A WORLD BANK COUNTRY STUDY

UGANDA

Country Economic Memorandum

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This report is based on the findings of an economic mission which visited Uganda in August 1981. The mission members were:

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The agriculture chapter also draws on the findings of a separate mission by Stephen Carr and Joseph Wambia in July 1981. The report was reviewed with the Government in February 1982 and some partial updating was completed at that time.

This is the first economic report prepared by the World Bank on Uganda since 1969. As a result, the first chapter of Part I briefly reviews events prior to the 1978-79 war, events which continue to have a major impact on the Ugandan economy. A discussion of developments since the war, including the new financial program, is provided in Chapter 2. Chapter 3 outlines the priority areas for further action, and the implications of the balance of payments outlook for aid requirements. Part II is a more detailed review of the problems and issues in five major sectors: agriculture, industry, transport, energy, and education. The coverage of this report is by no means comprehensive, due in part to the incomplete and unreliable data base as well as the World Bank's limited contact with the country over the past decade. Important sectors not covered include forestry, mining, construction, water supply, health, and housing. Nevertheless, the report tries to identify the major economic issues facing the country at this time, and outlines some of the key components of a rehabilitation program.

Note that the map included at the end of the report does not fully reflect recent divisional boundary changes within Uganda.

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COUNTRY ECONOMIC MEMORANDUM

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CURRENCY AND OTHER EQUIVALENTS

Currency

From October 1975 to May 1981, the Ugandan shilling was tied to the Special Drawing Rights (SDRs) of the IMF (SDR 1.00 = U.Sh. 9.66). In June 1981, the Ugandan shilling was devalued by approximately 90%, and has subsequently been floating in relation to a basket of currencies. As a result, the U.S. dollar/Ugandan shilling exchange rate is subject to change. The annual average exchange rates for the last six years, and the spot rate at the end of October 1981, are as follows:

	U.Sh. per US$1.00
1975	7.4122
1976	8.3677
1977	8.2656
1978	7.6917
1979	7.4686
1980	7.4242
End October 1981	78.7000

Weights and Measures

Unless specified otherwise, all weights and measures are metric. Abbreviations used include:

kg	kilogram
km	kilometer
kwh	kilowatt hour
MW	megawatt

Acronyms

SA	Statistical Appendix
CMB	Coffee Marketing Board
DEO	District Education Officer
EAC	East African Community
LMB	Lint Marketing Board
NTC	National Tobacco Corporation
PEAC	Presidential Economic Advisory Committee
PMB	Produce Marketing Board
PTC	People's Transport Company
UCB	Uganda Commercial Bank
UCTU	Uganda Cooperative Transport Union
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UEB	Uganda Electricity Board
URC	Uganda Railways Corporation
UTA	Uganda Tea Authority
UTC	Uganda Transport Company
UTGC	Uganda Tea Growers' Corporation

Years

The Ugandan fiscal year runs from July 1 through June 30. Crop years for coffee and cotton run from October 1 through September 30.

COUNTRY DATA - UGANDA

AREA
236,000 sq km

POPULATION
12.63 million (1980)
Rate of Growth = 2.6% (from 1969 to 1980)

DENSITY (1980)
53.5 per sq km

POPULATION CHARACTERISTICS (1980)

Crude Birth Rate (per 1,000)	44.7
Crude Death Rate (per 1,000)	13.7

INCOME DISTRIBUTION

% of national income, highest quintile	..
lowest quintile	..

ACCESS TO PIPED WATER

Occupied dwellings without piped water (%)	..

NUTRITION (1977)

Calorie intake as % of requirements	93.4
Per capita protein intake (grams/day)	58.8

HEALTH (1977)

Population per physician	26,812
Population per hospital bed	..

DISTRIBUTION OF LAND OWNERSHIP

% owned by top 10% of owners	..
% owned by smallest 10% of owners	..

ACCESS TO ELECTRICITY

% of population - total	..
- rural	..

EDUCATION (1980)

Adult literacy rate %	47.9
Primary school enrollment %	50.0

GNP PER CAPITA IN 1980 a/ = US$280

GROSS NATIONAL PRODUCT IN 1980 a/

	US$ Million	%
GNP at Market Prices	3,536	100.0
Gross Domestic Investment	120	3.4
Gross National Savings	-128	-3.6
Current Account Balance	-248	-7.0
Export of Goods, NFS	332	9.4
Import of Goods, NFS	572	16.2

ANNUAL RATE OF GROWTH (%, Constant Prices)

	1967-71	1971-79	1980
GNP at Market Prices	4.4	-1.7	-8.1
Gross Domestic Investment	4.0	-13.0	21.9
Gross National Savings	3.8	.	.
Current Account Balance	.	.	.
Export of Goods, NFS	0.4	-10.6	-22.4
Import of Goods, NFS	-0.1	-7.5	18.0

VALUE ADDED IN 1980 (At 1966 Prices) b/

	US$ Million	%
Agriculture	424	51.7
Industry	46	5.6
Services	350	42.7
Total	820	100.0

GOVERNMENT FINANCE

	Central Government (USh Million) 1980/81	(% of GDP) 1980/81	(% of GDP) 1971/72
Current Receipts	3,096	1.0	13.5
Current Expenditure	9,996	3.1	13.5
Current Surplus	-6,900	-2.1	-
Capital Expenditure	3,440	1.1	8.6

a/ The per capita GNP estimate is calculated by the same conversion technique as the World Bank Atlas (adjusting for the overvalued exchange rate but not for any underrecording of "magendo" transactions). GNP at current prices in US dollars is derived by multiplying the per capita figure by population. The gross investment rate is assumed to be the same as in the Ugandan shilling estimates. Given the balance of payments data from page 2, gross national savings is derived as a residual.

b/ Up-to-date figures on employment and productivity are unavailable.

. not applicable

.. not available

MONEY, CREDIT AND PRICES	1976	1977	1978	1979	1980	1981a/
	(USh Million Outstanding End Period)					
Money Supply	4,492	5,787	7,051	10,620	13,905	34,600
Bank Credit to Government	4,790	5,522	7,199	9,198	14,848	29,300
Bank Credit to Other Sectors	1,937	2,885	3,221	3,658	5,849	11,500

	1976	1977	1978	1979	1980	1981a/
	(Percentage or Index Numbers)					
Money as % of GDP	17.0	10.6	10.1	9.0	5.9	8.5
General Price Index (1966 = 100) b/	601	1,133	1,546	4,894	5,474	10,058
Annual percentage changes in:						
General Price Index	46.6	88.5	36.5	216.6	11.9	83.7
Bank Credit to Public Sector	32.9	15.3	30.4	27.8	61.4	97.3
Bank Credit to Private Sector	14.3	48.9	11.6	13.6	59.9	96.6

BALANCE OF PAYMENTS

	1978	1979	1980	1981a/
	(US$ Million)			
Exports of Goods, NFS	332	412	332	240
Imports of Goods, NFS	-458	-391	-572	-490
Resource Gap (deficit = -)	-126	21	-240	-250
Factor Services and Transfers (net) c/	-12	-25	-8	-
Balance on Current Account	-138	-4	-248	-250
Official Grants	9	24	85	110
Public M&LT Loans (net)	38	104	84	10
Disbursements	(66)	(145)	(131)	(120)
Amortization	(-28)	(-41)	(-47)	(-110)
Use of Fund Credit	-2	-4	26	125
Other Items n.e.i. (net)	50	-182	-123	96
Overall Balance of Payments	-43	-62	-176	91
Net Reserves (end year)	72	17	-24	-24
Payment Arrears (end year)	94	100	235	144
Petroleum Imports d/	43	63	124	114
Petroleum Exports d/	-	-	-	-

MERCHANDISE EXPORTS (Average 1978-81)

	US$ Million	% e/
Coffee	329	95.4
Cotton	9	2.5
Tea	3	0.8
Tobacco	1	0.3
Other Exports	3	1.0
Sub-Total	345	100.0
Adjustments f/	-30	-8.6
Total	315	91.4

EXTERNAL DEBT, DECEMBER 31, 1980

	US$ Million
Public Debt, incl. Guaranteed	612g/
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	612

NET DEBT SERVICE RATIO FOR 1980 h/

	%
Public Debt, incl. Guaranteed	17.7
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	17.7

RATE OF EXCHANGE

	Annual Averages			End Period
	1979	1980	Jan.-Sept.1981	Oct.1981
US$1.00 = U.Sh.	7.4686	7.4242	39.8020	78.7000
USh 1.00 = US$	0.1339	0.1347	0.0251	0.0127

IBRD/IDA LENDING (Dec. 31, 1981) (US$ Million)

	IBRD g/	IDA
Outstanding and Disbursed	25	58
Undisbursed	1	58
Outstanding, incl. Undisbursed	26	116

a/ Estimates.
b/ Kampala low-income cost of living index. Indices prior to 1979 may be understated as some controlled prices were used in the calculation of the indices. Indices for 1980 and 1981 are incomplete as cost-of-living data were not collected from October 1980 to July 1981. In particular, the increase in the index for 1980 is grossly understated, especially for the food component.
c/ Excludes official grants.
d/ Uganda imports all petroleum in the form of products and has no petroleum exports.
e/ % of unadjusted merchandise exports.
f/ Includes errors and omissions, and adjustments for valuation, coverage and timing.
g/ Includes Uganda's notional share (15%) of EAC loans.
h/ Debt service payments (amortization and interest) as a percentage of exports of goods and NFS.
.. Not available.

March 31, 1982

SUMMARY AND CONCLUSIONS

i. In April 1979, when the military regime fell, the Ugandan economy was in ruins. The war and related looting had damaged crops and killed livestock, destroyed many buildings, and resulted in the loss of supplies, records, equipment and vehicles. By themselves, these problems were not insurmountable. With a stronger administrative and resource base, the war damage could have been repaired and the normal operation of the economy resumed within a year or two. But, unfortunately, these conditions for rapid economic recovery were absent. The 1970s had seen the departure of many of the country's best skilled personnel, the haphazard expansion of the parastatal sector, and the development of an administrative system geared to fear and favoritism. On top of this, the Ugandan economy had been shaken by a series of external shocks, including the sharp increase in petroleum prices after 1973 and the breakup of the East African Community in 1977. The combined impact of these developments was to undermine the monetary economy, especially in the export sector, while fuelling domestic price inflation. Not surprisingly, critical shortages developed, corruption became rampant, and a large and increasing share of economic activity was diverted to the pervasive parallel market system, commonly referred to as "magendo".

ii. Reviewing these conditions in mid 1979, the Commonwealth team of experts identified the major task ahead as one of rehabilitation: not just of physical assets but also of institutions, human resources, and the policy environment for economic development. The Commonwealth Report went on to propose a phased program of rehabilitation based on improved import supply as well as administrative and policy reforms. However, in practice, there was little follow-up by the Government over the next two years. While producer prices were raised, no action was taken to relax price controls or adopt a more realistic exchange rate. As a result, most of the adverse economic trends prevalent during the 1970s continued. With poor export performance and unfavorable conditions for aid absorption, foreign exchange remained the key constraint on implementation of the rehabilitation program.

iii. It was not until June 1981 that a comprehensive package of policy reforms was introduced. This new financial program included: (a) a 90% devaluation of the Ugandan shilling; (b) substantial increases in producer prices for export crops, retail prices for petroleum and utility rates, and the removal of price controls on most other goods; (c) rationalization of the tax structure; (d) ceilings on the budget deficit and credit expansion; and (e) introduction of a more realistic and flexible interest rate structure. This is a bold and decisive policy initiative, which can be expected to have wide-ranging implications for the future development of the economy. Already, there has been a noticeable diversion of supplies back into official channels. As most goods were already being sold at inflated "magendo" prices, the impact of the program on market prices has been somewhat less than might otherwise be expected. The sharpest increases have in fact resulted from the substantial adjustments in official retail prices for petroleum products, which reportedly have already had an impact on

smuggling and consumption. Many other market prices also rose initially in June 1981, as the economy reacted nervously to the new program, but most have since stabilized and some have even come down. For a few basic consumer items -- sugar, salt, and rice -- present prices are actually below pre-devaluation "magendo" levels. Nevertheless, the program has imposed economic hardship on those, including some civil servants, who previously had privileged access to goods at controlled prices. Furthermore, inflationary pressures could quickly re-emerge under present conditions, especially if transport bottlenecks and security problems restrict the movement of basic goods to isolated and heavily-populated areas.

iv. Inevitably, further policy adjustments and refinements will be required in such a fluid and unpredictable economy. However, the real priority at this time is to build on these policy reforms to develop a more comprehensive rehabilitation program. Given the resource constraints, this program will have to include only very low levels of investment in new capacity. Instead, the emphasis in resource allocations should be on recurrent financing of maintenance and operations, and priority rehabilitation projects. Particular attention needs to be given to the mobilization of foreign exchange, which will remain the key constraint on the implementation of any rehabilitation program. These resource efforts will, in turn, have to be supported by further government action in the key areas of economic management and institution building to improve the efficiency of resource use.

v. Foreign exchange management. Over the longer term, as the balance of payments situation improves, there will be scope for gradually reducing the country's dependence on quantitative import restrictions. However, for the moment, tight management of Uganda's scarce foreign exchange resources is essential. The Government is aware of this need, and has responded with a number of recent improvements in the foreign exchange management system, including the appointment of an IMF advisor to help prepare quarterly foreign exchange forecasts and to monitor actual foreign exchange flows. These are encouraging developments. Nevertheless, it seems clear that further strengthening of the system will be required, if it is to deal effectively with the present foreign exchange pressures.

vi. Firstly, it is essential that a more comprehensive budgetary framework is adopted, which takes account of all sources and all uses of foreign exchange. At the moment, payments for government services and goods (including pledges against coffee earnings), petroleum imports and externally-financed imports are largely taken to be prior claims on the available foreign exchange, and trade-offs are consequently only considered within the very small residual balance. One of the adverse consequences of this approach is that inadequate priority has been given to the recurrent import requirements of the productive sectors. Secondly, there is still an apparent preoccupation with import requirements at the budgeting and licensing stages, without due regard for the limited foreign exchange available. Although the recently-instituted final review by the Presidential Economic Advisory Committee has played a valuable role in preventing overbudgeting of foreign exchange, this crisis management approach is not well suited to a rational selection of import priorities. What is needed, therefore, is a resource-constrained and integrated annual import budget. Initially, priority would have to be given to: (a) imports of basic consumer items in short supply, which cannot be produced domestically; (b) im-

ports of raw materials and inputs to utilize existing capacity, especially to produce basic consumer goods and exports; and (c) imports to support selective rehabilitation of capacity in priority areas. Finally, there is a need to strengthen and centralize the technical capacity to evaluate individual import requests and relate them to the broad budget allocations. Without this technical input, there is a danger that the foreign exchange will be spread around too thinly, with over-reliance on a few established import channels.

vii. Public administration and finance. The need to strengthen foreign exchange management is symptomatic of a wider concern with the Government's administrative capacity. This reflects the loss of administrators and technicians, as well as the decline in professional standards, during the 1970s and has limited subsequent efforts to improve economic management. Firstly, an effective budgetary process is still to be re-established in Uganda. Projected expenditures often bear little relation to the likely availability of resources, the recurrent budget still underfunds the maintenance and operations requirements of the economy, and the development budget includes many low-priority projects. While there is obviously scope for reallocating recurrent expenditure, it seems inevitable that budgetary cuts, at least in the short term, will fall most heavily on development expenditure. Even with a more effective budgetary process, the actual revenue and expenditure outcome will still depend critically on the Government's capacity for tax collection and expenditure control. Improvements in tax collection will be largely dependent upon increased staffing, for both administration and enforcement, and improved financial performance in the parastatal sector, to help reduce tax delinquency and arrears. The more pressing and difficult problem, however, is probably expenditure control. This will require that actual spending can be related to what has been budgeted, that controlling officers are held accountable for their ministries' spending, and that legal sanctions are applied in cases of misappropriation.

viii. Secondly, one of the major constraints on the Government's capacity to raise and utilize resources is the absence of an effective system for aid coordination. Sectoral ministries have often sought external support for their projects directly, and only worked through the Ministries of Finance or Planning at the negotiating stage. The Government has now reaffirmed that statutory responsibility for negotiating aid agreements and financial obligations is with the Ministry of Finance alone, and this should be strictly enforced. However, the Ministry of Planning also needs to take a much more active role in the prior selection of priority project proposals, as well as the reallocation of financing commitments to more pressing (often recurrent) import requirements. To this end, the Government is reviewing its investment plan, and intends to present a more realistic and prioritized list of projects as part of its two-year economic recovery program (presently being prepared with assistance from the Commonwealth Fund for Technical Cooperation). The Government should adopt this as a basic policy document, translating it into action through the government and foreign exchange budgets for 1982/83.

ix. Finally, a major constraint on all administrative functions in Uganda is the deficient statistical base. The Statistical Department in the Ministry of Planning, which has primary responsibility for the collec-

tion and compilation of official statistics, has effectively ceased to function. To rebuild this capacity will require recruitment of additional qualified staff, including support from technical assistance, and the re-establishment of channels of routine reporting, most of which have broken down over the past decade.

x. Parastatal organization. Problems of management and organization also carry over into the parastatal sector. Partly in response to these problems, the Government has outlined its intention to follow a "mixed economy" strategy, with some parastatals to be closed down and others turned over to the private sector. Already, some private owners have returned to Uganda, notably in the sugar and tea sectors, although in each case some interim arrangements have been made with the Government, usually on a joint venture basis. The Government is also drafting legislation to formalize the return of properties to former owners and the settlement of compensation claims. But, further decisions and follow-up action are now required to clarify what the Government's policy means in practice for the role and structure of the parastatal sector.

xi. Firstly, the basis on which public ownership should continue, and the mechanism of asset disinvestment and compensation, need to be determined. Secondly, it would be useful to explore further what scope exists for more private initiative and competition, especially in areas where parastatals presently have a monopoly, due to either statutory rights (e.g., crop marketing) or privileged access to credit and imports (e.g., commerce). Thirdly, for those parastatals that are to continue in operation, measures will be needed to improve their financial viability, including: (a) clarification of status and ownership; (b) restoration of executive responsibility to boards of directors and to management, selected for their professional competence; (c) resolution of outstanding debt obligations; and (d) provision of appropriate financial support and access to credit. Finally, to avoid further unplanned development (or reduction) of the parastatal sector, there is a strong case for establishing a specialized unit within the Department of Economic Affairs (Ministry of Finance) to coordinate parastatal operations and policies. Such responsibilities are at present not clearly defined or located within government. This specialized unit could also serve as a focus for assistance in updating parastatal acounts, and advise on joint ventures, especially when foreign investment is involved.

xii. Pricing policy. In the past, the monopoly position of many parastatals was protected to some extent by the imposition of administered price controls. Since mid 1981, all price controls -- except on major export crops, petroleum products and public utilities -- have been removed. For industry, this represents a major step towards restoring a more competitive and financially-viable sector, even though a large proportion of some producers' profits is presently being absorbed by high effective rates of sales tax and excise duty. The real concern, however, is with the official producer prices for export crops, which, even after the recent adjustments, do not cover costs in the case of tea, and provide a substantially lower return than food production for coffee, tobacco, and cotton. The analysis presented in Chapter 4 suggests that further producer price increases are warranted for tea, tobacco and, to a lesser extent, coffee. Inevitably, subsequent adjustments will also be required as the full impact of the devaluation is felt, and world prices change.

xiii. In this context, it is essential that the administered prices be regularly reviewed and adjusted in a systematic manner. For this, an appropriate institutional structure needs to be found, which gives due weight to the concerns of producers, and also provides for more automatic adjustments in producer prices in line with world market conditions. For the longer term, the Government should also begin a review of the overall system of producer pricing for export crops. This should include an analysis of the potential impact on producer incentives, the budget and the balance of payments of alternatives to administered prices (e.g., minimum support prices, open market prices) and of more competitive marketing systems (e.g., auctions).

xiv. External assistance. To effectively implement a rehabilitation program, including progress in these key areas of economic management and institution building, the Government is going to need substantial amounts of foreign exchange. Given the inevitable delays before the program can have a significant impact on export performance, and the immediate import requirements for rehabilitation, the foreign exchange constraint will be particularly severe over the next two to three years. Even allowing for the inevitable constraints on import absorption imposed by the present economic and administrative conditions in Uganda, and assuming a continuation of aid commitments at their present level in real terms, the projections in Chapter 3 indicate an average financing gap of around US$190 million per annum over this period.

xv. Uganda's case for additional external assistance needs to be considered in relation to the recent progress made on domestic policy reform, the scope for high economic payoffs to additional disbursements of foreign exchange under present conditions in Uganda, and the very meager international support provided to date. Given Uganda's critical foreign exchange situation, it is important that this assistance be provided on concessional terms, with a high proportion of balance of payments support. Balance of payments support not only disburses faster than project aid, but also provides the Government with flexibility to meet more immediate and urgent recurrent import requirements. The scope for investment in new capacity will remain extremely limited over at least the next three years, and possibly much longer. Therefore, where project aid is provided, it needs to be directed towards priority rehabilitation tasks, taking into account (and if possible financing) the related recurrent import requirements.

xvi. There, of course, can be no guarantee of Uganda's rapid recovery. Nor should one minimize the risks that could stall progress. Internal security and political stability are obviously important prerequisites, and these are still to be fully restored. But there is now clearer evidence than at any time in recent years that economic management is improving and with it, economic performance. Certainly, with continued government commitment and international support, Uganda has the potential to become one of the fastest growing, and eventually one of the strongest, economies in Sub-Saharan Africa. Developments over the next year or two will be critical in determining, one way or the other, whether this potential can indeed be realized.

PART I

AN OVERVIEW

Chapter 1

BACKGROUND

A. Introduction

1.1 At Independence, in 1962, Uganda was one of the strongest and most promising economies in Sub-Saharan Africa. With favorable climatic and soil conditions, the agricultural sector was able to provide ample food to feed the whole population, as well as generate foreign exchange. Although agricultural exports were dominated by coffee and cotton, rapid progress was being made on developing new export crops, such as tea and tobacco. The industrial sector, although small, helped supply the domestic economy with basic inputs and consumer goods, and also contributed foreign exchange through exports of textiles and copper. Uganda's transport system was broad-based and reasonably well developed: the road network was commonly regarded as one of the best in Sub-Saharan Africa, and through common services with Kenya and Tanzania (later to be formalized in the East African Community), Uganda shared access to an effective network of railway, port and airline facilities. On the energy front, the country was blessed with an abundant potential for hydro-electric development, a potential which was already being harnessed in part by the Owens Falls hydro-electric station. Although school enrollment was still low, the country had developed a reputation for the quality of its education at all levels, from primary schools through to the internationally-respected Makerere University.

1.2 At the same time, the fledgling country faced a number of social and geographical handicaps, which were to play a major role in the subsequent development of the country. Two of these deserve special mention. Firstly, the boundaries of the country were largely set by historical accident, and during the protectorate years, little attempt was made to unify the country or establish a common administrative system. As a result,internal divisions -- especially between the strongest of the four original kingdoms (Buganda) and the rest of the country -- have repeatedly led to conflicts and political instability. Secondly, the country is landlocked, with no easy or reliable access to the sea. This has made Uganda particularly susceptible to disruptions in relations with its neighbors, and inevitably increased the cost and risks of international transport.

1.3 Despite these handicaps, the initial years after Independence clearly demonstrated the economic potential of the country. GDP at 1966 prices grew by 4.8% per annum from 1963 to 1970, implying an increase in per capita terms of at least 2% per annum. The country was also able to maintain a reasonable savings rate (averaging 13%), which permitted implementation of an ambitious investment program without undue pressure on domestic prices or the balance of payments. Although Uganda's export volume grew slowly, export earnings were more than adequate to cover import requirements, and the country maintained a current account surplus in most years. Domestically, the Central Government's public finances were also in

a relatively healthy state; revenue increased faster than recurrent expenditure during the latter half of the 1960s and, together with non-bank domestic borrowing, helped finance a significant proportion of development outlays.

B. The Military Regime

1.4 From the early 1970s, and especially following the change of government in 1971, the situation deteriorated abruptly. The adverse impact of developments under the military regime on the country's economy is of continuing concern. In particular:

(a) many of the country's best administrators, managers, entrepreneurs, bookkeepers, teachers, and traders left the country (including most of the Asian population during the so-called "economic war" of 1972);

(b) the parastatal sector, which had already been expanded during the early 1970s,[1] became bloated with the addition of numerous abandoned or confiscated industries (others were given to inexperienced private owners). This whole process was undertaken in a haphazard and chaotic manner, with little concern for proper transfer of ownership, compensation and financial control, and little regard for managerial constraints in the parastatal sector; and

(c) the administrative system, in both government and the parastatal sector, was increasingly geared to fear and favoritism. Many civil service and parastatal positions were filled by political appointees, and there was little reward for technical competence or scope for open discussion of economic strategy or policies. Fiscal responsibility was virtually non-existent, leading to widespread misuse of funds and corruption.

Many individuals resisted these developments at great personal risk and sacrifice. But the general reaction was understandably one of resignation, demoralization and indiscipline.

1.5 On top of these domestic problems, the Ugandan economy was shaken by a series of external shocks during the mid 1970s. As with all other oil-importing countries, Uganda was severely affected by the rise in

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1/ This process actually began with the "Nakivubo Pronouncements" of 1970, in which the Government sought a 60% participation in a number of private industrial, commercial and financial undertakings. The military regime initially toned down this policy, reducing the participation to 49% and the number of nationalized companies to only 17, including the banks, one of the oil companies and some manufacturing and mining companies. However, the nationalization drive was revived during the "economic war" of 1972.

petroleum prices after 1973. Uganda imports all of her petroleum requirements, and despite having abundant hydro-electric potential, is still heavily dependent on petroleum as an energy source, especially in industry and transport. As a result, higher petroleum prices not only had an adverse impact on the balance of payments but also increased production costs throughout the economy. These problems were soon to be compounded by tensions among the partners in the East African Community (EAC), which led finally to its breakup in 1977. Almost overnight, Uganda lost virtually all railway rolling stock and aircraft, as well as her part-ownership rights to railway, port and telecommunications facilities in Kenya and Tanzania. This not only necessitated heavy investment (and further expansion of the parastatal sector) by Uganda, but led to substantial disruptions and cost increases on international traffic movements.

1.6 The impact of these domestic and external developments was severe. GDP at 1966 prices basically stagnated from 1970 to 1978 (implying falling per capita incomes), with particularly sharp falls recorded in the value added of the industrial and monetary agricultural sectors. The only sector to record a steady growth was subsistence agriculture, both to provide individual food security and to supply the thriving and lucrative "magendo" markets.[2] The savings rate fell sharply (to less than 8% from 1971 to 1978), and with limited external capital inflows, investment had also to be cut back. Few development projects were started during this period, and little effort was made to replace obsolete plant and equipment. Even more importantly, little attention was paid to the maintenance of existing infrastructure and productive assets. Evidence of this is still widespread throughout the economy: worn-out and unreliable industrial machinery, many agricultural processing units closed down or working at low levels of throughput, deteriorating conditions on the road network, and limited capacity (in terms of volume and treatment quality) at the urban areas' water supply and sewerage facilities.

1.7 The general malaise in the economy during the 1970s is clearly reflected in the balance of payments. On taking power, the military regime spent freely on government imports, often paid for with cash or on short-term credit. Although subsequent import restrictions provided temporary relief, these fell particularly severely on priority development requirements, further reducing the capacity of the economy to generate or save foreign exchange. With inflation eroding producer incentives, and a steady deterioration in the country's transport and marketing facilities, production of export crops initially stagnated and then began to decline. As smuggling increased, official export volumes fell even more sharply. This, together with the impact of higher oil prices on the terms of trade, slashed the purchasing power of Uganda's exports by more than 60% from 1970 to 1975. Although some temporary respite was subsequently provided by the coffee boom in 1977, the underlying weaknesses in the balance of payments remained evident: merchandise export volumes in 1978 were barely 40% of the level in 1970; although coffee volumes were down, the combination of

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2/ "Magendo" is used in Uganda to describe the pervasive system of black market or parallel market operations. A brief discussion of its nature and importance is provided in paragraph 1.10.

even sharper volume declines for all other major export items and high coffee prices increased Uganda's dependence on coffee to 90% of merchandise export earnings; tourism, which in the late 1960s was third only to coffee and cotton in terms of its contribution to foreign exchange earnings, virtually ceased;[3] and, Uganda's access to concessional development assistance (which had never been substantial) dwindled to insignificant levels, leaving military and commercial credits as the only major capital inflows. By 1978, despite the accumulation of more than US$90 million in payment arrears, import volumes were still less than half the peak level of 1971. With little evidence of any serious attempt to protect the priority import requirements of the economy, the effective impact on economic development was probably even more severe than these aggregate cuts would suggest.

1.8 The combination of declining production in the monetary economy, the diversion of sales into "magendo" markets, and reduced levels of export and import trade, all contributed to an erosion of the Central Government's revenue base. Revenue collections were also adversely affected by the impact of the overvalued exchange rate and price controls on the "value" of goods being taxed, the poor financial performance and tax compliance of the expanded parastatal sector, and the ineffectiveness of tax administration and collection procedures. As a result, the ratio of current revenue to GDP fell from 14% in 1971/72 to 9% in 1975/76. Revenue performance subsequently recovered temporarily due to the impact of higher world prices, especially for coffee, on export duty collections, but the underlying weakness in the tax structure was still apparent. Income and profit taxes, as well as import duties, all continued to decline in importance. And, collections of sales and excise taxes became increasingly limited to a few easily-taxed items, five of which accounted for over 80% of indirect taxes (excluding export duties) in 1978/79. Despite these revenue problems, little effort was made to restrict the growth of government expenditure. As already noted, this period was characterized by the almost total collapse of fiscal responsibility and routine expenditure control.[4] Furthermore, a relatively large proportion of expenditure was used for unproductive purposes, with a few "service" ministries -- internal affairs, police, prisons, defense, and finance -- acounting for about 40% of recurrent and 50%-60% of development expenditure. Inevitably, the earlier budget surpluses turned into large deficits, equal to at least 60% of current revenue in every year (other than the coffee boom year of 1977/78) since 1972/73.

3/ The decline in tourism really started in 1972, following the expulsion of Asians (who played a major role in the tourist industry) and a temporary ban on overseas tourist arrivals. Subsequently, large numbers of wildlife (the major tourist attraction) were killed and the supporting infrastructure (hotels, lodges, and transport facilities) deteriorated substantially.

4/ There are many examples of this: well prepared and properly-audited accounts were unavailable; large supplementary estimates were presented to approve expenditures already undertaken outside the framework of the budget; when parliament was suspended, budgets were approved by Cabinet, without accountability to a public accounts committee; and, ministries entered into commitments without Ministry of Finance approval.

1.9 With access to external assistance restricted, the Government increasingly resorted to borrowing (and money creation) from the domestic banking system to finance these deficits. This in turn fueled monetary expansion at the rate of 30% per annum from 1971 to 1978, with the Government's share of outstanding credit rising from 50% to 70% over this period. Such rapid monetary expansion inevitably led to uncontrollable pressure on domestic prices, especially for basic goods which weighed heavy in the consumption patterns of the general population. Although official price controls remained in effect (with the notable exception of food prices which were freed in 1977), only a few privileged individuals had access to supplies at these prices. Open market prices (as measured by the Kampala low-income cost-of-living index) rose on average by 38% per annum from 1971 to 1978. With only minimal adjustments in official wage levels, and most employers limited in their ability to pay higher wages at controlled prices, the real incentive to work in the formal economy quickly declined. Consequently, many workers returned to subsistence production on a full-time or part-time basis, or participated in "magendo" activities to augment their incomes. Absenteeism amongst civil servants became widespread.

1.10 It is generally accepted that during the 1970s the impact of "magendo" was pervasive throughout the Ugandan economy. Its importance has already been noted in relation to coffee smuggling, the erosion of the Government's tax base, the undermining of official price controls, and the declining returns to formal sector wage employment. Although the activities and profits of "magendo" may well have been controlled by a few powerful (and no doubt very rich) individuals,it depended upon an elaborate structure of petty traders and officials to succeed. And virtually everyone, whether to sell export crops for which the official purchasing agency had no funds and collection facilities, or to buy basic consumer items, had to participate in order to survive. The supply of goods and related financing of "magendo" took many forms: irregularities (kickbacks, under-invoicing of exports and over-invoicing of imports) on foreign contracts; preferential allocation of foreign exchange and resale of imports purchased at official prices; smuggling of export crops, especially coffee; bribes to civil servants for completing official functions (whether legitimate or not); exploitation of transport "choke points", especially for food; and stealing, of public and private property. This whole system was fed by and fed on the general decay in the administrative structure, especially the falling levels of civil service morale and living standards, during the 1970s.

C. The 1978-79 War

1.11 In late 1978, Ugandan troops crossed over into Tanzania. This incursion was contained by the Tanzanian army, and by mid-January 1979, a counter-offensive had been launched into Uganda. Extensive damage was caused by artillery bombardment around Mbarara and Masaka before the decision to move on to Kampala was finally taken. Subsequent resistance was light and in April 1979, the military regime fell. Remnants of the regime's army were then pursued north through Jinja and on towards the northern borders with Sudan and Zaire.

1.12 Although the war was brief, with major damage limited to the southern areas of the country, it imposed an unmanageable burden on the already fragile and disintegrating Ugandan economy. With normal economic activities virtually at a standstill, and the army and police in disarray, widespread looting broke out, backed by the large numbers of weapons readily available in the country. The combined impact of the war and subsequent looting was devastating. By mid 1979, when the Commonwealth team of experts arrived, evidence of damage and destruction was everywhere:

(a) crops were damaged and livestock killed, either due to the direct impact of military activities or to provide food for soldiers and marauders;

(b) many houses, factories and public buildings were gutted or partially destroyed, especially around Mbarara and Masaka;

(c) school supplies, textbooks and writing materials were looted;

(d) food, clothes and furniture were taken from shops and houses;

(e) office records were lost or destroyed;

(f) tools and equipment were taken from workshops; and

(g) thousands of cars and trucks were stolen.

1.13 Although the war imposed severe hardships and difficulties, these problems were not by themselves insurmountable. With a stronger administrative and resource base, the war damage could have been repaired and the normal operation of the economy resumed within a year or two. Unfortunately, this was not the case. The years of the military regime had left the economy short of skilled manpower and foreign exchange, and the administrative system had virtually collapsed. With such deep-rooted and pervasive problems, it would have been difficult for any government, with the best of intentions and support, to implement an effective rehabilitation program. In Uganda, where the government leadership has changed four times over the past three years[5] and where the security situation has remained unsettled, it is not surprising that initial progress was slow.

5/ The first post-war Government was that of the Uganda National Liberation Front (UNLF), a coalition of all the main political parties and groupings opposed to the military regime. The first President, Professor Yusufu Lule, was ousted in June 1979 and replaced by Mr. Godfrey Binaisa. In May 1980, President Binaisa was deposed and the UNLF Government replaced by a military commission. Elections were held in December 1980, from which the Uganda People's Congress (UPC), led by former President Milton Obote, emerged with a majority and formed a government. The Democratic Party is the parliamentary opposition.

Chapter 2

RECENT DEVELOPMENTS

A. Introduction

2.1 Reviewing conditions in mid 1979, the Commonwealth team concluded:

> "the task of rehabilitation is not only, or even fundamentally, a financial one. The really important need is to reform the institutions and policies the Government inherited. More fundamentally still, successful rehabilitation depends on political leadership to bridge the rifts in Ugandan society --some long-standing, some of more recent origin -- and to create law, order and political stability."[1]

The Commonwealth Report went on to propose a phased program of rehabilitation based on improved import supply and administrative and policy reforms. The critical bottleneck identified by the Report, as impeding rehabilitation efforts in the short term, was foreign exchange: to improve the supply of basic consumer goods, inputs and vehicles, and to support rehabilitation of the productive sectors.

2.2 Bearing these concerns in mind, the Report outlined a number of areas where urgent government action was required:

(a) to improve export performance, producer prices should be increased, and measures taken to relieve existing bottlenecks in the transport and marketing systems;

(b) to ensure that the limited foreign exchange available was allocated effectively, the foreign exchange budgeting and import licensing procedures needed to be strengthened;

(c) to provide adequate domestic finance to purchase imports, steps would have to be taken to restore normal banking functions, with possibly a moratorium on outstanding parastatal and cooperative debts to the Government and banking system;

(d) to reduce leakages into the "magendo" economy, the Report suggested a relaxation of price controls, with the related profits mopped up by either devaluation (which would also reduce the budgetary impact of higher producer prices), or some combination of foreign exchange auctioning and higher taxes; and

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1/ Prof. Dudley Seers, et al.: The Rehabilitation of the Economy of Uganda, a report by a Commonwealth Team of Experts, June 1979.

(e) to help cover the projected foreign exchange gap, Uganda was advised to declare a moratorium on outstanding official debts and actively seek additional external assistance, especially in the form of balance of payments support.

2.3 Although the then Government accepted the general analysis and strategy presented by the Commonwealth team, doubts were expressed about the desirability or feasibility of some of the proposals.[2] In practice, while producer prices were raised, no action was taken to relax price controls or reduce "magendo" profits. As a result, the exchange rate remained seriously overvalued, with the parallel market offering as many as ten times more shillings per US dollar than the official rate. Subsequent follow-up action by the Government was limited over the next two years, and this contributed to the continued decline in economic performance discussed in Section B below. This in turn severely restricted the country's capacity to earn foreign exchange, which remained the key constraint on implementing the rehabilitation program. It was not until June 1981, that a comprehensive package of policy reforms was introduced, centered on a substantial devaluation of the Ugandan shilling and related price adjustments. This new financial program is a bold and decisive policy initiative, which can be expected to have wide-ranging implications for the future development of the economy. The various components of this program, and their expected impact, are therefore reviewed in some detail in the final section of this chapter.

B. The Post-War Period (Through mid 1981)

2.4 Production and investment. The general decline in monetary agriculture during the early and mid 1970s -- reflecting inadequate incentives, shortages of inputs and infrastructure failures in transport, processing, and marketing -- has continued over the past three years (see Table 2.1).[3] Furthermore, with the disruptions caused by the 1978-79 war and subsequent looting, as well as the impact of drought, the subsistence sector has also been affected, with production reportedly down in both 1979 and 1980. Regional food shortages, especially in Karamoja, were made even more severe by deficiencies in the internal distribution system. Although overall production seems to have recovered in 1981, food shortages are still

2/ See the Government's White Paper on the Report by Commonwealth Team of Experts, October 1979.

3/ It is difficult to determine to what extent the national account statistics underrecord economic activity due to the rising importance of "magendo" transactions during the 1970s. An adjustment is made for estimated coffee smuggling, and many other items which eventually enter the "magendo" economy may still be recorded at the production stage. On balance, it would seem likely that there is underrecording and that it has increased in recent years. However, in the absence of any reliable information, it is difficult to make additional adjustments in the national account statistics.

Table 2.1: NATIONAL ACCOUNT SUMMARY

	1963-70	1970-78	1978-80
GDP growth rate (% p.a. at 1966 prices)/a	4.8	-0.2	-9.7
Monetary economy	5.2	-2.0	-6.8
-Agriculture	4.6	-1.6	-10.2
-Industry/e	6.5	-5.9	-17.0
-Other sectors	5.3	-1.4	-3.2
Subsistence production	3.9	3.4	-14.3
-Agriculture	4.0	3.4	-16.3
-Other sectors	3.7	3.4	-1.3

	1964-70	1971-78	1979-80
Composition of GDP (% at 1966 prices)	100.0	100.0	100.0
Monetary economy	69.1	65.7	62.7
-Agriculture	24.8	23.2	22.2
-Industry/e	8.2	7.3	4.2
-Other sectors	36.1	35.2	36.3
Subsistence production	30.9	34.3	37.3
-Agriculture	27.1	30.0	31.4
-Other sectors	3.8	4.3	5.9
Gross investment rate (% at current prices)/b	12.7	8.6	3.0/d
National savings rate (% at current prices)/c	13.0	7.7	2.6/d

/a Trend growth rates, calculated by the least squares method.
/b Gross domestic investment as a percentage of GDP at market prices.
/c Gross national savings as a percentage of GDP at market prices.
/d Preliminary estimates only.
/e Agricultural processing and manufacturing only.

Source: SA Tables 2.2 and 2.3

reported in isolated areas. Despite these negative trends, the agricultural sector still dominates the economy, accounting for more than one-half of GDP and virtually all of Uganda's exports in recent years. The industrial sector, already suffering from the chaotic expansion of the parastatal sector and loss of managerial and technical manpower during the early 1970s, has been brought to a virtual standstill by shortages of domestic and imported inputs. Many units have been closed down, while those producing are operating on average with a very low capacity utilization of around 20% (compared to 70% in 1970). As a result, industrial value added in 1980 was 30% lower than in 1978, and accounted for less than 5% of total GDP. Perhaps not surprisingly, the only sector to sustain a steady rate of growth in recent years has been central government, which now accounts for 15% of GDP. But this has not been sufficient to offset declining value added in other tertiary sectors (electricity, transport and communications, and commerce), reflecting reduced levels of economic activity and supply constraints.

2.5 Overall, GDP (at 1966 prices) is estimated to have fallen by 11% in 1979 and 8% in 1980. Taking into account population growth[4] and the loss from the country's deteriorating terms of trade, per capita real incomes in 1980 were 27% lower than in 1978.[5] Although there has probably been some recovery in 1981, especially in the agricultural sector, it seems almost certain that average income levels are still substantially worse than at the end of 1978.

2.6 With high inflation rates and falling real incomes, as well as financial indiscipline in the public sector, the domestic savings rate has

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4/ The latest information on Uganda's population comes from the preliminary results of the census conducted in January 1980 (see SA Tables 1.1 and 1.2). These show an average population growth rate of 2.6% per annum since the previous census in 1969, marginally less than the average for all Sub-Saharan African countries (2.7% per annum) over this period, and down from the 3.9% per annum recorded in Uganda during the previous decade. It is difficult to evaluate the accuracy of these results, given the country conditions prevailing in 1980 and the lack of supporting data on fertility and mortality rates. But it seems plausible that some decline in the population growth rate did occur during the 1970s, due to rising mortality (especially among infants) and the reversal of earlier net immigration flows.

5/ Inter-country comparisons of Uganda's income levels are complicated by the imperfect coverage of subsistence and "magendo" activities, as well as the high rates of domestic inflation, and increasingly overvalued exchange rate, in recent years. Accepting the national account estimates given in SA Tables 2.1 and 2.2, and adjusting for the overvalued exchange rate on the basis of purchasing power parity, per capita GNP in 1980 would be equivalent to US$280.

continued to fall.[6] Although the inflow of foreign capital did pick up after the 1978-79 war, it remained small in relation to the country's requirements. As a result, the ratio of gross investment to GDP is estimated to have fallen as low as 3% during 1979 and 1980. Given normal depreciation provisions, this almost certainly implies negative net investment over these two years.[7] Consequently, little progress has been made on replacing obsolete and damaged plant and machinery.[8] More generally, the productivity of virtually all existing assets continues to be constrained by inadequate maintenance. If anything, this problem has become even more severe over the past three years, due to the impact of foreign exchange shortages on imports of spare parts (for some of the older equipment, spare parts are also no longer readily available) and the widespread looting of workshop equipment and tools at the time of the 1978-79 war.

2.7 External sector. Through mid 1981, there were no signs of any recovery in export performance. (Although coffee shipments did pick up later in August and September, this was achieved largely by moving stocks, and has not been sustained in subsequent months.) As a result, after a brief rise in 1979, merchandise export volumes fell back below the already depressed 1978 levels in both 1980 and 1981. This reflects the continued decline in export crop production, and, at least through mid 1981, the sale of a significant proportion of this production through unofficial channels.[9] On the positive side, coffee exports have not fallen any further over the past three years, and preliminary indications are that the

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6/ Allowing for "magendo" transactions, the effective savings rate may have been higher. However, even if this were the case, the "magendo" savings would probably be offset to a large extent by unrecorded capital outflows, reducing the available resources for domestic investment.

7/ Note, however, that because of the highly overvalued exchange rate in these two years, the tradable component of expenditure is understated, as compared to the estimates for earlier years. As investment is relatively import-intensive, the effective investment rate might therefore have been higher than shown in the recorded estimates. This would also be reflected in the recorded estimates from 1981, following the devaluation of the Ugandan shilling.

8/ This problem is most evident in the industrial sector. Pamba Textiles, for example, is still using 19th Century weaving machines, of which only 90 out of 300 are presently operative.

9/ Although no reliable figures are available, it is estimated that as much as 50,000 tons of coffee per annum, or almost one-third of total production, has been smuggled out to Kenya and other neighboring countries in recent years.

