**	**14.1**		**12.9**	**9.9**	
PPG debt service-to-exports ratio (in percent)	**1.8**	**2.0**	**2.3**			**6.5**	**3.8**	**5.4**	**6.2**	**6.6**	**6.8**		**6.8**	**4.0**	
PPG debt service-to-revenue ratio (in percent)	**2.5**	**2.8**	**2.9**			**8.1**	**4.5**	**6.1**	**6.9**	**7.1**	**7.2**		**5.9**	**3.6**	
Total gross financing need (Billions of U.S. dollars)	1.8	1.4	1.8			2.3	2.4	2.4	2.2	1.5	1.8		4.0	12.3	
Non-interest current account deficit that stabilizes debt ratio	2.4	0.1	5.0			5.7	5.7	5.5	6.3	4.3	8.0		9.9	4.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.2	4.7	4.0	6.6	3.9	5.0	5.5	6.0	6.5	6.7	6.7	6.0	6.7	9.6	7.1
GDP deflator in US dollar terms (change in percent)	-5.8	-15.0	3.4	0.6	10.2	0.6	1.9	2.5	0.4	1.5	2.6	1.6	7.2	-0.4	6.7
Effective interest rate (percent) 5/	0.9	0.9	1.6	1.2	0.2	1.5	2.0	2.3	2.3	2.4	2.4	2.1	2.4	3.0	2.6
Growth of exports of G&S (US dollar terms, in percent)	0.0	-5.3	3.4	9.2	11.5	2.8	6.9	7.5	7.8	7.4	10.0	7.1	14.4	0.0	13.9
Growth of imports of G&S (US dollar terms, in percent)	1.1	-11.3	-2.0	8.0	14.5	11.2	14.0	10.9	4.0	5.7	12.4	9.7	14.4	0.0	13.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	33.6	33.2	32.3	31.7	29.3	27.4	31.3	25.0	20.4	23.4
Government revenues (excluding grants, in percent of GDP)	13.2	13.9	14.3			14.3	15.0	15.5	16.0	16.5	17.0		21.7	18.7	20.3
Aid flows (in Billions of US dollars) 7/	0.3	0.3	0.3			1.2	1.3	1.5	1.2	1.1	0.7		0.1	1.1	
of which: Grants	0.3	0.3	0.3			0.5	0.3	0.5	0.5	0.4	0.3		0.0	0.0	
of which: Concessional loans	0.0	0.0	0.0			0.7	1.0	1.0	0.8	0.7	0.4		0.1	1.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.4	3.4	3.7	2.9	2.4	1.5		0.1	0.4	0.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			50.4	42.7	46.9	47.1	43.1	45.5		25.0	20.4	23.4
Memorandum items:															
Nominal GDP (Billions of US dollars)	27.1	24.1	25.9			27.3	29.4	31.9	34.1	36.9	40.4		78.3	297.5	
Nominal dollar GDP growth	-0.9	-11.0	7.5			5.6	7.4	8.6	6.9	8.3	9.5	7.7	14.4	9.2	14.2
PV of PPG external debt (in Billions of US dollars)			3.7			4.4	5.8	7.1	8.2	9.3	10.0		11.6	23.3	
(PVt-PVt-1)/GDPt-1 (in percent)						3.0	4.9	4.5	3.4	3.3	1.9	3.5	-0.3	1.2	0.6
Gross workers' remittances (Billions of US dollars)	1.1	1.2	1.3			1.4	1.4	1.5	1.5	1.5	1.5		1.7	2.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	13.7			15.8	18.9	21.9	23.5	24.7	23.9		14.6	7.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	61.4			72.0	86.8	102.5	110.1	118.0	115.1		71.4	44.4	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	1.8			5.1	3.0	4.3	5.0	5.4	5.7		6.1	3.8	

Source: Ministry of Finance, Planning and Economic Development

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Uganda: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015-2038

