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PUBLIC DEBT MANAGEMENT UNIT

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3rd Forum on African Public Debt Management

USE OF SHORT TERM PAPER
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This document is circulated as a background paper to Joint Session No. 1 for the 3rd Forum on African Public Debt Management, beginning on 4 December 2008 at 9am. Questions concerning this document can be addressed to Hans J. Blommestein, Co-ordinator of the OECD Working Party on Debt Management; (<mailto:hans.blommestein@oecd.org>).

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UGANDA

3RD OECD AFRICA PUBLIC DEBT FORUM

PARIS, FRANCE

4th – 5th December 2008

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BANK OF UGANDA

Scope of Presentation



- Background
- Debt strategy
- Challenges
- Outlook

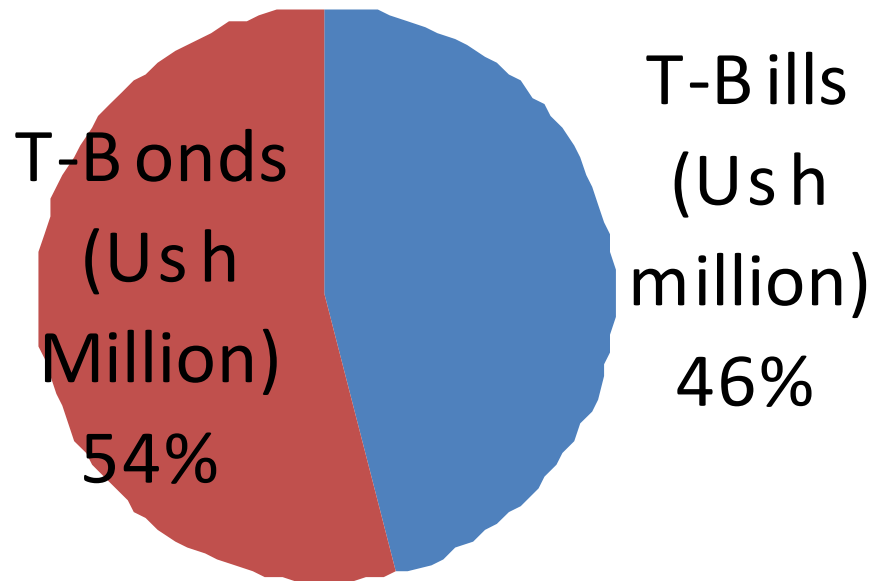
Background



Total outstanding government securities

- Securities issued for monetary policy purposes
- Foreign investors allowed to purchase securities
- Foreign investors hold 20% of total debt
- Foreign investors appetite in 1 year and above