Table 2.2: BALANCE OF PAYMENTS SUMMARY /a

(US$ million)

	1970	1977	1978	1979	1980	1981 (estimates)
Merchandise exports f.o.b.	261.6	547.8	323.0	397.2	319.1	220.0
Merchandise imports c.i.f.	-204.9	-421.4	-352.1	-322.1	-503.7	-400.0
Trade Balance	56.7	126.4	-29.1	75.1	-184.6	-180.0
Non-factor services (net)	-15.9	-44.7	-97.5	-53.8	-54.8	-70.0
Resource balance	40.8	81.7	-126.6	21.3	-239.4	-250.0
Other Invisibles (net) /b	-27.5	-18.3	-11.6	-25.6	-8.1	-
Current account balance	13.3	63.4	-138.2	-4.3	-247.5	-250.0
Official grant receipts	7.0	3.9	8.8	24.2	84.6	110.0
Public M & LT loans (net)	21.3	23.9	38.1	104.2	84.2	10.0
- disbursements	(27.4)	(47.4)	(65.8)	(144.6)	(131.3)	(120.0)
- repayments	(-6.1)	(-21.7)	(-13.5)	(-15.6)	(-13.6)	(-80.0)
- principal arrears	(-)	(-1.8)	(-14.2)	(-24.8)	(-33.5)	(-30.0)
Use of Fund credit (net)	-	1.8	-1.8	-3.5	26.4	125.3
Other capital items /c	-36.8	-73.4	50.2	-182.3	-123.4	96.0 /d
Overall balance of payments	4.8	19.6	-42.9	-61.7	-175.7	91.3
Financed by:						
Accumulation of arrears	-	-9.4	61.3	6.2	134.5	-91.3/f
Change in net reserves (- = increase) /e	-4.8	-10.2	-18.4	55.5	41.2	-
Net reserve level (end of year) /e	64.8	53.9	72.3	16.8	-24.4	-24.4
Arrears level (end of year)	-	32.8	94.1	100.3	234.8	143.5

/a Note that we have included in this table our own estimates of official grant receipts and public M&LT loans, based on the disaggregated data presented in SA Tables 4.2, 4.3, and 4.4. All other items are based on official balance of payments estimates, with overall consistency maintained by adjusting the "errors and omissions" in other capital items.

/b Excludes official grant receipts.

/c Includes private capital flows and "errors and omissions". These "errors and omissions" are particularly large and negative in 1979 and 1980, possibly due to underrecording of imports and capital flight.

/d Includes ST credit provided by the oil companies of US$26 million.

/e Note that use of Fund credit and the Kenya swap arrangement are both shown above the line.

/f The fall in payment arrears during 1981 is due entirely to the reduction in oil arrears (made possible in part by the provision of ST credit from the oil companies) and official debt write-offs and rescheduling.

Source: (1) SA Table 3.1
(2) World Bank estimates

1980/81 "shortfall" quota[10] of 117,000 tons has been fulfilled. (This is a significant achievement in that it helped justify a higher quota for Uganda in 1981/82, but it is still well short of the peak level of 214,000 tons achieved in 1972.) However, other export crops, including cotton which was once Uganda's major export item, have all but disappeared, raising dependence on coffee to 97% of merchandise export earnings. The tourist industry, the major source of non-factor service receipts in the late 1960s, is still to recover from the setbacks of the 1970s and the 1978-79 war. With infrastructural problems in accommodation and transport, as well as reported security problems around Kampala and the Kabalega Falls area, international passenger traffic to Uganda has largely stopped, and tourist earnings remain at very low levels.

2.8 In addition to the depressed levels of merchandise exports and tourist receipts, external assistance over the past three years has been less than expected. Total commitments (excluding debt relief and war-related assistance from Tanzania and Zambia) rose from US$113 million in 1978 to an average of US$250 million per annum over the subsequent three years. As shown in Table 2.3, more than two-thirds of these new commitments were in the form of balance of payments support. In addition, much of the project aid was simply financing of raw materials (e.g. steel for hoes manufacture) or capital goods (e.g. trucks and locomotives), and should have been able to disburse quickly. However, in practice, this has not been the case. Actual disbursements have averaged only US$150 million per annum since 1978 and have been inadequate to fully cover principal repayment obligations and other capital outflows. Some of the reasons for this poor aid response were outside the control of the Ugandan Government. The general aid climate in many donor countries has not been conducive to increased assistance in recent years; traditional ties with many of the donor countries were broken during the military regime and these take time to restore; and many donors were initially reluctant to commit large amounts of support, especially untied balance of payments support, until the political and security situation became more settled. Yet, at the same time, the Ugandan authorities were unable to provide a suitable framework for mobilizing and utilizing external assistance. The institutional structure for aid coordination, even today, remains confused, with duplication and dissipation of effort between ministries and unnecessary competition among donors for suitable projects. In addition, the initial failure of the authorities to deal effectively with the pricing and exchange rate distortions in the economy, together with the lack of well-defined import priorities, often made it difficult to convince donors that their resources would be used effectively.

2.9 The limited foreign exchange provided from these major sources was further eroded by price developments over these three years. As shown in SA Table 3.7, the continued decline in coffee prices from their peak levels in 1977, coupled with the sharp rise in petroleum prices from 1979, led to a deterioration in the terms of trade by 55% over the past three

10/ When it became apparent that Uganda would not be able to meet its full quota of 135,000 tons for 1980/81, a "shortfall" quota of 117,000 tons was declared. Uganda will be permitted to export the balance of 18,000 tons, in addition to its normal quota, during 1981/82.

Table 2.3: COMMITMENTS OF EXTERNAL ASSISTANCE, 1979-1981 /a

(US$ million)

	B. of P. Support	Project Assistance					Technical Assistance	Food Aid	Emergency Aid	Misc.	TOTAL
		Agric.	Ind.	Trans.	Other	Total					
Bilateral	114.1	5.2	16.0	85.8	-	107.0	17.4	31.3	5.8	17.9	293.5
Australia	0.9	-	-	-	-	-	-	-1.5	-	-	2.4
Canada	4.3	-	-	-	-	-	-	-	-	-	4.3
France	10.8	-	-	24.4	-	24.4	-	-	-	-	35.2
Germany	9.9	-	4.9	6.4	-	11.3	10.1	-	-	1.9	33.2
India	3.3	-	9.2	9.9	-	19.1	-	-	-	-	22.4
Italy	-	-	1.9	1.0	-	2.9	-	-	-	-	2.9
Japan	1.9	-	-	-	-	-	-	-	-	-	1.9
Kenya	31.5	-	-	-	-	-	-	-	-	-	31.5
Netherlands	17.5	-	-	5.9	-	5.9	-	-	3.8	6.5	33.7
Sweden	2.3	-	-	-	-	-	-	-	-	6.0	8.3
United Kingdom	20.7	-	-	23.0	-	23.0	5.7	-	-	-	49.4
United States	8.0	-	-	-	-	-	1.6	29.8	2.0	3.5	44.9
Others	3.0	5.2	-	15.2	-	20.4	-	-	-	-	23.4
Multilateral	157.7	144.1	30.2	25.0	34.8	234.1	40.4	8.7	8.3	5.0	454.2
ADB	-	22.7	13.0	-	-	35.7	-	-	-	-	35.7
ADF	-	10.4	-	-	-	10.4	-	-	-	-	10.4
EEC	56.4	91.0	17.2	25.0	25.8	159.0	11.9	8.7	8.3	5.0	249.3
IDA	55.0	-	-	-	9.0	9.0	8.0	-	-	-	72.0
IFAD	-	20.0	-	-	-	20.0	-	-	-	-	20.0
IMF/b	41.3	-	-	-	-	-	-	-	-	-	41.3
OPEC Special Fund	5.0	-	-	-	-	-	-	-	-	-	5.0
UNDP	-	-	-	-	-	-	20.5	-	-	-	20.5
TOTAL	271.8	149.3	46.2	116.0	34.8	341.1	57.8	40.0	14.1	22.9	747.7

/a Excludes debt relief and war-related assistance from Tanzania and Zambia. Coverage may be incomplete.
/b Commitments from Trust Fund and gold sales only.

Source: World Bank estimates

years (and by 71% over the past four years).[11] Although these developments -- in export and aid receipts, as well as import prices -- were temporarily offset by a substantial increase in payment arrears (during 1980) and use of Fund credit (during 1981), the estimated volume of merchandise imports in 1981 was still 30% lower than in 1978 (and 59% lower than in 1970).[12]

2.10 As no detailed figures are available on the structure of merchandise imports since 1979, it is difficult to determine precisely where these import cuts were made. However, a number of general trends in import composition are apparent. Firstly, despite relatively constant volumes of petroleum imports (due initially to supply constraints and more recently to the impact of higher retail prices on domestic demand) the foreign exchange cost of petroleum imports (including oil company service payments) has risen 168% over the past three years, due largely to higher international prices, reaching US$114 million in 1981. At this level, petroleum accounts for almost 30% of the total import bill and absorbs more than 50% of Uganda's export earnings. Secondly, while Uganda did have to import additional quantities of food during 1979 and 1980 to help relieve shortages in the Karamoja region, this was largely financed by humanitarian assistance and did not, therefore, result in any significant net burden on the balance of payments. Thirdly, the level of direct government imports (for defense and security, as well as administrative purposes) increased substantially during the mid 1970s, reaching a peak of US$185 million in 1977 or 44% of the total import bill. Significantly, direct government imports have come down in subsequent years, to US$100 million in 1980 and an estimated US$60 million in 1981.[13] Although these imports may well be of high priority, this downward trend is in line with the increasingly tight foreign exchange situation and the need to meet the competing requirements of the productive sectors. Finally, with the large allocations for both petroleum and direct government imports, the availability of "free" foreign exchange for other priority imports -- essential consumer items, raw materials, spare parts and capital goods -- has become increasingly scarce. During 1981, for example, almost 80% of Uganda's merchandise export earnings were absorbed by petroleum and

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11/ The estimated income loss in 1981 from the deterioration in the terms of trade since 1978 is equal to 2.2% of GDP. This loss would be even larger if a more realistic exchange rate were used, and if there had not been such a severe reduction in export volumes over this period.

12/ The extent of the shortfall can be gauged in relation to the projections prepared by the Commonwealth team. They calculated an import requirement of US$650 million for the last half of 1979, more than double the actual import bill for the whole of 1978. As it turned out, the import bill was constrained to just over US$200 million during the last half of 1979, and averaged only US$225 million over the subsequent four semi-annual periods.

13/ This estimate for 1981 may exclude some government imports financed under coffee barter deals or the Kenya swap arrangement. Nevertheless , even allowing for these, the downward trend is expected to be maintained during 1981.

government imports. As a result, for the critical imports needed for rehabilitating the economy, Uganda has become almost entirely dependent on net capital inflows, including IMF drawings, external assistance and commercial credits. This helps highlight both the difficulty and critical importance of effective foreign exchange management under present conditions in Uganda. Some of the key areas for improvement in this regard are discussed further in Chapter 3.

2.11 Public finance. The public sector in Uganda comprises central government, local government and the parastatal corporations. Reliable data on all three components are few and far between; only on central government are there any published data and in recent years, these have often been based on estimates for ministries that had not closed their accounts or prepared financial statements. Lack of comprehensive data has also prevented successive reports[14] from indicating the importance and resource requirements of the parastatal sector. No industrial survey has been carried out since 1974, so no data enumerating public and private industrial enterprises are available. Moreover, the status of many parastatals is obscure. Under the military regime, legal transfers of property were often not carried out, with the result that some operating parastatals have no articles of association, capital or legally-recorded assets. In very few cases are accounts up to date or audited. A presidential instruction required such accounts to be prepared and submitted by August 1981, but the shortage of accounts staff and of independent auditors has delayed compliance.

2.12 Central Government revenue performance, at least through mid 1981, has been restricted by the same factors evident during the years of the military regime: declining monetary production, pervasive "magendo" transactions, reduced levels of foreign trade, the impact of price distortions on the "value" of goods taxed, poor financial performance in the parastatal sector, and ineffective tax administration and collection procedures. On top of this, the decline in world coffee prices since 1978 has severely reduced the revenue generated by export duties. As shown in Table 2.4, current revenue probably fell to less than 3% of GDP in 1979/80, as compared to almost 10% in 1977/78. At the same time, recurrent expenditure more than doubled as successive governments struggled to overcome the effects of the war and start rehabilitation, while coping with growing inflationary pressures. By 1979/80, sizeable deficits had again emerged and, with limited inflows of external finance and development assistance, they were met almost exclusively by recourse to domestic borrowing, especially from the Bank of Uganda. Total government expenditure was more than double current revenue in 1979/80 and more than five times current revenue in 1980/81. (Note, however, that nearly 10% of expenditure in 1980/81 reflected the devaluation of the Ugandan shilling in early June 1981.) Expenditure growth has been particularly rapid in the "non-productive" sectors (such as public administration and defense) which accounted for more than one-half of both recurrent and development expenditure in 1980/81. On the basis of trends to date, there is little evidence that the

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14/ Notably the Commonwealth Report, an internal Ministry of Finance report on parastatal bodies, two reports on the Uganda Development Corporation (one by a former chairman and one by an interministerial committee) and the report of the Industrial Reactivation Task Force.

Table 2.4: SELECTED INDICATORS OF BUDGETARY PERFORMANCE

	1971/72	1973/74	1975/76	1977/78 (prov.)	1978/79 (est.)	1979/80 (est.)	1980/81 (est.)
As percent of GDP at current market prices /a							
Current revenue	13.5	9.1	9.1	9.5	3.5	2.2	
Current surplus (+) deficit (-)	-	-4.9	-2.5	2.8	-1.3	-0.8	
Total expenditure	22.1	18.4	16.4	10.2	5.8	4.6	
Overall deficit	-8.1	-8.9	-6.9	-0.7	-2.3	-2.2	
Domestic borrowing	4.3	6.9	5.7	0.6	2.2	2.2	
As percent of current revenue							
Recurrent expenditure	100.3	153.1	132.9	70.4	137.4	141.1	375.7 b/
Total expenditure	163.9	201.1	181.2	107.6	165.6	208.6	505.1 b/
Overall deficit	-59.9	-97.1	-75.8	-7.3	-64.3	-100.9	-383.2 b/
Domestic borrowing	31.6	75.8	63.2	6.2	63.0	99.7	337.1 b/

a/ GDP for fiscal years estimated using moving average of calendar year estimates (see SA Table 2.1). Since GDP deflators for the more recent years are both large and unreliable, only limited reliance can be placed on current price GDP estimates.

b/ Includes supplementary estimates of U.Sh. 4.1 billion (about 32% of total expenditure), U.Sh. 1.2 billion of which related to the floating of the Uganda shilling in June 1981, and U.Sh. 1.1 billion of which reflected allowance for price increases during 1980/81.

Source: SA Tables 2.1, 5.1, 5.2

Central Government has been able to re-establish an effective system of expenditure monitoring and control, and this remains one of the priority areas for further policy and institutional action.

2.13 Similar trends are evident for local government finance, a not unimportant component of the public sector. District administrations' recurrent expenditure rose almost fourfold in nominal terms between 1974 and 1980, and now is equivalent to about 17% of central government recurrent expenditure. In the early 1970s, district administrations were generally able to cover these expenditures from local revenues (mainly a graduated tax on incomes) and a block grant from central government. By 1980, local revenues only met 82% of expenditure and block grants another 11%, leaving 7% to be covered by depletion of reserves. Although reliable data are not available, it seems likely that urban authorities have, if anything, fared worse, especially those which bore the brunt of destruction and looting resulting from the 1978-79 war.

2.14 Some public corporations have managed to maintain an acceptable standard of performance (the companies under the Textile Board and the Uganda Electricity Board, for example), but the parastatal sector is generally in disarray. This disarray is exemplified by the accounting backlog and the difficulty in obtaining reliable information about parastatals; of 97 parastatal bodies listed by the Director General's office as of January 1982, 31 had never presented audited accounts while a further 38 were one year or more in arrears. Together, the parastatals constitute a net drain on central government finance: excluding on-lending of foreign funds, parastatals received U.Sh. 260 million in loans from the Government during 1980/81 (1.9% of government expenditure), and paid dividends to the Government totaling U.Sh. 29 million (all from the oil companies). In the last six months of 1981, payments to parastatals reached U.Sh. 1.1 billion (5.2% of government expenditure), many of them, however, to cover increased capital requirements following the June 1981 devaluation of the Ugandan shilling. Loan repayments by the parastatals have been negligible, while sizeable tax payment arrears continue to build up. (On the other hand, many of them are also owed money by the Government for services they have provided.) In addition, many parastatals borrow from the Uganda Commercial Bank (UCB) against formal or informal government guarantees. At the end of June 1981, UCB was owed U.Sh. 384 million in this way by parastatals, while from July to December, it lent them a further U.Sh. 6.9 billion, again largely because of the increased costs of local cover following the devaluation of the Ugandan shilling. Several companies have been accumulating losses, which will eventually have to be written off or capitalized, but for which no budgetary provision has been made. These financial problems reflect to some extent the depressed state of the economy and the impact of war damage. Many parastatals have also suffered in the past from the imposition of inappropriate pricing policies. But the general organization of the parastatal sector and the management of individual public companies have in themselves contributed to the overall problem.

2.15 Money and prices. The Ugandan financial system comprises the Bank of Uganda (the central bank), seven commercial banks[15], four other credit institutions, two development banks[16], a post office savings bank, and several insurance companies. The commercial banks represent the heart of the system, accounting for the bulk of financial resources mobilized and allocated. Over the last decade, commercial banking coverage has declined sharply: whereas in 1970 Uganda had 290 bank branches, or one for every 34,000 people, present estimates indicate only 110 branches still operating, or one for every 115,000 people. Despite highly negative real interest rates, the commercial banking system has remained remarkably liquid in recent years; non-governmental demand for commercial credit was light, and a number of banks even decided to stop accepting time deposits. This seemingly paradoxical situation is probably indicative of the virtual collapse in monetary sector activities, the continuing importance of "magendo" transactions, and the general shortage of goods readily available for purchase, at affordable prices. To some extent, the apparent low demand for commercial credit probably also reflects the creditworthiness problems of most private and parastatal organizations (due to their poor financial situation and ownership disputes), which limited their access to normal credit facilities.

2.16 Fuelled by large central government deficits, financed primarily by borrowing from the Bank of Uganda, the money supply almost doubled over the two years 1979 and 1980, and continued to rise at a rapid rate into 1981 (see SA Table 6.1). Not surprisingly, the Government's share in total domestic credit continued to rise over this period, reaching 83% by the end of May 1981 (compared to 69% at the end of 1978 and 51% at the end of 1971). The rapid money supply growth inevitably led to sustained pressure on domestic prices. This is perhaps most vividly illustrated in Table 2.5, which shows the sharp increase in market prices for a range of basic consumer goods. The only official cost-of-living index presently available through 1981 is the low-income index for Kampala (see SA Table 6.2). Unfortunately, this index is distorted by the inclusion of some controlled prices prior to 1979, and incomplete coverage of the monthly base data during both 1980 and 1981. However, independent estimates of the general rate of inflation prepared by the IMF suggest that it has been averaging close to 100% per annum over the past three years.

15/ The largest is the Uganda Commercial Bank (UCB), which is wholely owned by the Government. The remaining six include five foreign-owned banks (four of which are Ugandan subsidiaries with minority government participation) and a cooperative bank.

16/ These are the Uganda Development Bank (UDB) and the East African Development Bank, owned jointly by Kenya, Tanzania and Uganda. A third institution involved in term financing of industry, the Development Finance Company of Uganda, ceased operations in the mid 1970s and is yet to be reactivated.

Table 2.5: OPEN MARKET PRICES FOR SELECTED CONSUMER GOODS/a
(U.Sh. per unit)

	Unit	1970	1975	1979	1980	1981
Bananas	kg	0.2	2.0	16.5	18.2	17.4
Sweet potatoes	kg	0.3	0.5	4.2	19.3	15.2
Maize flour	kg	1.0	4.0	14.3	51.6	48.0
Rice	kg		9.0	50.0	70.0	150.0
Sugar	kg	1.5	30.0	63.5	164.0	184.0
Fresh milk	® liter	0.7	3.5	10.0	25.0	39.4
Meat	kg	5.0	18.0	59.9	100.0	218.5
Eggs	tray of 30	12.0	50.5	180.0	300.0	580.0
Bread	500 gms	1.0	5.0	63.9	67.5	217.2
Edible oil	liter	5.2	18.0	180.0	260.0	208.7
Beer	bottle	2.9	13.5	50.0	100.0	275.0
Cigarettes	pkt. of 20	2.0	16.0	50.0	100.0	160.0
Soap	bar	5.0	19.0	84.0	217.4	285.0
Charcoal	sack		40.0	80.0	200.0	530.0
Paraffin	liter	0.9	1.7	10.0	20.0	57.0
Cotton fabrics	meter	3.5	10.5	80.0	120.0	300.0

/a Data relate to November for 1970 to 1979, December for 1980, and August - December for 1981. Therefore, because of seasonality, the data for different years may not be strictly comparable.

Source: Ministry of Planning and Economic Development

Table 2.6: RECENT ADJUSTMENTS IN OFFICIAL PRICES

	Pre-May 1981	January 1982	% Increase
Producer prices (U.Sh. per kg)			
-Robusta coffee ("kiboko")	7.0	35.0	400.0
-Tea (green leaf)	2.0	6.0	200.0
-Cotton (raw)	6.0	30.0	400.0
-Tobacco (flue-cured)	12.0	60.0	400.0
-Cocoa	3.2	20.0	525.0
Retail prices (U.Sh. per liter)			
-Premium gasoline	7.4	85.0	1,042.5
-Regular gasoline	7.1	80.0	1,022.0
-Diesel	6.0	50.0	733.3
-Kerosene	4.0	35.0	775.0
Utility Rates			
-Electricity			125.0
-Telephones (internal)			300.0
-Postage (inland)			220.0-300.0
-Water (metered)			700.0

Source: (1) SA Table 7.2
(2) IMF

C. The New Financial Program

2.17 In early June 1981, the Government reached agreement with the IMF on a comprehensive financial program.[17] The objective of the program is to stabilize the economy and eventually revive investment and production through restoring confidence in the currency, eliminating price distortions, and improving fiscal and monetary discipline. In particular, the Government took the following actions:

(a) "floated" the Ugandan shiling, effectively devaluing it approximately 90% from 7.8 to the US dollar to around 80 (by early 1982, the rate had fallen further to around 85);

(b) removed administered price controls,[18] except for major export crops, petroleum products and public utility tariffs. In a series of adjustments, the Government has substantially raised the remaining administered prices since April 1981 (see Table 2.6);

(c) rationalized the taxation structure by: (i) changing import duties from specific to an ad valorem basis and reducing the number of different rates of duty from 22 to 12; (ii) merging the Public Sector Investment Contribution (PSIC) with sales tax or excise duty; (iii) equalizing sales tax on imports and domestic production; and (iv) raising the effective rates of sales tax and excise duty on a number of major revenue-producing items, while converting some excise duties to an ad valorem basis;

(d) agreed to ceilings on the budget deficit, government borrowing and domestic credit expansion; and

(e) introduced a more realistic and flexible interest rate structure.

2.18 The key component of the program is clearly the 90% devaluation of the shilling, which represents a courageous and much needed break with past policies. Although the adjustment is referred to as a "float" (and indeed that concept is useful insofar as it provides the Government with latitude for further exchange rate changes), there is no illusion that the present exchange rate is adequate to clear the foreign exchange market however restrictively defined. Commercial banks are still required to sell their foreign exchange to the Bank of Uganda at fixed rates, foreign exchange allocations are tightly controlled, and a substantially higher black market exchange rate still exists. Nevertheless, the new exchange

17/ This is supported by a 13-month stand-by arrangement for US$135 million. In addition, Uganda drew US$54 million under the Compensatory Financing Facility in June 1981.

18/ Guidelines on pricing are still given by the Ministry of Commerce, and some parastatals reportedly have been reluctant to raise prices beyond these levels. The Government has, however, clarified that these guidelines are only intended to help firms revise their cost estimates following the devaluation of the Ugandan shilling, and are not intended as ceilings.

rate (and related price adjustments) does seem to have led to a substantial reduction in "magendo" transactions and smuggling. It will obviously be necessary to keep the exchange rate under continual review, to ensure that it provides a realistic guide to the value of foreign exchange over the medium term. But, for the next few years, the viability of the economy will depend critically on the availability of additional external assistance and improvements in the present system of foreign exchange management.

2.19 A major step towards restoring the economy's export sector has already been taken with the recent adjustments in producer prices, as shown in Table 2.6. Apart from tea, these adjustments have provided farmers with a positive return on export production and, with a narrowing of the price differentials vis-a-vis neighboring countries, there has been a noticeable diversion of supplies back into official channels. (For example, in the case of robusta coffee, CMB estimates that, because of higher official purchases, stocks with primary processors have doubled over the past six months to around 50-60,000 tons of clean coffee equivalent. Unfortunately, because of the processing bottleneck, this has not as yet been reflected in any significant increase in coffee export volumes.) But, the returns available by growing food crops are still substantially higher, and at present price levels, it remains uncertain whether farmers will be prepared to reinvest in export production to any large extent (see paragraphs 4.33 - 4.38). The ability and willingness of farmers to respond to higher producer prices will also depend to a large extent on the availability of complementary inputs and incentive goods, as well as the effectiveness of the institutional structure for crop processing and marketing. Therefore, the impact of the present producer prices will have to be carefully monitored, to see if and when additional adjustments may be warranted. The case for further producer price increases, as well as some suggestions for improving the system of producer pricing, are discussed further in Chapter 3.

2.20 For industrial products, it is hoped that removal of price controls will help divert previous "magendo" profits back into the official economy. Initially, a large proportion of these gains will be channeled into government revenue, as a result of the tax adjustments noted above. Indeed, for a number of items, the new tax rates appear to have been set with the objective of absorbing most of the difference between ex-factory costs and market prices. As a result, it has been estimated that the effective rates of sales tax and excise duty now average 40% - 50% of ex-factory costs for the industrial sector as a whole, ranging as high as 620% for beer and 725% for cigarettes. In general, these exceptional rates are probably justified under the present exceptional conditions, given the need to contain the Government's budget deficit and the evident capacity of the market to bear even higher price levels. However, it will be important to keep these tax rates under careful review to ensure that market prices, especially of basic consumer items, can be adjusted down as production levels recover, while still providing the producing units adequate profits for reinvestment and growth. From the point of view of the Government, such discretionary increases in tax rates do not improve the buoyancy of the tax system. This will depend on applying ad valorem sales taxes to a wider range of goods, as production revives. Excessive dependence on large discretionary increases in tax rates could jeopardize this revival, as well as perpetuate the concentration of revenue on a few easy "tax handles".

2.21 As most goods were already being sold at inflated "magendo" prices, the impact of the devaluation and removal of price controls on market prices has been somewhat less than might otherwise be expected. (See SA table 6.3 for a summary of recent price trends.) The sharpest increases have in fact resulted from the substantial adjustments in official retail prices for petroleum products, which reportedly have already had an impact on smuggling and consumption. Many other market prices also rose initially in June 1981, as the economy reacted nervously to the new program, but most have since stabilized and some have even come down. For a few basic consumer items -- sugar, rice and salt -- present prices are actually below pre-devaluation "magendo" levels. Nevertheless, as discussed below, the impact on those who previously had preferential access to goods at controlled prices has obviously been more severe. Furthermore, inflationary pressures could quickly re-emerge under present conditions, especially if transport bottlenecks and security problems restrict the movement of basic goods to isolated and heavily-populated areas.

2.22 While present market prices may not in general be substantially higher than before devaluation, they are still very high in relation to fixed income levels. In August 1981, the Government did announce increases of over 100% in the minimum wage (to U.Sh. 950 per month) and averaging 25% (tapering down to 8% at the higher levels) for civil service salaries. However, these increases are very small in relation to the general erosion of real purchasing power over the past ten years. For example, for middle and senior ranking civil servants, salaries have been increased by 80% to 110% from late 1975 to now, while over the same period, prices of selected consumer items on the open market rose between 500% and 2,000%. Even after the latest salary adjustment, a senior civil servant's gross monthly salary would only buy the equivalent of either 12 kilograms of sugar, or 31 kilograms of rice, or 7 bottles of beer, or 7 bars of laundry soap or 6 liters of cooking oil. Admittedly, the effective purchasing power of civil servant salaries was in the past enhanced by preferential access to goods at controlled prices, and still is by subsidized housing and other perquisites, especially for ministers and senior civil servants. However, with the removal of price controls, some civil servants are now suffering economic hardship, and the implications of this for morale and discipline need to be taken seriously. Therefore, while it is recognized that wage and salary restraint is an integral part of the adjustment process in Uganda, this needs to be balanced against the need to sustain at least a minimum standard of living for the general population and to maintain adequate work incentives, especially within the civil service. In an effort to minimize the budgetary impact of any further salary adjustments, the Government should also look carefully at the present size of the civil service, to see whether there is scope for reductions in personnel numbers.

2.23 Turning to the central government budget, the general impact of the financial program on economic recovery, as well as the specific provisions for price and tax adjustments, are expected to lead to a tenfold

increase in revenue during 1981/82 (see SA Table 5.1). Receipts from external grants were expected to rise twentyfold, equivalent to a trebling in US dollar terms at the exchange rate assumed in the budget. The budget, however, provided for much more moderate increases in expenditure, threefold in the case of recurrent expenditure[19] and fivefold for development expenditure. The overall result was a projected current surplus of U.Sh.14.3 billion, as compared to a deficit of U.Sh.6.9 billion in 1980/81, and a reduction in the overall deficit from U.Sh. 10.2 million in 1981/81 to U.Sh. 4.0 billion in 1981/82. With increased external borrowing, domestic deficit financing would have been almost eliminated.

2.24 The actual outturn for the first six months of the fiscal year fell below these expectations, but was nevertheless a significant improvement on 1980/81. Revenue was about 74% of estimates (pro-rated), while recurrent expenditure was about 54% higher and development expenditure nearly 50% lower than expected (total expenditure was 7% above budget estimates). Export duty collections (entirely from coffee) were coincidentally equal to budget estimates, the October increase in producer prices having been almost exactly compensated for by the greater-than-expected devaluation of the Ugandan shilling. Customs duty, excise duty and sales tax lagged behind estimates, mainly because of the low level of imports, including imported inputs for industry. Part of the rise in expenditure is attributable to the foreign exchange loss on arrears, estimated at U.Sh. 4.5 billion. In addition, the budget estimates were prepared assuming an average exchange rate over the year of U.Sh.53 per US dollar. To date, the actual rate has been in the range U.Sh.80-85 per US dollar. Security and administration expenditures were underestimated in the budget.

2.25 The prospects for adhering to the 1981/82 budget estimates underlying the financial program will depend on finding additional revenue and external assistance, as well as on curbing expenditure. The earlier discussion indicates that further discretionary increases in tax rates are not advisable, but the Government has improved tax collection, especially of export duties and tax arrears. The main burden, however, will fall on expenditure, which will almost certainly have to be held to a lower level in real terms than envisaged in the budget. This has been achieved so far by curbing the development budget and by reducing cash allocations to ministries. However, as indicated in Chapter 3, the control of expenditure must also improve.

19/ This increase is calculated excluding from 1980/81 recurrent expenditure those portions of supplementary expenditure incurred in June 1981 relating to the float of the Ugandan shilling (U.Sh. 1,184 million) and to price increases (U.Sh. 1,126 million). The recurrent expenditure estimates for 1981/82 include provision for the average increase of 25% in wages and salaries announced in August 1981.

Chapter 3

PRIORITIES AND PROSPECTS

A. Introduction

3.1 Perhaps the most lucid statement of the Government's own objectives and strategy for the medium-term development of the country is provided in a Communication from the Chair of the National Assembly, appropriately entitled "The Challenge of Recovery", by President Obote in March 1981. In this speech, the President outlined the present problems facing the Ugandan economy and the broad dimensions of the Government's rehabilitation program. Understandably, primary emphasis was placed on the need to restore law and order within the country, a basic prerequisite for future economic progress. However, the need for direct measures to improve production was also recognized. To quote from the President:

> "there can be no economic development nor can the economy sustain efficient social services without increased production. It follows, therefore, that the main thrust in restoring our economy to a sound level will be to rehabilitate, as fast as possible, the existing productive sector. Uganda is richly endowed with natural resources. In addition, it has talented and hardworking citizens whose aspiration towards self-improvement is all too evident. However, our present economic situation is a major constraint."
>
> "Let me reiterate ..... that financial assistance from friendly nations and institutions is only supplementary to our own efforts. The success of our economic recovery and development will depend very heavily on the existence of correct policies and a strong implementing machinery coupled with hard work by all able-bodied persons. On the part of Government, we shall strengthen the National Planning Commission, restructure the Ministry of Planning and Economic Development and create planning units in ministries and the districts. All these measures shall be to give practical meaning to the socio-economic policy which the Government has adopted. The Government has clearly stated that it shall follow the policy of mixed economy in which the State, the private sector, and the Cooperative Movement will play a role". (Page 4)

3.2 The real priority at this time is to translate these broad priorities into a program of resource allocations, policies and institutional reforms, designed to rehabilitate the economy over the next two to three years. Given the resource constraints, this program will have to include only very low levels of investment in new capacity. Instead, the emphasis should be on recurrent financing of maintenance and operations, and priority rehabilitation projects. Particular attention needs to be given to the mobilization and management of foreign exchange, which will remain

the key constraint on the implementation of any rehabilitation program. Many of the related policy concerns have already been addressed in the new financial program; while, as discussed in Chapter 2, there is scope for further policy adjustments, these need to be seen as part of an ongoing process of review and refinement which is inevitable in such a fluid and unpredictable economic environment. The more fundamental problems still to be tackled are in the areas of economic management and institution building. These will be reviewed in Section B below. The implications of rehabilitation for the foreign exchange outlook and aid requirements are discussed in Section C.

B. Priority Areas for Further Action

3.3 Foreign exchange management. The administrative machinery for allocating foreign exchange involves three basic stages. Firstly, at the start of each fiscal year, discussions are held between the major ministries to determine the broad range of import requirements. Although no annual foreign exchange budget has been formally approved in recent years, indicative import lists have been prepared to help guide import licensing. This is the second stage, and is done by a number of authorities, depending on the source and use of the foreign exchange: government imports by the Central Tender Board, petroleum imports by the Ministry of Finance, externally-financed imports by a committee under the Ministry of Planning, and other general imports financed out of "free" foreign exchange by a committee under the Ministry of Commerce. The Advisory Board of Trade, which previously had responsibility for issuing import licenses, now acts as a secretariat for the allocation committee under the Ministry of Commerce. Finally, for those imports where financing is not provided, foreign exchange is released by the Bank of Uganda. Since the start of this fiscal year, the release of foreign exchange has been limited to licenses endorsed by the Presidential Economic Advisory Committee (PEAC),[1] which makes its decisions on the basis of monthly forecasts of the availability and prior claims on foreign exchange prepared by the Bank of Uganda. As the net availability of foreign exchange is substantially less than the value of licenses issued, the effective control over import allocations is made at this stage.

3.4 Given the severe restraint on Uganda's import capability at the present time, and the almost unlimited "priority" import requirements, it is not surprising that the administrative machinery for allocating foreign exchange has come under increasing strain. The Government has responded to this situation with a number of further improvements in recent months: an IMF advisor has been appointed within the Bank of Uganda to help with the preparation of the foreign exchange forecasts and to monitor actual foreign exchange flows; the period covered by these forecasts is to be extended from one to three months; and the import proposals submitted to PEAC for approval are now reviewed by a special committee, including representatives from the private sector and CMB. These are encouraging developments. Nevertheless, it seems clear that further strengthening of the system will

1/ This committee includes representatives from the Ministry of Finance, Bank of Uganda, and Uganda Commercial Bank.

be required, if it is to deal effectively with the present foreign exchange pressures.

3.5 Firstly, it is essential that a more comprehensive budgetary framework is adopted, which takes account of all sources and all uses of foreign exchange. At the moment, payments for government services and goods (including pledges against coffee earnings), petroleum imports and externally-financed imports are largely taken to be prior claims on the available foreign exchange, and trade-offs are consequently only considered within the very small residual balance. One of the adverse consequences of this approach is that inadequate priority has been given to the recurrent import requirements of the productive sectors. For externally-financed imports, the options for reallocating funds towards higher priority items need to be explored. If this is not possible, it may be better not to use the financing. In making this decision, particular attention should be given to the net impact of the financing on the balance of payments, taking into account its terms and conditions, as well as related investment and recurrent costs which are unfunded.

3.6 A second area of concern regarding the allocation system, is the apparent preoccupation with requirements at the budgeting and licensing stages, without due regard for the limited foreign exchange available. For example, a six-month list of "emergency" import requirements prepared in October 1981 totaled US$530 million; this is larger than the likely inflow of foreign exchange from exports, grants and net loan disbursements for the whole of 1982. As a result, while it is difficult to find fault with the broad priorities indicated in this import list, these provide little guidance to the "priorities within priorities" which should be financed within a more limited, resource-constrained framework. Although the final review by PEAC has played a valuable role in preventing over-budgeting of foreign exchange, this crisis management approach is not well suited to a rational selection of import priorities. What is needed, therefore, is a resource-constrained and integrated annual import budget, based upon a realistic (preferably conservative) estimate of foreign exchange availability. Additional priority imports should also be identified, but only approved if and when additional foreign exchange becomes available. Initially, priority would have to be given to: (a) imports of basic consumer items in short supply, which cannot be produced domestically (e.g., soap, cooking oil, medical supplies); (b) imports of raw materials and inputs to utilize existing capacity, especially to produce basic consumer goods and exports; and (c) imports to support selective (see paragraph 3.13) rehabilitation of capacity in priority areas. Clearly, this exercise needs to be closely coordinated with preparation of the government budget and investment plan, to ensure consistency. It is also important that interlinkages, both between import requirements and with other policy measures, are taken into account in determining the phasing of import allocations.

3.7 A final, but related, concern is the need to strengthen the technical capacity to evaluate individual import requests and relate them to the broad budget allocations. Traditionally, this has been done by the Advisory Board of Trade for non-governmental imports and by the Central Tender Board for government imports, but there is a case for centralizing this function, possibly within the Ministry of Finance or the Bank of

Uganda. Without this technical input, there is a danger that the limited foreign exchange available will not be used to full benefit. In the industrial sector, for example, the few import allocations approved over the past year have often been too small in amount to be effective or not accompanied by sufficient complementary allocations to relieve related bottlenecks. For example, the Tororo Cement Factory was allocated imported asbestos and spares but not bags to pack the cement produced. Similarly, Nyanza Textiles has also been allocated spares, but production is still constrained by shortages of chemicals and dyes. There has also been inadequate attention to industrial linkages. An allocation was made to the Uganda Electricity Board, for example, to import conductors, which could have been produced domestically by the Uganda Cable Corporation if imported inputs had been available. Another danger is that over-reliance will be placed on a few established import channels, both in terms of the buyer (mostly parastatals) and seller (mostly Kenyan/Ugandan agents). For example, of the licenses issued from June to mid-August 1981, 90% went to parastatals, most of which were trading parastatals under the Advisory Board of Trade. Following the subsequent selection of licenses for endorsement by PEAC, this percentage probably went even higher. Unfortunately, we do not have a clear picture of what alternative trading channels were available, nor of what percentage of these imports eventually ended up in the private sector. Given that many of the private trading links were broken during the military regime, and the small amount of foreign exchange allocated, the high percentage channeled through trading parastatals may have been unavoidable. But the real concern is to ensure that the import application and tendering procedures do not by themselves limit import sources and support unnecessary trading monopolies. A strong technical input is a basic prerequisite for establishing a more open and effective import licensing system.

3.8 At the moment, tight management of Uganda's scarce foreign exchange resources is inevitable. However, over the longer term, as the balance of payments situation improves, there will be scope for gradually reducing the country's dependence on quantitative import restrictions, and accordingly, the foreign exchange management system should be relaxed. With more adequate supplies of imports and domestic inputs, many of Uganda's industries could potentially compete successfully with other suppliers in the region and further abroad (as they have in the past), provided a realistic exchange rate is maintained. Therefore, domestic pressures for longer-term protection, once the present balance of payments problems are passed and market penetration is re-established, need to be resisted. Otherwise, it will be difficult to break the vicious circle of low efficiency and production, coupled with high costs and prices, which has characterized the economy over the past decade.

3.9 Public administration and finance. The need to strengthen the foreign exchange management system is symptomatic of a wider problem of limited administrative capcity within the Central Government. This is a direct result of the loss of many of the country's best administrators and technicians, and the virtual collapse of the civil service, as well as of professional standards, during the 1970s. The impact has been to weaken a wide range of administrative functions: government budgeting, tax collection and expenditure control, aid coordination, investment planning, and the compilation of statistics. Present staffing constraints can be

relieved by: (a) intensified efforts to recruit and train appropriate personnel; (b) improved work conditions, including remuneration and career prospects; and (c) appropriate use of technical assistance. But the more fundamental problem is to strengthen the role of the two key ministries --Finance and Planning -- within the decision-making system.

3.10 An effective budgetary process is still to be re-established in Uganda. Projected expenditures often bear little relation to the likely availability of resources, the recurrent budget still underfunds the maintenance and operations requirements of the economy (general public services and defense account for more than one-half of recurrent expenditure in 1981/82), and the development budget includes many low-priority projects.[2] While there is obviously scope for reallocating recurrent expenditure, it seems inevitable that budgetary cuts, at least in the short term, will fall most heavily on development expenditure. This in turn will require more active involvement by the Ministry of Planning in project scrutiny and selection. At the moment, the Ministry of Planning basically just aggregates the submissions of sectoral ministries, with little sifting out or prioritizing. This aggregation is then cut back on an arbitrary pro rata basis by the Ministry of Finance to meet overall expenditure ceilings, while actual spending and implementation depend primarily on foreign exchange availability. In practice, this means that the allocation of development expenditure is determined by the use of external assistance and the foreign exchange management system.

3.11 Even with an effective budgetary process, the actual revenue and expenditure outcome will depend critically on the Government's capacity for tax collection and expenditure control. Improvements in tax collection will be largely dependent upon increased staffing, for both administration and enforcement, and improved financial performance in the parastatal sector, to help reduce tax delinquency and arrears. However, the more pressing problem at the moment, and perhaps the more difficult problem to address, is expenditure control. This is the administrative capacity to ensure that actual spending can be related to what has been budgeted, that controlling officers are held accountable for their ministries' spending, and that legal sanctions are applied in cases of misappropriation. This will require: (a) improvements in the speed and accuracy of government accounting and the reporting of expenditure; (b) strengthening the Ministry of Finance, through staff recruitment and training, and possibly through reorganization; (c) increasing the authority of the Ministry vis-à-vis spending ministries and parastatals; (d) reviving the Auditor General's office and the Public Accounts Committee; and (e) in future, instituting legal proceedings against individuals implicated by audit reports. However intractable these problems may now appear, it is essential that a start be made in resolving them.

2/ In the 1981/82 development budget, for example, several seemingly low-priority projects have been included: the Ministry of Agriculture and Forestry has provided for irrigation and mechanization projects, and citrus schemes; the Ministry of Animal Industry has provided for ranches, dairies, feedlots and exotic cattle importation; and the Ministry of Urban Development and Housing has provided substantial sums for new office accomodation, "slum upgrading" and "major improvements to unallocated stores".

3.12 Another major limitation on the Government's capacity to raise and utilize resources has been the absence of an effective system for aid coordination. Sectoral ministries have often sought external support for their projects directly, and only worked through the Ministries of Finance or Planning at the negotiating stage. Little attempt has been made to establish the priority for the project proposal or to reallocate the financing commitment to more pressing (often recurrent) import requirements. Although the overall levels of external assistance remain insufficient to cover even the country's minimum import program, aid donors often find themselves unnecessarily competing for suitable projects due to the lack of adequate information flows between ministries, and between the Government and the international community. The Government has now reaffirmed (through a presidential circular of May 1981) that statutory responsibility for negotiating aid agreements and financial obligations is with the Ministry of Finance alone, and this should be strictly enforced. However, the Ministry of Planning also needs to take a much more active role in the prior selection of project and technical assistance proposals which are considered suitable for external financing.

3.13 One of the reasons for the deficiencies in both aid coordination and the preparation of the development budget has been the failure to come up with a realistic investment plan. A ten-year action program[3] has been prepared, but this is based on highly unrealistic assumptions regarding economic performance and the availability of resources for investment. Furthermore, the detailed project proposals for each sector included in the program are only loosely related to the overall macro framework. In many cases, these proposals are little more than general sectoral priorities (e.g., "rehabilitation of the tea industry") with only rough, or in some cases no, indication of cost implications. There is no discussion of how these projects were selected or their relative priorities, both within and between sectors. There is an obvious need for a more thorough analysis of the effective contribution of each project proposal to economic recovery. Under present conditions, projects which improve utilization of existing capacity and help earn or save foreign exchange (on a net basis) are likely to have higher rates of return. Similarly, infrastructure investments which support these projects also need to be given priority, although care needs to be taken to ensure that the least-cost option has been selected. Some rehabilitation priorities identified in the sectoral chapters of this report include: repairing processing plants for export crops (especially coffee, cotton and tea); rebuilding industrial capacity to supply agricultural inputs (e.g., hoes) and basic consumer goods (e.g., soap, textiles, footwear, sugar and edible oils); re-equipping of the road maintenance program and rehabilitation of priority road links; strengthening the railway signalling and communications system; replacing old electricity substations and distribution networks; and repairing damaged classrooms, especially in primary schools.

3/ Ministry of Planning and Economic Development, A Ten-Year Programme of Action 1981-1990, for presentation at the UNCTAD Conference on Least Developed Countries, held in Paris in September 1981.

3.14 With these concerns in mind, the Government is reviewing its investment proposals, and intends to present a more realistic and prioritized list as part of its two-year economic recovery program (presently being prepared with assistance from the Commonwealth Fund for Technical Cooperation). The Government should adopt this as a basic policy document, translating it into action through the government and foreign exchange budgets for 1982/83. This program should also provide a useful guide for potential aid donors, to help identify where their assistance can best be directed in support of the Government's own rehabilitation efforts.