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate					Projections				
	2015	2016	2017	Average 5/	Standard Deviation 5/	2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	31.2	34.6	37.0			40.2	43.7	47.0	47.8	47.8	45.1		28.1	16.1	
of which: foreign-currency denominated	18.9	21.5	24.3			27.3	31.5	35.6	37.5	38.4	36.5		20.7	10.3	
Change in public sector debt	3.9	3.5	2.3			3.3	3.5	3.2	0.9	0.0	-2.8		-3.7	0.7	
Identified debt-creating flows	5.8	3.0	1.6			4.1	4.0	3.6	1.3	0.5	-2.2		-2.8	1.1	
Primary deficit	2.7	2.9	1.2	2.0	1.0	4.1	5.4	4.5	2.7	2.5	0.6	3.3	-0.6	1.2	0.5
Revenue and grants	14.5	15.3	15.4			16.0	16.2	17.3	17.4	17.6	17.9		21.7	18.7	
of which: grants	1.2	1.4	1.0			1.7	1.1	1.7	1.4	1.1	0.8		0.0	0.0	
Primary (noninterest) expenditure	17.2	18.2	16.6			20.1	21.6	21.7	20.1	20.1	18.4		21.1	19.9	
Automatic debt dynamics	3.1	0.1	0.4			0.0	-1.4	-0.9	-1.4	-2.0	-2.8		-2.3	-0.1	
Contribution from interest rate/growth differential	-0.3	0.0	0.2			-0.5	-1.0	-1.4	-1.9	-2.0	-2.0		-1.3	-0.4	
of which: contribution from average real interest rate	1.0	1.4	1.5			1.3	1.1	1.0	1.0	1.0	1.1		0.7	1.0	
of which: contribution from real GDP growth	-1.3	-1.4	-1.3			-1.7	-2.1	-2.5	-2.9	-3.0	-3.0		-2.0	-1.4	
Contribution from real exchange rate depreciation	3.5	0.1	0.3			0.5	-0.4	0.5	0.5	0.0	-0.8		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-1.9	0.4	0.7			-0.8	-0.5	-0.3	-0.4	-0.5	-0.5		-0.8	-0.4	
Other Sustainability Indicators															
PV of public sector debt	...	...	27.1			29.5	32.0	34.3	34.9	35.1	33.4		22.3	13.7	
of which: foreign-currency denominated	...	...	14.4			16.6	19.8	22.9	24.6	25.7	24.8		14.9	7.8	
of which: external	...	...	14.4			16.6	19.8	22.9	24.6	25.7	24.8		14.9	7.8	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	15.1	16.0	14.9			16.4	16.1	14.8	11.8	10.1	7.5		5.2	5.5	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	176.2			184.0	198.2	198.6	200.7	199.3	187.0		102.6	73.1	
PV of public sector debt-to-revenue ratio (in percent)	...	...	189.0			205.8	213.0	220.7	217.8	212.3	196.2		102.6	73.1	
of which: external 3/	...	...	100.4			115.8	131.5	147.4	153.3	155.4	145.8		68.5	41.9	
Debt service-to-revenue and grants ratio (in percent) 4/	51.6	52.3	55.0			49.4	41.6	38.1	34.5	30.7	28.8		20.4	17.6	
Debt service-to-revenue ratio (in percent) 4/	56.3	57.5	59.0			55.3	44.7	42.3	37.5	32.7	30.2		20.4	17.6	
Primary deficit that stabilizes the debt-to-GDP ratio	-1.2	-0.5	-1.1			0.8	1.9	1.2	1.8	2.5	3.3		3.1	0.6	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.2	4.7	4.0	6.6	3.9	5.0	5.5	6.0	6.5	6.7	6.7	6.0	6.7	9.6	7.1
Average nominal interest rate on forex debt (in percent)	1.7	2.1	2.8	2.3	0.5	2.0	2.1	2.2	2.1	2.2	2.2	2.1	2.1	2.8	2.3
Average real interest rate on domestic debt (in percent)	8.6	10.4	10.1	4.9	6.7	10.4	9.2	8.7	9.1	9.5	10.9	9.6	11.0	18.2	10.7
Real exchange rate depreciation (in percent, + indicates depreciation	22.5	0.8	1.3	3.5	13.6	2.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.8	3.6	5.9	7.4	5.9	4.9	4.8	5.1	5.4	5.3	4.6	5.0	5.3	-0.9	5.7
Growth of real primary spending (deflated by GDP deflator, in percer	16.9	11.0	-5.4	2.3	6.5	27.6	13.0	6.7	-1.4	6.5	-2.0	8.4	14.4	4.8	7.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	33.6	33.2	32.3	31.7	29.3	27.4	31.3	25.0	20.4	...

Source: Ministry of Finance, Planning and Economic Development

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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