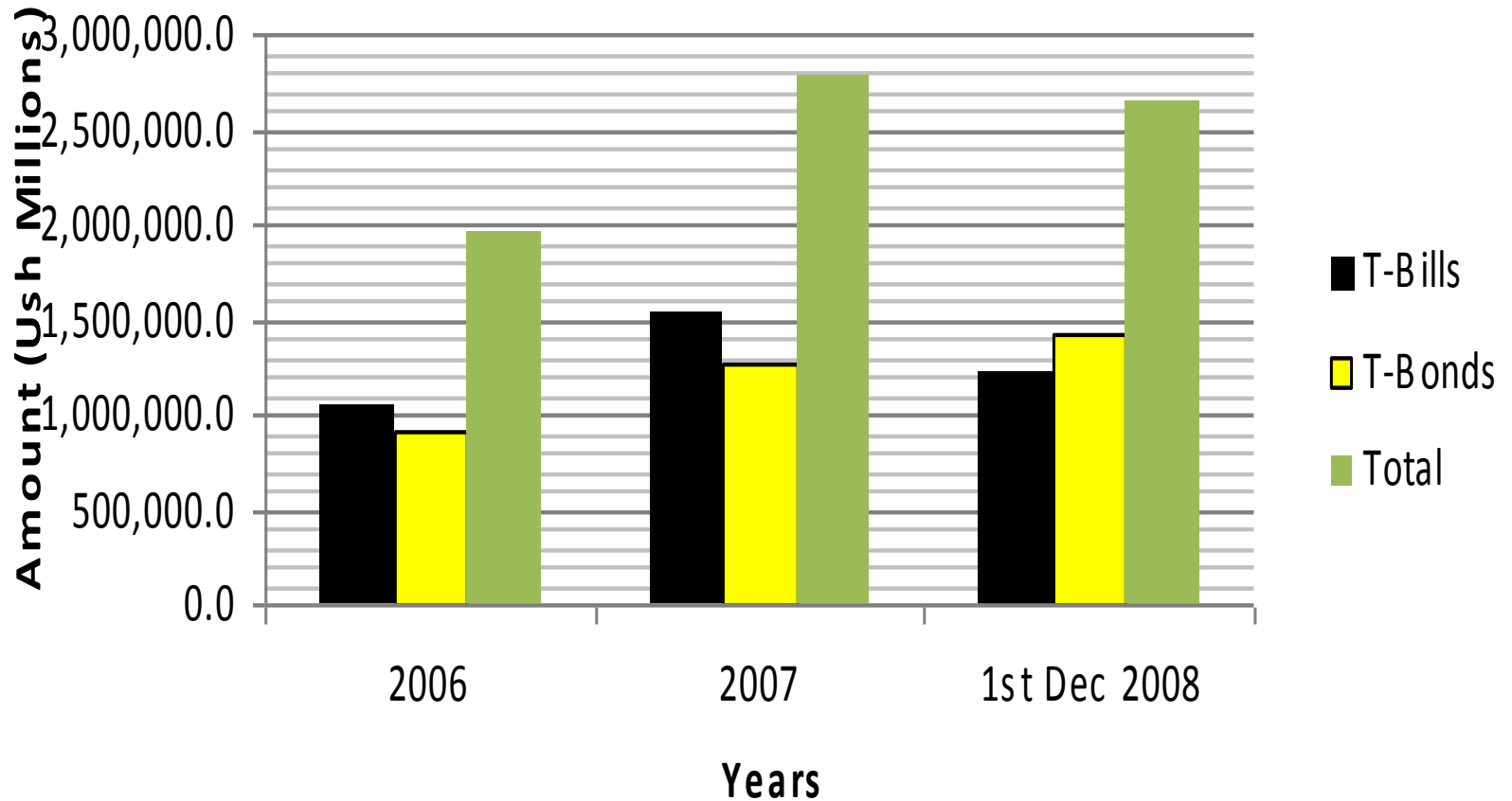
Total Outstanding Debt as of 1st Dec 2008