3.15 Sectoral planning problems will be discussed in more detail in Part II of this report. However, the general nature of these problems is well illustrated by the present situation in the transport sector. Transport planning is poorly coordinated, with overlapping responsibilities shared by the Ministries of Transport, Works and Planning, and the numerous parastatals involved in the sector. In practice, planning is virtually non-existent, leaving the operating parastatals, by default, with a high degree of autonomy in investment decisions, which is often exercised without due regard to intermodal coordination or the broader priorities of the economy. It has also left the sector vulnerable to pressure from vested interests. As a result, even the limited resources available to the sector have been poorly managed: (a) trucks and aircraft have been diverted for non-rehabilitation purposes; (b) the railway, which is cost efficient for long-haul traffic, has been underutilized; and (c) there has been over-investment in lake ferries, long-haulage trucks and larger aircraft for international traffic. There is, therefore, an urgent need to review future investment plans and import allocations for the transport sector, to ensure that they are effective in relieving critical bottlenecks and improving utilization of the existing transport capacity.

3.16 Finally, a major constraint on all administrative functions in Uganda is the deficient statistical base. The Statistical Department in the Ministry of Planning, which has primary responsibility for the collection and compilation of official statistics, has effectively ceased to function. Fortunately, much of the raw data collected by ministries in their day-to-day operations (e.g., foreign exchange and budget transactions) have been retained, although it will take a lot of effort to clear the backlog of compilation needed to put them into a useable form. But, information normally collected by special surveys, including major inputs into the national account statistics, will be almost impossible to replace. This task is made immeasurably more difficult by the increasing importance of subsistence production and "magendo" transactions in recent years, which by their nature are usually unrecorded. However, the important task is to rebuild the capacity to collect and compile data in the future. This will require recruitment of additional qualified staffing, including support from technical assistance, and the re-establishment of channels of routine reporting, most of which have broken down over the past decade.

3.17 Parastatal organization. The Government is acutely aware of the present problems in the parastatal sector, resulting in large part from the loss of key personnel and chaotic expansion of the sector during the 1970s. In the President's Communication from the Chair, quoted at the

beginning of this chapter, the Government's intention to follow a "mixed economy" strategy is clearly outlined. This Communication goes on to say:

> "Many . . . parastatal bodies and companies are a drain on public funds and do not have qualified personnel to run them. The Government is examining the best way of selling them off or returning them to their original owners." (Page 4)

Consistent with this approach, the Government is drafting legislation to allow former owners to claim their property and either repossess and operate it, or claim compensation.[4] Already, some private owners have returned to Uganda, notably in the sugar and tea industries, although in each case some interim arrangements have been made with the Government, usually on a joint venture basis. But, more generally, it remains to be determined what should be the role of the parastatal sector in Uganda, and the basis on which public ownership should continue, the mechanism of disinvestment of assets and compensation, and the scope for developing more private sector investment and initiative. Progress on these broader policy issues will probably continue to be slow, until the Government has a better idea of the present operational and financial position of individual parastatals. For this reason, high priority needs to be given to the task of updating parastatal accounts, preferably through the recruitment of qualified and reputable auditors from outside Uganda.

3.18 Narrowing the scope of parastatal operations, through privatization and closures, will help reduce the burden on the public sector's stretched manpower resources. The financial position of the remaining parastatals will also be improved to some extent by the recent decision to remove most price controls, as well as by a general recovery in economic activity. However, for most parastatals, more far-reaching improvements in management and operating procedures will be required before they can become financially viable. This will involve decisions and follow-up action on: (a) clarifying the status and ownership of many parastatals, which presently have no articles of association, capital or legally-recorded assets; (b) restoring executive responsibility to boards of directors and to management, selected for their professional qualifications and technical competence; (c) resolving the problem of outstanding debts, by providing where appropriate official debt write-offs, rescheduling or refinancing; and (d) providing, for viable organizations, short-term financial support in order to effect rehabilitation and in particular to generate the local (Ugandan shilling) cover needed to finance imports of raw materials, spare parts and other needed inputs. More generally, the Government will have to decide on an appropriate structure for the public enterprises: their relationship with "parent" ministries and, assuming the Government follows the logic of a mixed economy, the basis on which they will compete and do business with the private sector.

4/ Ownership problems not only affect former private owners whose companies were nationalized, but also other parastatals whose subsidiaries were removed under the military regime. The Uganda Development Corporation, formerly a viable and effective organization, was truncated in this way, but was never compensated.

3.19 At present, the scope for private sector competition in many key sectors remains limited. In the export crop sector, for example, a number of parastatals -- like the Coffee Marketing Board and the Uganda Tea Authority -- have exclusive statutary rights to purchase and sell all production. In other sectors, most notably commerce, parastatals have a de facto monopoly based on privileged access to credit, government guarantees or through the operation of the import licensing system. It is questionable whether these monopolies or quasi-monopolies serve a useful purpose. In the export sector, some official role will continue to be required for most crops, either to control quality standards or to provide trade information and promotion. But, this can be done without imposing trading monopolies which, in the past, have often worked against the most important link in the export chain, the producer. In the commercial field, greater competition would also seem to offer advantages, provided the dangers of over-invoicing and capital transfers by private companies are adequately addressed through open bidding and tendering procedures, and by supervision through such agencies as the General Superintendence Company.

3.20. To avoid further unplanned development (or reduction) of the parastatal sector, there is a strong case for establishing a specialized unit within the Department of Economic Affairs (Ministry of Finance) to coordinate parastatal operations and policies: reviewing company performance, formulating management and personnel policies, monitoring the budgetary and financial impact of parastatal operations, and ensuring consistency and feasibility of objectives. Such responsibilities are at present not defined or located adequately in government. The Ministry of Finance theoretically carries budgetary responsibility, but does not have the capacity to carry this out; sector ministries may or may not pursue compatible approaches to the parastatals under their purview, and more often than not, provide little guidance on the broader issues of sectoral priorities and policies. Such a specialized body would serve as a focus for accounting assistance, and could also advise on joint ventures, especially when foreign investment is involved.

3.21 Pricing policy. In the past, the monopoly position of many parastatals was protected to some extent by the imposition of administered price controls. These became increasingly unrealistic during the 1970s, as severe shortages developed and many goods were only traded on the "magendo" markets or smuggled overseas. The first major reversal of this policy came in 1977, when food prices were decontrolled, and since mid 1981, all price controls -- except on major export crops, petroleum products and public utilities -- have been removed. Some of the remaining distortions have been reduced by the recent adjustments in controlled prices. For industry, the removal of most price controls is a major step towards restoring a more competitive and financially viable sector, even though, as noted in Chapter 2, a large proportion of some producers' profits, required for reinvestment and growth, is presently being absorbed by high effective rates of sales tax and excise duty. The real concern, however, is with the official producer prices for export crops, which, even after the recent adjustments, do not cover costs in the case of tea, and provide a substantially lower return than food production for coffee, tobacco, and cotton.

3.22 At the new exchange rate and present world price levels, the farmer's share in export earnings is 70% for cotton, 50% for robusta coffee and less than 40% for tea and tobacco. The balance is absorbed by processing and marketing margins, and, in the case of robusta coffee, by the imposition of an export duty. For most crops, the processing and marketing margins have become excessive due to the poor operational and financial performance of the cooperatives and marketing boards involved, and the impact of falling production levels on unit costs. To help break this vicious circle, it will be necessary to strengthen the operations and financial position of these cooperatives and marketing boards, and possibly open up the trade to a greater degree of competition as discussed above. Initially, until production levels recover, some cooperatives and marketing boards may require temporary subsidies, to ensure that appropriate producer prices can be paid, and promptly. In the case of robusta coffee, the Government should also review the level of the existing export duty. At late-1981 world prices, this absorbed about 20% of the export earnings from robusta coffee, and is an important source of government revenue. Changes in producer prices which involve subsidies or reductions in export duty rates would clearly have to be weighed carefully against the need to maintain fiscal balance. Over the longer term, however, increased production and official purchases of export crops (together with the higher levels of imports and economic activity they would permit) could help strengthen the revenue base of the Government.

3.23 The crop discussions in Chapter 4 indicate that higher producer prices are presently warranted for tea, tobacco and, to a lesser extent, coffee. Inevitably, subsequent adjustments will also be required as the full impact of the devaluation is felt, and world prices change. In this context, it is essential that the administered prices be regularly reviewed and adjusted in a systematic manner. For this, an appropriate institutional structure needs to be found, which gives due weight to the concerns of producers, and also provides for more automatic adjustments in producer prices in line with world price trends. To help strengthen the analytical base for producer price decisions, it will be necessary to re-establish capacity within the Ministry of Agriculture for collecting and analyzing information on costs (producer, processing, and marketing), relative crop prices, producer responses for different areas, and world market conditions. For the longer term, the Government should also begin a review of the overall system of producer pricing for export crops. This should include an analysis of the potential impact on producer incentives, the budget and the balance of payments of alternatives to administered prices (e.g. minimum support prices, open market prices) and of more competitive marketing systems (e.g. auctions).

C. Foreign Exchange Prospects

3.24 A base case scenario for discussing Uganda's economic prospects is summarized in Tables 3.1 and 3.2. Given the critical nature of the foreign exchange constraint, the primary focus of the projections is on the

Table 3.1: SUMMARY OF BASE CASE PROJECTIONS

	1981-85	1985-90
Growth rates at 1978 prices (% p.a.)		
GDP	6.8	4.5
-Monetary agriculture	(10.0)	(5.0)
-Subsistence agriculture	(3.5)	(3.0)
-Industry	(10.0)	(7.0)
-Other sectors	(5.0)	(5.0)
Gross investment /a	6.8	15.7
Merchandise exports	14.0	6.0
-Coffee	(12.9)	(6.0)
-Cotton	(53.8)	(3.0)
-Tea	(108.8)	(8.0)
-Tobacco	(39.2)	(4.0)
-Other exports	(10.3)	(10.0)
Merchandise imports	12.7	5.7
Increase in prices (% p.a.)		
Domestic	11.6	8.0
International	7.6	6.0
Merchandise exports	7.0	7.3
Merchandise imports	7.1	6.0
Terms of trade	-0.1	1.2

	1983-85	1986-90
Import elasticities (%)		
Food imports (w.r.t. GDP)	-	-
Other consumer imports (w.r.t. GDP)	0.7	0.6
Petroleum imports (w.r.t. GDP)	0.8	0.7
Intermediate imports (w.r.t. monetary agriculture and industry)	0.8	0.7
Capital imports (w.r.t. investment)	1.0	0.8
Government imports n.e.i (w.r.t. GDP)	0.5	0.5

/a Based on gross investment rate of 3% in 1982-85, rising to 5% by 1989. As these projections are based on the 1978 exchange rate, the effective investment rate is probably understated (see footnote 7, Chapter 2).

Source: World Bank estimates

Table 3.2: BALANCE OF PAYMENTS PROJECTIONS - BASE CASE

(US$ million at current prices)

	1981 (estimates)	1982	1983	1984	1985	1990
Foreign exchange requirements	671	853	915	1,005	1,076	1,913
Merch. imports c.i.f.	400	541	624	718	825	1,488
Invisibles (net) /a	70	109	132	174	188	327
Principal repayments /a	110 /b	135	91	40	43	70
Arrears repayments	91	40	50	50	-	-
Increase in net reserves	-	28	18	23	20	28
Foreign exchange financing	671 /e	853	915	1,005	1,076	1,913
Merch. exports f.o.b.	220	314	373	418	480	913
Official grant receipts /c	110	126	137	144	140	157
Gross loan disbursements /c	120	172	118	106	138	241
Use of IMF credit (net)	125	112	117	63	12	-8
Financing gap	-	129	170	274	306	610
Memo items:						
Debt service ratio (%) /d						
-including IMF credit	50	50	38	36	42	35
-excluding IMF credit	50	46	27	17	15	18
Financing gap/merch. imports (%)	-	24	27	38	37	41
Current account deficit/GDP (%)	3	5	5	5	5	5

/a Includes debt service on financing gap, assuming DAC terms: 2.7% interest, 32 years maturity including 9 years grace.

/b Includes principal arrears accumulated.

/c Assuming a continuation of present commitment levels (in real terms) and disbursement patterns.

/d Debt service as a percentage of exports of goods and services. The first line includes charges and repurchases related to use of IMF credit in debt service.

/e Includes US$96 million of miscellaneous capital inflows and "errors and omissions."

Source: World Bank estimates

Table 3.3: ALTERNATIVE PROJECTIONS /a

	Average gap (US$ million p.a.)		Debt service ratio /c (%)		
	1982-85	1986-90	1982	1985	1990
a. Base case:	220	488	50	42	35
b. Real growth in merchandise exports reduced to 4% p.a.:	337	794	61	64	63
c. Real growth in merchandise exports reduced to 4% p.a. and no new IMF drawings:	426	762	61	48	37
d. Gap filled on non-concessional terms: /b	244	820	50	53	96
e. Real growth in merchandise exports increased to 20% p.a. through 1985 and 10% p.a. thereafter:	190	207	53	35	22
f. Investment rate stays at 3% through 1990:	220	400	50	42	34

/a Alternatives show impact of specified change, with all other assumptions remaining as in base case.

/b 11.6% interest, 9 years maturity including 4 years grace period.

/c Including charges and repurchases relating to use of IMF credit in debt service.

Source: World Bank estimates

balance of payments.[5] The impact of alternative assumptions on the foreign exchange gap and debt service ratio is shown in Table 3.3.

3.25 The projections assume a sharp recovery in levels of economic activity, with GDP rising by 6.8% per annum from 1981 to 1985. The most rapid increases are in monetary agriculture (export crops) and industry, the two sectors which have suffered the most over the past decade, but which offer the best prospects for a quick revival. Although the projected growth rate represents a major departure from past trends, it is considered a realistic option, given the recent policy measures taken by the Government and assuming continued progress on the economic management and institutional issues discussed in Section B. As illustrated below, the viability of this scenario will also depend critically on the availability of foreign exchange, for both recurrent imports and priority rehabilitation projects. Overall, however, the investment rate is assumed to remain around its present level, estimated to be only 3% of GDP, through 1985. This, of course, implies an exceptionally low incremental capital-output ratio (ICOR), a reflection of the opportunities under present Ugandan conditions to increase effective capacity with relatively small investments in rehabilitation, and to improve overall capacity utilization through increased recurrent imports and other measures. It is difficult to be precise about how long Uganda can maintain a low investment rate without impacting significantly on GDP growth. The base case projections assume the investment rate is steadily increased after 1985, although as discussed below, this will put additional pressure on the balance of payments. It is possible that the projected GDP growth rates through 1990 could be maintained with lower levels of investment. But eventually, it is inevitable that the investment rate will have to be raised to provide for continued growth over the longer term.

3.26 Foreign exchange requirements. The major claim on Uganda's foreign exchange is for merchandise imports. Given the severe import restraint imposed over the past four years, and particularly in 1981, as well as the backlog of rehabilitation requirements, there is little doubt that a substantial increase in import levels is a basic prerequisite for economic recovery in Uganda. Back in 1979, the Commonwealth team estimated import requirements to be US$660 million for the first six months and US$1,000 million for the first full year of rehabilitation. With subsequent delays and price increases, the requirements are no doubt substantially higher now. On the other hand, while it is easy to justify such large import requirements in terms of the potential performance of the economy, it seems less likely that this magnitude of imports could be usefully absorbed under present economic and administrative conditions. As already reviewed, there remain many other constraints on the implementation of the rehabilitation program -- including weaknesses in public administration and finance, parastatal organization, and pricing policy -- which, until addressed, will limit the effectiveness of additional imports. These conditions, together with the inevitable constraints on foreign exchange availability,

5/ The projections have been prepared using the World Bank's Revised Minimum Standard Model. As the foreign exchange constraint is binding, ex-post consistency is achieved by an arbitrary "statistical" reduction in the level of domestic savings.

underscore the importance of strengthening the country's foreign exchange management system, to ensure that only priority items, for priority purposes, are imported.

3.27 With these qualifications in mind, the projections assume a 35% increase in import volumes during 1982, with above-average increases for inputs, spare parts, and basic consumer goods (other than food). The projected import volume for 1982 is marginally above the restrained level of 1980, but still less than one-half of the peak level achieved in 1971. In current prices, the 1982 import bill is US$540 million, only slightly higher than the Government's six-month "emergency" list of import requirements prepared in October 1981. In subsequent years, the import bill is projected using the assumptions on GDP and investment growth,elasticities and prices as shown in Table 3.1. Under Ugandan conditions, where both levels of economic activity and imports have been falling in recent years, it is difficult to calculate likely import elasticities for the future. However, there is substantial scope for steadily re-establishing domestic supply sources, and consequently reducing the import content of production. This is reflected in the import elasticities, which are generally less than one, and lower after 1985. Even so, total import volumes are still projected to rise sharply during both periods shown in Table 3.1. This reflects the large once-and-for-all adjustment in import levels assumed for 1982, and the sharp increase in investment (and related capital good imports) after 1985.

3.28 Apart from merchandise imports, the other major claim on foreign exchange is debt service, especially principal repayments. Unfortunately, Uganda's external debt position was not well monitored or controlled during the 1970s; and consequently, it is difficult to get a clear picture of the present situation. The World Bank's estimates, based on data from the Uganda Treasury and Bank of Uganda, show total external public debt outstanding of US$950 million at the end of 1981, of which US$650 million was disbursed. (These estimates include Uganda's share of East African Community debt and principal arrears, but exclude use of IMF credit and short-term obligations of less than one year.) Three features of the debt structure are worth noting. Firstly, a large share of the debt outstanding and disbursed is from private sources or related to commitments made by Tanzania and Zambia at the time of the 1978-79 war. Official development loans account for less than two-thirds of the outstanding obligations. Secondly, the debt outstanding figures include an estimated US$84 million of principal arrears, most of which were accumulated over the past three years. These, together with the payment arrears on short-term debt and imports, will eventually have to be repaid, adding a substantial burden on Uganda's already fragile balance of payments.[6] Finally, even excluding arrears, about 40% of the debt outstanding and disbursed at the end of 1981 is scheduled to be repaid over the next two years, reflecting the increase in non-concessional borrowing since the mid 1970s. At the Paris Club meeting held in November 1981, it was agreed that the participants' obligations

6/ Payment arrears are estimated to total US$144 million at the end of 1981. The projections assume that these are all repaid by the end of 1984.

falling due in 1981/82 would be rescheduled.[7] However, as such a large share of the debt is held by non-participants, this covered only about US$12 million, compared to total principal repayments due of US$110 million in 1981 and US$135 million in 1982.

3.29 On a net basis, the invisibles account is also expected to remain a net drain on foreign exchange during the 1980s. Although some recovery in tourism will eventually be possible, this is unlikely to provide a substantial net contribution to foreign exchange until the supporting infrastructure -- hotels, lodges, roads, and vehicles -- has been fully rehabilitated. Taking into account other outflows for freight and interest payments, the invisibles deficit is expected to rise from about US$70 million in 1981 to more than US$300 million by 1990. Uganda will also have to make some provision for the buildup of external reserves, although, given the large import requirements and financing constraints, it will not be possible to provide adequate import coverage for the foreseeable future. Overall, the total financing requirement -- for merchandise imports, repayment of principal and arrears, the invisibles deficit and accumulation of reserves -- is projected to rise from US$0.85 billion in 1982 to US$1.1 billion by 1985 and US$1.9 billion by 1990.

3.30 Foreign exchange financing. The growth of merchandise exports, Uganda's major source of foreign exchange, will continue to be determined largely by developments in agriculture and the supporting infrastructure. With a rehabilitation program as outlined in Chapter 4 -- emphasizing producer incentives, relief of processing and transport bottlenecks, and improvements in marketing -- exports of Uganda's major crops can be expected to grow substantially over the next five years. Because of its initial dominance, coffee will continue to be the key to success for a number of years to come. Uganda's coffee quota for 1981/82 has been increased by 30% to 2.6 million bags (156,000 tons),[8] and is unlikely to act as a constraint on export volumes during this period. However, subsequently, further quota increases[9] will be required if our volume projection for 1985 (190,000 tons) is to be realized. While this represents an increase of more than 60% over the 1981 base, it is still below the peak level (214,000 tons) reached in 1972 and is well within Uganda's productive potential. Similarly, while export volumes of cotton, tea, and tobacco are all projected to rise substantially during the rehabilitation period, they are not expected to regain their previous peak levels by 1985.

7/ Ninety percent will be repayable in 10 years, including 5 years grace, and 10% will be repayable over the next 4 years. The participants at the Paris Club meeting also agreed to reschedule about US$15 million of debt arrears.

8/ Uganda is also permitted to export another 18,000 tons in 1981/82, from the shortfall declared in 1980/81.

9/ Alternatively, Uganda could sell the surplus coffee in non-quota markets, but this would result in substantially reduced unit values and would lower export earnings below projected levels.

3.31 Other merchandise exports -- which potentially include maize, groundnuts, animal feed, hides and skins, copper, cobalt, and cotton textiles -- have virtually ceased. The initial recovery of some of these items will necessarily be limited by the need to focus scarce resources on the major export crops, and also the competing demands of the domestic market (which, of course, could still benefit the balance of payments through import substitution).[10] However, many of these items have been exported in the past and medium-term prospects for market penetration, especially in neighboring countries, would appear to be good. The rehabilitation program for agriculture will also benefit the minor export crops, as well as encourage increased output of manufactured exports through improved supply of raw materials and relief of transport bottlenecks. Provided an appropriate exchange rate policy is maintained, there is little need for additional export incentives at this stage. Nevertheless, the institutional support for exports -- to provide market information, credit and insurance -- will eventually have to be rebuilt if a major export drive is to be successful.

3.32 Although the projections are based on a relatively optimistic view of export prospects (certainly compared to past performance), and assume no major change in the terms of trade, the resultant export earnings are clearly inadequate, and increasingly so, to meet the country's foreign exchange requirements. The additional foreign exchange required from capital inflows averages US$560 million per annum over the next three years, rising to US$1 billion by 1990. On the basis of past experience, normal disbursements from official grants and public loans could provide about US$270 million per annum over the next three years;[11] a further US$ 100 million per annum (net) could possibly be drawn from the IMF, assuming Uganda becomes eligible to make purchases from higher-level facilities.[12] However, this still leaves an average gap of US$190 million per annum over the next three years to be financed by additional new resources. Subsequently, the gap rises quite sharply, although as shown in Table 3.3, this is due largely to the assumed increase in the investment rate, and associated import requirements. Given the eventual improvement in the debt service ratio after 1985, and the wider options for improving both export performance and import substitution over the longer term, the real crisis period for Uganda's balance of payments is the next three years. Unless this can be successfully resolved, without undue cuts in import levels or accumulation of debt obligations, there will be no basis for establishing a more manageable balance of payments situation in later years.

10/ This also applies to cotton, where present production is inadequate to keep local textile mills running at full capacity. But it is reasonable to assume that, given the present foreign exchange constraint, a significant share of production (either in the form of raw cotton or cotton textiles) will continue to be exported, and that exports will, therefore, rise with cotton output.

11/ These projections basically assume a continuation of commitments at present levels in real terms, with disbursements and debt service calculated using disaggregated assumptions on disbursement patterns and terms.

12/ In subsequent years, even assuming continued new drawings of US$100 million per annum, the net use of IMF credit falls close to zero, due to the burden of accumulated repurchase obligations.

3.33 Faced with this prospect of a severe and prolonged balance of payments problem, the Government has asked the World Bank to organize a Consultative Group meeting for May 1982. This will be an important opportunity for Uganda to put recent developments (especially those since the last Consultative Group meeting in November 1979) into perspective, to outline its new economic recovery program, and to seek appropriate levels and types of external assistance. Although the present aid climate is not conducive to substantial global increases in aid flows, Uganda's case needs to be considered in relation to the recent progress made in domestic policy reform, the scope for high economic pay-offs to additional disbursements of foreign exchange under present conditions in Uganda, and the very meager international support provided to date. Possible new sources of assistance (including from OPEC countries) also need to be tapped. Given Uganda's critical foreign exchange situation, it is important that this assistance be provided on concessional terms, with a high proportion of balance of payments support. Balance of payments support not only disburses faster than project aid, but also provides the Government with flexibility to meet more immediate and urgent recurrent import requirements. As indicated in the above projections, the scope for investment in new capacity will remain extremely limited for at least the next three years, and possibly much longer. Therefore, where project aid is provided, it needs to be directed towards priority rehabilitation tasks, as identified in paragraph 3.13, taking into account (and if possible financing) the related recurrent import requirements.

3.34 Insofar as the additional commitments of concessional aid are inadequate to cover the financing gap, Uganda may have to resort to other bridging arrangements. Clearly, these are going to be difficult to arrange on reasonable terms and it should be ensured that the resulting debt burden is manageable. As shown in Table 3.3, fully financing the gap on non-concessional terms leads to unsustainable financing requirements and debt service ratios in later years. Yet, given the immediate problem posed by the bunching of principal repayments, some short-term, non-concessional borrowing may be unavoidable. Perhaps the best option in this regard would be suppliers credits, which, with increased competition for Uganda's expanding market, could provide more reasonable terms than other alternatives. However, careful scrutiny of price quotations would be required to avoid the hidden costs of overcharging.

3.35 If the additional financing to fill the gap in the balance of payments is not forthcoming, the impact on the economy would be drastic: with only normal aid inflows (and IMF purchases) the growth rate of GDP would have to be reduced to levels that would allow no significant recovery in per capita terms. In relation to what has been achieved in the past, and indeed what can be expected in many Sub-Saharan African countries during this decade, this might not seem unreasonable. But, in Uganda, it is precisely because past performance has been so bad that a more substantive recovery is required. Without this, the prospects for restoring a degree of normalcy and stability to the economy would be bleak.

3.36 At the same time, the importance of external financing should not distract from the more basic domestic requirements of economic recovery.

Continued progress on improving the security situation, as well as the reform of policies and institutions, will be vital, both for their direct contribution to economic performance and to justify higher levels of international support. In this respect, success in reviving the export sector will be of critical importance to the overall viability of any rehabiltation program. As shown in Table 3.3, with the growth of export volumes reduced to 4% per annum (not an unreasonable assumption on the basis of past performance), the financing gap soon becomes unmanageable.

PART II

SECTORAL REVIEWS

Chapter 4

AGRICULTURE[1]

A. Introduction

4.1 Agriculture dominates the Ugandan economy, providing livelihood to 90% of the population and supplying almost all of Uganda's exports in recent years. Ugandan agriculture is largely dependent on small- to medium-scale peasant farms; no attempt was ever made to encourage expatriate settlements, and even today, large-scale estates are only significant for the tea and sugar subsectors. With about two-thirds of the land area available for agricultural use, large areas of fertile soils, an equitable climate, and adequate rainfall over most of the country, Uganda has a strong base for agricultural development. Overall population density is low, and although there are pockets of population pressure, these often reflect the productivity of the area. In the "fertile crescent" around Lake Victoria, for example, the combination of fertile soils and appropriate farming systems can support almost continuous cultivation. On the other hand, there are areas in the north and east, where, despite lower population density, soils are in danger of being degraded.

4.2 Given the favorable natural conditions, Uganda has been able to produce a food surplus (in terms of calories and proteins) in most years. The staple food crops are bananas in the south and west, and finger millet, maize, cassava and sweet potatoes in the north and east. The capacity to produce a food surplus has helped free family labor to grow export crops. Export production was made possible by the opening of the railway to the coast in the early 1920s, and was supported by a strong law and order system which encouraged private entrepreneurs and traders to enter rural areas. Cotton production, which expanded rapidly during the 1920s and 1930s, initially dominated Uganda's exports. However, robusta coffee, which is indigenous to Uganda, became increasingly important during the 1950s (in response to favorable prices) and had become Uganda's major export earner by 1962. Successful efforts were also made to promote smallholder tea and tobacco production during the 1960s, although they never rivalled cotton and coffee in terms of export earnings.

4.3 As shown in Table 4.1, the performance of the agricultural sector deteriorated dramatically during the 1970s. Production of export crops was hit the worst, reflecting increasingly unremunerative prices and the general deterioration in capital assets and infrastructure (processing, transport, and marketing). With increased smuggling as well, official exports fell even more sharply: coffee exports were down by more than 50%, while exports of other crops virtually ceased altogether. As the monetary economy broke down, increased emphasis was placed on subsistence production: for survival, and to supply the thriving and lucrative "magendo" markets. However, even food production is reported to have declined during 1979 and 1980, due to the impact of the war and subsequent security

1/ This chapter focuses primarily on crop cultivation. Brief discussions of the livestock and fisheries subsectors are given in the attached annex.

Table 4.1: CROP PRODUCTION /a

('000 tons)

	Peak Year		1980	Ratio of 1980/
	Year	Amount	Amount	Peak Production (%)
Export Crops				
Coffee (robusta)	1969	232.5	130.4	56.1
Coffee (arabica)	1972	20.8	4.8	23.1
Cotton (lint)	1970	86.4	13.3	15.4
Tobacco	1972	5.0	3.0	60.0
Tea	1973	23.1	1.5	6.5
Sugar (raw)	1968	152.0	15.0	9.9
Food Crops				
Bananas	1975	9,107.0	5,699.0	62.6
Cassava	1977	2,993.0	2,072.0	69.2
Maize	1976	674.0	286.0	42.4
Sorghum	1975	467.0	299.0	64.0
Beans	1976	337.0	186.0	55.2
Groundnuts	1969	265.0	65.0	24.5
Finger millets	1966	1,136.0	459.0	40.4
Sweet Potatoes	1976	2,002.0	1,200.0	59.9

/a Note that the figures for food crops are estimates of total production, while the figures for export crops are of official purchases only. With substantial and increasing "magendo" sales during the 1970s, the fall in production of export crops is therefore overstated.

Source: SA Table 7.1

problems, as well as two successive droughts in the annual crop zone. Regional food shortages, especially in Karamoja, were made even more severe by failures in the internal distribution system. Although overall production seems to have recovered in 1981, food shortages are still reported in isolated areas.

4.4 Differences in cropping patterns tended to accentuate income differentials during the 1970s. In the south and east, for example, farmers were able to grow either coffee, which could be smuggled profitably across any of four international borders, or bananas, which fetched high free market prices. However, in the generally less productive and poorer annual crop zone, the main cash crop (cotton) ceased to be a source of income for many families, and there was no other high-value crop which could be easily used for smuggling. In any event, the closest international borders (Northern Kenya and Southern Sudan) were much less attractive in terms of readily available consumer goods, while distance prevented large-scale access to the lucrative food trade with Kampala. As a result, living standards in the annual crop zone tended to decline, and many families reverted to subsistence.

4.5 Rehabilitation of the agricultural sector has the highest priority for economic recovery in Uganda. As discussed in Section C of this chapter, one of the key components of an agricultural rehabilitation program is producer pricing: a policy variable which is immediately actionable, which provides producers with a clear signal of the Government's commitment to agricultural development, and which can also have an immediate impact on supplies through reducing smuggling. The Government has indicated its willingness to take action in this area, through the recent introduction of substantially higher producer prices for export crops. However, further progress is required, on both the level of producer prices and the general system for price review and adjustment. Other supporting measures also are required if the incentive provided by higher producer prices is to be effective. In the first place, the farmer will have to have confidence that he will receive prompt and full payment for his crop. The sector will also have to have access to: (a) adequate supplies of inputs and implements, spares for processing and transport, and consumer goods to encourage farmers to generate surplus cash incomes; and (b) more efficient marketing channels. Over the longer term, greater attention will have to be given to developing an appropriate structure for providing a broader range of services to the farmer, including research, extension and credit. But, as shown by past experience, these are largely institutional issues, which will inevitably take time to be addressed, and which are unlikely to be very successful without first improving farmers' incentives. Hence the initial emphasis given to pricing, supplies and marketing in the proposed rehabilitation program.

B. Present Conditions and Problems

4.6 Food crops. Food crop producing areas in Uganda can be divided into two broad zones based on the duration and intensity of the dry season. In the center, south and west of the country, the dry seasons are of such low intensity that bananas grow well and as a result, this perennial crop provides the staple food of the population. To the north and east (apart from the slopes of Mt. Elgon), where the dry season is more severe, annual crops predominate.

4.7 As already noted, although food shortages did develop in 1979 and 1980 (due to the impact of the war, subsequent security problems and two succesive droughts), Uganda traditionally produces a food surplus. The sustained increase in food production throughout the 1970s was in response to farmers' concern to provide subsistence requirements during a period of insecurity, as well as the relatively favorable price trends for food as a cash crop over this period (see paragraph 4.33). The bulk of the production increase was contributed by maize, cassava, and sweet potatoes. Maize appears to have become an alternative cash crop in traditional cotton growing areas, while cassava and sweet potatoes are both low-risk crops, which are less dependent on the availability of tools and inputs than intensive millet and sorghum production. Production of finger millet, which had traditionally been the staple food in the annual crop zone, fell throughout the 1970s. While there is no record of any striking increases in groundnut and simsim production, and indeed, official sales have fallen to low levels, there is evidence that these crops became extensively used for cross-border deals in exchange for consumer goods.

4.8 With surplus food production in most years, and no major urban or export market outlets, there has been little stimulus in the past to provide yield-increasing innovations. However, this situation can be expected to change as population and markets expand, requiring greater emphasis on developing and adapting appropriate farming techniques.

4.9 In the perennial crop zone, the combination of good soils and climate has fostered the development of a productive banana farming system. A well-established and cared-for banana garden will provide the farming family with their basic starch requirements for a lifetime, with no need for annual cultivation or rotation. The important elements of good husbandry are known, and if these are followed, there are few problems with pests or diseases. Even so, there are two problems which need to be addressed. Firstly, the main banana growing area of Buganda had traditionally relied on cheap labor from Rwanda and Kigezi to maintain the gardens. With falling real wages, and (until recently) an increasingly over-valued exchange rate, this labor pool dried up and husbandry standards fell, resulting in a significant rise in the incidence of banana weavils and nematodes. Research is, therefore, required on less labor-intensive methods of banana garden management. Secondly, nutritional problems, particularly among young children, have been a persistent feature of these areas. There is, therefore, a need to encourage the production of protein-rich supplementary foods such as pulses.

4.10 In the annual crop zone, finger millet was until recently the major staple food crop, but this is now being replaced by maize, cassava and sweet potatoes. This shift is likely to result in increased production of calories per unit of labor and land, but will be accompanied by a fall in the quality of the diet. As a result, the annual cropping areas, which have been largely free of malnutrition problems in the past, will require increased attention to improve the range and quality of supplementary protein foods available to the family. One possible reason for the shift from grains to cassava in some areas is a declining pattern of soil fertility, resulting from the continued use of farming systems which have become inappropriate with rising population pressure. Although this is a comparatively recent problem, and still not widespread, it will need to be addressed in future research efforts.

4.11 Traditionally, food production in Uganda has been primarily for subsistence and local market sales. Even by 1980, there were only three urban centers with a population of more than 30,000 and the overwhelming majority of people had access to personal plots. There was, therefore, no significant interregional trade in food crops and, although food production was in surplus for most years, little attempt was made to develop export markets. However, the situation has changed in recent years. Domestic shortages of consumer goods have helped foster a thriving informal trade in food exports to Kenya (maize, groundnuts, sorghum, and millet) and Rwanda (fieldpeas and Irish potatoes). With these supply leakages through smuggling, and as increasing numbers of people left farming for more lucrative occupations of smuggling and petty trading, domestic food prices rose sharply. Faced with widening differentials between official and open market food prices, the Government abandoned officially-regulated producer prices for food in 1977,[2] and the Produce Marketing Board, which had previously had an official monopoly on food purchases, was forced to compete with private traders on the open market. PMB did, however, continue to regulate interregional trade in food, and until early 1982 (when the restrictions were relaxed), the issuance of trading permits remained tightly controlled. This, together with the impact of transport bottlenecks, hindered the movement of food to deficit areas.

4.12 Robusta coffee. Robusta coffee is indigenous to Uganda and was cultivated by the Baganda before the arrival of the Arabs or Europeans. 93% of the robusta coffee crop is grown in the "fertile crescent" to the west and north of Lake Victoria, with the rest in scattered areas of Western Uganda. Acreage and production of robusta coffee expanded rapidly during the 1950s, in response to higher producer prices, and by 1962 was Uganda's major export earner. Although that is still the case, officially marketed production is now only slightly more than half the peak level of 233,000 tons reached in 1969. While smuggling may have accounted for another 20,000 to 50,000 tons per annum in recent years, it remains true that overall production has fallen during the 1970s.

4.13 Most robusta coffee is grown in mixed stands with bananas on scattered single-family holdings. Although, as discussed below, the major reasons for the decline in production relate to pricing and marketing policies, other constraints have also been important. These include:

(a) A shortage of labor. On the smaller holdings, this has resulted in an increased work load for the family, but on larger coffee gardens it has led to lower standards of husbandry (especially weeding and pruning) and on some pure coffee farms, partial abandonment of the crop.

(b) Shortages of herbicides and hand pumps. These are generally unavailable due to the foreign exchange constraint, but could otherwise provide an effective alternative to hand-weeding. Without adequate weeding and pruning, use of other yield-improving inputs, such as fertilizer, is unlikely to be economic.

(c) A lack of hand tools (hoes, forks, pruning saws) with which to carry out basic field work.

2/ Minimum producer prices were still set, however, and initially, PMB was only permitted to buy at these prices. More recently, PMB has been making purchases at market prices as well.

(d) A lack of improved planting materials to replace abandoned coffee.

(e) The poor morale and mobility of extension staff to provide instruction on herbicide use, pruning and control of pests and disease.

4.14 All robusta coffee in Uganda is now processed as dry cherry (known locally as "kiboko").[3] To produce good quality kiboko, the cherries should be harvested when ripe and dried in shallow layers on trays and mats. However, as no premium is offered to farmers for good quality kiboko, harvesting is accelerated by stripping branches of all fruit, whether ripe or not, and drying is done on the ground (which gives rise to a mouldy sample of dry cherry). As a result, the kiboko received by the hulleries is often of poor quality. Since 1974, private hulleries have been allowed to handle robusta coffee, breaking the ealier monopoly of the cooperatives. However, the condition of many of these processing units has deteriorated in recent years, and they are now the major constraint on increasing coffee exports. Fortunately, plans are underway to rehabilitate a number of coffee processing units under assistance from the EEC and ADF. Transport bottlenecks, both from the farm to the hullery and then to Kampala, have also been relieved somewhat following the allocation during 1981 of more than 200 newly imported trucks to upcountry cooperatives and factories.

4.15 After processing, all coffee should officially be marketed through the Coffee Marketing Board (CMB). Although the hulleries are responsible for delivering clean coffee to CMB's Central Processing and Storage Units at Kampala, the CMB provides a refund towards transport costs. Most of the export contracts are concluded in Kampala on an f.o.b. Mombasa or Tanga basis. However, with the recent transit problems in Kenya, some sales (at a discount) have been made on an f.o.b. Kampala basis, or even air-freighted from Entebbe, with the buyer responsible for all transport costs and risks. Transport movements to Mombasa have improved in recent months, with five trains a week now available. The main concerns are: (a) that the more cost-efficient method, the railway, is used to its full potential; and (b) that the Kampala coffee factory can handle all of the incoming coffee in an efficient manner. With recently-arrived imported parts to improve coffee grading and sorting, as well as use of prison labor to relieve warehousing and loading bottlenecks, it is hoped that this will be possible.

4.16 In the past, producer prices for coffee have been recommended by a Pricing Committee, comprising officials from CMB, the Ministry of Agriculture, the Ministry of Finance, and the Ministry of Cooperatives and Marketing. After Cabinet approval, the Minister of Cooperatives and Marketing announces the new price. Until recently, an adequate return to farmers and the hulleries had not been produced by this process, with the bulk of coffee earnings being siphoned off by CMB and the Government. As shown in Table 4.2, the farmers and hullers together have historically received less than 50% of the export earnings, falling below 30% in the boom years of

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3/ Some wet processed pulped robusta was produced privately during the 1960s, but this is uneconomic at present price differentials.

1975/76 and 1976/77. By the late 1970s, producer prices for robusta coffee were inadequate to cover costs, and uncompetitive with the high market prices for the alternative crop, bananas. The impact was severe: production fell as some large farms were abandoned and husbandry standards declined, and smuggling increased. Similarly, with low hullery margins, the stores and machinery of most hulleries have not been adequately maintained or expanded. Although pricing adjustments are now being made (as shown in Table 4.2 and discussed later), it will take time for the negative impacts from a decade of neglect to be reversed.

Table 4.2: ALLOCATION OF ROBUSTA COFFEE EARNINGS

(%)

	Farmer	Huller	CMB	Govt. /a	Total
1972/73	39	10	11	40	100
1973/74	27	7	8	58	100
1974/75	32	8	10	50	100
1975/76	19	5	7	69	100
1976/77	15	4	6	75	100
1977/78	28	6	6	60	100
1978/79	31	6	20	43	100
1979/80	52	9	13	26	100
1980/81	46	7	15	32	100
1981/82 (projected)	50	13	17	20	100

/a Includes export tax and contributions to price stabilization fund, which were generally used to finance general government expenditure.

Source: CMB

4.17 Arabica coffee. Arabica coffee is of secondary importance in Uganda, grown primarily by some 140,000 farmers on the slopes of Mt. Elgon. As compared to robusta coffee, arabica is grown on substantially smaller plots, with more pure stands (rather than mixed with bananas). Officially marketed production fell from 21,000 tons in 1972 to less than 5,000 tons in 1980, but this probably reflects the incidence of smuggling over the nearby Kenya border rather than any significant decline in production. The closeness of the Kenya border has also helped the arabica farmers overcome domestic shortages of basic tools, and with smaller lots, labor shortages have not been as important as in the robusta areas. The main production problems have been: (a) shortages of essential fungicides, insecticides, and pumps, to help control the growing occurrence of coffee rust, coffee berry disease, and insect damage; and (b) inadequate producer prices. The Bugisu Cooperative Union processes the coffee and, prior to 1969, had also been responsible for marketing. Marketing is now done by CMB, although the coffee is still exported directly from the Mbale factory, without further processing or sorting at Kampala. Both the factory (with a present capacity of only 6,000 tons of clean coffee) and stores at Mbale are now urgently in need of repair and expansion to handle the increase in official sales expected to follow the higher producer prices announced in

1981. Collections, which had fallen as low as 600 tons in 1976/77, recovered to 3,000 tons in 1980/81, and at present production levels, could rise to 10,000 tons in 1981/82.

4.18 Cotton. Cotton was introduced into Uganda as a commercial crop in 1904. Production expanded rapidly through the 1920s and 1930s, peaked at around 86,000 tons in 1970, and has declined ever since. The growing areas were initially centered around Buganda and the east, but with the subsequent revival of coffee in Buganda and new plantings of cotton in the north, the majority of production now comes from the north and east. These areas have a climate which is in some respects less favorable than in other cotton-growing areas of the world: temperatures are lower throughout the life of the crop, solar radiation is less, the incidence of cloudiness is greater, daylight hours are shorter, and rainfall during the growing season is less concentrated. As a result, cotton has often developed by default, in the absence of a readily available alternative.

4.19 Cotton is predominantly grown in the annual crop zones and takes its place in a rotation with finger millet and groundnuts. In the east, especially in Teso District, land preparation is carried out with ox-drawn ploughs, but all subsequent work is done by hand, as is primary cultivation as well in the other cotton growing areas. The main labor bottlenecks are for weeding and picking, and experiments with tractor ploughing followed by hand operations have not led to increased areas under cultivation per family. The most urgent technical need of the farming system is development of an efficient ox-drawn seeder which could be used for both finger millet and cotton, and of ox-drawn implements for weeding. Little attention has to date been given to these matters. Instead, most of the research and extension efforts have been concentrated on three issues: earlier planting, closer spacing, and more recently, increased use of spraying. However, these recommendations failed to take adequate account of competing demands for farm labor, as well as of prevailing climatic conditions. They consequently provided no significant increase in gross yields (and probably a fall in yields per labor input), and were rejected by most farmers. Early research efforts on cotton breeding did help improve quality and disease resistance, which in turn probably made Ugandan cotton more competitive on the international markets and helped extend acreage to otherwise marginal areas. But the record in terms of increasing yields and farmer profitability was less clear, and certainly today, few tangible benefits from the long history of cotton research in Uganda remain.

4.20 Since 1969, the collection and ginning of cotton has been the sole responsibility of cooperatives. Accordingly, growers are required to sell their seed cotton to a cooperative society which in turn sells it to a cooperative union for ginning. With the decline in output, as well as poor maintenance, the number of ginneries functioning fell from 54 in 1970 to 28 in 1981. Ginning throughput has been further restrained by transport problems (a lack of vehicles and poor road conditions) and a shortage of spare parts and baling materials. As a result, the output of lint has fallen from more than 400,000 bales in the early 1970s to 25,000 bales in 1980/81; and there remains a backlog of cotton from the past four seasons, equivalent to 17,000 bales of lint, still to be processed (and for which the farmer is still to be paid). With an injection of foreign exchange, the

ginning capacity of the country could be quickly rebuilt and need not remain a constraint on cotton development. However, a more difficult problem is the poor financial condition of the cooperative unions, which face large overheads in relation to ginning throughput, and have accumulated a heavy burden of outstanding debts. As a result, payment of producer prices to farmers in some areas is more than a year in arrears.

4.21 The final sale of both lint and cotton seed is the responsibility of the Lint Marketing Board (LMB). In the early 1970s, more than 80% of the lint produced was exported, but with falling production and quality, this percentage is now below 50%. To date, the structure of LMB has not been adjusted -- in size or orientation -- in line with the current realities of the cotton industry. One consequence of this has been that LMB's overheads and operating expenses, per bale of lint sold, rose from U.Sh. 36 in 1970 to U.Sh. 620 in 1979, and have no doubt risen even further over the last two years. Until the 1981 devaluation (which substantially increased the shilling revenue generated by cotton exports), these high costs had been a major factor in restricting the producer price paid to the farmer, and consequently, in reducing cotton output.

4.22 Tea. Although tea was introduced to Uganda in 1900, there was initially little interest in it as a commercial crop. By Independence, there were only 8,000 hectares of established plantations, all owned by non-Africans. However, smallholder tea development was started in the early 1960s, and became the responsibility of the Uganda Tea Growers Corporation (UTGC) in 1966. All expatriate-owned estates were expropriated by the Government in 1972 and handed over to parastatals or individuals. In 1978, the latest year for which area figures are available, there were 9,416 hectares of smallholder tea and 11,489 hectares of estate tea in Uganda. The estate sector is presently divided between parastatal estates (belonging to Agricultural Enterprises), company estates (which have been returned to their former owners by the present Government), and a few small African-owned estates.

4.23 After a period of rapid expansion in the 1960s, tea production peaked at 23,000 tons in 1972, and then rapidly declined to less than 3,000 tons per annum in recent years. Tea was originally planted in Buganda, but the expansion during the 1960s was largely in the west (particularly in Toro and Ankole), where the combination of soils, rainfall and temperature provides excellent growing conditions for tea. In the early 1970s -- as a result of these good growing conditions, and use of appropriate techniques and management -- some plantations in Toro were achieving among the highest yields in the world, while realizing prices only marginally below those paid for quality Kenyan teas. Yields for smallholder tea also rose to high levels, supported by inputs provided through UTGC.

4.24 Since the mid 1970s, the capacity of UTGC to provide growers with proper collection and processing services has declined sharply, due to both financial and organizational constraints. This, together with rapidly falling real producer prices, led to a reduction in smallholder production from 1976 onwards. Following nationalization in 1972, estate production also went into decline, with poor management and inadequate labor supply (tea is much more labor intensive than coffee). As a result, many tea plantings were abandoned (80% of smallholder plantings and 90% of estate plantings have now been abandoned for up to four years), factories were allowed to run down, and Uganda lost its reputation for quality tea in the

world markets.[4] Production is now barely sufficient to meet local demand and exports have virtually stopped, apart from small semi-formal sales to Sudan. Tea plants can be rehabilitated after a number of years of abandonment, but this will only be worthwhile if serious action is taken to improve producer prices and the marketing structure of the industry. Otherwise, there is a danger that substantial areas of tea will be overrun by bush, burnt down or uprooted by growers who have lost hope of receiving a reasonable return from their crop.

4.25 Prior to 1972, tea was marketed directly by the producers, using the Mombasa market for lower grade teas and the London market for better qualities. Following the nationalization of the tea estates, the Uganda Tea Authority was given sole responsibility for marketing the national crop, but this monopoly position has recently been withdrawn. There are now three sales channels: Uganda Blenders, the largest buyer, which services the local market; direct sales from producers to traders; and private sales on the export market (which are very small at the moment). The Government is presently reviewing the whole structure of the tea industry, including a proposal to centralize the functions of UTGC, Agricultural Enterprises, and UTA within one production and marketing body. While some reorganization could well be justified, to reduce administrative overheads and rationalize the use of processing capacity, it would be unfortunate if this were achieved at the expense of greater competition within the industry.

4.26 Tobacco. Although tobacco is an old established crop in Uganda, commercial production was only begun in 1928. Early efforts were concentrated on fire and air-cured tobacco; but in 1942, flue-curing was introduced and "master farmers" were encouraged to build their own barns and cure their own crop. Production reached a peak of 5,000 tons (of which about two-thirds was flue cured) in 1972, and has steadily declined ever since. Although present production is inadequate to fully supply local cigarette demand, some exports have been maintained because of the quality mix (high-quality tobacco is exported and lower grades imported). However, export levels are well below their peak levels of the late 1960s, when tobacco earned as much as US$3 million per annum in foreign exchange. For the future, Uganda would not seem to have sufficient natural advantages to re-enter the world tobacco market on a large scale. But there is ample scope for expansion to meet local demand, and once this is achieved, export prospects in neighboring countries could be explored.

4.27 Flue-cured tobacco is grown in the north and west, primarily in Nile Province, where large areas of the crop have been damaged or abandoned because of continuing security problems. Production of fire-cured tobacco is centered in Bunyoro and Mubende, and is often grown by migrant cultivators, some of whom come from outside Uganda. There is also a substantial area of air-cured tobacco in Kigezi which has never entered the formal market but which is sold throughout Uganda and into Rwanda for pipe smoking and snuff. All of these areas are in the annual crop zone and as a result, tobacco competes with annual food crops (maize and groundnuts) as a source of cash income.

4/ The decline in tea quality is due primarily to irregular picking (labor shortages) and collection delays (transport bottlenecks). It is estimated that the poor quality of Ugandan tea reduces its value by almost 50% as compared to average world prices.

4.28 The production of good quality flue-cured tobacco requires considerable levels of labor, skill, inputs, and firewood (for curing), and involves high risks, especially from hail damage. It has, therefore, been largely confined to the more enterprising farmers who can produce a satisfactory product. However, in recent years, production has been severely restrained by shortages of fertilizers and nematocides (which when available, were often smuggled to Kenya), a lack of essential spare parts for curing barns, and the impact of reduced supplies and transport problems on the availability of firewood. As a result, average yields have fallen to about one-third of the levels attained in the late 1960s. Fortunately, techniques of production are well established, and provided supplies and incentives can be restored, a substantial improvement in yields could be achieved.

4.29 The Produce Marketing Board retained a monopoly on tobacco marketing from 1968 to 1978, when the National Tobacco Corporation (NTC) took over responsibility for all aspects of the industry. NTC now purchases flue-cured tobacco from cooperatives and fire-cured tobacco directly from farmers. Although NTC officially has a monopoly, the low official producer prices have resulted in an estimated 25% of the flue-cured crop and 50% of the fire-cured crop being sold through informal channels. The combination of falling production and informal sales has resulted in low capacity utilization (about 10%) at NTC's central processing plant (which nevertheless remains in remarkably good condition), and consequently high unit costs. This, together with high tax rates, has kept the producer price down and reinforced the vicious circle of low production and high costs. Although producer prices have recently been increased, they are still inadequate to cover producer costs, and are well below informal market price levels.

4.30 Sugar. The major part of Uganda's local sugar producing capacity lies with three large commercial estates. Two of these, Kakira and Lugazi, were nationalized in 1972, but the original owners have now returned to manage them, under a 51% government/49% private ownership arrangement. Both of these estates are in run-down condition, although some rehabilitation has now started. The third estate, at Kinyala, is a newer plantation belonging to the State, and its equipment is in fairly good condition. However, some technical assistance will be required to complete installation and make the plant fully operational. These three mills are traditionally supplied cane from their own plantations and outgrowers. However, there has also been a remarkable growth in smallholder cane production in recent years. This cane is used to make jaggery, a crude brown sugar, which is consumed as a substitute for refined sugar or sold for further refining at the Waragi distillery in Kampala.

4.31 Production of raw sugar peaked at 152,000 tons in 1968, and then remained at over 100,000 tons per annum through 1972. However, following the nationalization of the estates, production plummetted and has remained below 20,000 tons per annum since 1976. As a result, Uganda, which had exported as much as 48,000 tons of sugar in 1969, has been a net importer since 1971. The immediate goal should be to return to national self-sufficiency, which could be achieved with full utilization of the potential factory capacity presently available. However, this will require not only substantial imports of equipment and spare parts for rehabilitation, but also more remunerative prices, to make re-investment worthwhile and to pay the wage rates necessary to attract back the large labor force required.

C. Rehabilitation Priorities

4.32 In designing an effective rehabilitation program for the agricultural sector, there are a number of general concerns that need to be borne in mind. Firstly, agriculture, like the rest of the economy, will benefit from a return to normalcy, in terms of political stability, law and order, and effective public administration. While this is clearly not something which is actionable within an agricultural rehabilitation program, it is a basic prerequisite for success. Secondly, what can be achieved in the near future will be very much constrained by limits of manpower and finance. This implies a careful selection of priority program components, and their phasing over time, to ensure that progress on one front is not negated by bottlenecks elsewhere. Thirdly, objectives in the agriculture sector should not be governed by a simplistic desire to return to the situation of the early 1970s. Admittedly, the record production levels of that period can provide a useful benchmark for gauging the performance of the sector, but not everything was running smoothly back then, and much has changed since, in both Uganda and the international economy. Finally, there are some options which probably need to be avoided, at least for the time being:

(a) revival of the tractor hire service, which was first introduced during the 1960s in an attempt to replace the hoe with the plough. In almost all respects, this scheme was a disaster: in its peak year (1968), the service incurred a deficit of almost U.Sh. 10 million on its operating costs alone, and was heavily subsidizing farmers; the small number of farmers using the scheme (less than 1% of the arable area was covered) generally belonged to the wealthier members of the community; the tractors were only involved in primary cultivation and provided no relief of critical weeding and harvesting bottlenecks; and the emphasis on tractors diverted attention from more appropriate intermediate options, such as ox-drawn implements;

(b) development of large-scale irrigation, which would not only absorb excessive resources, but also offer limited benefits in a country so well endowed with good rainfall; and

(c) the development of large-scale state farms, as has been proposed by the Lint Marketing Board in the case of cotton. In the past, the Ugandan smallholder has demonstrated his ability to produce surpluses when given the necessary incentives and to survive extended periods of neglect and adversity. State farms, group farms and even private plantations and estates have a far less successful record. It is, therefore, essential that the focus of any agricultural rehabilitation program be first and foremost on the development of smallholder production.

4.33 Pricing policy. As discussed earlier, production incentives for food have been sustained by the development of widespread informal markets and the eventual abandonment of officially-regulated producer prices in 1977. However, official producer prices for export crops have been

maintained, and until recently, little attempt was made to adjust these prices in line with market forces. As shown in Table 4.3, the rise in producer prices for export crops during the 1970s was many times less than for competing food crops, as well as for various indicators of general inflation. Although, this was offset by opportunities for smuggling, especially for farmers living near international borders, the foreign exchange earned was lost to official purposes, and in many cases, the potential incentive to production was reduced by high transaction costs. Indeed, for many farmers, the advantage of smuggling was not so much higher prices as prompt collection and payment for the crop and access to "magendo" supplies.

4.34 Over the past two years, and especially since the devaluation of the Ugandan shilling in mid 1981, the Government has made a concerted effort to realign the producer prices for major export crops. Since April 1979, tea prices have been raised by more than 340%, tobacco prices by 400%, cotton prices by 500%, and robusta coffee prices by 900%.[5] As discussed below, these adjustments have provided farmers with a positive return on export production (except for tea), and with a narrowing of the price differentials vis-a-vis neighboring countries, there has been a noticeable diversion of supplies back into official channels. But, the returns to land and labor from growing food crops are still substantially higher, and without further adjustments, it remains uncertain whether farmers will be prepared to reinvest in export production to any large extent. Certainly, given the new exchange rate and present world prices, the scope for further adjustments exists: apart from cotton, the farmer's share in export earnings is 50% or less. The balance is absorbed by processing and marketing margins, and, in the case of robusta coffee, the imposition of an export duty.

4.35 For the major crop, robusta coffee, the present price is more than adequate to cover costs on a small mixed garden or on larger farms, provided there are no perennial grasses to be cleared. However, four considerations would argue for a higher producer price. Firstly, the share of the export price paid to the farmer is still only 50% (as compared to about 73% in Kenya). As a result, the farmer's private decision on whether or not it is profitable to grow coffee may not be in line with Uganda's comparative advantage in earning foreign exchange. Secondly, it appears that official sales (and possibly production as well) of coffee grown on small mixed farms have increased in response to the recent price adjustments. However, a higher producer price, of at least U.Sh. 40 per kilogram, would probably be required to make rehabilitation of larger pure stands profitable relative to the major competing crop, bananas. Similarly, the initial cost of clearing overgrown coffee farms of perennial grasses, especially "couch grass", is very high. Our estimates suggest that in the first year of clearing, the cost of producing robusta kiboko could average close to U.Sh. 60 per kilogram, that is well above the present producer price. Under these circumstances, the farmer may well choose to leave his farm abandoned, or grow pasture for livestock. Thirdly, even at the official exchange rate, the farmer can still earn a higher price (possibly as much as U.Sh. 60 per kilogram) by smuggling his coffee to Kenya. Obviously, with the transport and risk costs involved, the net return on smuggling is lower and the recent adjustments in producer prices do seem to have led to

5/ The producer price for cocoa was also raised, by 525%, in January 1982.

Table 4.3: AGRICULTURAL PRODUCER PRICES

A. PRODUCER PRICES AND COSTS

		Producer Prices (U.Sh./kg)					Oct. 1981 (estimates)				
	State	1970	Change (%)	April 1979	Change (%)	Oct. 1981	Producer Costs/g (U.Sh./kg)	Prod.Price / Prod. Cost (%)	Yield per Hectare (kg)	Net Return per Hectare (U.Sh.'000)	Net Return per Manday (U.Sh.)
Major export crops /a											
Coffee (robusta)	kiboko	1.1	(218.2)	3.5	((900.0)	35.0	10.3	339.8	1,590.0	39.3	187.7
Cotton	raw	1.2	(316.7)	5.0	(500.0)	30.0	21.7	138.2	259.0	2.1	16.6
Tea	green leaf	0.9	(53.4)	1.4	(344.4)	6.0	11.2	53.6	3,625.0	-18.9	-63.4
Tobacco	flue-cured	10.7	(12.1)	12.0	(400.0)	60.0	56.6	106.0	600.0	2.0	3.1
Selected food crops /b											
Bananas						5.0 /f	0.7	714.3	10,000.0	43.0	294.6
Groundnuts		2.5	(1,201.6)	32.3	(364.4)	150.0	23.9	627.6	710.0	89.5	718.8
Maize						30.0	4.3	697.7	1,150.0	29.6	269.9
General Inflation											
Kampala cost of living index (low income)			(3,229.3)								
GDP deflator			(1,329.2)								

B. ALLOCATION OF EXPORT EARNINGS

		Oct. 1981 (U.Sh./kg)						Prod. Price / Export Price
	State	Producer Price	Coops/ Processors	Marketing Boards	Export Tax	Export Price (f.o.b.)	World Price /h (c.i.f.)	(%)
Coffee (robusta)	clean	67.9/c	17.7	23.1	27.1	135.8	173.8	50.0
Cotton	lint	99.9/d	22.0	18.8	-	140.7	126.7	71.0
Tea	processed	30.0/e	48.0	2.0	-	80.0	153.4	37.5
Tobacco	flue-cured	60.0	20.0	80.0	-	160.0	300.8	37.5

/a Official producer prices.
/b Free market prices; official producer prices for food crops were abolished in 1977.
/c Assuming 1.94 kg of kiboko per kg of clean coffee.
/d Assuming 3.33 kg of raw cotton per kg of lint.
/e Assuming 5 kg of green leaf per kg of processed tea.
/f Off-main-road price. Market prices in Kampala are substantially higher at around U.Sh. 12-20 per kg.
/g Preliminary estimates only. Assumptions on production techniques and input costings are summarized in SA Table 7.3.
/h Indicative world market prices as reported by the World Bank's Commodities and Export Projections Division.

Source: World Bank estimates

a substantial reduction in coffee smuggling. Nevertheless, the situation needs to be kept under review; with a recovery in world coffee prices, the smuggling incentive could well increase again. Finally, one of the major reasons for the Government's reluctance to increase producer prices further is the contribution of robusta coffee to government revenue, through an export tax which in late 1981 absorbed about 20% of the export price. This is expected to contribute about U.Sh.13.8 billion during 1981/82, or 45% of central government revenue. Any reduction in export duty rates would clearly have to be weighed carefully against the need to maintain fiscal balance. Over the longer term, however, increased production and official purchases of export crops (together with the higher levels of imports and economic activity they would permit) could help strengthen the revenue base of the Government.

4.36 For tea, the present situation is even less satisfactory. On an established but overgrown smallholder farm, the average cost of growing green leaf tea over a four-year pruning cycle would be about U.Sh. 11 per kilogram, with an initial cost of U.Sh. 40 per kilogram in the first year. Therefore, at the present producer price of U.Sh. 6 per kilogram (from which a transport fee is deducted by UTGC), tea is clearly not a profitable crop. On the other hand, the farmer is still receiving less than 40% of the export price, and the percentage would be even lower for higher-grade teas. There is, therefore, considerable potential for raising tea producer prices, and a level of at least U.Sh. 15 per kilogram would seem necessary to encourage rehabilitation. (Producer prices in Kenya are higher at around U.Sh. 20 per kilogram using the official exchange rate, but Kenyan tea is of superior quality.) To date, further increases in the producer price for tea have been ruled out, on the grounds that they would jeopardize UTGC's already precarious financial position. But this is primarily a short-term concern, which needs to be met by improving the efficiency of UTGC's operations and bridging subsidies from the Treasury. Over the longer term, the only solution to UTGC's financial problems is to increase tea production (reducing UTGC's unit overheads) and improve tea quality (increasing unit values). Neither of these can be expected to happen without a substantial increase in producer incentives.

4.37 For the two major annual export crops, cotton and tobacco, present producer prices do not provide a profitable return in comparison with the food crop alternatives. In the case of cotton, producer prices are already over 70% of the export price and comparable with those paid in Kenya. Therefore, at the present exchange rate, there is little scope for increasing producer prices further. However, tobacco is a somewhat different story. Although official producer prices for flue-cured tobacco are only U.Sh. 60 per kilogram (or less than 40% of the export price) a flourishing informal market exists in many areas, offering prices in excess of U.Sh. 100 per kilogram. The net return to the farmer on the informal market is still less than can be gained by growing maize (especially if tractors are used for tobacco cultivation). But even so, tobacco does provide a competitive option in areas remote from urban centers where informal international trading is possible. If this tobacco is to be brought back into official channels, a producer price of at least U.Sh. 100 per kilogram will be required.

4.38 These brief crop discussions indicate that higher producer prices are presently warranted for tea, tobacco and, to a lesser extent, coffee. Inevitably, subsequent adjustments will also be required as the full impact of the devaluation is felt, and world prices change. In this context,

it is essential that the administered prices be regularly reviewed and adjusted in a systematic manner. For this, an appropriate institutional structure needs to be found, which gives due weight to the concerns of producers, and also provides for more automatic adjustments in producer prices in line with world price trends. To help strengthen the analytical base for producer price decisions, it will be necessary to re-establish capacity within the Ministry of Agriculture for collecting and analyzing information on costs (producer, processing and marketing), relative crop prices, producer responses for different areas, and world market conditions. For the longer term, the Government should also begin a review of the overall system of producer pricing for export crops. This should include an analysis of the potential impact on producer incentives, the budget and the balance of payments of alternatives to administered prices (e.g., minimum support prices, open market prices) and of more competitive marketing systems (e.g., auctions).[6]

4.39 Availability of goods. The crippling impact on the agricultural sector of supply shortages was documented in the Commonwealth Report. At that time (i.e., just after the 1978-79 war), the cost of the initial two-year agricultural rehabilitation program was estimated at US$200 million, of which US$160 million was in foreign exchange. While some progress has been made, in relieving specific bottlenecks, the shortage of foreign exchange has so far prevented any overall improvement in the supply situation. Therefore, with continuing deterioration in the condition of the sector's assets, the rehabilitation requirements are no doubt substantially larger now than in 1979. Although for some goods (e.g., hoes) domestic production has already started to improve, most items will have to be imported in final form for a number of years to come. But, the supply problem is not solely a foreign exchange problem. When goods do become available, it will be important to ensure that they can be moved efficiently to rural areas. It will also be important to ensure that the goods are sold at prices reflecting their market value, to avoid diversion to non-agricultural uses, or even smuggling out of the country. Prior to the recent devaluation and related pricing adjustments, this was a major

6/ To date, CMB has resisted proposals to move towards an auction system for coffee, as is done in Kenya, claiming that Uganda is already receiving higher prices for comparable grades of coffee and that the potential crop, in normal years, would be too large to handle effectively in an auction system. However, these arguments are not very convincing prima facie, and a more thorough review of the potential advantages and disadvantages of using an auction system would seem warranted.

problem, and one which could re-emerge if significant subsidies are re-introduced.[7]

4.40 The priority items required to support the agricultural rehabilitation program generally fall into six broad categories. Firstly, there are a range of implements and inputs needed for production: simple tools and hoes, fertilizers, pesticides, herbicides, and seeds. Although tractor imports should not be given priority at this time, some spare parts could be considered to repair tractors for use in specific and justified situations (e.g., to relieve weeding and harvesting bottlenecks in food production and to clear swamps for rice growing).[8] Secondly, there are a range of spare parts , building materials (e.g., roofing sheets and cement), and machinery required to repair and replace existing storage and processing capacity. Processing bottlenecks are already restricting coffee exports, and are expected to develop for other export crops as production levels recover. In some areas (e.g., providing coffee drying trays for robusta coffee and hand pulperies for arabica coffee), the costs of rehabilitation are very modest, while in others (e.g., rehabilitation of the sugar mills), major investments are required. Thirdly, various packaging materials -- including tea chests and liners, gunny bags and baling twine -- are needed at most stages of the production cycle. Without these, stores become overloaded and the quality of the final product declines.

4.41 Fourthly, transport bottlenecks remain critical in many parts of the country,[9] with widespread reports of vehicle losses and damage (both during and after the 1978-79 war), and deteriorating road conditions. This not only affects the movement of crops, but also the distribution of agricultural supplies and the mobility of extension staff. Although 600 new trucks were imported by CMB during 1981, to help with the movement of coffee exports, a disproportionate number are for long-distance haulage (which would be better done by rail), while many others have been diverted to non-agricultural uses. Again, what is needed is primarily spare parts to make better use of the remaining fleet (as well as of road

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7/ Although the objective of subsidies -- to improve farmers' income -- is commendable, this is better done through crop pricing policy, to help prevent leakages of goods into the "magendo" economy.

8/ The general use of tractors, especially at subsidized rates, should probably not even be promoted over the longer term, as with appropriate factor costs, more labor-intensive and intermediate technologies would become economic.

9/ External bottlenecks on the movement of agricultural exports and imports have also been a problem, but as discussed in the transport chapter, these can only be resolved by a joint commitment by Kenya and Uganda to make better use of the available railway capacity.

repair equipment), with expansion of the fleet limited to appropriate vehicle types, such as bicycles and small pickups, which can handle small loads. Fifthly, there have been shortages of fuel which not only restrict transport but, together with intermittent power failures, disrupt processing. The situation has improved somewhat recently, with higher prices helping to allocate and conserve the scarce fuel supplies available, but with increased agricultural production, the problem could soon re-emerge. Therefore, opportunities to substitute alternative energy sources for oil, such as the use of wood in smallholder tea processing, need to be explored. Finally, it is essential to maintain supplies of basic consumer goods in rural areas, in order to encourage farmers to produce cash crops. With rehabilitation, these goods can be increasingly supplied by domestic industry (e.g., soap, textiles, footwear, sugar, salt, edible oils, and matches). But, in the interim, priority allocations of foreign exchange for direct imports will be required.

4.42 Marketing. Although the open marketing system for food seems to have worked reasonably well, especially taking into account the adverse economic and security situation in recent years, the Government has been concerned that it is insufficiently responsive to emergency food situations, such as arose in Karamoja in 1979 and 1980. For this reason, it has been proposed that a national food reserve be established, to help redistribute food from surplus to deficit areas (where lack of income prevents the normal market mechanism from working), and reduce the need for food imports. This scheme obviously has a number of potential benefits, but its justification and structure needs to be carefully reviewed before any final decision is taken. The recent breakdown in food distribution was due in large part to administrative and transport bottlenecks, and these will have to be relieved before any reserve system could be efficiently managed and utilized. A reserve system would also have to contend with storage problems relating to moisture, insect and rodent damage, which are inevitably expensive to overcome under Ugandan conditions. It would therefore be necessary to decide whether the resources so allocated could not be better used to encourage increased production through higher prices and better input supplies. Certainly, the operation of a reserve system should not be used as an excuse to reimpose PMB's marketing monopoly; food purchases required to support the system would have to be made at open market prices.

4.43 In addition to the domestic marketing of food, the options for food exports also need to be explored. There is already a thriving informal trade in food exports to neighboring countries and at present world prices, this could well be in line with Uganda's national comparative advantage. Now that a more realistic exchange rate has been adopted, and with the potential for a quick return to a surplus food situation, it may well be possible to formalize these export sales. However, this would first require a careful assessment of market prospects, taking into account the neighboring countries' own foreign exchange problems, and competition from concessionally-financed imports.

4.44 In the marketing of export crops, the cooperative movement and the marketing boards play a crucial role. Unfortunately, the financial position of virtually all of the cooperatives was severely weakened during the 1970s, leading to an accumulated indebtedness estimated at over U.Sh. 1.6 billion. There were many reasons for this financial decline: (a) low official margins provided to cooperatives for processing and marketing; (b) the impact of declining production levels on unit overheads and profitability; (c) overexpansion and diversification of activities; (d) poor management; and (e) damage during the 1978-79 war to vehicles and processing facilities. Most marketing boards, with the notable exception of CMB, faced similar problems. The result was increasingly inefficient operations and delayed and sometimes non-payment of producer prices. Following the 1981 devaluation, there is now more scope for improving the financial position of marketing agencies, without impacting adversely on producer returns. It should also be possible to resolve outstanding indebtedness problems by providing, where appropriate, official debt write-offs, rescheduling or refinancing. With a sounder financial base, and improved staffing and management (recruited for technical competence rather than political disposition), it should be possible to gradually restore operating efficiency, and improve the payment of prices and supply of credit at all stages of the export process. However, until production levels fully recover, some cooperatives and marketing boards will require temporary subsidies to cover their high unit costs.

4.45 A broader strategy issue, already raised in the discussion of pricing policy, is whether export trade should be opened up to a greater degree of competition. This is permitted to a limited extent in robusta coffee, where private primary processors compete with cooperatives, and, of course, happens in any event when price distortions encourage informal trading and smuggling. However, most cooperatives and marketing boards have maintained their official marketing monopolies. Without this statutory protection, the more efficient cooperatives and marketing boards would survive, while others may go out of business. Clearly, some official role in exporting will continue to be required for most crops, either to control quality standards or to provide trade information and promotion. But, this can be done without necessarily imposing trading monopolies which, in the past, have often worked against the interest of the most important link in the export chain, the producer.

4.46 Support services. The immediate priorities for the rehabilitation of the agricultural sector are to improve pricing policy, the availability of goods and marketing. However, once the rehabilitation phase is complete, progress in other areas (research, extension, training, planning and credit) will be required to support agricultural development over the longer term. To ensure that this support is available when needed, a start will have to be made now on building up an appropriate institutional structure.

4.47 Despite concerted efforts to establish research institutions and programs over the past 30 years, the results in terms of increased

production have been disappointing.[10] (One major exception was for tea during the 1960s, but there the research was carried out by industry rather than government research stations.) Now, the priority is to relate the research program more closely to the actual needs of its clients, using task forces to deal with specific challenges facing smallholders in various parts of the country. At an institutional level, this will require integration of the University's research work into the national program, rationalization of the research stations (three of the four major stations in Uganda are within 20 km of Kampala, in a single ecological zone and with overlapping responsibilities), and closer contacts with developments in overseas reasearch. However, perhaps even more important, is the need to improve the motivation of research staff. At the moment, both the civil service and university staff involved in agricultural research are demoralized, having produced no published reports nor fed any useful new information to the extension service over the past eight years. Remotivation will therefore take not only better wages and conditions, but a general improvement in the image and recognized contribution of agricultural research.

4.48 The extension service has been steadily expanded in recent years and now has 2,300 staff, including 200 graduates, to serve 2 million farming families. However, without well-validated and managerially feasible information to pass on to farmers, the extension service has for many years lacked the basic tools for improving productivity.[11] It is really this lack of a message that has been the real constraint on the extension system, a constraint that has simply been compounded by the recent loss of transport and teaching aids. If the service is to become effective, it will have to be oriented much more towards an economic and managerial approach to farming, rather than simply passing on purely agronomic advice. Given a basic reformation of the research system, the extension staff could provide a valuable service by supervising and monitoring a wide range of on-farm trials.

4.49 Although the planning division of the Ministry of Agriculture continues to be quite well staffed, it has suffered from the general decline in civil service morale over the past decade. The planning section of the division has put together some 35 projects for donor funding over the past year and most of these appear consistent with the priority needs of the crops and activities concerned. However, the main weakness of the division is its lack of influence over the critical areas of crop pricing and marketing. As a result, agricultural planning has to take place without any detailed knowledge of farm-level budgeting or market trends, which could form the basis of advice to Government and farmers on overall strategies and priorities for development.

10/ The increase in production of cotton and coffee during the 1950s and 1960s resulted from increased acreages. Average yields of both these crops actually fell over this period, and there were no obvious and widespread improvements in food crop production techniques.

11/ The extension service did, however, play an important role in teaching farmers how to grow and handle the new tea and tobacco crops during the 1960s.

4.50 Graduate training is given at the faculty of agriculture at Makerere University which has an output of about 75 graduates in agriculture and 20 in forestry each year. There are also three agricultural colleges at Bukalasa, Arapai and Busitema offering diplomas and certificates in agriculture and agricultural engineering. At present, these produce approximately 80 diplomates and 180 certificated staff per year. The problem of staff absorption is becoming serious as the output of trained staff consistently outnumbers the replacement requirements of the ministry, which nevertheless guarantees employment to all trainees. The number of trainees, therefore, needs to be reviewed. However, equally important, the content of training needs to be reviewed to ensure that it is relevant to present conditions in the agricultural sector. In particular, the farm management section of the syllabus needs to be strengthened and made more appropriate for smallholder decision making.

4.51 During the late 1960s, the Ministry of Agriculture took on responsibility for multiplying and distributing seeds of maize, sorghum, groundnuts, and soybeans. The program collapsed in the latter part of the 1970s but is now to be reviewed with EEC assistance. Decisions are required on four major issues.

(a) The responsibility for seed production and distribution. This at present lies with the Ministry of Agriculture, but experience elsewhere suggests that a private firm or parastatal could provide the commercial basis for large-scale seed marketing, without which the scope and long-term viability of the program are likely to be seriously restricted.

(b) The means of production. Will the program develop large-scale mechanized seed farms or rely on eliciting the cooperation of smallholder contract suppliers?

(c) The extent to which hybrid maize seed could be supplied from Kenya, rather than developing a new program in Uganda.

(d) The supply of foundation seed from which to develop commercial seed. The capacity of the research division in the Ministry of Agriculture to produce an adequate amount of well-tested genetically pure material to the seeds scheme will be crucial to both its viability and usefulness.

4.52 Finally, with the exception of tea and tobacco growers who have obtained credit for input supplies through their respective crop parastatals, there has been little smallholder credit available for several years. The Government now proposes to initiate a major small-farm credit scheme for the whole country. As this will be the successor to a number of previous schemes, there is a real need to study the impact of these predecessors and the reasons for their weakness. With a number of crops, it has been the absence of viable technical recommendations which were dependent upon credit for their effectiveness which led to the lack of production impact of credit schemes. Therefore, without careful analysis of the credit constraints in agriculture, and the economics of overcoming them, there is a danger that scarce resources will again be channeled into unproductive investments.

Annex to Chapter 4

LIVESTOCK AND FISHERIES

A. Livestock

A4.1 Uganda is well suited to livestock development, having better pastures than other East African countries due to well distributed and ample rainfall (except in the northeast). Most livestock in Uganda are privately owned. In areas where cattle, goats and sheep are herded communally, they are still owned by individuals rather than by families or clans. The numbers owned by individuals can range from a single animal to herds of several thousand cattle. The proportion of the population engaged in livestock raising varies widely between districts. In Karamoja, where low rainfall almost precludes cropping, most people work with livestock. In other areas, livestock is mainly confined to people of one ethnic origin, while other groups concentrate on crop cultivation. In Buganda, mixed farming is the usual pattern, as coffee, the dominant crop, responds well to livestock manure. The spread of ownership in the east and north is influenced by farmers' dependence on oxen for draft power, and about 70% of the country's cattle are found in these regions. Overall, it is estimated that about one-third of the active population work at least partly with livestock.

A4.2 During the 1960s and early 1970s, the most obvious advances were with cattle. Small-scale dairying, using high-grade and cross-bred stock, mushroomed in the "fertile crescent" and to the west. However, modern and efficient commercial dairying, ranching, and poultry and pig farming were also developed on a limited scale. Many of these new farms were located in areas cleared from tsetse fly, and which were otherwise unused and unoccupied. By the mid 1970s, about 400 commercial ranches were in various stages of development, each designed to carry 600 to 1,000 head of cattle. Most of these proved to be highly successful, providing returns three to four times higher than with traditional husbandry methods.

A4.3 Uganda's livestock subsector was adversely affected during the 1970s by shortages of good quality breeding stock and pasture seed, inadequate supplies (such as fencing wire, dipping fluid and pumps), deteriorating transport infrastructure, and an increasingly under-equipped disease control program. Nevertheless, the livestock population continued to grow: by 1977, it is estimated that Uganda had 4.9 million head of cattle, 2.4 million goats, 1.1 million sheep, 0.2 million pigs and 12.3 million poultry. At that time, about 70,000 tons of beef and 400 million liters of milk were produced each year. However, after 1978, the livestock subsector went into a serious decline: commercial poultry farming has ceased, and the cattle population is estimated to have been reduced by as much as 20%. As a result, prices have skyrocketed, with eggs costing U.Sh. 10 each, meat U.Sh. 100 per kilogram, and fresh milk U.Sh. 50 per half liter.

A4.4 There are two major reasons for these setbacks. Firstly, with widespread looting during and after the 1978-79 war, many cattle were killed or stolen. This affected the large ranches most, as the smaller size of dairying farms made them less attractive to marauders. However, facilities for both dairying and ranching were damaged, and many farmers pulled

out of commercial livestock farming. The main milk processing plant at Kampala is now working at only 10% of capacity, and that using imported milk powder. Secondly, with the breakdown of the disease control program and critical shortages of many essential drugs and vaccines, a number of fatal or debilitating diseases have returned. In particular, tsetse fly has now reinfested many areas previously cleared and as a result, trypanosomiasis is spreading once again. Both rinderpest and pleuropneumonia are becoming more prevalent, and in some areas spreading without control, while the incidence of rabies and foot and mouth disease has reached epidemic proportions. The major campaign to reduce and ultimately eliminate East Coast fever has collapsed and the disease is again endemic throughout the country.

A4.5 Before the Ministry of Animal Industry can usefully begin work on rehabilitating the livestock sector, it will be necessary to complete a more comprehensive review of present conditions and constraints. Initially, top priority will have to be given to re-establishing an effective disease control program. This will require not only improved supplies of drugs and vaccines, but also effective quarantine and vaccination procedures, with emphasis on disease monitoring and research. (Fortunately, a strong and well-staffed Department of Veterinary Services is in place). As areas are cleared, restocking should proceed only to the extent that supporting services and infrastructure can be provided. Over the longer term, livestock planning needs to look closely into the possibilities for more integrated small mixed farms, especially in those locations where progressive increases in cropping density have led to a loss of fertility and lower yields. In other areas, which have been recently cleared of tsetse fly, ranching may remain the only practical form of land use for some years. However, even there, population pressure is likely to bring about more intensive land use problems by the end of the century, and this needs to be taken into account in livestock planning.

B. Fisheries

A.4.6. Fishing provides about one-half of Uganda's animal protein and is an important source of income for people living near the country's many lakes, rivers and swamps. In 1978, 50% of the catch came from Lake Kyoga and 40% from Lake Victoria. The total fish catch is estimated to have risen from 139,000 tons to 223,000 tons in 1978 but declined thereafter. While catches in some areas, such as Lake Kyoga, continue to rise, the average weight of individual fish has been falling. This has led to fears that certain waters may have been overfished although this is difficult to assess without additional knowledge of recent fishing patterns.

A4.7 Most fishermen are small-scale producers, using simple wooden boats. The fish are transported on bicycles and by pickups to the main distributing centers where about 60% are sold fresh and locally consumed, while the rest is either smoked or chilled and sent to the main markets, primarily at Jinja and Kampala. The recent decline in fish production in Uganda is attributable to the breakdown of the fishnet manufacturing factory at Kampala, boat repair services and the ice plant at Soroti, which provided ice for preserving fish during transportation to urban areas. Once these facilities are repaired, a revival in fishing can be expected and then intensified efforts will be needed to ensure adequate stocking and to control poaching and overfishing.

Chapter 5

INDUSTRY[1]

A. Introduction

5.1 Although Uganda's industrial sector has always been relatively small, it did in the past make a valuable contribution towards supplying the domestic market with basic goods (e.g., edible oils, soap, paper, and cement) and in some instances, produced a surplus for export (e.g., textiles and copper). During the 1960s and early 1970s, the sector grew at a satisfactory rate of around 6% per annum (similar to the growth rate for the economy as a whole), and accounted for about 12% of monetary GDP and 8% of total GDP (at 1966 prices). With a promising potential for further development, based on the country's agricultural and mineral resources, it was hoped that industry would become an increasingly important source of economic growth, providing both employment and foreign exchange earning opportunities. However, the actual performance of the sector since the early 1970s has been disappointing. The overall growth rate of the industrial sector began to slow in 1970 and has generally been negative since 1972. As shown in Table 5.1, production of many key industrial products

Table 5.1: INDUSTRIAL PRODUCTION

	Units	Peak Year		1980	Ratio of
		Year	Amount	Amount	1980/Peak Production (%)
Spirits (waragi)	'000 liters	1973	910.0	34.0	3.7
Beer	m. liters	1973	45.6	12.0	26.3
Cigarettes	billions	1974	2.0	0.6	30.0
Fabrics	m.sq.meters	1970	49.6	7.5	15.1
Soap	'000 tons	1966	14.9	0.4	2.7
Matches (small)	'000 cartons	1971	64.0	2.8	4.4
Steel ingots	'000 tons	1970	24.8	1.9	7.7
Cement	'000 tons	1971	205.1	4.9	2.4
Paints	m. liters	1974	1.9	0.1	5.3

Source: SA Table 8.1

1/ As used in this chapter, the term "industry" refers to agricultural processing and manufacturing only. Although mining and construction are also important sectors in the Ugandan economy, it has not been possible to cover them in this report. Electricity generation is discussed in Chapter 7.

in 1980 was only a fraction of earlier peak levels.[2] Overall, industrial value added in 1980 was only 40% of its peak 1972 level, and accounted for less than 7% of monetary GDP and 5% of total GDP. Now, many industries have closed down while others continue to operate at very low levels of capacity utilization.

5.2 While there are no reliable figures available on industrial investment, it would seem inevitable that, with the generally adverse environment for industrial activity, there has been little investment in new capacity over the past decade (and indeed, in more recent years, there is evidence of disinvestment in many areas). Fortunately, direct damage to the industrial sector during the 1978-79 war was minimal. However, with inadequate provisions for maintenance and modernization over the past decade, many firms are now left with equipment which is obsolete or in poor condition. Despite the rundown state of the sector and declining production levels, industrial wage employment continued to rise, on average by 2.3% per annum from 1966 to 1977 (see SA Table 1.3). Although the industrial labor force has almost certainly fallen in more recent years, following the closure of many firms during and after the war, it seems clear that many firms (especially parastatals) have tried to protect the employment of their workers, despite declining levels of production and capacity utilization. This will no doubt help facilitate the eventual rehabilitation of these industries, although this will occur through improved labor productivity rather than additional employment opportunities.

5.3 With little investment in new capacity, the general composition of industries has not changed very much over the past decade, with the production of basic consumer goods, wood products, building materials, simple engineering goods, fertilizers and chemicals still dominating. These industries are characteristically inward-oriented, requiring relatively little skilled labor inputs (except for machine maintenance) and moderate capital investment. There are few intermediate and capital good industries, and notably, in comparison to Kenya and Tanzania for example, virtually no pure assembly industries, making electro/mechanical products from mainly imported parts and components. The only significant change in the structure of the industrial sector over the past decade is the shift of ownership from private to public. This started in the early 1970s, and with the consequent expansion of the parastatal sector, almost all medium- and large-scale industries are now publicly owned. The present Government has announced its intention to reverse this policy, both through the return of selected parastatals to the private sector, and the adoption of a more liberal industrial promotion strategy.

5.4 Although the industrial structure has not changed much, there appears to have been a considerable reduction in the number of operating enterprises over the past decade. In 1971, when the last full industrial survey was conducted, the sector was reported to comprise about 970 estab-

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2/ It should be noted that statistics of industrial production in Uganda are not necessarily very reliable, because of the general upheaval in the country over the past decade, and because many firms have been unwilling to report accurate figures due to their "magendo" operations.

lishments employing ten or more people, and a much larger number of cottage industries and small workshops scattered throughout the country. A recent register of existing industries compiled by the Ministry of Industry (see Table 5.2) records only 464 establishments. (While the coverage of this register could well be incomplete, and is unlikely to exactly match that of the 1971 survey, the figures still corroborate the conclusion that the size of the industrial sector has been considerably reduced over the past decade.) Perhaps even more significant is the fact that almost 40% of the reported establishments have temporarily ceased operations while the remainder are operating on average with very low capacity utilization of around 20% (compared to 70% in 1970). At present, the most obvious and generally binding constraint is the severe shortage of foreign exchange: to import inputs, spare parts for machinery repair and capital goods for replacing outdated and damaged plant. However, the longer-term decline in the sector reflects more fundamental constraints, which could well re-emerge as the foreign exchange situation improves. These include:

(a) poor performance in the agricultural sector, which limited the supply of raw materials, tightened the foreign exchange constraint, and reduced the effective domestic market for industrial products;

(b) infrastructure weaknesses, especially in energy, transport, and water supply;

(c) over-expansion and political interference in the management of the parastatal sector;

(d) shortages of qualified managerial and technical expertise, aggravated by the departure of many Asians and other skilled Ugandans during the "economic war" of the early 1970s;

(e) problems of creditworthiness, resulting from ownership uncertainties, financial indiscipline, and more recently, the impact of the June 1981 devaluation on costs; and

(f) excessive government regulation, through import controls and pricing and taxation policies.

Table 5.2: REGISTER OF INDUSTRIAL ESTABLISHMENTS, 1981

(number)

	Operating	Temporarily shut down	Total
Small-scale	256	162	418
Public	70	15	85
Private	186	147	333
Medium-scale	25	14	39
Public	24	13	37
Private	1	1	2
Large-scale	6	1	7
Public	6	1	7
Private	-	-	-
Total	287	177	464
Public	100	29	129
Private	187	148	335

Source: Ministry of Industry

5.5 The Government recognizes the importance of improving utilization of existing industrial capacity, and has set as a target, the increase of average capacity utilization from 20% to 60% over the next two years. This is clearly an ambitious target given the foreign exchange, manpower, and institutional constraints on the sector. Nevertheless, it does help illustrate the magnitude of the task ahead and the resultant need to mobilize resources from a variety of sources: public and private, domestic and foreign. Section B of this chapter outlines in more detail the present problems and constraints on industrial performance, and suggests some appropriate policy reforms for improving the environment for industrial rehabilitation and revival.

B. Problems and Policies

5.6 Foreign exchange. As with all areas of the economy, the industrial sector has suffered from the general shortage of foreign exchange in recent years. In recent months, the situation has become particularly severe, with no "free" foreign exchange being allocated for industrial imports. As a result, the sector's access to imports -- of inputs, spare parts for machinery repairs and capital goods for plant rehabilitation -- has been severely limited. Examples of critical imported inputs no longer available in adequate quantities are numerous: pulp for paper manufacture;

hops for beer production; chemicals and dyes, especially for the textile and tanning industries; rubber for producing tires and tubes; zinc and lead for galvanizing; sulphur for fertilizer production; and packaging materials for virtually all industries. As noted elsewhere in this report, foreign exchange shortages are also affecting the supply of domestic inputs from the agricultural sector, and the condition of the supporting infrastructure for industry, especially energy and transport.

5.7 According to estimates prepared recently by the Ministry of Industry (see Table 5.3), the targeted increase in capacity utilization over the next two years for 125 selected industries would cost more than US$340 million in direct foreign exchange.[3] This is equal to 85% of Uganda's 1981 import bill, and is patently unattainable within the foreseeable future. First priority will therefore have to be given to supplying inputs and critical spare parts to industries which are already in operation and which supply essential goods for the domestic market or earn foreign exchange (there are very few of the latter at the moment). Selection among industrial firms should be made on the basis of appropriate criteria relating to potential net income or net foreign exchange generation, taking into account the scope for improved capacity utilization and market penetration (rather than simplistic targets for gross production as at present). Major rehabilitation can only be justified in the short term for priority industries which earn (e.g., coffee and cotton processing) or save (e.g., agricultural implements) enough foreign exchange to support their own operations.[4]

3/ This estimate apparently includes the cost of recurrent imports for the rehabilitated industries for one year.

4/ For a detailed discussion of rehabilitation requirements by individual enterprises, see the Report by the Industrial Reactivation Task Force: Proposals for the Reactivation of the Industrial Sector, March 1981.

Table 5.3: FOREIGN EXCHANGE REQUIREMENTS FOR INDUSTRIAL REHABILITATION /a

(US$ million)

	Public /b	Private /c	Total
1. Industries servicing coffee & coffee production	4.6	0.2	4.8
2. Industries producing basic construction & building materials	23.7	21.3	45.0
3. Industries producing consumer needs & generating revenue	125.0	65.1	190.1
4. Industries producing inputs & spares	35.0	6.8	41.8
5. Export-oriented industries	59.3	-	59.3
Total	247.6	93.4	341.0

/a Estimates, as of July 1981, are of foreign exchange requirements to improve capacity utilization to 60% for 125 priority industries.
/b Covers 85% of the sector.
/c Covers 70% of the sector.