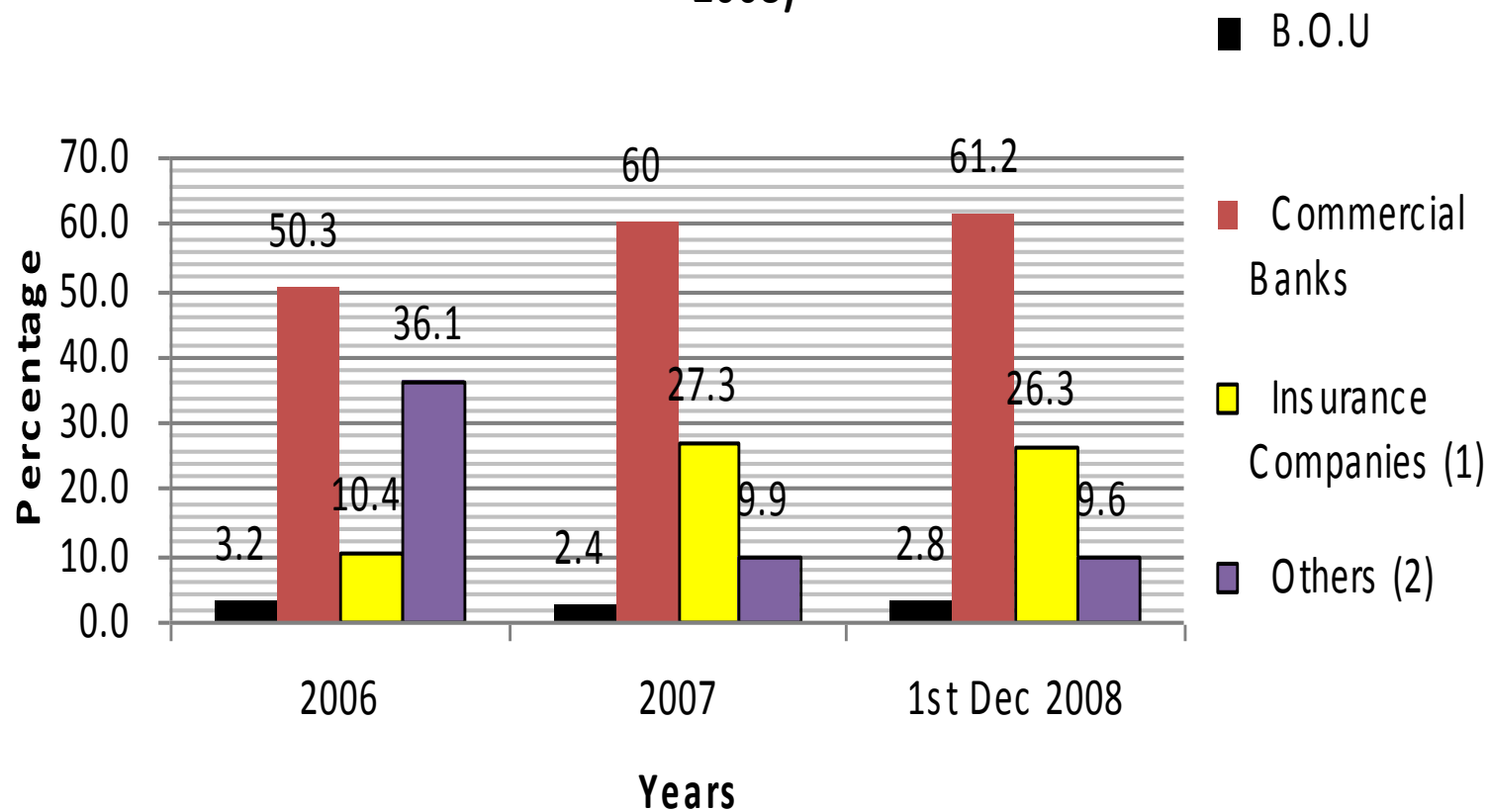
Current Yield

Instrument	Yield
91 days	10.64
182 days	15.13
364 days	16.04
2 years	14.445
3 years	17.365
5 years	14.066
10 years	13.477