Source: Ministry of Industry

5.8 Although the present constraint is basically a shortage of foreign exchange, there have been problems in the past with the allocation procedures, and these could well re-emerge once the balance of payments situation improves. The present weaknesses in the system of foreign exchange management, and the related difficulties in establishing appropriate import priorities and the technical evaluation of license applications, have already been discussed in Part I. For the industrial sector, the few import allocations actually approved over the past year have often been too small in amount or not accompanied by sufficient complementary allocations to relieve related bottlenecks. For example, the Tororo Cement Factory was allocated imported asbestos and spares but not paper bags to pack the cement produced. Similarly, Nyanza Textiles has also been allocated spares, but production is still constrained by shortages of chemicals and dyes. There has also been inadequate attention to industrial linkages. An allocation was made to the Uganda Electricity Board, for example, to import conductors, which could have been produced domestically by the Uganda Cable Corporation if imported inputs had been available.

5.9 There is also scope for streamlining the existing licensing procedures. From the point of view of the industrial applicant, especially in the private sector, the present system is very bureaucratic, cumbersome and

time consuming. License applications[5] must be submitted to the Ministry of Industry after being verified by the respective commercial banks. (Each application must be completed with five copies and accompanied by one copy each of a summary statement, the seller's pro forma invoice, certificate of origin for manufactured goods imported from Kenya and Tanzania, tax clearance certificate, and by the post-importation refundable bond equivalent to 5% of the value of the license[6].) The Ministry of Industry endorses that the applicant is a registered importer, and then the papers are submitted to the Advisory Board of Trade, which checks on pricing and other technical details[7]. Final approval is then made by the National Allocation Committee under the Ministry of Planning for aid-financed imports, and through an import licensing committee chaired by the Ministry of Commerce for imports to be financed out of "free" foreign exchange. However, as already noted, the final release of "free" foreign exchange is actually made only after endorsement from PEAC, and at the moment, virtually no licenses are being endorsed. Therefore the whole licensing procedure, which takes about five to six weeks to complete, has become largely a matter of form.

5.10 Domestic inputs and infrastructure. Although shortages of imported inputs and spare parts are at the moment the most evident constraint on industrial production, the longer-term decline in the sector also reflects poor performance elsewhere in the domestic economy, especially in agriculture (as a major supplier of raw materials and as a market) and the supporting infrastructure (transport, energy and water supply). The poor performance of these sectors was, of course, itself in part due to the shortage of foreign exchange, and in the case of agriculture and transport, contributed significantly to the decline in export earnings. There is, therefore, no clear distinction between foreign exchange and domestic constraints, but rather a mutually reinforcing deterioration.

5.11 The declining levels of agricultural production, coupled with increased smuggling, have naturally enough had a particularly severe impact on the agro-processing industries (e.g., coffee curing, cotton ginning, sugar manufacture, tanning and milk production), as well as on industries using these processed products as inputs. For example, the collapse of cotton output has also affected production of textiles, edible oils and soap (the last two, through the shortage of cotton seed). Similarly, declining official purchases of tobacco have affected cigarette manufacture, and shortages of hides and skins have affected the leather and shoe industries. The basic reasons for the poor performance of agriculture

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5/ Exempted from the import licensing procedures are government imports, gifts, supplies for diplomatic and UN missions, and goods imported for capital formation or on a loan-account basis.

6/ To be deposited with the respective commercial banks which, in turn, transfer the deposits to the Bank of Uganda.

7/ Pre-shipment inspections are now also made by the General Superintendence Company, to reduce the possibility of over-invoicing and ensure that the goods meet required specifications.

-- including distorted pricing policies,[8] inadequate supplies of inputs and incentive goods, and ineffective marketing channels -- were discussed in some detail in Chapter 4 of this report. Suffice it to say here, that successful implementation of an agricultural rehabilitation program will be a basic prerequisite for re-establishing a strong and viable industrial sector.

5.12 Transport bottlenecks, both domestically and on international routes, are also causing serious delays in the delivery of crucial inputs to the industrial sector and of final products to markets. As discussed in Chapter 6 of this report, Uganda's transport network deteriorated markedly over the past decade, due in large part to inadequate road maintenance, the loss or damage of road vehicles, especially during and after the 1978-79 war, and the impact of the breakup of the EAC on railway and air services. Industries most seriously affected by transport bottlenecks are generally those whose inputs and outputs cannot be readily stocked so that frequent collection and distribution is required (e.g., bakeries and milk processing). Transport disruptions have also led to substantial price differentials, both between Uganda and overseas markets, and between different regions and markets within Uganda. As a result, rehabilitation of the transport sector will not only improve the delivery of goods, but also help reduce industrial costs.

5.13 The overwhelming majority of Ugandan industries are using imported fuel oil as an energy source for production. This generally reflects the fact that most plant in the sector was installed before the sharp increase in petroleum prices from the mid 1970s.[9] With the recent upward adjustment of domestic retail prices for petroleum products, following the June 1981 devaluation, many firms are finding it increasingly difficult to raise sufficient working capital to maintain regular fuel supplies.[10] Therefore, given the heavy foreign exchange burden imposed by petroleum imports, a burden that would rise substantially as production levels increase, serious consideration needs to be given to the conversion of industries now using oil to produce their own electric power and process

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8/ Two relevant examples are worth noting here. For milk, while the ex-factory price was recently increased from U.Sh. 5 to U.Sh. 50 per liter, the producer price has remained unchanged at U.Sh. 3 per liter. As a result, the Uganda Dairy Corporation is unable to purchase domestic milk supplies, and is operating its plants on imported milk powder. In the case of the tanning industry, while the price of raw hides was recently increased from U.Sh. 12 to U.Sh. 20 per kilogram, this is still well below comparable prices in Kenya (especially at the prevailing unofficial exchange rate) and as a result, most hides and skins are still smuggled out of the country.

9/ Indeed, a number of factories, including Nyanza Textiles, actually switched from electricity to fuel oil for raising steam in the early 1970s.

10/ At the Tororo Cement Factory, for example, the fuel costs of operating at 20% capacity utilization increased more than tenfold from U.Sh. 45,000 to U.Sh. 500,000 per day.

steam to mains-supplied electricity for these purposes. As outlined in Chapter 7, Uganda at present has a surplus of electric generating capacity and abundant potential for further development of hydro-electricity as required. Although detailed appraisals of the various options for expansion of generating capacity are still to be completed, it seems assured that this could be achieved at reasonable cost, and with substantial net savings of foreign exchange over the longer term. Even so, individual proposals for industrial energy conversion would still have to be carefully reviewed, to ensure that the initial import costs could be justified within present foreign exchange constraints, and that other bottlenecks would not prevent the operation of the plant at economic levels. Where conversion is justified, the Government may want to consider introducing tax inducements (e.g., accelerated write-offs) to help overcome the financial constraints facing individual firms. In other instances, where major rehabilitation would be required before conversion becomes economic, it may be necessary to delay investment in conversion for a number of years.

5.14 Industrial parastatals. The structure of Uganda's industrial sector was severely disrupted by the progressive nationalizations of the early 1970s, and the departure of many of the country's best entrepeneurs (both Asian and non-Asian) after the "economic war" of 1972. Many abandoned industries were allocated to inexperienced private owners while others were added to the already burgeoning parastatal sector. Almost overnight, the Uganda Development Corporation (UDC) was faced with the additional operational and management problems of more than 100 companies. In 1974, many of UDC's more viable companies were removed from its control and set up as independent parastatals or subsidiaries, further weakening UDC's financial position and stretching the limited managerial capacity of the country. This whole process was completed in a chaotic and haphazard manner, with no formal transfer of shares, compensation, or adequate provision for financial control. Furthermore, the management of parastatals became increasingly subject to political interference: many managerial positions were filled by political appointees and annual reports (when prepared) were submitted directly to the Secretary of the Treasury. As a result, the effective control of the Boards of Directors, which formally had responsibility for operational decisions, was undermined.

5.15 There are a number of public enterprises (Nyanza Textiles, for example) that have managed to maintain an acceptable standard of performance under very difficult economic conditions. However, in general, the industrial parastatals remain in disarray. Recognizing the inherited problems, the present Government has indicated its commitment to change in both the structure and management of the parastatal sector. In particular, various policy statements over the past year have stressed that: (a) previous owners of abandoned or expropriated properties are welcome to return and take over management of their operations, usually under joint ownership arrangements and pending the settlement of compensation disputes;[11] (b) a number of industrial parastatals will be closed down or handed over to the private sector; (c) the remainder of the parastatal sector will be reorganized, to improve efficiency and restore financial viability (especially for

11/ The most notable examples of this to date are the return of the Mehta and Madhvani Groups, both of which were previously involved in a number of industrial activities including sugar processing.

UDC); and (d) parastatal positions will be filled on the basis of technical qualifications and competence. This is a promising start. However, in practice these policy commitments will be difficult to implement, and many of the more thorny problems -- including ownership, compensation and debt settlement -- can be expected to take a number of years to resolve. In the meantime, it is important to proceed with the more routine tasks of updating records of financial accounts and operating performance, to provide a basis for taking decisions on both the day-to-day functioning and longer-term structure of the industrial parastatal sector.

5.16 Trained manpower. We have already noted the impact of the military regime on the management of parastatals. However, the "economic war" of 1972 also decimated Uganda's already limited supply of technical personnel, especially at the middle and high levels. This, together with inadequate training, poor labor discipline, and shortages of spare parts, led to poor maintenance of existing plant and equipment. As a result, plant and equipment in most industries is now in very poor condition. The shortage of technical expertise also makes it difficult to accurately estimate rehabilitation requirements and related costs.

5.17 The present staffing constraints, managerial as well as technical, need to be assessed more thoroughly for each industry, and appropriate programs of recruitment and training developed to fill the most critical gaps as soon as possible. To help improve the morale of existing caders, as well as to encourage trained Ugandans overseas to return, it will be necessary to establish a more professionally-oriented and rewarding system of salaries and compensation, career development and working conditions. Present staffing imbalances, both between and within industries, also need to be addressed, to ensure that the most competent staff are assigned to priority tasks, and that technically qualified personnel are utilized in appropriate productive enterprises, rather than in administrative functions.

5.18 Even with the best of local efforts, it seems inevitable that significant inputs of technical assistance will be needed throughout the industrial sector for a number of years to come. Government recognizes this need and welcomes such assistance. When technical assistance is provided through aid programs, it raises no major problems. However, difficulties have arisen for expatriates who are not funded under aid programs, because the Government is yet to put in place an effective system to facilitate partial payment of their salaries in foreign exchange, and prompt remittance of such salaries and fees to dependents. Since it is inevitably difficult to guarantee these payments in the current tight foreign exchange situation, the most promising short-term solution is for the Government to seek most of the required technical assistance under aid-funded arrangements.

5.19 Creditworthiness. Most firms in the industrial sector continue to report shortages of working capital and inadequate access to credit from domestic commercial banks. In general, this reflects problems of creditworthiness, rather than any general shortage of liquidity. The extent of this problem seems to vary across the sector, depending on the firm's size, ownership status, equity base and debt portfolio. Taking employment as an indicator of size, large firms (employing 50 or more workers) appear to be

suffering most from inadequate domestic credit. Nationalized industries are also having difficulty in obtaining supplementary working capital credit because they cannot provide collateral (due to the failure in many cases to formally transfer ownership). The parastatal sector in general has a weak equity base, and with low production and financial indiscipline, substantial losses and debts were accumulated during the 1970s. This situation has been compounded, at least for the short term until assets are revalued, by the impact of the June 1981 devaluation on industrial costs. As an illustration of the magnitude of these creditworthiness problems, arrears of industries with the Uganda Commercial Bank as of October 30, 1980, stood at U.Sh. 1,321 million. Of this, about one-quarter was accumulated since 1977. At the enterprise level, the Tororo Cement Factory, for example, had an unpaid debt to commercial banks of U.Sh. 90 million in mid 1981. Many industries are also indebted to the Treasury for large overdue tax payments. For example, in mid 1981, the Uganda Leather and Tanning Industries and the Tororo Cement Factory owed the Treasury U.Sh. 13 million and U.Sh. 12 million respectively in unpaid sales taxes.

5.20 In October 1981, the Government raised the standard lending rate for industry from 12% to 14% per annum. This is certainly not excessive in relation to historical inflation rates and repayment risks. On the other hand, maturities are generally very short, averaging around 12 months, including a 3-6 months grace period. However, because of debt repayment problems, most loans require rescheduling.

5.21 Inevitably, as industrial activity begins to pick up, an increased supply of credit, especially for working capital, will be required. Initially this will be difficult for most firms to manage, given their present creditworthiness problems and the inevitable lags until revenues are generated. Therefore, commercial banks may have to explore options for providing longer-term credit, posssibly with concessionary interest rates during the initial rehabilitation period. The Government, for its part, should consider options for assuming or rescheduling outstanding commercial debt and tax arrears, as well as providing temporary guarantees of commercial loans to industry for working capital.[12]

5.22 Price and tax policies. The Government recently took a major initiative to improve the financial position of the industrial sector, by removing price controls on virtually all industrial products. (Guidelines on pricing are still given by the Ministry of Commerce, and some parastatals reportedly have been reluctant to raise prices beyond these levels. The Government has, however, clarified that these guidelines are only intended to help firms revise their cost estimates following the devaluation of the Ugandan shilling, and are not intended as ceilings.) The impact of this decision on ex-factory prices has been dramatic. For example, since June 1981, the ex-factory price of bread has risen from U.Sh. 9 to U.Sh. 60 per loaf, of cigarettes from U.Sh. 20 to U.Sh. 87 per packet, and of beer

12/ Government guarantees have recently been provided to permit parastatals to provide local cover for items imported under the IDA Reconstruction Credit.

from U.Sh. 80 to U.Sh. 240 per bottle.[13] However, as most commodities were already selling at substantially higher than controlled prices in the "magendo" economy, there has so far been little impact on the actual price paid by the consumer (except, of course, for those who had preferential access to goods at controlled prices). The decontrol has meant, however, that the sales profits are now being directed back into the official economy, in the form of government taxes or retained earnings of the producing units.

5.23 For the moment, the Government has decided to absorb most of the surplus between producer costs and market prices through higher sales and excise taxes. As a result, the effective tax rates are now exceptionally high, averaging around 40%-50% for most industries and ranging up to more than 600% for beer and cigarettes. In general, these exceptional rates are probably justified under the present exceptional circumstances, given the need to contain the Government's budget deficit and the evident capacity of the market to bear the resultant price levels. There are, however, individual commodities for which some downward adjustment in sales and excise tax rates, and possibly temporary exemption from corporation, withholding and selective incomes taxes, needs to be considered (e.g. sugar, cement and steel). The Government itself has recognized this in the case of sugar, where the sales tax has temporarily been deferred[14] to permit a sales price of U.Sh. 130 rather than U.Sh. 220 per kilogram (as compared to a pre-June 1981 official price of U.Sh. 90 per kilogram and market price of U.Sh. 350 per kilogram, and the present import price from Kenya of U.Sh. 150 per kilogram). More generally, it will be important to keep the tax rates under careful review to ensure that prices of industrial goods can be adjusted down as production recovers, while still providing the producing unit with adequate profits for reinvestment and growth. This is particularly important for those basic consumer goods which weigh heavy in the expenditure patterns of the population, and are generally unaffordable at present wage and price relationships.

5.24 Finally, a brief word about longer-term industrial strategy. Uganda's small domestic market and cost structure will eventually impose a limit on industrial expansion, especially of import-substitution for intermediate products, machinery and consumer durables. For this reason, and because of the uncertain market and price prospects for many of Uganda's primary products, adoption of an appropriate export promotion policy for non-traditional items needs to be considered in the not too distant

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13/ The significance of these prices can perhaps best be seen in relation to the minimum wage: at its present level of U.Sh. 950 per month, it can purchase only 16 loaves of bread, 11 packets of cigarettes or 4 bottles of beer.

14/ The Government's decision to defer rather than temporarily suspend these tax payments adds an unfortunate element of uncertainty to the sugar industry (especially as it has been suggested that the deferred payments may be adjusted against the Government's equity contribution), and could well lead to an even higher effective tax rate if and when the taxes are eventually collected.

future. Given Uganda's comparative advantage, this would probably be based initially on a range of processed agricultural products (e.g., meat, canned foods, vegetables, fertilizers, textiles and handicrafts) as well as possibly some light manufactured goods. These exports could be marketed in the traditional markets of neighboring African countries and in the rapidly expanding markets of the Middle East. In addition to earning valuable foreign exchange, these trading contacts will help expose the industrial sector to the rigors of international competition, encouraging more efficient production and providing opportunities for product innovations and technical progress. As already noted in Chapter 3, a similar process would also benefit Uganda's import-substitution industries, through an eventual reduction in quantitative import restrictions and the overall level of industrial protection. Technical innovations can also be transferred through direct foreign investments and management/technical contracts. However this is only likely to happen, on any significant scale, once a clearer and more coherent investment policy (for both domestic and foreign investors) is seen to be effective, in line with the Government's already declared "mixed economy" strategy for industrial development. Such a policy would have to provide the investor with confidence that his money is secure, and also provide Uganda with safeguards to ensure that appropriate technology is in fact transferred at reasonable cost, and used to develop the country's indigenous technical capacity.

Chapter 6

TRANSPORT

A. Introduction

6.1 In the early 1970s, Uganda had a broad-based and reasonably well-developed transport system. The road network was commonly regarded as one of the best in Sub-Saharan Africa, and through the East African Community, Uganda shared access to an effective network of railway, port and airline facilities. As a landlocked country, Uganda has always been dependent on its neighbors, especially Kenya, for movement of its imports and exports, and the related strategic concerns have tended to dominate transport priorities.

6.2 The availability and quality of transport services deteriorated rapidly during the 1970s. There were three major reasons for this. Firstly, the transport sector suffered under the military regime due to: (a) the deportation of Asians, who had provided much of the sector's managerial and technical manpower; (b) political alienation from many of the traditional suppliers of equipment and spare parts for development and operation of the system; and (c) the low priority accorded to the transport sector, especially for maintenance, in resource allocations. Secondly, the breakup of the EAC in 1977 had a devastating impact on Uganda's transport system, especially for international trade. Almost overnight, Uganda lost virtually all railway rolling stock and aircraft, and her part-ownership rights to railway and port facilities in Kenya and Tanzania. This not only necessitated heavy new investments by Uganda, but led to substantial disruptions and cost increases on international traffic movements. Finally, the domestic transport system was adversely affected by the impact of the 1978-79 war and widespread looting which followed. The motor vehicle and aircraft fleets were decimated; terminals, workshops, offices, and warehouses were damaged; and most movable objects -- including supplies, spare parts, furniture and records -- were looted or vandalized.

6.3 Rehabilitation of Uganda's transport system is generally recognized as one of the key requirements for economic revival in the country. However, to date, progress has been slow and uneven, reflecting the general country situation, shortages of foreign exchange, and technical and administrative constraints. The following two sections will review the present conditions and problems facing the major transport modes, and outline appropriate priorities for rehabilitating the system, and for rebuilding the country's capacity for effective transport coordination and planning.

B. Present Conditions and Problems

6.4 Roads. Uganda has over 27,000 km of roads, of which 2,000 km are paved. As shown in SA Table 9.1, the Ministry of Works is responsible for 7,000 km of major and trunk roads, while the remaining 20,000 km of secondary and tertiary roads are maintained by local authorities. Although the

coverage of the highway network is generally adequate,[1] road conditions have deteriorated substantially during the 1970s, due to the lack of effective maintenance and rehabilitation. The situation is particularly severe for trunk roads, of which only about 6% have been resealed or regravelled since 1972. On those trunk roads serving transit traffic (to Rwanda, Burundi, Zaire, and Sudan), high volumes and heavy loads have added to the problems, causing numerous structural deficiencies and making the roads difficult and dangerous for traffic. For the secondary road network, the situation is somewhat better, due to the sharp fall in vehicular traffic in recent years, and the use of an excellent road building material, murram, in construction. Nevertheless, in many areas, the secondary road surfaces have become very rough, making travel slow, and on some isolated sections, the gravel has worn or washed off, making the roads impassable, particularly during the rainy season.

6.5 Over the past three years, there has been no periodic repair or rehabilitation program. Even routine maintenance -- such as grass cutting, pothole filling, and drain and culvert clearing -- has fallen off markedly. Although direct damage to the network from the 1978-79 war was remarkedly slight, the resultant looting severely damaged workshop facilities and depleted the stock of maintenance equipment, spares, vehicles, and tools. For roads which are the responsibility of local authorities, replacement of hand tools would by itself make a major contribution to road repair and maintenance, as traditionally, labor is willingly supplied by local villagers.[2] At the district level, the Ministry of Work's maintenance program could also usefully benefit from additional supplies, although this would have to be matched by substantially higher funding of wages to attract suitable labor and reduce the incidence of tool thefts by maintenance workers. But, at the center, the capacity of the Ministry of Works to manage and coordinate road maintenance efforts is very weak. This reflects the lack of vehicles[3] and fuel for supervision, the general

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1/ There are, however, areas where the effective capacity of the road network is restricting transport movements. Examples of this are feeder roads providing access to large-scale agricultural activities (often the responsibility of the estates themselves), roads in the Mount Elgon coffee growing area, and bad stretches of roads in densely-populated areas (especially around Kampala) which restrict public passenger transport.

2/ Under customary law in many areas, villagers can pay their taxes in the form of community work, such as road maintenance, rather than cash.

3/ Out of 98 vehicles available in the Ministry before the 1978-79 war, 71 were looted, leaving 17, most of which are unserviceable.

shortage of staff, especially executive engineers, in the Ministry,[4] the absence of practical field experience in recent years, and low staff morale. At present wage levels, many Ministry staff have left their jobs, while others only work part-time.

6.6 Road transport. As shown in SA Table 9.2, the vehicle fleet has been severely depleted in recent years, falling from around 45,000 at the start of the 1970s to 35,000 in 1978, and then further to below 26,000 in 1979 and 1980. With the overthrow of the military regime, many vehicles were taken out of the country, while others have been damaged or destroyed. The reduction in vehicle numbers was most severe for cars and heavy commercial vehicles. Use of road transport has also been curtailed by shortages (and high prices) of fuel and spare parts, as well as the closing of many repair and maintenance facilities.[5]

6.7 Public passenger bus services are provided by two parastatal organizations -- Uganda Transport Company (UTC) and People's Transport Company (PTC) -- under the jurisdiction of the Ministry of Transport. UTC, which provides bus services in Kampala and also on some routes in Western and Southern Uganda, has a present fleet of 160 buses, of which 96 are operational, 36 are grounded for repairs and 28 are to be scrapped. PTC operates on routes in Eastern and Northern Uganda with a fleet of 56 buses, of which only 23 were operating in March 1981. There has so far been little attempt to standardize bus makes, with UTC using five different makes and PTC six. In addition to these parastatals, there are also a number of private bus companies (160 in 1979) licensed to operate over specified routes. However, due to the lack of spare parts and high costs, many of these have now gone out of business. Overall, many authorized bus routes are presently unserviced, and with the severe shortage of city buses, passenger waits of up to two hours are common in both Jinja and Kampala.

6.8 The freight transport industry is also dominated by two parastatal organizations. For internal movements, the Uganda Cooperative Transport Union (UCTU) acts as an "apex" organization for the cooperatives, importing vehicles for them and providing additional services with its own

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4/ The Ministry has 83 established positions for professionals, and another 33 are proposed. However, only 53 positions were filled in mid 1981. The situation in the road maintenance section was somewhat better with staff in 12 of 16 positions (23 proposed), although only 1 out of 7 senior executive engineer positions was filled.

5/ Shell and BP, for example, had only 59 operating stations in March 1981, compared to 142 in 1970.

fleet of trucks.[6] With some rebuilding after the 1978-1979 war, UCTU now has a fleet of 127 vehicles, of which 80 are operational. Normally, nearly 80% of UCTU's business is the transportation of coffee to Kampala, supplemented by the distribution of agricultural inputs and basic consumer goods in rural areas. However, given the prevailing conditions in recent years, UCTU's vehicles have been used more to move relief supplies to the Karamoja and Arua regions, to move food to Kampala, and for military transport. UCTU is now also expecting to receive some new trucks and trailers to move coffee to Mombasa. This transit road traffic has in the past been handled by Kenyan companies or the Ugandan parastatal, Transocean. Transocean's original fleet of 200 trucks and trailers was reduced to 62 after the war, and only about 42 are roadworthy at the present time. So far, no new vehicles have been allocated to Transocean, and with increasing competition from UCTU, the company's present financial difficulties are expected to get worse.

6.9 Vehicle imports have been given high priority by the Government in its allocation of free foreign exchange and use of external financing. During 1981, for example, the Coffee Marketing Board (CMB) arranged a barter deal of coffee for 600 commercial vehicles, intended to help move coffee exports. The initial aim was to sell some 434 vehicles to coffee processors and cooperatives, and use the other larger trucks for long-haul transport to Mombasa. By mid 1981, 368 vehicles had been received, of which 214 were allocated to coffee processors and cooperatives; of the rest, 110 were diverted to other uses (including 47 for the Ministry of Defense), and 44 have been retained by CMB. While this emphasis on increasing the vehicle fleet is understandable, and in many cases justified by the importance of transport bottlenecks, the number and type of vehicle imports could be better tailored to present conditions. Firstly, one of the highest priorities should be to improve short-distance rural transport, linking farms to processing units and markets. Given the generally small loads involved, emphasis should be given to increasing the supply of bicycles and small pickups rather than larger trucks. Bicycles, together with additional buses, could also help relieve the present bottlenecks in urban passenger transport. Secondly, on the longer routes, the railway provides a far more economic option than road transport. Yet, emphasis is still being placed on increasing the fleet of long-haul trucks, while the available railway capacity is being underutilized. Finally, high priority needs to be given to imports of spare parts, to repair the existing fleet and to ensure that all vehicles (old and new) can continue to be maintained. Given the limited foreign exchange available, this will inevitably mean some further restriction on imports of new vehicles.

6/ UCTU also repairs and maintains its own vehicles and those belonging to its member cooperative organizations. Presently this is being done from a makeshift workshop. A new workshop started in 1977 at Kowmpe is about 25% complete and most machinery has been lying in boxes for about four years, awaiting installation. Completion of this workshop should be given high priority, and its facilities should be made available to other transporters who suffer from similar inadequacies in maintenance capacity.

6.10 Rail transport. Until 1974, rail services in Kenya and Uganda were organized as a single operating system within the East African Railways Corporation, although each country-system separately collected revenue for goods loaded in that country. Train and traffic control in both countries was centered at the Nairobi headquarters, where locomotives and rolling stock for the system were kept and maintained. However, following a number of disputes over railway services and charges, and with increasing political tension between the two countries, the unified system began to disintegrate. This was formalized in 1977, when the EAC broke up and the Uganda Railways Corporation (URC) was formed. However, Uganda remains vitally dependent on Kenya for use of the track to Mombasa, provision of additional wagons and heavy-duty locomotives (only Kenyan locomotives are allowed to be used on the Kenyan portion of the track), and all major servicing. Although the Government is keen to open up an alternative transit route through Tanzania (see discussion under water transport), this would not be able to handle the volume of traffic that can be expected with a revival in economic activity, and would be less economic than the Kenya route. Therefore, cooperation with Kenya is likely to remain a key element in Uganda's overall transport strategy. In this context, the recent improvement in relations between the two countries is to be welcomed. In practical terms, this has led to a Kenyan loan to help finance the clearance of goods at Mombasa port and their movement to Uganda, the rental of Kenyan rolling stock to URC,[7] and an increase in the number of trains between Uganda and the coast to five per week in each direction. However, there remains an urgent need to address the broader issues relating to the joint organization and control of railways operations, including the rationalization of interchange and revenue agreements between the two countries. Only after this has been done, can a substantial improvement in railway performance be expected.

6.11 The condition of the railway, while generally adequate for present traffic levels, needs to be rehabilitated. Although the track was not seriously damaged during the 1978-79 war, it is estimated that over 70% is now sub-standard, due to its long life (more than 50 years in some cases) and inadequate maintenance over the past ten years. Many sections are also too light and not structurally suited to modern locomotives and heavier wagon loads. This is not considered a major problem at present. However, bottlenecks may develop as traffic levels recover. The more immediate priority is to repair damage caused during the war to supporting infrastructure, such as stations, offices, communications equipment, and service vehicles. Signalling, apart from simple mechanized signals at stations, is virtually non-existent and the communications system relies on radio calls and telephones. The result has been to strain the already limited administrative and operational capacity of the fledgling Uganda Railways Corporation.

6.12 The situation regarding rolling stock and locomotives has improved somewhat in recent years. Following the breakup of the EAC,

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7/ The loan of rolling stock probably reflects in part the temporary surplus of rolling stock in Kenya due to the economic slowdown in that country, and some may be withdrawn if Kenya's demand increases.

Uganda had been allocated only 137 units of rolling stock (it had expected 925), and all of these have now been retired. However, with new acquisitions of 380 covered wagons, 20 livestock wagons and 20 passenger coaches, the total rolling stock park has been increased to 420 units. In addition, Kenya has made available an additional 90 tank cars and several hundred covered and open wagons on a rental basis. If anything, Uganda presently has excess rolling stock capacity (except for passenger services[8]), although this could quickly be absorbed as traffic levels pick up. As regards locomotives, Uganda was allocated 49 from the EAC park, of which all of the steam locomotives (28) have now been retired. With the net acquisition of 25 new diesel locomotives, the park has been increased to 46 with another 23 on order. Although more than one-half of the locomotives are presently out of service for repairs or because of a lack of spare parts, the availability of locomotives is still adequate for domestic services. The immediate priorities for both rolling stock and locomotives are to complete the Nalukolongo workshop, so that major repairs can be undertaken within Uganda,[9] and to import those spares needed to keep the existing capacity in operation.

6.13 With the breakup of the EAC, the number of passengers handled by the Ugandan railway system fell sharply (see SA Table 9.3). Freight traffic had begun to decline much earlier, and by 1978, the volume of goods forwarded and received had fallen to 13% and 28% respectively of the peak levels reached in the early 1970s. Although there has been some recovery, especially in passenger service over the past two years, the railway is still very much underutilized. While this reflects in part the general decline in economic activity, it is also due to a diversion of traffic to road transport. For example, of the coffee exports moved to Mombasa, rail transport accounted for only 29% in 1979/80 and 53% in 1980/81, compared to over 70% in the early 1970s. Similarly, the proportion of fuel oil imports moved by rail from Mombasa to Jinja has fallen from almost 100% to only 10%. This trend is cause for concern: use of road transport is significantly more expensive (on average by about 100% under present conditions, but possibly by as much as 250% with improved railway operations), and has resulted in deteriorating conditions on Uganda's trunk roads, especially from transit traffic travelling through to Rwanda, Burundi, Zaire, and Sudan.[10] Admittedly, the number of trains between Uganda and the coast allowed by Kenya is still limited to five per week in each direction (as compared to 30 in the early 1970s). But even so, the available capacity is not being effectively utilized, with wagons often lying idle for extended periods or travelling without full loads. This cannot be adequately

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8/ With only 20 passenger coaches presently available, URC has been using 20 of its livestock wagons for commuter services in the Kampala area. Some 84 passenger coaches are on order from the German Democratic Republic, but their delivery is uncertain.

9/ Minor repairs are presently undertaken at the Tororo workshop.

10/ The volume of transit traffic moving through Uganda in 1980 was estimated at 200,000 tons, and virtually all of this went by road. In the early 1970s, most of this transit traffic was transported by rail.

explained by bottlenecks on the use of the railway or any lack of potential demand. As the diverted traffic is often moved by Kenyan or Kenya-based companies, the higher cost is paid for by Uganda in foreign exchange. The Government, therefore, needs to take strong action to ensure that trucking vested interests do not cause an unnecessary diversion of long-distance traffic to road transport, and that, instead, the railway is used to the fullest extent possible.

6.14 Water transport. Inland water transport, once a major means of moving passengers and freight, has largely come to a standstill. This reflects: (a) disruptions caused by flood damage in 1962 and continued high water levels; (b) the breakup of the EAC, which resulted in the transfer of responsibility for inland water transport to URC, where it was given no separate institutional or administrative identity; and (c) increasingly effective competition from land transport. Except for a survey completed in 1976, little has been done to revive water transport services. There are now no regular services on the lakes (Albert, Kyoga and Victoria) or Nile, and virtually all vessels have sunk or remain unserviceable. One consequence of this neglect has been the isolation of the Sese Islands in Lake Victoria, whose population now has no regular connection to the mainland.

6.15 The major preoccupation of Uganda's approach to water transport in recent years has been to develop an alternative route to the coast. This reflects both political concern that Uganda should not be solely dependent on Kenya, and economic concern regarding the impact of congestion and clearance delays at Mombasa port. The alternative route via Lake Victoria to Tanzania was utilized to a limited extent before the breakup of the EAC and was reopened immediately after the 1978-79 war for transporting coffee exports.[11] However, use of this route stopped once again when the Jinja-Mwanza ferry, owned by Tanzania, broke down in 1980. Uganda ordered three new ferries in 1978, one of which is now under construction at Port Bell. These are intended to provide ferry services from Jinja, and possibly also Port Bell, to Mwanza and then connect by rail to the ports at Dar es Salaam and Tanga. (There have also been periodic discussions on opening up a new railway link via Musoma to Tanga, but this does not seem to be under active consideration at the present time.) Under normal circumstances, the Tanzania route is not as economic as the Kenya route, and would not be able to handle the full volume of transit traffic, particularly once the Ugandan economy begins to revive. Therefore, on economic grounds, top priority should be given to strengthening the Kenya route, with additional investments in the Tanzania route (for ferries, terminals and rail links) limited to the minimum level considered compatible with Uganda's strategic concerns.

6.16 Air transport. The airport system consists of an international airport at Entebbe and eleven domestic airfields, of which eight were operational until June 1981 when all domestic air services were suspended. Entebbe airport, which was completed in the mid 1970s, has three tarmac

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11/ Seven thousand tons of coffee were moved this way in 1979/80, although it is not clear how much of this was actually exported, and how much was used to repay Tanzanian debts.

runways capable of handling wide-body jet aircraft but lacks runway lighting for night operations. The airport has no facilities for regional air traffic control, which is presently handled from Kenya. Although the passenger terminal building is relatively new, it suffered extensive damage during the 1978-79 war and now needs structural reconstruction. Other facilities at the airport which were destroyed, damaged, or stolen include navigational aids, meteorological and fire fighting equipment, and the control tower. The war also interrupted construction of a new cargo terminal which remains unfinished due to a lack of funds. Upcountry airports have for the most part grass or murram landing strips, and small terminal structures which have not been maintained for lack of activity. Only one upcountry airfield at Soroti, the site of a regional air training school, has a control tower; most have no grass cutting equipment, and navigational and safety aids have been looted or remain unserviceable.

6.17 Uganda Airlines was formed in 1976 and became the sole national carrier with the collapse of East African Airlines in 1977. During the 1978-79 war, the airline lost its two Boeing 707s, four smaller propeller aircraft were damaged, and its cargo plane was requisitioned by the Ministry of Defense. Since the war, Uganda Airlines has replaced its two Boeing 707s and resumed limited international services. Domestic and regional services were also resumed using two Fokker Friendships and one Twin Otter; but, as already mentioned, domestic services have now been suspended. In 1980, the first full year of operations since the war, the airline carried 41,000 domestic and 43,000 international passengers, and 2,000 tons of cargo. However, the company's financial position was severely eroded by high fuel costs, service disruptions resulting from aircraft diversions for non-scheduled purposes, and the non-payment of bills, especially by public sector customers.

6.18 The first priority in the air transport subsector is to restore Entebbe airport to ICAO-required operational standards. At the moment, only three foreign air carriers are using Entebbe, but this could increase substantially once the airport is upgraded and the country situation, especially for tourism, improves. Under these conditions, Uganda Airlines should seriously consider whether it is necessary to expand international services. On economic grounds, even the two aircraft presently used for this purpose should probably be sold off. Instead, as circumstances permit, Uganda Airlines should re-establish and consolidate its domestic and regional services, for both passenger and cargo traffic. With the present foreign exchange and staffing constraints, this effort will initially have to be focussed on improved maintenance and aircraft operations rather than fleet expansion.

C. Rehabilitation Priorities

6.19 Rehabilitation of Uganda's transport system was emphasized in the Commonwealth Report as one of the key requirements for economic revival. The Government, for its part, has also recognized the importance of the transport system, by giving high priority to imports of road vehicles, and railway rolling stock and locomotives. However, although these imports have helped to increase the overall capacity of the transport system, many bottlenecks remain. In part, this reflects poor management of the resources available, especially: (a) diversion of trucks and aircraft for

non-rehabilitation purposes; (b) under-utilization of the available railway capacity; and (c) over-investment in lake ferries, long-haulage trucks and larger aircraft for international routes.

6.20 The Government's ten-year investment plan[12] for the transport sector is, perhaps inevitably, highly ambitious. For the initial rehabilitation period (January 1981 to June 1982), it includes as many as 90 projects costing US$290 million, of which US$220 million is in foreign exchange. Overall, taking into account the virtual absence of field work and effective transport planning in recent years, the plan is a useful first step in listing the resource requirements -- for new investments, rehabilitation and maintenance -- of the transport sector. However, a number of weaknesses in approach are apparent:

(a) the plan is intended to restore the capacity of the transport system to levels attained in the early 1970s, without due regard for subsequent changes in costs or patterns of economic activity, and the impact of the breakup of the EAC;

(b) little indication is provided of project priorities, taking into account the inevitable resource and administrative constraints which will restrict the size of the program for the immediate future;

(c) greater attention will have to be given to linkages between the transport sector and productive activities, as well as to intermodal coordination; and

(d) the program will have to be supported by more detailed analysis of present traffic levels and network conditions, especially in the roads subsector.

6.21 The Government is presently reviewing the investment plan for the transport sector with these concerns in mind, and it is expected that the new two-year economic recovery program will more clearly reflect present resource constraints and priorities. In particular, it will be necessary to extend the rehabilitation phase over a longer period (say, through 1985) and select only priority projects which: lead to more efficient use of the present infrastructure and transport fleets, especially through strengthening maintenance and repair capacity; remove critical bottlenecks to the revival of productive activities, especially exports; have relatively low costs (especially in foreign exchange) and short gestation periods; and are simple to implement. Given the present problems as outlined in Section B, the following immediate priorities would seem to be appropriate:

12/ As presented in the Ten-Year Programme of Action 1981-90, September 1981.

(a) cooperation with Kenya to: (i) improve the joint organization and control of railway operations, including the rationalization of interchange and revenue agreements between the two countries; and (ii) reduce the influence of trucking vested interests on the utilization of the railway for long-distance traffic;

(b) increasing the capacity of the railway by: (i) importation of hand tools for routine track maintenance; (ii) rehabilitation of the signalling and communications system; (iii) selective track rehabilitation, and also limited upgrading, as justified by traffic levels; and (iv) possibly, additional purchases of tank cars and passenger coaches;

(c) to permit major repairs to rolling stock and locomotives to be undertaken within Uganda, completion of the Nalukolongo workshop and importation of appropriate railway spare parts;

(d) strengthening of the road maintenance program, through: (i) imports of simple tools, equipment and vehicles; (ii) rebuilding workshop and storage facilities; and (iii) strengthening (in terms of staff numbers, expertise and motivation) the administrative capacity of the Ministry of Works;

(e) rehabilitation of priority road links, especially those providing access to rail heads[13] and connecting Kampala with nearby centers of economic activity (Port Bell, Entebbe, Jinja, Wobulenzi, and Masaka);

(f) to improve utilization of the existing road vehicle fleet, importation of appropriate spare parts (some new bicycles, pickups and passenger buses could also be considered), and rehabilitation and completion of public transport workshop facilities; and

(g) upgrading of Entebbe international airport to ICAO-required operational standards, including rehabilitation of the passenger terminal, completion of the new cargo facilities, and replacement of navigational, meteorological and safety equipment.

6.22 Although the most obvious constraint at the moment on rehabilitating the transport sector is the shortage of foreign exchange, there is also an urgent need to strengthen the Government's capacity to coordinate transport policies and planning. At the moment, transport sector responsibilities are divided among the Ministry of Transport, Ministry of Works, and the numerous parastatals involved in the sector.[14] Transport planning is supposed to be done by the Ministries of Transport and Planning, but to

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13/ For example, the road links from Kasese to Katunguri, Ishaka to Ntungamo to Kabale, Gulu to Nimule, Arua to Pakwach, and Fort Portal to Kasese.

14/ At the moment, URC and Uganda Airlines report to the Ministry of Transport, while UCTU reports to the Ministry of Marketing and Cooperatives and Transocean to the Ministry of Commerce. It would be worth considering bringing all of these transport parastatals under the one umbrella of the Ministry of Transport.

Table 6.1: TRANSPORT RATES /a

(U.Sh.)

	Units	Before Devaluation	After Devaluation
Passengers			
Rail:			
Kampala-Jinja	per passenger	28.5	90.0
Kampala-Gulu	per passenger	181.0	450.0
Kampala commuters	per passenger	10.0	10.0
Bus (public):			
Kampala-Jinja	per passenger	22.5	100.0
Kampala-Gulu	per passenger	93.2	350.0
Bus (private):			
Kampala-Jinja	per passenger		200.0
Kampala-Gulu	per passenger		400.0
Passenger car:			
Kampala-Jinja	per car		1,882.0
Kampala-Gulu	per car		2,141.0
Air:			
Entebbe-Gulu	per passenger	390.0	2,655.0
Cargo			
Rail (bulk oil):			
Malaba-Kampala	per ton	108.0	634.8
Malaba-Jinja	per ton	79.5	351.3
Malaba-Kasese	per ton	213.0	1,229.1
Road (public):			
Kampala-Jinja	per ton	136.8	610.5
Kampala-Gulu	per ton	296.7	1,840.4
Road (private):			
Kampala-Masindi	per ton		7,500.0

/a Guidelines provided by Ministry of Transport

Source: Ministry of Transport

date, little has been completed apart from the collection of data for the ten-year action program. As a result, the parastatals tend, by default, to have a high degree of autonomy in investment decisions, often without due regard to intermodal coordination or the broader priorities of the economy. This situation needs to be improved as soon as possible, with the Ministry of Transport taking a lead role in efforts to: (a) increase and systematize knowledge about the transport sector; (b) assess Uganda's medium- and long-term transport needs; (c) prepare a comprehensive and integrated transport investment program; and (d) develop an appropriate transport strategy and policy framework. These efforts will have to be supported by measures to strengthen staffing in the key ministries and parastatals, through in-house training of technical and professional personnel and appropriate use of expatriate technical assistance.

6.23 Finally, a word about transport costs and prices. Transport costs have risen dramatically in Uganda in recent years, reflecting higher fuel prices, domestic shortages and inflation, and the deteriorating condition of the transport infrastructure. These problems have been compounded by the impact of falling traffic levels on unit costs and the misallocation of traffic among transport modes. As a result, the financial viability of the various transport parastatals, many of which were already suffering from poor management and undercapitalization, has been seriously eroded, and most require operational subsidies from the Government to survive. On top of this, transport costs have now jumped again following the recent devaluation of the Ugandan shilling and associated wage and price adjustments. As shown in Table 6.1, the Ministry of Transport has accordingly reviewed the existing guidelines on transport rates and suggested substantial increases. These adjustments are inevitable under present conditions, and will help move rates in line with economic costs. But, at the same time, there is an urgent need to work towards an improvement in transport efficiency to help reduce the impact of high costs on effective demand and the pace of economic recovery. To this end, the Government should continue to keep transport regulation, pricing, taxes and subsidies under review, to encourage competition and to ensure that adequate incentives are provided to the parastatals to improve their operating performance.

Chapter 7

ENERGY

A. Introduction

7.1 Energy use in Uganda is primarily based on electricity, petroleum and woodfuels. At the present time, Uganda has a surplus of electric generating capacity, but this could soon be absorbed as the economy recovers. Fortunately, Uganda has abundant potential for further development of relatively cheap hydro-electricity. Expansion of electric generating capacity should not only be geared to the increase in domestic demand associated with economic growth, but also to the opportunities to substitute for more expensive fuels (such as petroleum products) and to secure long-term export agreements with neighboring countries. Uganda has no identified petroleum reserves and the resultant need to import all of the country's petroleum product requirements represents a major drain on foreign exchange; in 1981, more than 50% of Uganda's merchandise exports went to pay for petroleum products. Little is presently known about the woodfuel subsector, even though it is a major source of energy for domestic heating and cooking. Charcoal is also used in industry, chiefly for the production of steel, lime and cement. There is mounting concern that uncontrolled development of charcoal and firewood will eventually deplete the most accessible and economic forest resources, and lead to mounting soil erosion problems.

7.2 Among the alternative sources of energy which could possibly be developed at some future date, few appear to be economic. Biogas is probably one of the more promising prospects, especially in isolated rural areas, and there are also favorable natural conditions in the rift valley for the development of geothermal resources. However, for general use, neither are likely to be competitive with hydro-electricity. The same holds true, a fortiori, for gasohol production from sugar, especially since the country actually imports sugar at present to meet food needs.

7.3 Two years ago, the Ministry of Power and Transport was separated into the Ministry of Power, Posts and Telecommunications and the Ministry of Transport, the latter taking most of the staff. The Government has recently decided to expand the Ministry of Power, Posts and Telecommunications into a new Ministry of Energy, which now has primary responsibility for regulating the energy sector and formulating energy programs and policies.[1] This Ministry is still in a formative stage: only 45 positions

1/ The Ministry of Energy also has responsibility for posts and telecommunciations. Although this sector was not reviewed in detail by the economic mission, it is clear that postal and telephone services have virtually collapsed in Uganda, and substantial expenditures on spare parts, modernization of exchanges, and vehicles will be required to restore normal operations. The Uganda Posts and Telecommunications Corporation, which was formed to look after the installations in Uganda on a caretaker basis after the breakup of the EAC, will also need total restructuring (legally and financially) if it is to become a viable and effective institution.

were filled in mid 1981, and it is estimated that an additional 150 new staff will be required to handle its expanded responsibilities effectively. It is therefore not surprising that the Ministry has not as yet had time to provide any effective guidance to long-range planning and policy for the sector.

7.4 Partly because of this lack of effective government involvement, and partly because of the general conditions in Uganda, there remain many gaps in the data base on the energy sector. Given the importance of the sector, every effort needs to be made to fill these gaps and complete a more comprehensive energy assessment for the country. This will require, inter alia, additional information on actual and potential energy demand, the options for electricity development, petroleum consumption patterns, and the fuelwood subsector. Nevertheless, it is possible at this stage to provide an overview of the present situation in the important electricity and petroleum subsectors, and to identify the major issues that will have to be addressed in the coming years. This is the focus of Sections B and C below.

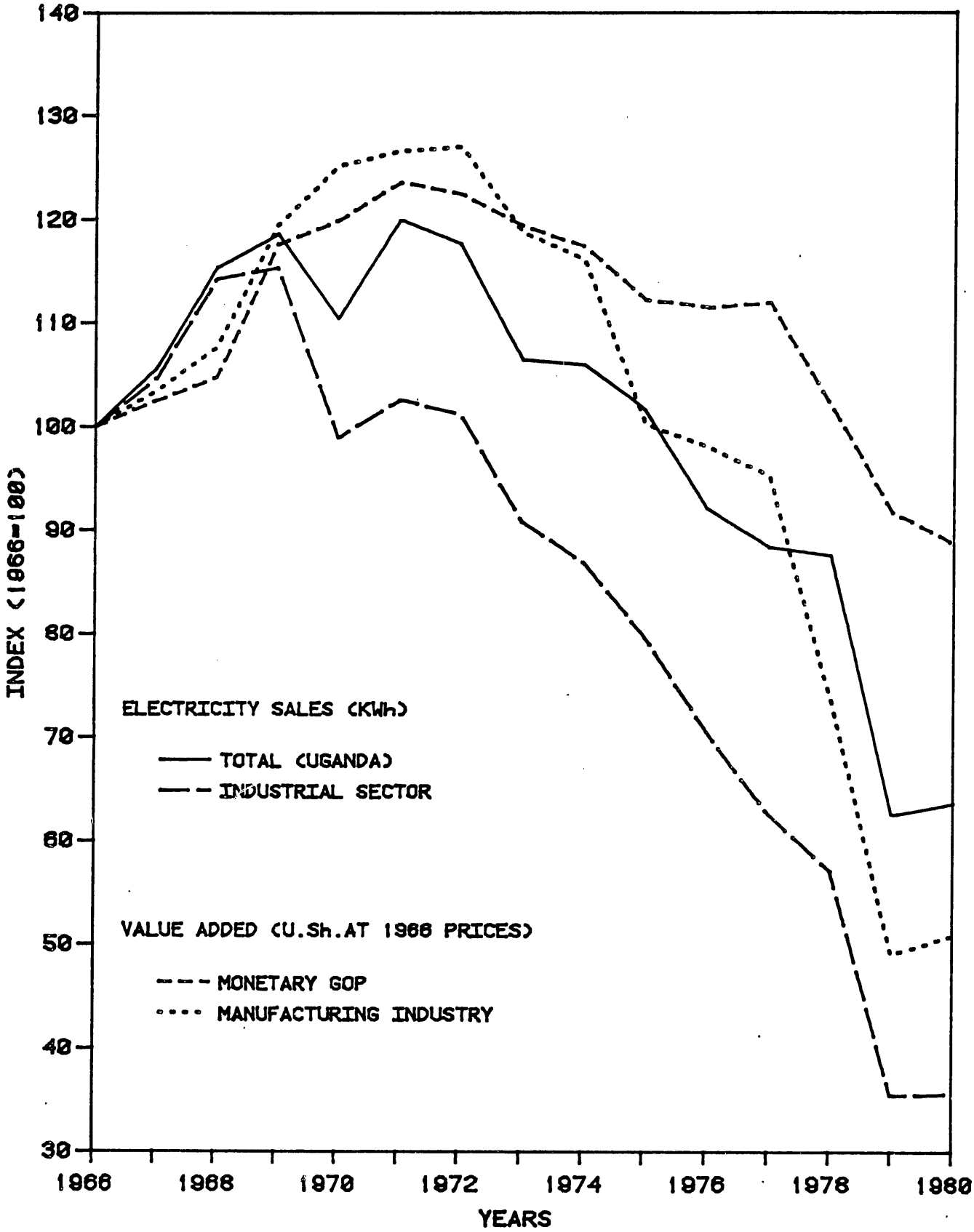
B. Electricity

7.5 Uganda's installed generating capacity is 154 MW. Of this, 150 MW is provided by the Owens Falls hydro-electric station, with the balance of 4 MW coming from seven small diesel stations and one small hydro-electric station in the northern and western regions. The Owens Falls station, situated just downstream from the Victoria source of the Nile, was commissioned in 1954 and was expanded to its present capacity by 1968. Despite its age, the station is still in good condition and reliability is high. This reflects the excellent maintenance and operating record at the station, as well as the favorable natural conditions provided by an abundant and clean source of water. Although some of the ten units at Owens Falls are now being derated because of age, they are still capable of sustaining a 10% overload during peak-load periods.

7.6 Electricity consumption within Uganda rose on average by 6.4% per annum from 1964 to 1971. (The only disruption to this upward trend came in 1970, when consumption was curtailed by the conversion of a number of firms, including Nyanza Textiles, from electricity to fuel oil for raising steam.) However, since 1971, consumption has fallen by almost one-half, to 239 million kwh in 1980. As shown in Chart 7.1, the bulk of this decline was contributed by the industrial sector, in line with the fall in industrial activity during the 1970s. As a result, industry's share in electricity consumption fell from around 75% in the mid 1960s to 42% in 1980. Overall, despite the fall in total consumption during the 1970s, the number of customers serviced by UEB has continued to rise. (There was a sharp fall in the number of customers in 1979 due to the impact of the 1978-79 war, but this was recovered in 1980.) However, the total number of customers is still less than 100,000 and annual per capita consumption, at 19 kwh, is presently among the lowest in the world.

7.7 Faced with the prospect of surplus generating capacity, Uganda entered into a 50-year contract to sell electricity to Kenya in 1958. This initially provided for sales up to 30MW, although maximum demand by Kenya has risen as high as 48MW in recent years. Although the terms of the

CHART 7.1 ELECTRICITY CONSUMPTION



SOURCE: SA TABLES 2.2 AND 10.1

contract were renegotiated in 1980, they remain highly favorable to Kenya. Kenya now pays a minimum charge of K.Sh. 7.95 million per annum for up to 30MW of electricity. For all energy supplied in excess of 100% load factor on 30MW, Kenya pays an additional K.Sh. 0.135 per kwh. Reflecting these new terms for half of the year, Uganda's foreign exchange earnings from the sale of electricity to Kenya totaled US$2.6 million during 1980.

7.8 Even with the export of electricity to Kenya, Uganda's installed generating capacity has become increasingly underutilized, with the ratio of maximum demand to installed capacity falling from a peak of 84% in 1973 to 69% in 1980. The demand for electricity is, of course, closely tied to the general prospects for economic recovery, and these are not easy to predict. However, a number of factors would suggest that a fairly rapid increase in demand needs to be planned for: (a) the economy is presently highly depressed, especially in the industrial sector, and with appropriate policies and support, the prospects for an early recovery would appear to be good; (b) under normal circumstances, electricity demand tends to rise faster than the level of economic activity; and (c) in Uganda, there is considerable scope for substituting electricity for petroleum and other energy sources in response to relative prices and extension of the transmission network. Even with a modest assumption of 7% per annum growth in domestic demand, and continuation of sales to Kenya at the contract level of 30 MW, present capacity would be fully utilized by 1986.[2] Given the normal lead time of four to five years in planning and constructing a hydro-electric station, it is therefore clear that a decision needs to be taken soon on expanding capacity.

7.9 Fortunately, Uganda has abundant potential for economic and reliable hydro-electric development, especially along the Nile river between Lake Victoria and Lake Albert. However, even at a sustained growth rate of 7% per annum, domestic demand could only justify additional capacity of about 30 MW by the end of the decade. This would, therefore, require the construction of small schemes or the phased development of larger schemes at relatively high unit costs. In this context, it is important to explore the prospects for additional regional sales, especially to Kenya. These sales could help relieve Kenya's own power constraint at possibly lower cost than construction of additional capacity in Kenya,[3] reduce the per unit cost of Uganda's electricity generation, and provide a valuable source of foreign exchange. However, it would be essential that a firm commitment was made to buy electricity from Uganda, and at an economic price, before the decision to construct a large-scale station was made. Apparently, some

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2/ This projection assumes that: (a) domestic demand in the base year (1981) will be 75 MW; and (b) one of the ten units at Owens Falls will be kept as a reserve for normal maintenance and emergencies.

3/ A 1968 study, sponsored by the World Bank, indicated that joint development of the generating potential in Kenya and Uganda would be mutually advantageous, especially for Kenya. This study could usefully be updated now, as with changing cost considerations, the advantages to Kenya of purchases from Uganda have probably increased.

preliminary contacts between the two countries have already been made on this issue, but no concrete proposals have yet been discussed. Prospects for sales to other countries within the region, including Tanzania and Sudan, also need to be explored on a priority basis.

7.10 A number of feasibility studies have already been completed for new hydro-electric projects in Uganda. These include the following proposals:

(a) Extension of the Owens Falls station. This would involve construction of a new station on the opposite side of the river but using the existing dam. This could add an additional 60MW of capacity, although the cost per MW is estimated to be substantially higher than for the "run of the river" station at Ayago [see (d) below].

(b) The Bujagali project. This site is 5 miles downstream from Owens Falls and could generate 180 MW. However, it would take as long to construct as (c) or (d), both of which provide much more final capacity.

(c) The Kabalega Falls project. This would seem to be a technically sound alternative for the staged development of up to 600 MW of capacity, but has been discarded for environmental reasons (the Kabalega Falls are one of Uganda's major tourist attractions).

(d) The Ayago project. This site is upstream from Kabalega Falls. Although the feasibility study is still not available,[4] it is understood that this project could be started by first building a "run of the river" station of about 60 MW, with final capacity of up to 500 MW once the full dam is completed.

7.11 Among these options, the immediate priority would seem to be the "run of the river" station at Ayago. This project could provide adequate capacity for Ugandan demand through the end of the 1980s. The larger projects are only likely to become viable over the longer term, or if satisfactory export arrangements can be made. Any final decision on new investments in electric generating capacity will have to await review of the feasibility report for the Ayago project as well as preparation of a more rigorous forecast of demand. When both of these are available, the various alternative proposals should be compared to find the least-cost solution. The subsequent timing of project implementation will depend on when additional capacity is required and the availability of financing within the overall framework of investment plan priorities.

7.12 Transmission. The country's major transmission line (132 kv) extends across the southern part of the country, to cover Kampala and Jinja to the west of Owens Falls and Tororo to the east. At the Tororo substation, the line connects with the Kenyan system and to a northern line running up to Lira. The rest of the country is served by lower voltage subtransmission and distribution lines, although there remain some sparsely populated rural areas without electricity supply.

4/ The report has apparently been completed, but Uganda has so far been unable to make the final payment for its release.

7.13 The transmission and sub-transmission systems are generally in satisfactory condition except where a few steel towers, destroyed during the 1978-79 war, need replacing. On the other hand, the substations, distribution networks, and underground cables are 30 or more years old, and in many cases have passed their normal life expectancy. With little maintenance or modernization over the past ten years, there is now a backlog of replacement requirements. An initial priority list of imported equipment and materials is being financed under the IDA Reconstruction Credit and a program grant from the United Kingdom, but additional recurrent funding for this purpose will obviously be required.

7.14 Some expansion of the transmission system, through a rural electrification scheme, has also been proposed. This is designed to bring electric supply to the western part of the country where some 12,000 new customers would initially be connected. In addition, the scheme will replace some of the diesel stations now serving isolated areas, thereby saving high-cost imported fuel. The scheme, which is estimated to cost about US$15 million (including US$8.5 million in foreign exchange), is expected to be financed by the EEC. When it is complete, the scheme will add about 7 MW to aggregate demand.

7.15 UEB's financial position. Under the Electricity Act, as modified in 1964, the tariffs to be charged for electricity service by UEB are to be adequate to cover recurrent expenditures, depreciation, and loan repayments, and to provide an allocation to reserves. This was the case through 1972, when UEB was earning a rate of return on fixed assets of around 12% (see SA Table 10.2). However, in subsequent years, with only marginal tariff adjustments and declining consumption, UEB's financial position deteriorated. In 1978 and 1979, UEB's accounts showed a net loss. The situation had started to improve following a 50% tariff adjustment in 1980.[5] However, recent cost increases, resulting from the devaluation of the Ugandan shilling and wage and salary adjustments, have undermined UEB's financial position once again. Although a further 50% tariff increase was approved in January 1982, and another 50% increase is expected in July, these will not be adequate to fully cover UEB's recurrent expenditures.

7.16 More fundamentally, there is an urgent need to review the Electricity Act, to provide for regular and frequent tariff adjustments in line with UEB's costs. In particular, the existing general statement on tariff levels should be replaced by a more detailed tariff regulation, setting out guidelines for calculating the rate base (including provisions for asset revaluation), and the procedures and basis for tariff adjustments. The existing schedule of tariffs for different consumers is essentially an old-fashioned "room rate" schedule, and has not been substantially revised since its introduction in 1961. It therefore needs to be reviewed to bring it in line with modern practices and tariff concepts.

5/ The rate of return on fixed assets recovered to 4% in 1980 and an estimated 8% in 1981. However, this latter figure will be substantially reduced with the revaluation of assets at the new exchange rate.

7.17 UEB's financial position has also been adversely affected by weaknesses in the system of billing and payment collection. In this regard, there are three problems at the moment. Firstly, UEB computerized its accounting and billing system several years ago. However, due to inadequate maintenance and shortages of spare parts, the computers are frequently out of service and as a result, collections are at least three months delayed. (As similar problems are also faced by other parastatal bodies, including the Uganda Posts and Telecommunications Corporation, it might be better to establish a central computer center, preferably operated and serviced by the supplier.) Secondly, the difference between units billed and units generated is presently about 25%. As normal system losses should be about 17%, this suggests illegal use of around 8%. UEB has started a campaign to eliminate illegal connections and meter thefts, but this is inevitably difficult under present conditions. Although pressure to pay overdue accounts is also being applied through service cuts, these are not very effective given the billing delays noted above. Finally, UEB's financial position has been adversely affected by large accounts receiveable owed by the Government and parastatal organizations. At the end of 1980, these totaled U.Sh. 85 million; excluding debts owed by UEB to the Government, the net amount was still U.Sh. 21 million. Some solution to these outstanding debts needs to be found to enable UEB to operate on a sound financial basis.

C. Petroleum

7.18 Uganda imports all of its petroleum products. As shown in SA Table 3.4, the volume of petroleum imports fell by more than 50% from 1971 to 1979, reflecting the general decline in the economy and the increasingly tight foreign exchange constraint. There was a further cut-back in consumption from mid 1981, following the sharp increase in retail prices introduced by the Government (see paragraph 7.21). However, with higher world prices, the foreign exchange cost of petroleum imports (including oil company service payments) has continued to rise, reaching an estimated US$114 million in 1981: this is more than seven times higher than in 1971 and absorbed over 50% of Uganda's export earnings.

7.19 The importation and marketing of petroleum products in Uganda is handled by six companies, the largest of which (Shell) is jointly owned with the Ugandan Government. Three of these companies, including Shell, supply 58% of the market, primarily using crude purchased from their associate companies overseas and processed at the Mombasa refinery.[6] The remaining three companies buy products in the Nairobi market. It would seem that the processing of crude provides a substantial saving over purchases of Kenyan products, on which a high minimum export price is imposed.

6/ The petroleum products obtained from a barrel of crude do not always correspond in type or quality with what is required to meet the demand in Uganda. Therefore, the oil companies sell the surplus products and give Uganda a corresponding credit.

However, both options are more expensive than direct imports of products from the Middle East.[7] Although some direct purchases have apparently been made in recent months, to augment the supply of aviation fuel, the scope for more widespread use of direct product imports from the Middle East needs to be explored. As regards transit transportation, light-end products (e.g., motor spirit, kerosene) are moved from Mombasa to Nairobi by pipeline and then on to Uganda by truck. Heavy-end products (e.g., fuel oil) used to be sent by rail directly from Mombasa, but most of these are also now going by road. This is apparently due to the influence of trucking vested interests rather than any shortage of railway tank cars. As use of road transport is much more expensive than the railway, a solution needs to be found on a priority basis. The extension of the pipeline to Kampala or construction of a refinery within Uganda are not considered economic options at this time.

7.20 Under the present system, the Government is supposed to release foreign exchange to pay for imported petroleum products (as well as oil company service payments) on the basis of quantities and costings as reported by the oil companies themselves. This approach has become increasingly unacceptable to both the Government and the oil companies. For the Government, it has been difficult to check whether the products have been actually arriving and the validity of the costings presented. To help resolve this problem, the oil companies themselves have now instituted an independent audit of the supply situation. For the longer term, the proposed Petroleum Inspectorate in the Ministry of Energy will have to take an active role in collecting and analyzing data on the import of petroleum products. This will not only help monitor the operations of the oil companies, but also provide a basis for evaluating the overall supply and demand situation, and designing appropriate pricing policies. For the oil companies, the recent difficulties experienced by the Government in meeting import payments meant that either supplies would have to be cut off or involuntary credit extended. Fortunately for Uganda, the companies did not cut off supplies, and as a result, the accumulated arrears on petroleum imports reached US$50 million by the end of May 1981. These arrears have now been reduced to an acceptable level. However, the Government needs to ensure that a similar situation does not arise again, especially as the initial demand for petroleum can be expected to rise with a recovery in economic activity.

7.21 Although exploration for petroleum has been done on several occasions, the latest in 1978, no commercially viable reserves have yet been clearly identified. While further surveys are probably justified, the more immediate prospects for reducing the large foreign exchange burden of petroleum imports are to be found in petroleum conservation and the development of alternative energy sources, especially hydro-electricity. In this regard, the Government has already taken a major step towards restraining petroleum demand by raising retail prices. As already discussed in Chapter 2 (see Table 2.6), the retail prices of gasoline have been raised more than

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7/ Taking the example of premium gasoline, our own estimates would suggest that in mid 1981, the cost per ton c.i.f. Mombasa would have been US$406 if imported directly from the Middle East, US$463 if processed through the Mombasa refinery, and US$539 if purchased on the Kenyan market.

tenfold since April 1981, reflecting the full impact of the June devaluation. Substantial adjustments in prices for diesel and kerosene have also been made. At these levels, the retail prices reflect the full cost of importation and marketing and also provide a significant contribution to government revenues in the form of import and sales taxes. Although import levels have recently been reduced, these prices appear adequate to clear the market without rationing or significant "magendo" premiums.

7.22 At present economic costs, Uganda should seriously consider making greater use of its ample hydro-electric potential to substitute for petroleum use. Perhaps the best prospects for this are in industry where firms now using oil to produce their own electric power and process steam could be converted to mains-supplied electricity. It is estimated that about 20 MW of additional electricity demand would be involved, possibly saving as much as 10% of the present petroleum import bill. Progress in this area will require feasibility studies for individual firms, to determine the economic justification for conversion, the capital investment required and the optimal timing of implementation. Where conversion is justified, the Government may want to consider introducing tax inducements (e.g., accelerated write-offs) to help overcome the financial constraints facing individual firms. In other instances, where major rehabilitation would be required before conversion becomes economic it may be necessary to delay investment in conversion for a number of years. With careful planning, a successful petroleum conservation program could be developed, and the Ministry of Energy should take a lead in this as an important component of the country's overall energy strategy.

Chapter 8

EDUCATION

A. Introduction

8.1 The collapse, characteristic of most areas of the Ugandan economy during the 1970s, is not so evident in the education sector.[1] Though subject to the same constraints and adverse country conditions, public and private investment in education, as well as enrollments, have expanded rapidly over the past decade. This is indicative of the high priority attached to education by the Ugandan people, at all income levels, and the apparent economic and social returns education continues to provide. However, this expansion has in fact only been possible at the expense of educational quality, and substantial rehabilitation is now required if the earlier standards, of which Uganda is justly proud, are to be regained. In particular, the education system has suffered from: the general lack of maintenance characteristic of the past decade; the departure of Asians, which left critical gaps in secondary school teaching, especially of mathematics and science; a decline in teacher morale and productivity due to falling real incomes, harrassment, and better opportunities elsewhere in the "magendo" economy or overseas; and the loss or damage of school supplies, buildings, and equipment. While the most striking examples of this decline are to be found at Makerere University, once recognized throughout the world as one of the premier African universities, the most serious and pervasive effects have probably been at the other end of the education spectrum, in the primary schools. Now, many primary students attend schools without windows, chairs, books, or writing materials; unless this situation is quickly corrected, these deficiencies will impact on the higher levels of education for many years to come.

8.2 The coverage of this chapter is incomplete, with gaps in a number of important areas: enrollment rates, the condition of schools throughout the country, differences in access to education between income groups and regions, and teacher numbers and standards. Additional information in these areas would be required to provide a more comprehensive review of the education sector. However, given the importance of the sector within Uganda -- not only for relieving the country's skilled manpower constraints but also for improving the range of economic opportunity and quality of

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1/ Uganda's education system consists basically of four levels: first, seven years of primary education, which is estimated to cover about one-half of the respective age group; second, of those who complete primary school, about one-quarter enter secondary school for four years up to "O level" or enter technical school for up to three years of vocational training; third, of those who pass the "O level" examinations, about 40% continue into higher education, including secondary school for another two years to "A level", various departmental training institutes, and teacher training colleges (Grade III); and finally, after "A level" examinations, students are eligible to go on to university, either at Makerere University in Kampala or overseas.

life for the individual -- it is essential that some preliminary assessment of present conditions and the implications for resource allocations is made.

B. Present Conditions and Problems

8.3 Expansion. In primary education, both the number of places for grade one students and the total number of students enrolled more than doubled between 1969 and 1979 (see SA Table 11.1). This expansion required the construction and furnishing (to the extent possible) of 2,243 new primary schools, an average of 250 per year. The entire capital cost of these new facilities was borne by private citizens rather than the Government. A similar expansion is evident in post-primary education, with enrollments in secondary schools,[2] pre-university courses, and at Makerere University all rising by 100% or more during the 1970s. (The returns to post-primary education were probably maintained, despite the general downturn in the economy, by the exodus of many entrepreneurs and middle-level personnel in the mid 1970s.) At these education levels, the Government has more direct involvement, accounting for all construction of pre-university and university facilities, and most of secondary schools. Even so, the number of private secondary schools rose from 46 to 92 during the 1970s, or from 39% to 44% of the total number of secondary schools in the country. It is important to note that, even with the rapid increase in enrollments, the proportion of primary school leavers able to continue to secondary school declined from a high of 32% in 1964 to 13% in 1979.

8.4 In addition to the consistent growth in construction and enrollments at all levels of the education system, the administration of the sector has continued to function remarkably well under the circumstances. For example, teacher training inspections have been maintained (albeit not on as regular a basis), despite staffing and transport constraints.[3] Similarly, the primary leaving examination, which is printed and marked in Nairobi or (on two occasions in the last ten years) in London, has continued to be administered every year, without scandal and on schedule. In 1979, this involved the distribution, supervision and collection of almost 400,000 separate test instruments for 132,000 candidates at 4,000 different school locations around the country.

2/ The proportion of female secondary school students increased from 25% in 1969 to 40% in 1979.

3/ There are now only one-third the number of inspectors as compared to a decade ago, and they are responsible for many times more candidates. As all of their vehicles have been lost, the inspectors notify the District Education Officers of the dates they will be available for inspection and leave it to the DEOs to arrange transport to the 30 training colleges around the country. Because inspection is essential before a new teacher can enter the district's schools, the DEOs inevitably find the transport, at whatever cost.

8.5 Quality. Although the education sector in Uganda has continued to expand, this has only been possible, given the resource constraints, at the expense of quality. As shown in Table 8.1, the level of science knowledge in the last year of primary school, which was never high in the best of times, is today among the lowest in the world, and approximately half of what would be expected in an industrialized country.[4] Ugandan performance in reading and sentence comprehension is at or below the average for other less developed countries, and substantially below the average for developed countries. As alarming as these results may be, there has been surprisingly little decline over the past decade in the level of mathematics achievement attained by primary school students. Indeed, for the five sample schools, the proportion of mathematical questions answered correctly remained approximately the same (45% in 1971 and 47% in 1981). This probably reflects: (a) the improvement in teacher quality following the retirement of 400 vernacular (non-English speaking) teachers;[5] (b) the fact that many schools have attempted to compensate for the scarcity of classroom resoures by requiring students to spend an additional two to three hours memorizing lessons written on the chalkboard; and (c) the relatively lower dependence on textbooks for mathematics as compared to science, language, history and geography.

8.6 Despite the obvious resourcefulness of schools, it will be virtually impossible to improve education quality without first improving the availability of classroom supplies. In the five sample schools, four had no textbooks at all, none had an operating duplicating machine, and there were far fewer chairs than pupils. Today, the norm is for students to spend longer hours in school sitting on a barren floor, copying and memorizing a lesson which the teacher has summarized (on the chalkboard) from a single out-dated textbook, as often as not, borrowed from a neighboring school. Uniforms are now a rarity, and many pupils have to share pencils and note paper. The effect of this scarcity is then passed up through the system. In 1980, 49% of those who sat for their "O levels" either failed or received the lowest possible pass, while in university, 20% of those who attempted to major in science failed to obtain a degree in their chosen specialization.

8.7 Staffing constraints -- in terms of numbers, qualifications, and motivation -- have also played a role in the decline in educational qual-

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4/ These very preliminary conclusions are based on results from only 5 primary schools (out of more than 4,000 in the country) all located in one district, Mpigi. Results from a sixth school, Buddo, were considered unrepresentative and excluded; Buddo is one of the most exclusive schools in the country. The other five schools, however, can be taken as at least representative of Mpigi district. In general, schools in Mpigi district are more advantaged than schools elsewhere, though the impact of looting during and after the 1978-79 war may have been more serious than in other parts of the country.

5/ This is also reflected in improved levels of teachers' English language comprehension revealed in test results from the sample schools in Mpigi.

Table 8.1: PRIMARY ACADEMIC ACHIEVEMENT /a
(% of items correct)

	General Science	Reading Comprehension	Sentence Comprehension /f
LDC average /b	37	46	42
Uganda /d /e	30	43	42
Malawi /e	42	34	61
Thailand	47		
Chile	36	61	42
India	36	53	27
Iran	32	39	39
DC average /c	55	70	80

/a Based on achievement items used by the International Association for Evaluation of Educational Achievement on a ten-year old population.
/b Average of six countries listed.
/c Average of twelve countries.
/d Average of five schools in Mpigi district.
/e Students in Uganda and Malawi had a minimum of three years more education than did students in other countries, and were 5.2 and 6.0 years older respectively.
/f Percentage missing one or none of nine items. In Malawi, the first two items were given as examples, providing a 22% advantage.

Source: World Bank

ity. This reflects the departure of Asians, which left critical gaps in secondary school teaching, especially of mathematics and science, and the impact of falling real wages and harrassment on teacher morale and productivity. The actual number of teacher training candidates has in fact continued to rise during the 1970s, by as much as 80% for Grade II candidates, 250% for Grade III candidates and 470% for in-service upgrading. But more importantly, the proportion of teachers classified as "unlicensed" increased from 14% in 1971 to 35% in 1981.[6] The critical constraint now in primary education is the scarcity of places in Grade III teacher training institutions which necessitates the use of "unlicensed" teachers. At Makerere, only one half of the 627 established posts are currently filled. In many ways, this would still represent an acceptable staff/student ratio, if only the necessary back-up services and supplies were available. But they are not. This situation could perhaps be improved by allowing university departments to convert salaries for unfilled posts into expenditures on back-up requirements.

8.8 Financing. The education sector is one of the nation's largest industries and the largest public sector employer. In 1981/82, 5% of the Central Government's development budget and 19% of the recurrent budget have been earmarked for the Ministry of Education. In addition, a substantial amount is invested in education from private sources. In 1981, the Government collected U.Sh. 66 million in primary and U.Sh. 28 million in secondary school fees. Primary schools, on their own, collected perhaps four times more again in fees, and provided a significant contribution in labor and materials. Therefore, efficient management of resources in the education sector is obviously a critical component of the country's overall rehabilitation strategy.

8.9 Fiscal management in secondary education continues to work reasonably well. School fees are collected and managed directly by the Headmaster, supervised with periodic audits by the Government. The Headmaster can use the fees, together with grants-in-aid from the Government[7] to purchase the school's supply requirements from the most appropriate source, public or private. In addition, the Government provides direct assistance-in-kind, such as textbooks, chalk, exercise books, pens, maps and other visual aids.

8.10 Primary schools were traditionally managed by their own parent committees and their sponsoring (usually religious) voluntary agencies. However, in the mid 1960s, these powers were subsumed by local

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6/ Unlicensed teachers are those who fail to obtain an "O level" examination score sufficient for entry to "A level" or into the health or agricultural colleges. Unlicensed teachers have usually obtained a "third class pass"; that is, they have passed the required number of subjects, but have failed to pass mathematics and science.

7/ In 1981, these grants-in-aid amounted to U.Sh. 5,000 per "O level" pupil and U.Sh. 6,000 per "A level" pupil.

government.[8] This has caused two major problems. Firstly, the standard of fiscal management has declined significantly. In some districts, school fees have been transferred to the general revenue pool and used for non-educational expenditures or allotted excessively (above the legal 10% limit) for local managerial functions. The watchdog activities of school management committees have been hampered by poorly maintained accounts and the formation of joint-management committees for several schools, appointed by the district government. Secondly, in an attempt to provide a more equitable distribution of school supplies, four parastatal companies were established, with monopoly rights to copyright and print school textbooks and to distribute school supplies. However, the actual outcome was disastrous. By 1971, the average primary school had received only 60% of their orders, although all had been prepaid through the forced transfer of school fees to local government. Some schools in fact received none of the supplies ordered while others received more than double. The end result, despite the best of intentions, has been to increase inefficiencies and social inequalities.

8.11 Given the enormous task ahead of rehabilitating the education sector, and the limited public revenues available for this purpose, priority should be given to tapping new financing sources and ensuring that all resources allocated to education are used effectively. At the moment, demand for primary, secondary and higher education remains high, and the general population is willing to pay a portion of the cost. Yet, fees in primary and secondary schools have not been changed in more than a decade, and with rampant inflation, are now worth only a fraction of their initial value. Furthermore, no fees are charged after "O level" in secondary school, providing a subsidy to higher education which has always been difficult to justify, but which now simply cannot be afforded any longer.[9] This applies equally to university preparation, university (Makerere now has more than 5,000 enrollments compared to only a few hundred two decades ago when state sponsorship was introduced), and post-secondary technical training (teacher, nursing, engineering, and agricultural extension). In

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8/ There are three categories of government-aided primary schools in Uganda: (a) former Asian schools; (b) former European schools; and (c) all others. The first two categories have in fact been provided special status, in that their management committees are still allowed to control school accounts, and their quality is maintained through special "capitation grants". However, as the school population is now entirely African, this distinction is obsolete and a consistent policy towards the financing of all primary schools needs to be established.

9/ No fees are charged to "A level" students directly; the expectation is that they will be sponsored by their local district administration. This has now broken down, and in certain instances, schools now insist that the fees for "A level" be covered by the student. At the university, not only are there no fees, but the state is expected to cover a student's "pocket money" which in 1981 amounted to U.Sh. 4,800 per student year. School maintenance in primary and secondary schools is assisted enormously by student labor, but this stops at the university level.

all of these areas, demand for professional employment is high and there is heavy competition for enrollment. Therefore, to help pay for the educational opportunity provided, a review of fees is urgently required at all levels of the education system. At the primary school level, higher fees would only be warranted and effective, if fiscal responsibility were returned to the school management committees. With more direct control over the use of their contributions, parents would generally be willing to meet a greater share of education costs.

8.12. Training. Post-primary technical training[10] has developed slowly and sporadically as a step-child of general educational opportunity. Rarely would someone with the choice of entering secondary school or a Grade II teacher training college choose to go to a technical school instead. This is not due to any prejudice against manual labor, but simply reflects the relative marketability of different kinds of education. As evidence of this apparent low demand for post-primary technical training per se, there is no record of parent or community groups constructing a private technical school in the last decade, the number of state technical schools has not increased, and the expansion of technical student numbers (13%) is a small fraction of what it has been in other areas of the education sector.[11] Further, the unit costs of technical training are commonly 20% to 40% higher than in general secondary education.[12]

8.13 Given the apparent low demand and high costs involved, the public sector needs to carefully review its technical training program, to ensure that the skills provided cannot be provided more efficiently by on-the-job

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10/ Courses are available in: woodwork, construction, brickwork, pottery, tailoring, electrical installation, motor mechanics, agriculture, tanning, cobbling, and commerce.

11/ In 1969, there were 14 rural farm and junior trade schools (offering short-term terminal courses at the post-primary level) and 5 technical schools (offering three-year terminal courses at the post-primary level), with a combined enrollment of 2,211. By 1979, 5 of the rural farm and junior trade schools had been converted to technical schools, and the rest presumably closed down, leaving 10 technical schools only, with an enrollment of 2,506. These figures exclude separate vocational institutions run by the Ministries of Cooperatives and Marketing, Animal Industry and Fisheries, and Culture and Community Development. Also excluded from the 1979 figure are 5 new technical institutes (offering two to three year certificate courses at the post-secondary level) with an enrollment of 1,545.

12/ This is just a rough approximation, assuming that both technical and secondary schools were operating under more normal conditions. Present cost comparisons, even if available, would not be very meaningful because of the severe impact of supply constraints.

training or proprietory schools. In particular, the Ministry of Education should consider three cost-saving options: (a) the transfer of post-primary technical schools to the private sector; (b) a revision in the present policy of attempting to provide metalshops and wood-working shops to all general secondary school students; and (c) awarding grants-in-aid not on the basis of vocational school enrollments but of performance, the ability of a student to pass an agreed upon vocational skill test.

8.14 The Central Government currently sets aside just over 1% of its recurrent budget for the training and upgrading of public sector employees and managers. Among ministries, however, there are substantial variations in the proportion of the budget allocated to training, ranging from less than 0.1% in Internal Affairs to over 12% in Public Service and Cabinet Affairs. In establishing an appropriate policy for future development of public sector training, two considerations need to be taken into account. Firstly, the provision of generalized skills -- such as management, typing, filing -- should be coordinated between ministries to provide economies of scale. Secondly, the focus of training programs needs to be directed towards providing skills which are in short supply and in areas where they will be used productively. In these ways, the costs of public sector training in Uganda could be held to manageable levels, while improving the effectiveness of the skills provided.

C. Rehabilitation Priorities

8.15 It is generally recognized that the enormous rehabilitation needs of the education sector deserve high priority within the overall allocation of resources; not only is education essential to relieving the country's skilled manpower constraints, but it also makes a major contribution to the the individual's economic opportunity and quality of life. In Uganda, as elsewhere, education investments have proven themselves resilient to vicissitudes of nature, human or otherwise, and with ample evidence of long-term demand, there is little or no danger of capacity under-utiliztion. On the other hand, resources are very limited. Even with more effective use of local resources, including private financing sources, the foreign exchange constraint will continue to restrict the scope for new investments and major institutional restructuring for several years ahead. Expansion of a university faculty of technology, however attractive conceptually, is worse than shortsighted when university lights do not work. Major curriculum changes, producing textbooks locally and new audio-visual equipment are simply unrealistic as ambitions in an environment where students have nothing to write on and no place to sit; and, where consumable supplies -- printing paper, ink, projector bulbs -- do not exist.

8.16 Short term (1982-83). Initial resource allocations for the education sector will have to be based on the potential for quick

disbursement, wide coverage and low risk.[13] Three of the more important risks to be avoided are diversion away from intended users, prohibitive maintenance costs, and delicate technologies (e.g., audio-visual equipment, radios, televisions, tape recorders, and electronic workshop equipment). Instead, priority items at present would be textbooks, exercise books, library books, pencils, chalk, chalkboards, non-electric visual aids, paint, window glass, and school furniture.

8.17 Medium term (1984-85). Over the medium term, and as resources permit, consideration could be given to new investments which will expand existing facilities and programs, and relieve critical bottlenecks in their operation. Given the financial and organizational constraints, it would not be possible to simultaneously accomplish the above and to introduce into the system new institutional specializations or significant retooling of educational content. Under this premise, highest priority should be given to the expansion of Grade III teacher training colleges and secondary education, as well as to improving the effectiveness of Makerere University. Lower priority will have to be allocated to developing new colleges, new technical courses, and significant alterations of curriculum. All of these involve high equipment costs, substantial expenses for personnel development, and most importantly, the testing of untried demand.

8.18 Longer term (1986-90). Longer term investments should begin to address the present shortcomings in the productive and managerial capacity of the central administration of the education system. This would include educational materials, examination design and analysis, and facilities for the development of new curricula, the local production of textbooks and supervision, acounting and evaluation. Though badly needed, these improvements cannot be expected to yield results quickly, and their priority must therefore await progress in meeting the more immediate rehabilitation requirements of the education sector. Also in the longer term, when specific skilled manpower requirements have been properly identified, investment can start to address related training needs.

13/ Teachers' salaries, although not discussed here, are of course a major element in education expenditures. These can be expected to increase as staffing levels and wages improve. It will therefore be important to keep close control on overall recurrent budgetary allocations for education, to ensure that adequate provision is made for classroom supplies and school maintenance. At the moment, for example, the proportion of recurrent expenditure for primary education devoted to classroom supplies is only 0.1%, far below standards in other countries and other educational levels within Uganda. While this may reflect present foreign exchange constraints, the allocation for classroom supplies will eventually have to be increased if rehabilitation efforts are to be successful.

STATISTICAL

APPENDIX

UGANDA

COUNTRY ECONOMIC MEMORANDUM

STATISTICAL APPENDIX

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TABLE 1.1
UGANDA: POPULATION BY DISTRICT
(IN THOUSANDS)

		1969	1980	Average Growth Rate (% p.a.)
APAC	1	225.41	313.33	3.10
ARUA	2	369.62	472.28	2.30
BUNDIBUGYO	3	74.92	112.13	3.80
BUSHENYI	4	410.68	522.49	2.20
GULU	5	223.71	270.18	1.70
HOIMA	6	184.06	294.22	4.40
IGANGA	7	470.19	643.80	2.90
JINJA	8	200.90	228.52	1.20
KABALE	9	403.40	455.47	1.20
KABAROLE	10	332.46	520.14	4.20
KAMPALA	11	351.80	478.90	2.80
KAMULI	12	278.30	349.55	2.10
KAPCHORWA	13	64.46	74.52	1.30
KASESE	14	164.13	277.71	4.90
KITGUM	15	240.14	307.59	2.30
KOTIDO	16	105.58	161.45	3.90
KUMI	17	190.72	238.81	2.10
LIRA	18	278.90	370.25	2.60
LUWERO	19	315.20	412.47	2.50
MASAKA	20	458.02	631.16	3.00
MASINDI	21	167.85	223.25	2.60
MBALE	22	421.43	557.24	2.60
MBARARA	23	450.46	687.80	3.90
MOROTO	26	164.70	189.46	2.40
MOYO	25	89.98	106.49	1.50
MPIGI	26	164.70	189.46	2.40
MUBENDE	27	330.96	510.26	4.00
MUKONO	28	536.38	631.64	1.50
NEBBI	29	204.14	232.98	1.20
RAKAI	30	182.57	274.60	3.80
RUKUNGIRI	31	244.60	297.66	1.80
SOROTI	32	379.91	476.63	2.10
TORORO	33	527.09	668.33	2.20
UGANDA - TOTAL	34	9535.06	12630.08	2.60

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, CENSUS OFFICE, THE PROVISIONAL RESULTS OF THE UGANDA POPULATION CENSUS 1980.

DATA FILE: D/UGA/1S/D.

TABLE 1.2
UGANDA: POPULATION BY MAJOR TOWNS
(IN THOUSANDS)

		1969	1980	Average Growth Rate (% p.a.)
KAMPALA CITY	35	330.70	458.42	3.00
JINJA MUNICIPALITY	36	47.87	45.06	-0.50
MASAKA MUNICIPALITY 1/	37	12.99	29.12	7.60
MBALE MUNICIPALITY	38	23.54	28.04	1.60
KABAROLE MUNICIPALITY 1/	39	7.95	26.81	11.70
MBARARA MUNICIPALITY	40	16.08	23.16	3.40
ENTEBBE MUNICIPALITY	41	21.10	20.47	-0.30
KABALE TOWN	42	8.23	21.43	9.10
TORORO TOWN	43	15.98	16.71	0.40
SOROTI TOWN	44	12.40	15.05	1.80
GULU TOWN	45	18.11	14.96	-1.70
LUGAZI TOWN 1/	46	.	10.44	.
KASESE TOWN	47	7.21	9.92	2.90
IGANGA TOWN 1/	48	5.96	9.90	4.70
ARUA TOWN	49	10.84	9.66	-1.00
LIRA TOWN	50	7.34	9.12	2.00
BUSIA TOWN	51	1.15	8.66	20.20
MOROTO TOWN	52	5.49	8.13	3.60
HOIMA TOWN 1/	53	2.34	6.92	10.40
MUBENDE TOWN	54	6.00	6.63	0.90
BUIKWE TOWN 1/	55	0.74	6.55	21.90
MUKONO TOWN 1/	56	3.57	5.78	4.50
KILEMBE TOWN 2/	57	..	5.69	.
BOMBO TOWN 1/	58	0.58	5.57	22.80
KITGUM TOWN	59	3.24	4.96	3.90
MASINDI TOWN	60	5.23	4.96	-0.50
MPIGI TOWN	61	3.40	4.58	2.70
LUWERO TOWN	62	0.72	4.19	17.50
KISORO TOWN	36	47.87	45.06	-0.50
KAMULI TOWN	64	2.92	3.90	2.70
NJERU TOWN	65	4.64	3.88	-1.70
NEBBI TOWN 1/	66	.	3.58	.
TOTAL - MAJOR TOWNS	67	634.16	877.31	3.00

1/ MAJOR BOUNDARY CHANGE BETWEEN 1969 AND 1980.
2/ NOT ENUMERATED SEPARATELY IN 1969.

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, CENSUS OFFICE, THE PROVISIONAL RESULTS OF THE UGANDA POPULATION CENSUS 1980.

DATA FILE: D/UGA/1S/D.

TABLE 1.3
UGANDA: WAGE EMPLOYMENT BY SECTOR

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
AGRICULTURE	69	49,919	50,306	52,343	53,359	51,429	54,095	54,609	56,128	63,057	63,784	64,737	64,361
COTTON GINNING	70	5,359	3,613	4,555	5,588	6,344	5,884	5,594	5,809	6,651	4,574	4,826	4,331
COFFEE CURING	71	4,779	5,043	5,625	5,579	5,113	4,914	4,631	5,729	5,332	6,678	6,252	5,939
FORESTRY, FISHING AND HUNTING	72	2,960	4,259	3,518	2,897	3,508	3,563	5,492	5,086	8,165	6,989	7,175	7,187
MINING AND QUARRYING	73	6,448	6,749	7,885	6,268	7,898	7,371	5,782	5,323	4,743	4,196	4,121	4,069
MANUFACTURE OF FOOD PRODUCTS	74	9,524	9,957	11,822	13,144	13,467	15,225	14,538	13,492	16,295	16,453	17,955	15,434
MISC. MANUFACTURING INDUSTRIES	75	23,069	25,620	27,560	29,823	29,038	26,809	26,092	28,078	27,506	27,598	28,816	29,345
ELECTRICITY	76	.	.	.	.	.	2,058	2,376	2,194	2,658	2,692	2,421	2,880
CONSTRUCTION	77	29,156	32,411	41,987	42,352	47,656	46,170	42,431	42,872	45,026	43,845	45,538	44,315
COMMERCE	78	14,150	14,155	13,847	14,773	14,298	20,989	20,696	22,087	19,923	19,331	14,122	17,890
TRANSPORT AND COMMUNICATIONS	79	9,833	10,674	11,075	11,826	12,613	13,197	12,505	11,877	13,378	13,192	13,148	12,426
GOVERNMENT	80	35,699	33,539	37,596	39,600	45,051	45,555	54,642	68,981	69,918	68,628	65,145	69,476
EDUCATION AND MEDICAL SERVICES	81	41,334	46,618	49,500	53,571	62,728	69,868	70,992	65,818	69,453	75,701	73,621	76,712
MISCELLANEOUS SERVICES	82	13,799	13,855	14,459	16,189	13,709	8,840	9,388	16,587	16,530	13,999	17,604	13,257
TOTAL	83	246,029	256,799	281,772	294,969	312,852	324,538	329,768	350,061	368,635	367,660	365,481	367,622
OF WHICH:													
PUBLIC SECTOR	84	91,744	94,692	108,794	113,835	128,815	134,030	149,105	183,975	204,390	204,599	200,822	206,566
PRIVATE SECTOR	85	154,285	162,107	172,978	181,134	184,037	190,508	180,663	166,086	164,245	163,061	164,659	161,056

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT.