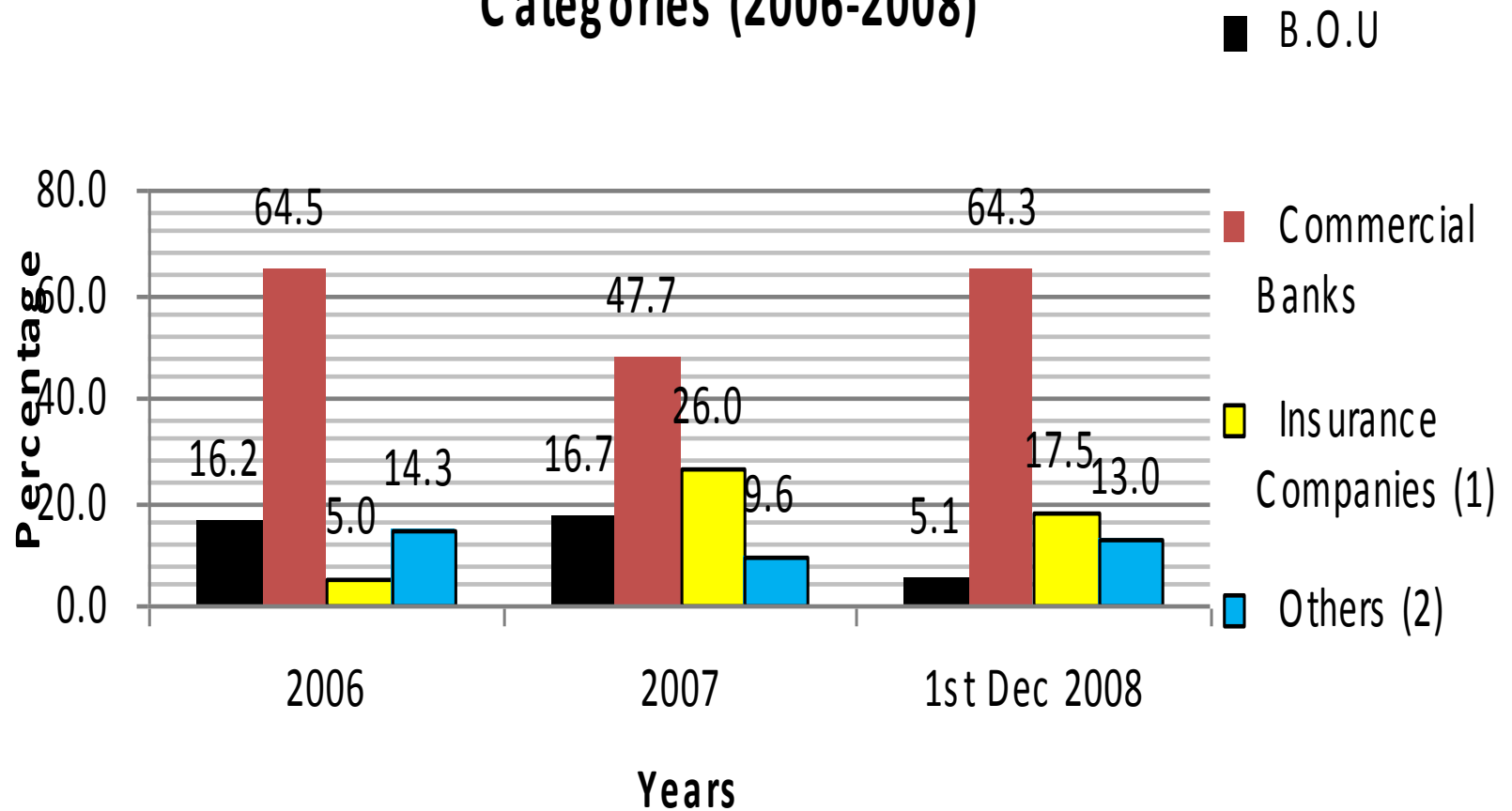
Annual Total Debt Holdings (2006-2008)



Annual Percentage of T-Bond holdings by Categories (2006-2008)



Annual Percentage of Treasury Bill Holdings by Categories (2006-2008)



Debt Strategy

- Launched in July 2008
- Integrated debt strategy
- Forms an integral part of management of public debt
- Strategic objectives i.e providing a stable and sustainable source of domestic funding for any legally authorized borrowing requirement (borrowing limited to liquidity management)

Debt strategy cont.

- Minimize interest cost subject to keeping the risk of debt portfolio at an acceptable level
- Support development of a well functioning market of government securities

Challenges

- Ability of government to maintain debt sustainability depends on the size of the fiscal deficit, fiscal dominance
- Global financial turmoil has had impact in a number of ways
- High inflation, 15%
- Tightening of monetary policy result in high interest rates
- Liquidity tightness
- Foreign investor exiting

Challenges cont.

- Volatility of the local currency
- Reduced inflows, donor support, diaspora remittances, reduced export proceeds
- Under subscriptions in government auction

Outlook



- High inflation expectations
- Low growth
- Low revenues due to sluggish economic activity
- Reduced inflows on account of foreign investors
- Reduced foreign reserves
- High yields on government paper
- Low levels of liquidity



Thank you