DATA SET: UGA/1S

TABLE 2.1
UGANDA: GROSS DOMESTIC PRODUCT BY INDUSTRY 1/
(U. SH. MILLION AT CURRENT PRICES)

ITEM		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MONETARY ECONOMY	1	3,216	3,537	3,937	4,248	4,240	4,604	5,234	5,836	6,498	6,641	7,303	8,512	11,317	13,547				
AGRICULTURE	2	1,121	1,290	1,319	1,480	1,351	1,396	1,691	2,021	2,416	2,597	3,187	3,603	5,996	7,533				
COTTON GINNING, COFFEE CURING AND SUGAR MANUFACTURE	3	117	104	95	96	96	103	114	146	121	98	87	73	60	72				
FORESTRY, FISHING & HUNTING	4	42	44	47	52	67	114	123	155	180	188	218	226	204	250				
MINING AND QUARRYING	5	42	85	135	104	84	106	145	144	116	104	99	93	59	43				
MANUFACTURED FOOD PRODUCTS	6	38	37	47	49	61	59	52	58	70	91	72	120	114	142				
MISCELLANEOUS MANUFACTURING	7	266	269	322	359	366	437	520	578	609	602	635	939	1,143	1,249				
ELECTRICITY	8	48	53	61	68	76	82	84	90	98	94	93	90	89	83				
CONSTRUCTION	9	80	60	80	69	85	102	124	116	159	116	96	181	137	123				
COMMERCE	10	558	628	758	811	822	916	989	1,051	996	880	887	1,181	1,440	1,662				
TRANSPORT AND COMMUNICATIONS	11	175	190	210	225	240	258	269	263	314	322	339	406	430	454				
GENERAL GOVERNMENT	12	279	304	345	371	382	382	385	447	566	627	634	669	712	911				
MISCELLANEOUS SERVICES 2/	13	262	276	314	351	390	419	466	472	495	468	446	414	402	480				
RENTS	14	188	197	204	213	220	230	272	295	358	454	510	517	531	545				
SUBSISTENCE PRODUCTION	15	1,362	1,530	1,925	1,871	1,991	2,022	2,245	2,701	3,165	3,549	4,393	5,750	9,459	10,466				
AGRICULTURE	16	1,092	1,227	1,565	1,511	1,608	1,638	1,821	2,224	2,644	2,779	3,466	4,774	8,439	9,405				
FORESTRY, FISHING & HUNTING	17	97	108	133	132	141	144	152	191	231	240	252	302	357	401				
CONSTRUCTION	18	21	22	28	27	28	28	30	38	36	34	47	73	93	99				
OWNER OCCUPIED DWELLINGS	19	152	173	199	201	201	212	242	248	254	496	628	601	570	561				
GDP AT FACTOR COST	20	4,578	5,067	5,862	6,119	6,231	6,626	7,479	8,537	9,663	10,190	11,696	14,262	20,776	24,013	49,460	63,272	106,798	213,246
NET INDIRECT TAXES	21	338	536	448	497	668	780	863	921	1,105	1,097	1,257	1,763	1,726	2,440	4,946	6,327	10,680	21,325
GDP AT MARKET PRICES	22	4,916	5,603	6,310	6,616	6,899	7,406	8,342	9,458	10,768	11,287	12,953	16,025	22,502	26,453	54,406	69,599	117,478	234,571

1/ DATA FOR 1977-80 ARE PRELIMINARY ESTIMATES ONLY.
2/ INCLUDES EDUCATION, HEALTH, SOCIAL AND PERSONAL SERVICES AND WATER SUPPLY.

SOURCE: (1) MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT; (2) IMF ESTIMATES.

DATA SET: UGA/2S

TABLE 2.2
UGANDA: GROSS DOMESTIC PRODUCT BY INDUSTRY
(U.SH. MILLION AT 1966 PRICES)

ITEM		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MONETARY ECONOMY	26	3,599	3,769	3,939	4,248	4,354	4,454	4,997	5,095	5,252	5,200	5,068	4,984	4,768	4,738	4,757	4,333	3,893	3,762
AGRICULTURE	27	1,302	1,382	1,324	1,480	1,478	1,445	1,746	1,781	1,633	1,680	1,795	1,669	1,605	1,541	1,547	1,462	1,315	1,177
COTTON GINNING, COFFEE CURING AND SUGAR MANUFACTURE	28	90	97	85	96	95	94	113	114	99	95	91	72	59	53	49	39	43	43
FORESTRY, FISHING & HUNTING	29	42	43	47	52	59	65	75	81	94	97	100	99	97	115	428	126	116	104
MINING AND QUARRYING	30	103	119	111	104	99	110	118	119	112	100	72	69	59	40	21	15	8	6
MANUFACTURED FOOD PRODUCTS	31	47	57	56	49	48	56	57	61	57	63	57	49	41	36	40	29	11	6
MISCELLANEOUS MANUFACTURING	32	275	270	317	359	378	393	432	456	482	482	450	464	405	405	391	304	193	207
ELECTRICITY	33	47	52	60	68	78	84	86	92	100	99	99	97	95	90	92	92	71	47
CONSTRUCTION	34	97	69	81	69	84	96	109	92	95	77	65	73	56	44	45	39	30	20
COMMERCE	35	652	672	779	811	805	844	900	891	940	806	685	699	635	642	665	646	580	527
TRANSPORT AND COMMUNICATIONS	36	175	203	203	225	248	266	291	276	323	332	326	346	322	318	266	167	134	183
GENERAL GOVERNMENT	37	279	304	345	371	382	382	385	447	566	627	634	669	712	729	751	800	840	882
MISCELLANEOUS SERVICES 1/	38	280	289	319	351	388	407	447	453	479	502	474	437	413	430	436	262	270	278
RENTS	39	210	212	212	243	212	212	238	232	272	240	220	241	269	295	326	352	282	282
SUBSISTENCE PRODUCTION	40	1,673	1,747	1,848	1,871	1,942	2,005	2,174	2,187	2,245	2,342	2,428	2,525	2,589	2,673	2,770	2,848	2,483	2,094
AGRICULTURE	41	1,349	1,405	1,494	1,511	1,566	1,634	1,765	1,763	1,803	1,886	1,955	2,037	2,085	2,151	2,230	2,291	1,902	1,535
FORESTRY, FISHING & HUNTING	42	120	123	127	132	137	141	145	150	157	162	168	173	179	185	192	198	204	209
CONSTRUCTION	43	25	26	26	27	28	28	29	30	31	32	34	35	36	38	39	40	41	12
OWNER OCCUPIED DWELLINGS	44	179	192	201	201	211	202	235	244	254	262	271	280	289	299	309	319	336	338
GDP AT FACTOR COST	45	5,272	5,516	5,787	6,119	6,296	6,459	7,171	7,282	7,497	7,542	7,496	7,509	7,357	7,411	7,527	7,181	6,376	5,856

1/ INCLUDES EDUCATION, HEALTH, SOCIAL AND PERSONAL SERVICES AND WATER SUPPLY.

SOURCE: (1) MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT.

DATA SET: UGA/2S

TABLE 2.3
UGANDA: EXPENDITURE ON GROSS NATIONAL PRODUCT 1/
(U.SH. MILLION AT CURRENT PRICES)

ITEM		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
RESOURCES & EXPENDITURE																			
DISPOSABLE INCOME	61	4,865	5,566	6,176	6,492	6,779	7,280	8,216	9,262	10,513	11,052	12,808	15,844	22,419	26,322	54,255	69,510	117,286	234,511
- CURRENT TRANSFERS 3/	-62								-89	-94	-114	-45	-66	-55	-73	-61	-81	-142	2
GNP AT MARKET PRICES	59	4,865	5,566	6,176	6,492	6,764	7,286	8,216	9,351	10,607	11,166	12,853	15,910	22,474	26,395	54,316	69,591	117,428	234,509
- FACTOR INCOME FROM ABROAD	58	-51	-37	-134	-124	-135	-120	-126	-107	-161	-121	-100	-115	-28	-58	-90	-8	-50	-62
GDP AT MARKET PRICES	55	4,916	5,603	6,310	6,616	6,899	7,406	8,342	9,458	10,768	11,287	12,953	16,025	22,502	26,453	54,406	69,599	117,478	234,571
+ IMPORTS OF GOODS AND NFS	53	1,166	1,287	1,539	1,674	1,685	1,676	1,698	1,810	2,425	1,787	1,599	2,215	2,318	2,351	3,893	3,524	2,919	4,244
- EXPORTS OF GOODS AND NFS	54	1,349	1,627	1,616	1,690	1,748	1,774	1,797	2,101	2,006	2,065	2,012	2,167	1,837	2,787	4,569	2,550	3,078	2,467
TOTAL RESOURCES	48	4,733	5,263	6,233	6,600	6,836	7,308	8,243	9,167	11,187	11,009	12,540	16,073	22,983	26,017	53,730	70,573	117,319	236,348
CONSUMPTION 2/	49	4,011	4,465	5,376	5,709	5,774	6,197	6,821	7,906	9,555	9,771	11,478	14,362	21,271	24,486	50,712	67,136	114,209	228,418
GROSS DOMESTIC INVESTMENT	63	722	798	857	891	1,062	1,111	1,422	1,261	1,632	1,238	1,062	1,711	1,712	1,531	3,018	3,437	3,110	7,930
- GROSS FIXED INVESTMENT	50	686	676	886	883	1,039	1,080	1,188	1,200	1,529	1,315	1,001	1,571	1,541	1,209				
- CHANGE IN STOCKS	51	36	122	-29	8	23	31	234	61	103	-77	61	140	171	322				
INVESTMENT FINANCING																			
GROSS DOMESTIC INVESTMENT	63	722	798	857	891	1,062	1,111	1,422	1,261	1,632	1,238	1,062	1,711	1,712	1,531	3,018	3,437	3,110	7,930
GROSS NATIONAL SAVINGS 2/	64	854	1,101	800	783	990	1,089	1,395	1,356	958	1,282	1,320	1,481	1,148	1,835	3,543	2,374	3,077	6,092
CURRENT ACCOUNT DEFICIT (+)	65	-132	-303	57	108	72	22	27	-95	674	-44	-258	230	564	-304	-525	1,063	33	1,838

1/ DATA FOR 1977-80 ARE PRELIMINARY ESTIMATES ONLY.
2/ RESIDUAL.
3/ EXCLUDES OFFICIAL GRANT RECEIPTS. DATA UNAVAILABLE PRIOR TO 1970.

SOURCE: (1) MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT; (2) IMF AND WORLD BANK ESTIMATES.

DATA SET: UGA/2S

TABLE 2.4
UGANDA: CAPITAL FORMATION BY TYPE OF ASSET
(U. SH. MILLION AT CURRENT PRICES)

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
MONETARY ECONOMY												
BUILDING AND CONSTRUCTION	137	323	396	445	530	536	686	565	504	817	667	449
TRANSPORT EQUIPMENT	138	155	147	114	161	127	242	98	61	173	245	175
MACHINERY & OTHER EQUIPMENT	139	296	382	408	378	374	620	523	329	363	413	343
GROSS FIXED CAPITAL FORMATION	140	774	925	967	1,069	1,037	1,548	1,186	894	1,353	1,325	967
CHANGE IN STOCK	141	-8	-5	-1	130	61	-7	-111	-43	-7	-34	35
GROSS INVESTMENT	142	766	920	966	1,199	1,098	1,541	1,075	851	1,346	1,291	1,002
NON-MONETARY ECONOMY												
BUILDINGS	143	109	114	113	119	124	148	129	107	218	216	242
CHANGE IN STOCK	144	16	28	32	104	39	23	34	104	147	205	287
GROSS INVESTMENT	145	125	142	145	223	163	171	163	211	365	421	529
TOTAL FIXED CAPITAL FORMATION	146	883	1,039	1,080	1,188	1,161	1,696	1,315	1,001	1,571	1,541	1,209
TOTAL CHANGE IN STOCK	147	8	23	31	234	100	16	-77	61	140	171	322
TOTAL GROSS INVESTMENT	148	891	1,062	1,111	1,422	1,261	1,712	1,238	1,062	1,711	1,712	1,531

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT.

DATA SET: UGA/2S

TABLE 3.1
UGANDA: BALANCE OF PAYMENTS
(U.SH. MILLION)

ITEM		1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MERCHANDISE EXPORTS FOB	1	1,868.5	1,742.3	1,884.4	1,931.5	2,100.8	1,758.3	2,707.8	4,528.0	2,484.1	2,966.6	2,368.8
MERCHANDISE IMPORTS CIF	2	-1,463.7	-2,034.0	-1,411.4	-1,416.1	-1,940.5	-1,945.3	-1,989.1	-3,482.8	-2,708.1	-2,405.6	-3,739.2
TRADE BALANCE	3	404.8	-291.7	473.0	515.4	160.3	-187.0	718.7	1,045.2	-224.0	561.0	-1,370.4
NON-FACTOR SERVICES	4	-113.5	-125.6	-194.6	-102.5	-208.7	-293.8	-282.9	-369.7	-750.2	-401.6	-407.0
- TOURISM RECEIPTS	5	132.4	132.0	59.8	16.7	16.8	20.2	12.3	7.2	29.6	61.7	29.7
- OTHER RECEIPTS	212	100.4	133.1	121.0	63.3	49.6	58.2	67.1	33.6	36.1	49.9	68.0
- PAYMENTS	6	-346.3	-390.7	-375.4	-182.5	-275.1	-372.2	-362.3	-410.5	-815.9	-513.2	-504.7
RESOURCE BALANCE	7	291.3	-417.3	278.4	412.9	-48.4	-480.8	435.8	675.5	-974.2	159.4	-1,777.4
INVESTMENT INCOME	8	-107.4	-160.7	-120.5	-100.2	-115.0	-28.2	-58.0	-90.0	-7.9	-49.8	-62.2
- RECEIPTS	9	20.7	22.0	17.1	28.4	30.6	30.4	23.3	28.0	47.3	19.0	16.0
- PAYMENTS	10	-128.1	-182.7	-137.6	-128.6	-145.6	-58.6	-81.3	-118.0	-55.2	-68.8	-78.2
UNREQUITED TRANSFERS (NET) 1/	11	-88.8	-93.6	-114.4	-45.0	-66.2	-55.3	-73.4	-60.9	-81.2	-141.9	2.1
CURRENT ACCOUNT BALANCE	12	95.1	-671.6	43.5	267.7	-229.6	-564.3	304.4	524.6	-1,063.3	-32.3	-1,837.5
OFFICIAL GRANT RECEIPTS	13	50.2	59.5	72.8	35.7	57.5	156.4	95.4	32.2	67.7	180.7	628.1
PUBLIC M & LT LOANS	14	152.1	146.4	224.3	22.5	237.0	111.9	213.0	203.8	304.6	784.3	607.0
- DISBURSEMENTS	15	195.7	197.1	265.7	158.7	315.4	194.2	367.3	391.8	506.1	1,080.0	974.8
- PRINCIPAL REPAYMENTS	16	-43.6	-50.7	-41.4	-136.2	-76.4	-66.7	-67.8	-178.5	-103.8	-116.5	-101.0
- PRINCIPAL ARREARS	17	.	.	.	.	-2.0	-15.6	-86.5	-9.5	-97.7	-179.2	-266.8
USE OF FUND CREDIT	18	.	77.5	.	5.6	47.8	101.8	83.4	0.1	-34.0	-29.3	208.0
OTHER CAPITAL ITEMS 2/	19	-263.1	139.0	-341.8	-377.5	-311.2	202.5	-660.3	-605.0	395.0	-1,353.0	-955.7
OVERALL BALANCE OF PAYMENTS	20	34.3	-249.2	-1.2	-46.0	-198.5	8.3	35.9	155.7	-330.0	-449.6	-1,350.1
FINANCED BY:												
ACCUMULATION OF ARREARS	21	.	.	.	.	133.8	152.9	64.5	-90.5	437.5	36.7	1,042.4
CHANGE IN RESERVES (- = INCREASE)	22	-34.3	249.2	1.2	46.0	64.7	-161.2	-100.4	-65.2	-107.5	412.9	307.7

1/ EXCLUDES OFFICIAL GRANT RECEIPTS. 2/ INCLUDES ERRORS AND OMISSIONS.

SOURCE: (1) BANK OF UGANDA;
(2) IMF AND WORLD BANK ESTIMATES.

DATA SET: UGA/3S

TABLE 3.2
UGANDA: MERCHANDISE EXPORTS

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
VOLUME ('000 TONS)																
COFFEE 1/	30	167.1	159.5	151.6	180.6	191.2	174.6	214.2	192.4	187.2	176.6	153.1	132.4	113.4	143.5	110.0
COTTON 2/	31	69.8	72.0	61.7	52.9	78.1	68.7	66.1	64.7	36.2	25.6	19.2	9.9	11.8	3.5	2.3
TEA 3/	32	9.0	9.6	11.4	15.9	15.1	15.3	20.7	19.2	16.7	17.1	11.7	8.8	8.7	1.4	0.5
COPPER	33	15.8	15.0	15.6	16.6	16.4	16.8	14.1	9.7	9.0	7.8	5.4	2.5	7.1	4.4	
TOBACCO (UNMANUFACTURED)	34	2.5	2.9	2.1	2.4	2.0	2.2	2.5	1.5	1.1	1.3	1.1	1.8	1.2	0.4	
UNIT VALUE (U.SH./KG.)																
COFFEE 1/	35	4.2	4.3	4.7	4.3	5.3	5.6	5.3	6.5	8.4	7.9	16.2	34.3	21.3	22.2	22.9
COTTON 2/	36	4.4	4.2	4.8	4.7	4.5	5.1	5.6	5.2	7.5	8.3	9.5	12.7	13.0	16.2	13.5
TEA 3/	37	7.1	7.4	6.6	5.9	6.3	6.3	6.1	5.7	6.6	7.1	7.6	11.8	7.4	7.5	4.5
COPPER	38	7.3	7.3	7.1	7.2	10.1	8.2	8.0	11.3	13.4	8.9	9.3	9.5	3.4	2.1	
TOBACCO (UNMANUFACTURED)	39	5.6	8.4	7.3	8.3	9.2	9.7	7.6	9.3	8.5	12.2	14.5	16.1	11.6	17.3	
VALUE (U.SH. MILLION)																
COFFEE 1/	40	695.7	692.0	714.6	780.0	1,014.5	982.3	1,128.3	1,247.6	1,567.8	1,398.1	2,487.0	4,536.3	2,419.4	3,179.5	2,523.9
COTTON 2/	41	306.9	303.2	295.7	251.0	351.0	352.1	370.7	336.0	272.3	213.2	182.0	126.4	152.3	56.2	31.5
TEA 3/	42	63.7	70.9	75.4	93.5	95.0	95.2	125.5	110.0	109.6	120.8	89.2	103.0	63.8	10.6	2.4
COPPER	43	115.1	109.3	111.5	120.3	165.5	137.7	112.8	109.5	120.7	69.5	59.2	23.7	24.1	9.4	
TOBACCO (UNMANUFACTURED)	44	13.9	24.3	15.3	19.8	18.3	21.3	18.9	13.9	9.4	15.9	15.9	29.0	13.9	6.9	24.4
OTHER EXPORTS	45	332.1	345.0	310.5	323.4	336.7	260.4	252.7	207.6	165.7	83.8	85.0	46.9	14.4	16.7	
RE-EXPORTS	46	23.7	18.1	17.5	14.2	13.3	8.2	9.7	4.6	3.3	4.8	1.7	0.3	.	.	.
CUSTOMS TOTAL	47	1,551.1	1,562.8	1,540.5	1,602.2	1,994.3	1,857.2	2,018.6	2,029.2	2,248.8	1,906.1	2,920.0	4,865.6	2,687.9	3,279.3	2,582.2
ERRORS AND OMISSIONS	126	0.4	0.6	12.3	61.6	18.6	.	-0.1	0.5	.	-2.8	-1.1	-1.7	0.5	-82.3	.
ADJUSTMENTS FOR:																
VALUATION	127	-75.1	-72.6	-83.4	-86.7	-107.5	-105.4	-117.6	-92.6	-128.3	-106.8	-180.9	-306.3	-166.7	-198.2	-173.0
COVERAGE	128	-1.4	-0.7	-0.2	-0.4	-0.3	-0.8	-0.2	-5.6	-19.7	-38.2	-30.2	-29.6	-37.6	-32.2	-39.5
TIMING	129	-4.4	6.1	22.2	0.9	-36.6	-8.7	-16.3	.	.	.	.	.	.	.	.
TOTAL EXPORTS	130	1,470.6	1,496.2	1,491.4	1,577.6	1,868.5	1,742.3	1,884.4	1,931.5	2,100.8	1,758.3	2,707.8	4,528.0	2,484.1	2,966.6	2,368.8

1/ DATA FROM 1973 ARE FROM COFFEE MARKETING BOARD.
2/ DATA FROM 1977 ARE FROM LINT MARKETING BOARD
3/ DATA FROM 1977 ARE FROM UGANDA TEA AUTHORITY.

SOURCES: (1) EAC AND UGANDA CUSTOMS, ANNUAL TRADE REPORTS.
(2) BANK OF UGANDA.

TABLE 3.3
UGANDA: MERCHANDISE IMPORTS
(U. SH. MILLION)

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
FOOD AND LIVE ANIMALS,	64	123.1	116.1	79.4	126.7	123.0	149.0	138.7	146.0	196.7	99.5	93.0	82.4	65.6	139.7	
OF WHICH:																
CEREALS AND PREPARATIONS	65										29.1	47.7	15.7	6.7	16.9	
BEVERAGES AND TOBACCO	66	17.5	13.4	9.6	11.7	9.2	9.5	7.9	12.8	8.7	7.6	4.9	3.3	6.6	7.4	
RAW MATERIALS	67	23.1	22.5	30.0	33.7	37.4	42.2	32.3	33.5	44.1	27.3	19.6	16.1	17.9	14.3	
MINERAL FUELS,	68	59.5	64.9	73.3	84.2	102.5	111.7	114.4	115.1	314.4	378.2	461.4	457.5	331.2	469.2	
OF WHICH:																
PETROLEUM PRODUCTS 1/	69									312.8	376.1	457.9	455.6	327.7	468.7	920.7
ANIMAL AND VEGETABLE OILS	70	13.5	13.3	15.6	14.8	18.2	29.1	17.7	12.8	13.7	13.4	5.8	5.1	5.7	5.8	
CHEMICALS	71	105.3	104.8	123.9	124.8	153.3	187.4	135.5	183.7	200.6	143.6	145.4	184.2	171.5	143.6	
MANUFACTURED GOODS	72	350.2	302.6	356.5	374.4	328.0	487.8	255.2	286.2	408.1	321.7	236.1	270.7	306.3	174.5	
MACHINERY AND TRANSPORT EQUIPM	73	319.3	348.9	328.6	347.8	313.3	567.1	367.6	249.5	341.4	429.6	353.7	535.6	662.5	601.8	
OF WHICH:																
NON-ELECTRICAL MACHINERY	74										106.6	169.1	210.3	213.6	198.9	
ELECTRICAL MACHINERY	75										109.8	70.3	98.3	99.9	88.4	
TRANSPORT EQUIPMENT	76										213.3	114.4	227.0	349.1	314.5	
MISCELLANEOUS MANUFACTURES	77	131.2	113.3	112.0	115.1	123.9	196.7	86.2	97.2	110.6	88.5	67.6	72.0	87.5	81.3	
ITEMS NOT CLASSIFIED	78	45.5	37.7	29.7	19.6	19.2	2.5	2.7	2.2	2.9	3.5	8.0	0.2	3.7	.	
CUSTOMS TOTAL	79	1,188.2	1,137.5	1,158.6	1,252.6	1,228.0	1,783.0	1,158.2	1,139.0	1,639.2	1,512.9	1,395.5	1,627.1	1,658.5	1,637.5	2,621.2
ERRORS AND OMISSIONS	131	-1.0	-1.2	9.5	-3.9	.	-0.1	-3.0	0.1	6.1	13.4	9.7	130.4	290.5	-40.7	.
ADJUSTMENTS FOR:																
VALUATION	132	107.8	95.0	97.9	103.9	80.5	114.6	85.7	55.2	87.0	83.7	74.2	98.1	101.2	70.1	159.1
GOVERNMENT IMPORTS	137					50.0	78.0	66.1	116.7	110.7	84.9	360.3	1,532.8	549.5	650.0	808.9
OTHER COVERAGE	133	45.7	72.7	69.4	70.0	85.8	73.3	104.4	105.1	97.5	250.4	149.4	94.4	108.4	88.7	150.0
TIMING	134	-4.0	13.3	-11.7	-0.7	19.4	-14.8									
TOTAL IMPORTS	135	1,336.7	1,317.3	1,323.7	1,421.9	1,463.7	2,034.0	1,411.4	1,416.1	1,940.5	1,945.3	1,989.1	3,482.8	2,708.1	2,405.6	3,739.2

1/ FROM 1974, PETROLEUM PRODUCTS DATA ARE BASED ON OIL COMPANY RETURNS.
SOURCE: (1) EAC AND UGANDA CUSTOMS, ANNUAL TRADE REPORTS;
(2) BANK OF UGANDA.

TABLE 3.4
UGANDA: IMPORTS OF PETROLEUM PRODUCTS 1/

ITEM		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
VOLUME (TONS)	60	451,633	399,075	354,827	367,980	351,476	297,927	303,599	258,194	220,269	259,428	142,800
AVIATION FUEL	50	77,917	68,720	37,663	38,629	36,489	23,626	20,196	10,627	5,021	12,915	9,000
MOTOR SPIRIT	51	108,343	112,975	108,551	115,933	113,421	89,007	94,733	90,279	59,297	85,985	40,300
KEROSENE	52	89,985	36,285	40,784	41,546	46,493	55,967	51,697	44,185	39,755	47,816	20,000
AUTO DIESEL	53	83,851	81,514	75,814	72,715	73,744	56,220	59,294	58,815	48,006	72,507	43,700
INDUSTRIAL DIESEL	54	11,262	9,616	8,004	7,024	6,804	4,410	4,844	3,190	1,589	1,455	
FUEL OIL	55	70,273	68,076	68,517	76,321	59,123	56,202	60,100	36,115	51,770	23,675	19,000
LUBRICANTS	56	3,871	8,794	8,720	9,492	6,578	4,232	5,682	5,020	8,026	7,252	4,900
BITUMEN	57	1,945	9,156	3,259	3,021	2,493	1,523	1,878	2,382	885	1,131	600
L.P. GAS	58	3,842	2,459	2,573	2,700	2,759	2,527	1,900	1,492	695	804	600
OTHER	59	344	1,420	942	599	3,572	4,211	3,275	6,089	5,226	5,888	4,700
VALUE (U.SH. '000) 2/	61	111,218	115,574	136,407	312,800	376,121	457,896	455,647	327,686	468,704	920,703	

1/ DATA FOR 1981 ARE ESTIMATES.
2/ INCLUDES ALL FOREIGN EXCHANGE RELEASED FOR OIL COMPANIES, COVERING BOTH IMPORT AND SERVICE PAYMENTS. VALUE IN 1981 IS ESTIMATED AT US$114 MILLION, OP U.SH. 5.7 BILLION AT AN AVERAGE EXCHANGE RATE OF U.SH.50=US$1.

SOURCE; BANK OF UGANDA, BASED ON DATA PROVIDED BY OIL COMPANIES.

DATA SET: UGA/3S

TABLE 3.5
UGANDA: DESTINATION OF EXPORTS 1/ 2/
(% OF TOTAL)

ITEM		1966	1970	1975	1976	1977	1978
INDUSTRIAL MARKET ECONOMIES	138	62.8	62.3	74.9	86.0	81.7	59.1
AUSTRALIA	139	2.3	2.2	2.8	2.1	2.7	3.6
CANADA	140	3.9	2.5	1.1	0.6	0.6	0.3
FRANCE	141	0.7	0.1	4.0	6.5	5.9	5.7
GERMANY, FED. REP.	142	3.3	4.1	6.0	4.5	1.7	3.5
ITALY	143	2.6	1.0	3.2	6.2	3.3	4.7
JAPAN	144	4.3	9.5	7.8	6.4	3.7	8.3
NETHERLANDS	145	2.4	1.6	2.4	3.7	2.4	1.7
UNITED KINGDOM	146	16.1	18.1	19.6	20.4	19.5	21.5
UNITED STATES	147	22.3	18.3	23.7	32.9	40.4	9.2
OTHERS	148	4.9	4.9	4.3	2.7	2.2	0.6
NON-MARKET INDUST. ECONOMIES	149	3.0	4.7	3.6	3.4	1.5	4.4
BULGARIA	150	.	.	.	.	.	.
CZECHOSLOVAKIA	151	.	0.2	0.2	0.2	.	.
GERMANY, DEM. REP.	152	0.2	0.1	.	.	.	.
HUNGARY	153	0.4	1.6	2.2	.	.	2.0
POLAND	154	2.2	1.8	.	3.1	1.5	1.2
USSR	155	0.1	1.0	1.1	0.1	.	1.2
CAPITAL SURPLUS OIL EXPORTERS	156	2.6	0.4	0.8	0.5	1.1	2.7
IRAQ	157	1.0	.	.	.	.	.
KUWAIT	158	0.2	0.3	.	.	.	.
LIBYA	159	0.1	.	0.6	0.4	1.1	2.7
SAUDI ARABIA	160	1.3	.	0.1	0.1	.	.
MIDDLE & LOW INCOME COUNTRIES	161	31.6	32.6	20.7	10.1	15.7	33.8
KENYA	162	9.6	10.1	1.5	0.5	0.3	1.8
TANZANIA	163	4.1	2.0	.	.	.	.
OTHERS	164	17.9	20.5	19.2	9.6	15.4	31.9
TOTAL	165	100.0	100.0	100.0	100.0	100.0	100.0

1/ BASED ON CUSTOMS DATA ONLY.
2/ EXCLUDES RE-EXPORTS.

SOURCE: EAC AND UGANDA CUSTOMS, ANNUAL TRADE REPORTS.

TABLE 3.6
UGANDA: ORIGIN OF IMPORTS 1/
(% OF TOTAL)

ITEM		1966	1970	1975	1976	1977	1978
INDUSTRIAL MARKET ECONOMIES	170	54.5	55.8	41.6	42.4	46.6	68.6
AUSTRALIA	171	0.4	0.6	0.4	0.9	0.3	0.1
CANADA	172	0.6	0.8	0.2	1.2	0.2	0.3
FRANCE	173	3.2	2.6	2.1	1.5	3.7	3.8
GERMANY, FED. REP.	174	8.1	6.4	6.3	9.2	12.5	12.6
ITALY	175	3.7	3.7	5.2	2.3	7.5	7.1
JAPAN	176	3.9	8.1	5.9	3.9	4.7	8.3
NETHERLANDS	177	1.7	2.1	1.3	2.0	0.9	2.0
UNITED KINGDOM	178	26.1	22.7	13.3	15.1	12.8	17.4
UNITED STATES	179	2.8	4.2	1.7	3.1	1.0	1.9
OTHERS	180	4.0	4.6	5.2	3.2	3.0	15.1
NON-MARKET INDUST. ECONOMIES	181	1.6	1.7	3.0	1.8	0.9	0.6
BULGARIA	182	.	.	.	.	.	.
CZECHOSLOVAKIA	183	0.5	0.4	0.3	0.5	0.3	0.1
GERMANY, DEM. REP.	184	0.1	0.1	.	.	.	.
HUNGARY	185	0.3	0.2	0.1	.	0.2	.
POLAND	186	0.3	0.4	.	0.1	.	.
USSR	187	0.3	0.7	2.6	1.2	0.5	0.5
CAPITAL SURPLUS OIL EXPORTERS	188	.	.	0.3	0.3	0.1	.
IRAQ	189	.	.	.	0.3	.	.
KUWAIT	190	.	.	0.3	.	.	.
LIBYA	191	.	.	.	.	0.1	.
SAUDI ARABIA	192	.	.	.	.	.	.
MIDDLE & LOW INCOME COUNTRIES	193	43.9	42.5	55.1	55.5	52.4	30.8
KENYA 2/	194	26.3	27.2	44.8	50.1	45.4	28.5
TANZANIA	195	1.4	2.3	0.4	0.5	0.2	.
OTHERS	196	16.2	13.0	9.9	4.9	6.8	2.3
TOTAL	197	100.0	100.0	100.0	100.0	100.0	100.0

1/ BASED ON CUSTOMS DATA ONLY.
2/ INCLUDES IMPORTS OF PETROLEUM PRODUCTS.

SOURCE: EAC AND UGANDA CUSTOMS, ANNUAL TRADE REPORTS.

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TABLE 3.7
UGANDA: TRADE INDICES 1/
(1978 = 100)

ITEM		1966	1967	1968	1969	1970	1971	1972	1973
MERCHANDISE EXPORTS 2/									
VOLUME	82	215.4	213.3	202.6	231.8	235.4	206.9	234.7	213.5
UNIT VALUE	83	29.6	30.4	31.9	29.5	34.4	36.5	34.8	39.9
VALUE	84	63.7	64.9	64.6	68.4	81.0	75.5	81.7	85.2
MERCHANDISE IMPORTS 3/									
VOLUME	85	159.0	156.3	165.0	176.7	170.7	209.0	134.9	109.7
UNIT VALUE	86	33.4	33.5	31.9	32.0	34.1	38.7	41.6	52.2
VALUE	87	53.1	52.4	52.6	56.5	58.2	80.9	56.1	57.3
TERMS OF TRADE 4/	88	88.6	90.7	100.0	92.2	100.9	94.3	83.7	76.4
EXPORT PURCHASING POWER 5/	136	190.8	193.5	202.6	213.7	237.5	195.1	196.4	163.1

ITEM		1974	1975	1976	1977	1978	1979	1980	1981
MERCHANDISE EXPORTS 2/									
VOLUME	82	184.5	162.8	139.3	116.0	100.0	114.7	88.8	93.3
UNIT VALUE	83	49.4	45.1	71.9	146.2	100.0	107.1	111.3	73.0
VALUE	84	91.1	73.4	100.2	169.6	100.0	123.0	98.8	68.1
MERCHANDISE IMPORTS 3/									
VOLUME	85	108.6	94.8	77.0	129.5	100.0	71.6	90.3	70.5
UNIT VALUE	86	71.1	78.6	87.7	92.4	100.0	127.7	158.4	161.2
VALUE	87	77.2	74.5	67.5	119.7	100.0	91.5	143.1	113.6
TERMS OF TRADE 4/	88	69.5	57.4	82.0	158.2	100.0	83.9	70.4	45.3
EXPORT PURCHASING POWER 5/	136	128.2	93.4	114.2	183.5	100.0	96.2	62.5	42.3

1/ IN TERMS OF US DOLLARS.
2/ UNIT VALUE SERIES ARE DERIVED FROM TABLE 3.2 FOR COFFEE, COTTON TEA, COPPER AND TOBACCO. FOR ALL OTHER ITEMS INCLUDED IN CUSTOMS DATA, UNIT VALUES ARE ASSUMED TO RISE WITH THE INDEX OF INTERNATIONAL INFLATION. THE OVERALL UNIT VALUE INDEX FOR CUSTOMS DATA IS THEN APPLIED TO TOTAL EXPORTS TO DERIVE THE VOLUME INDEX.
3/ THE UNIT VALUE SERIES FOR MINERAL FUELS IS DERIVED FROM THE WORLD BANK'S COMMODITY PRICE SERIES FOR PETROLEUM THROUGH 1971, AND FROM TABLE 3.4 IN SUBSEQUENT YEARS. THE UNIT VALUE SERIES FOR FOOD, BEVERAGES AND TOBACCO, RAW MATERIALS AND ANIMAL AND VEGETABLE OILS ARE DERIVED FROM APPROPRIATE WORLD BANK COMMODITY PRICE SERIES. FOR ALL OTHER ITEMS INCLUDED IN CUSTOMS DATA, UNIT VALUES ARE ASSUMED TO RISE WITH THE INDEX OF INTERNATIONAL INFLATION. THE OVERALL UNIT VALUE INDEX FOR CUSTOMS DATA IS THEN APPLIED TO TOTAL IMPORTS TO DERIVE VOLUME INDEX.
4/ EXPORT UNIT VALUE INDEX DIVIDED BY IMPORT UNIT VALUE INDEX, MULTIPLIED BY 100.
5/ EXPORT VOLUME INDEX MULTIPLIED BY TERMS OF TRADE INDEX, DIVIDED BY 100.

SOURCE: WORLD BANK ESTIMATES.

DATA SET: UGA/3S

TABLE 3.8
UGANDA: PAYMENT ARREARS OUTSTANDING 1/
(U.SH. MILLION)

ITEM		1974	1975	1976	1977	1978	1979	1980	1981
CURRENT TRANSACTIONS	200	131.8	269.1	247.1	147.1	418.9	279.9	815.0	1,931.6
OIL	201	74.3	63.2	.	.	103.9	45.0	446.0	85.0
INTEREST ON PUBLIC DEBT	202	1.5	8.2	17.2	23.1	59.0	92.0	142.6	954.1
CROWN AGENTS	203	.	101.0	101.0	41.3	22.0	.	6.2	.
AIRLINE REMITTANCES	204					141.0	21.8	67.3	93.5
OTHER	205	56.0	96.7	128.9	82.7	93.0	121.1	152.9	799.0
CAPITAL TRANSACTIONS	206	2.0	17.6	104.1	113.6	279.3	455.0	962.3	10,265.9
PUBLIC M&LT DEBT	207	2.0	17.6	104.1	113.6	211.3	390.5	657.3	7,129.4
PUBLIC ST DEBT 2/	208	.	.	.	.	.	.	238.4	2,320.5
URC	209	.	.	.	.	68.0	64.5	66.6	816.0
TOTAL	210	133.8	286.7	351.2	260.7	698.2	734.9	1,777.3	12,197.5
(IN US$ MILLION)	211	18.7	34.7	42.2	32.8	94.1	100.3	234.8	143.5

1/ DATA ARE FOR END OF THE PERIOD. COVERAGE MAY BE INCOMPLETE.
2/ INCLUDES INTEREST IN ARREARS.

SOURCE: (1) BANK OF UGANDA;
(2) WORLD BANK, EXTERNAL DEBT SYSTEM;
(3) IMF ESTIMATES.

DATA SET: UGA/3S

TABLE 3.9
UGANDA: EXTERNAL RESERVES
(U.SH. MILLION)

ITEM		1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
BANK OF UGANDA	220	244.1	348.1	368.8	400.7	184.2	201.3	147.5	82.1	183.6	278.0	267.4	344.3	17.2	-292.8
ASSETS	221	245.1	349.3	373.7	401.5	192.1	256.9	200.1	119.5	207.9	311.8	315.9	391.0	167.1	22.7
- FOREIGN EXCHANGE	222	216.3	320.5	341.8	317.3	118.1	150.9	88.1	75.5	176.9	302.8	272.9	256.2	86.1	22.7
- SDRS	223	.	.	.	38.0	74.0	106.0	112.0	44.0	31.0	9.0	43.0	78.0	81.0	.
- RESERVE POSITION IN FUND	224	28.8	28.8	31.9	46.2	.	.	.	.	.	.	.	56.8	.	.
LIABILITIES	225	1.0	1.2	4.9	0.8	7.9	55.6	52.6	37.4	24.3	33.8	48.5	46.7	149.9	315.5
GOVERNMENT AND EACB	226	25.9	14.2	5.2	7.6	7.6	7.6	3.2	.	.	.	.	.	.	.
COMMERCIAL BANKS	227	17.1	-2.7	54.6	54.6	21.9	3.6	15.8	19.7	79.4	85.4	161.2	191.8	108.0	108.3
ASSETS	228	89.6	49.0	78.8	70.5	61.9	63.2	38.4	70.5	101.5	146.7	256.5	233.6	243.6	140.0
LIABILITIES	229	72.5	51.7	24.2	15.9	40.0	59.6	22.6	50.8	22.1	61.3	95.3	41.8	137.6	31.7
NET EXTERNAL RESERVES 1/	230	287.1	359.6	428.6	462.9	213.7	212.5	166.5	101.8	263.0	363.4	428.6	536.1	123.2	-184.5
LESS:															
USE OF FUND CREDIT	231	.	.	.	.	77.5	77.5	83.1	130.9	232.7	316.1	316.2	282.2	252.9	460.9
NET FOREIGN ASSETS	232	287.1	359.6	428.6	462.9	136.2	135.0	83.4	-29.1	30.3	47.3	112.4	253.9	-129.7	-645.4
LESS:															
ACCUMULATED ARREARS	233	.	.	.	.	.	.	.	133.8	286.7	351.2	260.7	698.2	734.9	1,777.3
ADJUSTED NET FOREIGN ASSETS	234	287.1	359.6	428.6	462.9	136.2	135.0	83.4	-162.9	-256.4	-303.9	-148.3	-444.3	-864.6	-2,422.7
IN US$ MILLION:															
NET EXTERNAL RESERVES	235	40.2	50.3	60.0	64.8	29.9	29.7	24.1	14.2	31.9	43.7	53.9	72.3	16.8	-24.4
NET FOREIGN ASSETS	236	40.2	50.3	60.0	64.8	19.1	18.9	12.1	-4.1	3.7	5.7	14.1	34.2	-17.7	-85.3
ADJUSTED NET FOREIGN ASSETS	237	40.2	50.3	60.0	64.8	19.1	18.9	12.1	-22.8	-31.1	-36.5	-18.6	-59.9	-118.0	-320.1

1/ AS DEFINED IN THE BALANCE OF PAYMENTS.

SOURCE: (1) BANK OF UGANDA;
(2) IMF, INTERNATIONAL FINANCIAL STATISTICS.

DATA SET: UGA/3S

TABLE 4.1
UGANDA: EXTERNAL PUBLIC DEBT OUTSTANDING 1/
(US$ MILLION)

ITEM		end-1974 Debt Outstanding Disb.	Undisb.	Total	In Arrears Princ.	Int.	end-1980 Debt Outstanding Disb.	Undisb.	Total	In Arrears Princ.	Int.
SUPPLIERS CREDITS	1	12.4	6.1	18.5	.	.	76.1	.	76.1	31.6	5.8
FRANCE	3	.	6.1	6.1	.	.	4.5	.	4.5	1.4	.
GERMANY, FED. REP.	4	.	.	.	.	.	15.3	.	15.3	6.9	.
ITALY	5	.	.	.	.	.	29.5	.	29.5	15.0	5.4
NETHERLANDS	6	.	.	.	.	.	5.0	.	5.0	5.0	0.3
SWITZERLAND	7	.	.	.	.	.	7.1	.	7.1	.	.
UNITED KINGDOM	8	0.8	.	0.8	.	.	0.1	.	0.1	0.1	.
INDIA	9	3.6	.	3.6	.	.	11.5	.	11.5	1.1	0.1
YUGOSLAVIA	10	8.0	.	8.0	.	.	3.0	.	3.0	2.1	.
FINANCIAL INSTITUTIONS	11	5.1	.	5.1	.	.	35.3	26.6	61.9	4.3	1.2
FRANCE	13	.	.	.	.	.	9.7	24.8	34.5	.	0.5
UNITED KINGDOM	14	5.1	.	5.1	.	.	25.5	1.8	27.3	4.3	0.7
NATIONALIZATION	15	7.1	.	7.1	.	.	1.5	.	1.5	1.0	0.1
FRANCE	16	0.1	.	0.1	.	.	.	.		.	.
ITALY	17	0.1	.	0.1	.	.	.	.	.	.	.
UNITED KINGDOM	18	5.7	.	5.7	.	.	1.2	.	1.2	0.3	0.1
INDIA	19	1.1	.	1.1	.	.	0.3	.	0.3	0.2	.
MULTILATERAL LOANS	20	55.1	19.7	74.8	.	.	110.2	152.7	262.9	1.0	0.7
ADB	21	2.9	7.9	10.8	.	.	18.7	33.1	51.8	1.0	0.7
ADF	22	.	.	.	.	.	.	10.2	10.2	.	.
BADEA/ABEDA	23	.	.	.	.	.	0.1	4.6	4.7	.	.
EEC	24	.	.	.	.	.	.	20.0	20.0	.	.
IBRD	25	4.1	.	4.1	.	.	0.8	.	0.7	.	.
IDA	26	36.8	11.8	48.6	.	.	46.3	73.3	119.6	.	.
IMF TRUST FUND	27	.	.	.	.	.	28.5	.	28.5	.	.
ISLAMIC DEVELOPMENT BANK	28	.	.	.	.	.	.	6.4	6.4	.	.
OPEC SPECIAL FUND	29	.	.	.	.	.	4.6	5.0	9.6	.	.
SAFA	30	11.3	.	11.3	.	.	11.3	.	11.3	.	.
BILATERAL LOANS	31	120.0	66.8	186.8	.	.	345.3	129.1	474.4	49.0	11.1
CANADA	32	1.7	0.8	2.5	.	.	.	.	.	.	.
DENMARK	33	7.3	0.7	8.0	.	.	.	.	.	.	.
FRANCE	34	.	.	.	.	.	.	9.0	9.0	.	.
GERMANY, FED. REP. 3/	35	13.8	14.7	28.5	0.3	0.2	30.6	0.1	30.7	2.9	1.3
JAPAN	36	1.9	0.2	2.1	.	.	3.8	.	3.8	0.3	0.1
NETHERLANDS	37	2.3	0.6	2.9	.	.	.	.	.	.	.
UNITED KINGDOM 3/	38	43.6	2.7	46.3	.	.	43.5	.	43.5	16.5	6.3
UNITED STATES	39	11.3	.	11.3	.	.	10.4	.	10.4	0.2	0.1
CHINA	40	3.4	6.7	10.1	.	.	3.5	37.2	40.7	3.5	.
GERMANY, DEM. REP.	41	.	.	.	.	.	15.2	.	15.2	.	0.5
USSR	42	19.7	27.9	47.6	.	.	35.8	5.1	40.9	11.5	2.3
IRAQ	43	.	.	.	.	.	4.3	5.7	10.0	.	.
KUWAIT	44	.	.	.	.	.	.	21.2	21.2	.	.
LIBYA	45	.	12.5	12.5	.	.	12.5	.	12.5	3.1	0.5
QATAR	46	.	.	.	.	.	1.2	3.8	5.0	.	.
SAUDI ARABIA	47	15.0	.	15.0	.	.	14.7	29.4	44.1	11.1	.
UAE	48	.	.	.	.	.	4.1	13.6	17.7	.	.
INDIA	49	.	.	.	.	.	2.1	4.2	6.3	.	.
TANZANIA	50	.	.	.	.	.	132.7	.	132.7	.	.
ZAMBIA	51	.	.	.	.	.	31.0	.	31.0	.	.
SHARE OF EAC LOANS 2/	52	40.7	16.3	57.0	.	.	43.4	1.0	44.4	.	.
DAC	53	21.2	4.6	25.8	.	.	16.7	.	16.7	.	.
OTHER BILATERAL	54	0.9	.	0.9	.	.	0.2	.	0.2	.	.
IBRD	55	18.5	11.7	30.2	.	.	26.4	1.0	27.4	.	.
OTHER MULTILATERAL	56	0.1	.	0.1	.	.	0.1	.	0.1	.	.
TOTAL	57	240.4	108.9	349.2	0.3	0.2	611.8	309.4	921.2	86.8	18.8
OF WHICH:											
DAC	58	114.9	30.4	145.3	0.3	0.2	203.0	35.7	238.7	53.4	14.6
CPE	59	23.1	34.6	57.7	.	.	54.5	42.3	96.8	15.0	2.8
OPEC	60	15.0	12.5	27.5	.	.	36.8	73.7	110.5	14.2	0.5
OTHER BILATERAL	61	13.6	.	13.6	.	.	180.8	4.2	185.0	3.4	0.1
MULTILATERAL	62	73.7	31.4	105.1	.	.	136.7	153.7	290.3	1.0	0.7

1/ DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.
2/ UGANDA'S NOTIONAL SHARE OF EAC LOANS IS ASSUMED TO BE 15%.
3/ OFFICIAL DEBT WRITTEN OFF IN 1981.
SOURCE: WORLD BANK, EXTERNAL DEBT SYSTEM.

DATA SET: UGA/4S

TABLE 4.2
UGANDA: EXTERNAL PUBLIC DEBT SERVICE
(US$ MILLION)

ITEM		Principal 1975	1976	1977	1978	1979	1980	Interest 1975	1976	1977	1978	1979	1980
SUPPLIERS CREDIT	66	2.0	1.8	2.2	4.9	8.8	8.9	0.2	0.2	0.1	1.0	0.6	0.4
FRANCE	68	.	.	0.5	0.5	0.5	.	.	.	.	.	.	.
GERMANY, FED. REP.	69	.	.	.	.	6.1	3.1	.	.	.	.	.	.
ITALY	70	.	.	.	2.8	2.0	1.2	.	.	.	0.9	0.6	0.4
NETHERLANDS	71	.	.	.	.	.	0.5	.	.	.	.	.	.
SWITZERLAND	72	.	.	.	.	0.1	4.0	.	.	.	.	.	.
UNITED KINGDOM	73	0.1	0.1	0.1	0.1	0.1	.	.	0.1	.	.	.	.
INDIA	74	0.5	0.4	0.4	0.4	.	.	0.2	0.1	0.1	0.1	.	.
YUGOSLAVIA	75	1.3	1.3	1.2	1.1	.	.	.	.	.	.	.	.
FINANCIAL INSTITUTIONS	76	1.0	0.1	0.1	0.1	0.1	.	0.1	0.1	0.1	.	0.1	0.1
FRANCE	77	.	.	.	.	.	.	.	.	.	.	0.1	0.1
UNITED KINGDOM	78	0.8	.	.	.	.	.	.	.	.	.	.	.
INDIA	79	0.2	0.1	0.1	0.1	0.1	.	0.1	0.1	0.1	.	.	.
NATIONALIZATION	80	1.8	0.6	0.6	0.6	0.4	.	0.4	0.3	0.1	0.1	0.1	.
FRANCE	81	0.1	.	.	.	.	.	.	.	.	.	.	.
ITALY	82	0.1	.	.	.	.	.	.	.	.	.	.	.
UNITED KINGDOM	83	1.6	0.6	0.6	0.6	0.4	.	0.4	0.3	0.1	0.1	0.1	.
MULTILATERAL LOANS	84	0.5	0.8	1.0	0.8	1.5	1.3	0.7	0.8	0.9	0.8	1.6	1.0
ADB	85	.	0.3	0.3	0.3	0.6	0.2	0.2	0.2	0.3	0.4	1.0	0.6
IBRD	86	0.5	0.6	0.6	0.3	0.7	0.7	0.2	0.2	0.2	0.1	0.2	0.1
IDA	87	.	.	0.1	0.2	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.3
BILATERAL LOANS	88	2.7	2.1	14.4	5.0	2.9	1.3	1.9	0.9	2.5	0.9	1.0	1.2
DENMARK	89	0.1	0.2	0.4	.	.	.	.	.	.	.	.	.
GERMANY, FED. REP.	90	0.5	0.1	2.6	.	.	0.6	0.3	0.3	1.0	0.1	.	0.3
JAPAN	91	0.1	0.2	0.2	0.2	0.2	.	0.1	0.1	0.1	0.2	0.2	0.1
NETHERLANDS	92	.	.	.	.	.	.	0.1	.	0.1	.	.	.
UNITED KINGDOM	93	1.0	.	.	.	.	.	0.8	.	.	.	.	.
UNITED STATES	94	0.1	0.1	0.2	0.1	0.3	0.2	0.1	.	0.2	0.1	0.1	0.2
USSR	95	1.0	1.4	8.6	4.7	2.4	0.5	0.5	0.5	1.2	0.5	0.4	0.4
SAUDI ARABIA	96	.	.	2.5	.	.	.	.	.	.	.	.	.
UAE	97	.	.	.	.	.	.	.	.	.	.	0.2	0.2
SHARE OF EAC LOANS 1/	98	1.0	2.6	3.3	1.9	1.9	2.2	1.9	2.6	2.4	2.4	3.0	2.4
DAC	99	0.3	1.8	2.5	0.8	0.8	0.9	0.7	0.7	0.6	0.6	0.6	0.6
OTHER BILATERAL	100	0.2	0.1	0.1	0.1	0.1	0.1	0.1	.	.	.	.	.
IBRD	101	0.5	0.7	0.7	1.0	1.0	1.2	1.1	1.9	1.8	1.8	2.4	1.8
TOTAL	102	9.0	8.1	21.7	13.5	15.6	13.6	5.2	4.7	6.1	5.2	6.4	5.2
OF WHICH:													
DAC	103	4.8	3.1	7.1	5.1	10.4	10.6	2.5	1.5	2.0	2.0	1.7	1.7
CPE	104	1.0	1.4	8.6	4.7	2.4	0.5	0.5	0.5	1.2	0.5	0.4	0.4
OPEC	105	.	.	2.5	.	.	.	.	.	.	.	0.2	0.2
OTHER BILATERAL	106	2.2	1.9	1.8	1.7	0.2	0.1	0.4	0.2	0.2	0.1	.	.
MULTILATERAL	107	1.0	1.5	1.7	1.8	2.5	2.5	1.8	2.7	2.7	2.6	4.0	2.8

1/ UGANDA'S NOTIONAL SHARE OF EAC LOANS IS ASSUMED TO BE 15%.
SOURCE: WORLD BANK, EXTERNAL DEBT SYSTEM.

TABLE 4.3
UGANDA: LOAN COMMITMENTS AND DISBURSEMENTS
(US$ MILLION)

ITEM		Commitments 1975	1976	1977	1978	1979	1980	Disbursements 1975	1976	1977	1978	1979	1980
SUPPLIERS CREDITS	111	.	33.6	.	34.5	5.9	11.8	.	5.6	33.6	34.5	5.9	11.8
FRANCE	113	.	.	.	.	.	.	.	5.6	.	.	.	.
GERMANY	114	.	.	.	23.5	.	.	.	.	.	23.5	.	.
ITALY	115	.	33.6	.	.	.	1.9	.	.	33.6	.	.	1.9
NETHERLANDS	116	.	.	.	.	5.9	.	.	.	.	.	5.9	.
SWITZERLAND	117	.	.	.	10.9	.	.	.	.	.	10.9	.	.
INDIA	118	.	.	.	.	.	9.9	.	.	.	.	.	9.9
FINANCIAL INSTITUTIONS	119	.	.	.	18.9	.	39.7	.	.	.	.	.	31.5
FRANCE	121	.	.	.	18.9	.	16.7	.	.	.	.	.	10.3
UNITED KINGDOM	122	.	.	.	.	.	23.0	.	.	.	.	.	21.2
MULTILATERAL LOANS	123	4.3	5.6	10.4	11.7	.	163.0	2.8	6.7	5.4	7.1	4.7	34.3
ADB	124	4.3	.	5.8	6.3	.	26.0	.	4.0	4.5	0.8	3.4	4.1
ADF	125	.	.	.	.	.	10.4	.	.	.	.	.	.
BADEA/ABEDA	126	.	.	.	4.7	.	.	.	.	.	.	0.1	.
EEC	127	.	.	.	.	.	20.0	.	.	.	.	.	.
IDA	128	.	.	.	.	.	72.5	2.8	2.7	0.9	1.7	1.3	1.1
IMF TRUST FUND	129	.	.	.	.	.	29.1	.	.	.	.	.	29.1
ISLAMIC DEVELOPMENT BANK	130	.	5.6	.	0.8	.	.	.	.	.	.	.	.
OPEC SPECIAL FUND	131	.	.	4.6	.	.	5.0	.	.	.	4.6	.	.
BILATERAL LOANS	132	41.6	12.1	30.3	39.4	195.8	9.6	16.2	27.1	5.5	22.6	132.3	53.1
CANADA	133	.	.	.	.	.	.	0.4	.	0.2	.	.	.
DENMARK	134	.	.	.	.	.	.	0.3	0.3	.	.	.	.
FRANCE	135	.	.	.	.	.	9.6	.	.	.	.	.	.
GERMANY, FED. REP.	136	.	.	.	.	.	.	5.1	6.1	2.1	1.1	0.1	.
JAPAN	137	.	1.2	.	.	.	.	0.3	.	1.3	.	.	.
NETHERLANDS	138	.	.	.	.	.	.	0.4	.	.	.	0.1	.
CHINA	139	.	.	.	27.9	.	.	.	.	.	.	.	.
GERMANY, DEM. REP.	140	.	.	.	.	15.2	.	.	.	.	.	15.2	.
USSR	141	1.8	10.9	.	.	.	.	9.6	20.7	1.8	2.4	.	.
IRAQ	142	10.0	.	.	.	.	.	.	.	0.1	0.3	4.0	.
KUWAIT	143	.	.	20.1	.	.	.	.	.	.	.	.	.
LIBYA	144	.	.	.	.	.	.	.	.	.	12.5	.	.
QATAR	145	.	.	.	5.0	.	.	.	.	.	1.1	.	.
SAUDI ARABIA	146	29.9	.	.	.	.	.	.	.	.	1.6	0.5	.
UAE	147	.	.	10.2	6.5	.	.	.	.	.	3.5	0.4	.
INDIA	148	.	.	.	.	6.2	.	.	.	.	.	.	2.1
TANZANIA	149	.	.	.	.	131.5	.	.	.	.	.	80.9	51.0
ZAMBIA	150	.	.	.	.	31.0	.	.	.	.	.	31.0	.
SHARE OF EAC LOANS 1/	151	1.1	2.3	.	.	.	.	7.3	4.5	2.9	1.7	1.7	0.5
DAC	152	1.1	.	.	.	.	.	2.5	1.9	0.5	0.2	0.3	.
IBRD*	153	.	2.3	.	.	.	.	4.8	2.5	2.4	1.5	1.4	0.5
TOTAL	154	47.0	53.7	40.7	104.5	189.8	224.1	26.2	43.9	47.4	65.8	144.6	131.3
OF WHICH:													
DAC	155	1.1	34.8	.	53.4	5.9	51.2	9.0	13.9	37.7	35.7	6.4	33.4
CPE	156	1.8	10.9	.	27.9	15.2	.	9.6	20.7	1.8	2.4	15.2	.
OPEC	157	39.9	.	30.3	11.5	.	.	.	.	0.1	19.0	4.9	.
OTHER BILATERAL	158	.	.	.	.	168.7	9.9	.	.	.	.	111.9	63.0
MULTILATERAL	159	4.3	7.9	10.4	11.7	.	163.0	7.6	9.2	7.8	8.6	6.1	34.8

1/ UGANDA'S NOTIONAL SHARE OF EAC LOANS IS ASSUMED TO BE 15%.
SOURCE: WORLD BANK, EXTERNAL DEBT SYSTEM.

TABLE 4.4
UGANDA: OFFICIAL GRANT RECEIPTS
(US$ MILLION)

WARNING: DATA HAVE NOT BEEN EDITED

ITEM		1975	1976	1977	1978	1979	1980
DAC COUNTRIES	160	.	.	.	.	6.2	41.6
AUSTRALIA	161	.	.	.	.	.	0.2
DENMARK	162	.	.	.	.	1.1	.
GERMANY	163	.	.	.	.	.	4.4
JAPAN	164	.	.	.	.	.	0.9
NETHERLANDS	165	.	.	.	.	.	3.8
NORWAY	166	.	.	.	.	.	0.9
SWEDEN	167	.	.	.	.	0.6	3.0
UNITED KINGDOM	168	.	.	.	.	2.8	5.1
UNITED STATES	169	.	.	.	.	1.7	23.3
CENTRALLY PLANNED COUNTRIES	170	9.2	.	.	.	.	.
USSR	171	9.2	.	.	.	.	.
OPEC COUNTRIES	172	4.4	2.1	.	.	.	1.0
IRAQ	173	.	.	.	.	.	1.0
QATAR	174	.	1.9	.	.	.	.
SAUDI ARABIA	175	.	0.2	.	.	.	.
UAE	176	4.4	.	.	.	.	.
OTHER COUNTRIES	177	0.2	1.7	1.1	0.4	6.0	0.8
INDIA	178	.	.	.	.	3.3	.
KENYA	179	.	.	.	.	2.7	0.8
OTHERS	180	0.2	1.7	1.1	0.4	.	.
MULTILATERAL AGENCIES	181	7.3	7.6	2.8	8.4	12.0	29.2
EEC	182	.	2.0	.	4.6	8.3	25.9
UNDP	183	7.3	5.6	2.8	3.8	3.7	3.3
SALE OF IMF GOLD	184	.	.	.	.	.	12.0
TOTAL	185	21.1	11.4	3.9	8.8	24.2	84.6

SOURCE: WORLD BANK ESTIMATES.

DATA SET: UGA/4S

TABLE 5.1
UGANDA: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 1/
(U.SH. MILLION)

ITEM		FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82
CURRENT REVENUE	1	1,487	1,266	1,324	2,100	2,223	3,369	5,841	3,273	3,860	2,513	25,292
EXTERNAL GRANTS	2	.	.	.	2	107	2	2	.	152	583	11,862
RECURRENT EXPENDITURE	3	1,491	1,531	2,027	2,467	2,954	3,632	4,113	4,497	5,446	9,996	22,830
CURRENT SURPLUS/DEFICIT (-)	4	-4	-265	-703	-365	-624	-261	1,730	-1,224	-1,434	-6,900	14,324
DEVELOPMENT REVENUE 3/	5	59	20	54	15	13	21	15	41	145	147	1,250
DEVELOPMENT EXPENDITURE	6	946	574	635	860	816	1,037	1,755	1,522	1,345	3,440	19,616
OTHER EXPENDITURE 2/	7	.	.	.	-187	257	496	419	-600	1,261	.	.
OVERALL DEFICIT (-)	8	-891	-819	-1,285	-1,023	1,684	-1,773	-429	-2,105	-3,895	-10,193	-4,042
FINANCING												
EXTERNAL (NET)	9	143	33	69	219	280	148	68	43	48	1,225	.
DOMESTIC (NET)	10	470	723	1,003	804	1,404	1,625	361	2,062	3,847	8,968	.
- BANKING	11	.	.	.	.	.	1,458	321	2,024	3,435	8,812	.
- NON-BANKING	12	.	.	.	.	.	167	40	38	412	156	.
OTHER	13	278	63	213	.	.	.	.	.	.	.	.

1/ 1977/78 DATA ARE PROVISIONAL; 1978/79-1980/81 DATA ARE REVISED ESTIMATES; AND 1981/82 ARE BUDGET ESTIMATES.
2/ INCLUDES EXTRA-BUDGETARY AND UNRECORDED CASH EXPENDITURE, AND THE DIFFERENCE BETWEEN CHECKS ISSUED AND PAID IN THE SAME FISCAL YEAR.

SOURCE: (1) GOVERNMENT OF UGANDA, SUMMARY OF ESTIMATES OF RECURRENT AND DEVELOPMENT EXPENDITURE; (2) DATA PROVIDED BY UGANDAN AUTHORITIES.

DATA SET: UGA/5S

TABLE 5.2
UGANDA: CENTRAL GOVERNMENT CURRENT REVENUE 1/
(U.SH. MILLION)

ITEM		FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82
TAX REVENUE	53	1,413	1,231	1,314	2,009	2,089	3,229	5,623	3,088	3,810	2,485	25,247
TAXES ON INCOME AND PROFIT	54	338	233	189	220	206	283	434	302	450	501	970
- PAY AS YOU EARN	55	68	69	76	79	103	98	96	85	84	130	177
- COMPANY AND INDIVIDUAL	56	263	152	107	135	99	175	325	205	342	350	774
- OTHER	57	7	12	6	6	4	10	13	12	24	21	19
TAXES ON GOODS AND SERVICES	58	509	462	530	847	814	1,268	1,417	1,660	1,663	1,345	11,052
- SALES TAX	59	258	228	292	619	621	1,041	1,176	872	1,129	894	8,655
- PSIC	60	.	.	.	.	.	.	.	555	305	250	.
- EXCISE DUTIES	61	222	200	176	160	130	136	96	68	76	102	2,280
- COMMERCIAL TRANSACTION LEVY	62	.	5	12	19	18	25	40	30	16	59	50
- MOTOR VEHICLE LICENCES	63	22	22	21	25	18	25	20	24	27	38	48
- OTHER TAXES AND LICENCES	64	7	7	29	24	27	41	85	111	110	2	19
TAXES ON INTERNATIONAL TRADE	65	548	524	583	938	1,065	1,673	3,767	1,122	1,693	639	13,225
- IMPORT DUTIES	66	276	153	224	262	316	215	429	249	373	525	6,364
- EXPORT DUTIES	67	272	371	359	676	749	1,458	3,338	873	1,320	114	6,861
OTHER TAXES	68	18	12	12	4	4	5	5	4	4	.	.
NON-TAX REVENUE	69	74	35	10	91	134	140	218	185	50	28	45
CURRENT REVENUE	72	1,487	1,266	1,324	2,100	2,223	3,369	5,841	3,273	3,860	2,513	25,292

1/ 1977/78 DATA ARE PROVISIONAL; 1978/79-1980/81 DATA ARE REVISED ESTIMATES;
AND 1981/82 DATA ARE BUDGET ESTIMATES.

SOURCE: (1) GOVERNMENT OF UGANDA, FINANCIAL STATEMENT AND REVENUE ESTIMATES;
(2) DATA PROVIDED BY UGANDAN AUTHORITIES.

DATA SET: UGA/5S

TABLE 5.3
UGANDA: CENTRAL GOVERNMENT RECURRENT EXPENDITURE 1/
(U.SH. MILLION)

ITEM		FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82
GENERAL PUBLIC SERVICES	33	305	320	542	583	680	789	838	938	1,437	2,958	7,442
FINANCE	34	26	31	44	113	39	33	57	70	212	395	1,468
INTERNAL AFFAIRS, POLICE AND PRISONS	35	122	117	119	182	237	312	365	356	459	981	2,259
OTHER	36	157	172	379	288	404	444	416	512	766	1,582	3,715
DEFENSE	37	300	224	306	379	494	749	833	872	639	1,932	4,774
ECONOMIC SERVICES	38	204	244	301	380	425	549	615	781	742	1,150	3,222
AGRICULTURE, FORESTRY AND COOPERATIVES	39	79	86	116	131	157	229	242	242	235	367	868
ANIMAL RESOURCES	40	37	44	47	92	72	104	109	106	116	160	363
COMMERCE AND INDUSTRY	41	4	7	8	7	12	19	20	21	24	36	95
OTHER	42	84	107	130	150	184	197	244	412	367	587	1,896
SOCIAL SERVICES	43	449	464	464	627	812	1,072	1,307	1,288	1,406	2,086	5,983
EDUCATION	44	322	331	330	445	529	676	735	892	948	1,429	4,054
HEALTH	45	106	114	109	131	202	309	406	280	346	493	1,242
OTHER	46	21	19	25	51	81	87	166	116	112	164	687
STATUTORY (CFS)	47	233	279	414	498	543	522	606	618	1,222	1,586	1,409
PUBLIC DEBT	48	143	235	393	383	372	310	448	548	330	686	1,160
OTHER	49	90	44	21	115	171	212	158	70	892	900	249
TOTAL 2/	50	1,491	1,531	2,027	2,467	2,954	3,681	4,199	4,497	5,446	9,712	22,830

1/ 1976/77-1979/80 DATA ARE PROVISIONAL; 1980/81 DATA ARE REVISED ESTIMATES; AND 1981/82 DATA ARE BUDGET ESTIMATES.
2/ RECURRENT EXPENDITURE TOTAL FOR 1980/81 IN TABLE 5.1, WHICH DIFFERS FROM THE TOTAL IN THIS TABLE, IS A MORE RECENT ESTIMATE, BUT NO BREAKDOWN FOR IT IS AVAILABLE.

SOURCE: (1) GOVERNMENT OF UGANDA, SUMMARY OF ESTIMATES OF RECURRENT AND DEVELOPMENT EXPENDITURES; (2) DATA PROVIDED BY UGANDAN AUTHORITIES.

DATA SET: UGA/5S

TABLE 5.4
UGANDA: CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 1/
(U.SH.MILLION)

ITEM		FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82
GENERAL PUBLIC SERVICES	16	338	213	246	334	369	283	567	561	385	1,308	6,584
FINANCE	17	243	120	106	202	158	222	354	357	291	951	3,862
INTERNAL AFFAIRS, POLICE AND PRISONS	18	31	19	13	61	45	36	105	63	49	71	622
OTHER	19	64	74	127	71	166	25	108	141	45	286	2,100
DEFENSE	20	266	149	158	227	186	242	354	288	293	944	3,271
ECONOMIC SERVICES	21	268	173	160	209	162	363	525	447	411	1,313	5,093
AGRICULTURE, FORESTRY AND COOPERATIVES	22	64	45	41	47	53	96	83	52	82	785	1,260
ANIMAL RESOURCES	23	50	48	67	79	51	195	198	110	129	132	957
COMMERCE AND INDUSTRY	24	10	6	.	11	1	2	9	2	.	6	38
OTHER	25	144	74	52	72	57	70	235	283	200	390	2,838
SOCIAL SERVICES	26	74	39	71	90	99	149	309	226	256	489	4,668
EDUCATION	27	51	24	57	36	40	52	138	172	148	179	1,039
HEALTH	28	22	14	6	3	9	71	86	36	65	273	316
OTHER	29	1	1	8	51	50	26	85	18	43	37	3,313
TOTAL 2/	30	946	574	635	860	816	1,037	1,755	1,522	1,345	4,054	19,616

1/ 1976/77-1979/80 DATA ARE PROVISIONAL; 1980/81 DATA ARE REVISED ESTIMATES; AND 1981/82 DATA ARE BUDGET ESTIMATES.
2/ DEVELOPMENT EXPENDITURE TOTAL FOR 1980/81 IN TABLE 5.1, WHICH DIFFERS FROM THE TOTAL IN THIS TABLE, IS A MORE RECENT ESTIMATE, BUT NO BREAKDOWN FOR IT IS AVAILABLE.

SOURCE: (1) GOVERNMENT OF UGANDA, SUMMARY OF ESTIMATES OF RECURRENT AND DEVELOPMENT EXPENDITURES; (2) DATA PROVIDED BY UGANDAN AUTHORITIES.

DATA SET: UGA/5S

TABLE 6.1
UGANDA: MONETARY SURVEY 1/
(U.SH. MILLION AT END OF PERIOD)

ITEM		1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
NET FOREIGN ASSETS	1	359.6	428.6	462.9	136.2	135.0	83.4	-29.1	30.3	47.3	112.4	253.9	-129.7	-645.4	-14,800.0
MONETARY AUTHORITIES 2/	2	362.3	374.0	408.2	114.3	131.4	67.9	-44.9	-49.1	-38.1	-48.8	62.1	-235.7	-753.7	-15,700.0
COMMERCIAL BANKS	3	-2.7	54.6	54.7	21.9	3.6	15.5	15.8	79.4	85.4	161.3	191.8	106.0	108.3	900.0
DOMESTIC CREDIT	4	941.8	1,184.0	1,451.9	1,821.5	2,455.2	3,356.7	4,508.6	5,298.8	6,726.6	8,406.6	10,420.5	12,856.4	20,696.5	40,800.0
NET CLAIMS ON GOVERNMENT	5	238.6	322.1	568.6	930.2	1,439.4	2,148.1	2,907.7	3,603.8	4,789.6	5,521.6	7,199.4	9,198.2	14,847.6	29,300.0
- BANK OF UGANDA	6	143.4	167.9	336.2	693.8	795.9	1,244.6	1,672.8	2,355.9	3,190.6	3,863.0	5,442.4	7,276.3	12,439.4	
- COMMERCIAL BANKS	7	95.2	154.2	232.4	236.4	643.5	903.5	1,234.9	1,247.9	1,599.0	1,658.6	1,757.0	1,921.9	2,408.2	
CLAIMS ON PRIVATE SECTOR 3/	8	703.2	861.9	883.3	891.3	1,015.8	1,208.6	1,600.9	1,695.0	1,937.0	2,885.0	3,221.1	3,658.2	5,848.9	11,500.0
ASSETS = LIABILITIES	9	1,301.4	1,612.6	1,914.8	1,957.7	2,590.2	3,440.1	4,479.5	5,329.1	6,773.9	8,519.0	10,674.4	12,726.7	20,051.1	26,000.0
MONEY	10	864.6	965.2	1,103.5	1,131.6	1,542.7	2,114.5	3,005.8	3,252.1	4,491.5	5,786.7	7,051.0	10,619.7	13,905.0	34,600.0
CURRENCY IN CIRCULATION	11	441.7	522.9	594.5	597.8	620.1	795.9	1,092.5	1,367.1	2,205.0	2,889.0	3,531.2	5,817.5	7,260.3	
DEMAND DEPOSITS 4/	12	422.9	442.3	509.0	533.8	922.6	1,318.6	1,913.3	1,885.0	2,286.5	2,897.6	3,519.8	4,802.2	6,644.7	
QUASI-MONEY	13	399.8	427.0	544.3	511.7	543.6	807.7	859.2	1,425.6	1,742.8	1,613.6	2,294.2	3,103.7	4,495.0	
OTHER ITEMS	14	37.0	220.4	267.0	314.4	503.9	517.9	614.5	651.4	539.4	1,118.7	1,329.2	-998.7	1,651.1	-8,600.0

1/ DATA FOR 1981 ARE PRELIMINARY ESTIMATES ONLY.
2/ INCLUDES TREASURY FOREIGN EXCHANGE HOLDINGS.
3/ INCLUDES REGIONAL AND LOCAL GOVERNMENTS AND OFFICIAL ENTITIES.
4/ INCLUDES PRIVATE SECTOR DEPOSITS WITH BANK OF UGANDA AND DEPOSITS OF REGIONAL AND LOCAL GOVERNMENTS.

SOURCE: BANK OF UGANDA.

DATA SET: UGA/6S

TABLE 6.2
UGANDA: KAMPALA COST OF LIVING INDICES 1/
(JANUARY 1961 = 100)

ITEM		Weight	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
HIGH INCOME INDEX	17	100	124	129	139	144	147	151	158	177	241	280	365	508	658			
FOOD	18	25	116	115	124	138	140	148	148	172	244	295	423	750	1,031			
DRINK AND TOBACCO	19	7	132	137	171	169	170	171	179	210	278	332	459	640	1,060			
TRANSPORT	20	35	142	150	152	152	153	157	171	199	287	322	428	531	610			
HOUSEHOLD	21	12	118	123	125	125	127	127	136	132	178	200	222	261	388			
CLOTHING AND FOOTWEAR	22	7	133	137	140	140	146	147	164	168	222	289	291	291	291			
PHARMACEUTICAL AND PERSONAL	23	2	120	134	137	137	150	160	167	187	183	243	301	315	607			
DOMESTIC SERVANTS	24	8	135	140	144	144	151	152	152	141	140	149	160	160	160			
ENTERTAINMENT AND MISC.	25	4	115	136	141	141	144	148	157	168	208	242	241	410	478			
MIDDLE INCOME INDEX	26	100	121	128	134	144	147	161	163	184	275	327	454	794	1,172			
FOOD	27	42	117	124	122	141	146	175	166	194	349	417	617	1,254	1,820			
DRINK AND TOBACCO	28	17	136	141	166	161	161	161	174	200	256	306	461	760	1,237			
LABOR	29	4	160	181	197	187	190	188	188	189	214	221	221	221	221			
TRANSPORT	30	8	[illegible]	104	107	112	112	114	125	136	149	162	206	372	372			
FUEL	31	4	[illegible]	130	101	140	124	111	112	135	210	245	391	622	661			
PERSONAL MED. AND HOUSEHOLD	32	14	[illegible]	124	140	140	146	157	171	188	222	253	308	319	758			
CLOTHING	33	11	127	130	135	143	156	157	171	171	238	310	312	312	312			
MISCELLANEOUS	34	1	113	113	129	129	129	129	135	145	174	241	249	249	409			
LOW INCOME INDEX 2/	35	100	115	121	124	143	147	169	164	204	341	410	601	1,133	1,546	4,894	5,474	10,058
FOOD	36	70	117	123	120	140	147	182	172	204	341	442	671	1,371	1,807	6,194	6,488	9,476
DRINK AND TOBACCO	37	11	117	117	133	133	122	121	123	165	212	217	267	373	658	1,288	2,580	10,180
FUEL AND SOAP	38	8	105	123	106	138	126	118	118	153	268	389	710	1,072	1,137	2,628	3,688	11,112
HOUSEHOLD GOODS	39	2	107	109	167	194	173	173	176	235	522	513	513	513	590	985	1,723	17,289
CLOTHING	40	9	109	108	155	174	179	180	190	290	330	412	412	412	1,183	2,070	3,649	11,890

1/ SOME CONTROLLED PRICES WERE USED IN THE CALCULATION OF THE INDICES THROUGH 1978 THE EFFECTIVE INCREASE IN THE COST OF LIVING MAY THEREFORE BE UNDERSTATED.
2/ NO COST-OF-LIVING DATA WERE COLLECTED FROM OCTOBER 1980 TO JULY 1981, AND AS A RESULT, THE INDICES FOR 1980 AND 1981 ARE INCOMPLETE. IN PARTICULAR, THE RISE IN THE INDEX DURING 1980 IS GROSSLY UNDERSTATED, ESPECIALLY FOR THE FOOD COMPONENT.

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT.

DATA SET: UGA/GS

TABLE 6.3
UGANDA: RECENT PRICE TRENDS
(April 1981 = 100)

	Weights	1981								1982
		Apr.	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Food	41	100	104	92	77	79	81	80	83	70
Drinks and tobacco	17	100	199	179	164	161	167	162	162	172
Fuel and lighting	6	100	154	155	155	155	155	155	171	171
Transport	8	100	103	498	498	498	498	498	498	498
Textiles (domestic)	4	100	154	127	120	123	122	133	131	160
Textiles (imported)	6	100	250	259	260	270	276	300	324	337
Other consumer goods	10	100	217	186	143	174	175	173	177	174
Other manu. goods	8	100	246	230	218	208	204	202	200	210
Weighted average	100	100	156	175	161	164	166	166	170	169

Source: (1) Bank of Uganda
(2) IMF

TABLE 7.1
UGANDA: PRODUCTION OF MAJOR CROPS 1/
('000 TONS)

ITEM		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
EXPORT CROPS												
COFFEE 2/	1	112.9	94.1	119.0	158.2	172.4	152.1	153.9	166.4	133.4	250.9	201.5
- ROBUSTA	2									119.2	232.5	187.4
- ARABICA	3									14.2	18.4	14.1
COTTON (LINT) 2/	4	64.0	65.6	34.2	67.2	72.0	79.0	82.2	85.4	60.4	78.2	86.4
TOBACCO	5	1.6	1.7	1.7	1.9	3.3	3.1	2.6	3.9	4.6	3.4	3.2
TEA	6	4.7	5.1	6.3	6.2	7.4	8.4	11.2	11.2	15.2	17.6	18.2
SUGAR (RAW)	7	91.9	98.0	106.2	124.1	126.3	119.0	128.9	137.2	152.0	140.1	144.0
FOOD CROPS												
BANANAS 3/	8							5,132.0	5,602.0	7,372.0	7,443.0	7,657.0
CASSAVA	9							1,710.0	2,124.0	2,053.0	2,515.0	2,578.0
MAIZE	10							264.0	337.0	307.0	397.0	388.0
SORGHUM	11							274.0	290.0	284.0	435.0	462.0
BEANS	12							305.0	340.0	308.0	266.0	281.0
GROUNDNUTS	13							103.0	137.0	146.0	265.0	244.0
FINGER MILLETS	14							1,136.0	812.0	1,041.0	917.0	783.0
SWEET POTATOES	15							893.0	916.0	1,049.0	1,484.0	1,570.0

ITEM		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
EXPORT CROPS												
COFFEE 2/	1	175.7	183.7	213.7	198.6	198.5	137.1	155.9	121.3	103.8	135.2	134.0
- ROBUSTA	2	159.5	162.9	195.7	180.5	183.5	123.1	151.6	119.0	98.3	130.4	125.0
- ARABICA	3	16.2	20.8	18.0	18.1	15.0	14.0	4.3	2.3	5.5	4.8	9.0
COTTON (LINT) 2/	4	84.8	74.8	74.5	50.0	31.9	24.7	13.8	20.2	14.8	13.3	4.6
TOBACCO	5	4.4	5.0	3.9	3.8	3.7	3.1	3.1	2.4	3.5	3.0	
TEA	6	18.0	23.1	21.9	21.7	18.4	15.4	15.2	10.9	2.7	1.5	
SUGAR (RAW)	7	141.3	121.1	68.5	38.1	23.9	18.5	11.4	7.8	15.4	15.0	
FOOD CROPS												
BANANAS 3/	8	7,557.0	7,634.0	8,127.0	8,880.0	9,107.0	8,138.0	8,531.0	8,855.0	5,924.0	5,699.0	5,900.0
CASSAVA	9	2,417.0	2,650.0	2,132.0	2,350.0	2,992.0	2,838.0	2,993.0	2,028.0	1,294.0	2,072.0	3,000.0
MAIZE	10	421.0	500.0	419.0	430.0	571.0	674.0	566.0	594.0	453.0	286.0	342.0
SORGHUM	11	348.0	419.0	389.0	345.0	467.0	390.0	344.0	350.0	316.0	299.0	320.0
BEANS	12	222.0	237.0	170.0	196.0	325.0	337.0	253.0	291.0	182.0	186.0	240.0
GROUNDNUTS	13	251.0	234.0	212.0	200.0	194.0	177.0	193.0	187.0	80.0	65.0	80.0
FINGER MILLETS	14	650.0	594.0	643.0	591.0	682.0	567.0	578.0	561.0	481.0	459.0	480.0
SWEET POTATOES	15	1,425.0	1,224.0	1,231.0	1,786.0	1,953.0	2,002.0	1,659.0	1,689.0	576.0	1,200.0	1,300.0

1/ THE FIGURES FOR FOOD CROPS ARE ESTIMATES OF TOTAL PRODUCTION, WHILE THE FIGURES FOR EXPORT CROPS ARE OF OFFICIAL PURCHASES ONLY.
2/ FIGURES ARE FOR CROP YEAR ENDING IN SEPTEMBER OF YEAR SHOWN.
3/ THE RECORDED FALL IN BANANA PRODUCTION AFTER 1978 MAY BE EXAGGERATED.

SOURCE: (1) MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT; (2) MINISTRY OF AGRICULTURE.

TABLE 7.2
UGANDA: MINIMUM AGRICULTURAL PRODUCER PRICES
(U.SH. PER KILOGRAM)

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
COFFEE																	
- ROBUSTA, UNHULLED	18	0.88	0.88	0.88	1.06	1.06	1.19	1.19	1.19	1.25	2.50	2.50	3.50	3.50	7.00	7.00	35.00
- ARABICA, PARCHMENT (NOT BUGISU)	19	3.74	3.74	3.31	3.64	4.28	4.28	3.42	4.20	4.22	4.40	5.15	7.35	10.00	15.00	15.00	
- ARABICA, PARCHMENT (BUGISU I)	20	3.74	3.74	3.30	3.65	4.46	4.46	4.46	4.46	4.46	4.55	5.86	8.50	10.00	15.00	15.00	
COTTON (RAW)																	
- SAFI	21	1.32	0.88	0.99	1.10	1.20	1.25	1.25	1.30	1.65	3.00	3.00	3.00	5.00	6.00	6.00	30.00
- FIFI	22	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.75	0.75	0.75	1.00	1.00	1.00	
TOBACCO																	
- FIRE-CURED, I	23			3.31	3.60	4.00	4.00	4.05	4.05	4.20	4.45	5.50	6.50	8.10	8.65	8.65	50.00
- FLUE-CURED, TLI	24			10.69	10.65	10.65	10.70	10.70	11.00	11.25	11.45	11.85	11.85	11.95	11.95	11.95	60.00
- FLUE-CURED, TSO	25			6.61	6.50	6.55	6.55	6.80	6.85	7.10	7.20	7.45	12.00	12.15	12.15	12.15	
TEA - GREEN LEAF	26		0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	1.35	1.35	2.00	2.00	6.00
GROUNDNUTS, SHELLED	27				1.37	1.94	2.27	1.69	1.97	2.97	3.48	6.75	10.00	10.00	10.00	10.00	
GROUNDNUTS, UNSHELLED	28					1.24	1.28	1.23	1.43	1.83	2.93	4.75	7.00	7.00	7.00	7.00	
SOYABEANS	30				0.55	0.95	1.05	0.66	0.72	1.39	2.01	2.45	2.80	2.80	2.80	2.80	
BEANS	31.				0.79	0.98	0.97	1.10	1.38	2.11	2.55	2.45	2.40	2.40	2.40	2.40	
FIELDPEAS	32				0.96	1.10	1.13	1.00	0.57	1.73	1.75	2.30	2.80	2.80	2.80	2.80	
RICE	33				1.10		3.65	2.82	3.04	4.84	6.06	5.55	5.00	5.00	5.00	5.00	
MAIZE	34				0.35	0.43	0.64	0.44	0.79	0.99	1.29	1.66	2.00	2.00	2.00	2.00	
FINGER MILLET	35				0.49	0.91	0.96	1.01	0.98	1.71	2.32	2.37	2.40	2.40	2.40	2.40	
SORGHUM	36				0.59	0.74	0.87	0.78	0.86	1.26	1.91	1.96	2.00	2.00	2.00	2.00	
WHEAT	37				0.45	0.45	0.45	0.50	0.55	0.65	1.39	2.20	3.00	3.00	3 00	3.00	

SOURCE: (1) MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT; (2) MINISTRY OF AGRICULTURE.

DATA SET: UGA/7S

TABLE 7.3

UGANDA: COSTS OF CROP PRODUCTION

(in post-devaluation shillings)

	Robusta Coffee	Cotton	Tea	Tobacco	Bananas	Maize	Groundnuts
Cost per hectare (U.Sh.)							
Labor	13,150	5,120	11,558	17,910	7,300	4,400	5,000
Inputs	-	-	19,067	10,012	-	600	12,000
-Seed	(-)	(-)	(-)	(2,400)	(-)	(600)	(12,000)
-Fertilizer	(-)	(-)	(10,337)	(7,612)	(-)	(-)	(-)
-Chemicals	(-)	(-)	(8,730)	(-)	(-)	(-)	(-)
Implements	-	-	5,787	-	-	-	-
Packing and transport	3,300	500	4,350	1,037	-	-	-
Depreciation	-	-	-	5,000	-	-	-
Total	16,450	5,620	40,762	33,959	7,300	5,000	17,000
Yield (kg/hectare)	1,590	259	3,625	600	10,000	1,150	710
Cost per kg (U.Sh.)	10.3	21.7	11.2	56.6	0.7	4.3	23.9
Labor input (mandays/hectare)	210	128	298	597	146	110	125
Cost per manday (U.Sh.)	78.3	43.9	136.8	56.9	50.0	45.5	136.0

Notes:

Robusta coffee. For a pure stand of established coffee, without perennial grasses and assuming hand weeding. Labor input is valued at U.Sh.50 per day (U.Sh. 75 per day for picking at piece-work rate).

Cotton. Assuming no improvements in husbandry or purchased inputs. Labor input is valued at U.Sh. 40 per manday.

Tea. Average for first four-year pruning cycle of abandoned tea. Labor input is valued at U.Sh. 40 per manday.

Tobacco. For flue-cured tobacco, using hand labor for primary cultivation. Labor input is valued at U.Sh. 30 per day.

Bananas. For established banana garden using hired labor. Labor input is valued at U.Sh. 50 per day.

Maize and groundnuts. Assuming no improvements in husbandry or purchased inputs. Labor input is valued at U.Sh 40 per manday. Seed costs are based on present market prices within Uganda.

TABLE 8.1
UGANDA: PRODUCTION OF SELECTED MANUFACTURED GOODS

ITEM		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
SUGAR ('000 TONS)	1	128.9	137.2	152.0	140.1	144.0	141.3	121.1	68.5	38.1	23.9	18.5	11.4	7.8	15.4	15.0
VEGETABLE OILS ('000 TONS)	2						15.4	13.0	12.5	12.8	6.2	1.9	1.7			
ANIMAL FEEDS ('000 TONS)	3						25.6	25.1	24.9	16.6	10.0	11.9	7.6			
SPIRITS (WARAGI) ('000 LITERS)	4	238.0	258.0	365.8	396.0	564.5	598.[illegible]	729.0	910.0	814.0	859.0	543.0	526.0	420.0	69.0	34.0
BEER (MILL. LITERS)	5	19.7	20.5	19.8	21.0	27.8	35.0	37.9	45.6	43.5	38.8	23.3	22.1	22.8	6.5	12.0
CIGARETTES (BILLIONS)	6	1.3	1.2	1.3	1.3	1.5	1.6	1.7	1.9	2.0	1.8	1.8	1.9	1.3	0.5	0.6
PIPE TOBACCO (TONS)	7	203.0	183.0	159.0	137.0	127.0	126.0	127.0	96.0	82.0	108.0	115.0	98.0	66.0	9.0	12.0
FABRICS (M. SQ. METERS)	8	40.0	46.0	43.4	47.2	49.6	46.2	48.3	38.1	35.6	33.5	38.8	36.6	28.4	15.1	7.5
BLANKETS (MILLIONS)	9	0.8		1.1	1.2	1.2	1.4	1.2	0.4	0.3	0.3	0.2	0.3	0.2	0.1	
SOAP ('000 TONS)	10	14.9	12.6	12.0	12.0	12.9	13.6	14.0	6.3	5.1	3.6	2.5	1.1	0.8	0.8	0.4
MATCHES (S) ('000 CARTONS) 1/	11	38.2	41.6	42.8	40.9	49.3	64.0	57.0	50.0	35.0	37.0	13.3	10.0	4.5	4.4	2.8
MATCHES (L) ('000 CARTONS) 2/	12						4.4	6.7	4.6	4.6	6.3	3.9	0.2	2.5	2.5	0.7
SUPERPHOSPHATES ('000 TONS)	13	24.6	17.0	15.0	22.8	24.8	23.9	22.6	18.6	14.1	4.0	1.9	1.2	0.3		
STEEL INGOTS ('000 TONS)	14	19.8	17.9	21.4	20.6	19.5	16.3	10.8	11.7	9.0	6.3	5.7	5.6	6.6	3.4	1.9
CORRUG.IRON SHEETS ('000 TONS)	15		9.3	9.7	11.6	11.9	14.3	12.9	5.1	4.0	1.4	1.1	2.0	2.0	0.4	
CEMENT ('000 TONS)	16	122.4	139.5	154.9	172.9	191.9	205.1	165.1	142.7	153.0	98.0	87.7	73.0	44.0	13.0	4.9
PAINTS (MILL. LITERS)	17			1.2	1.4	1.7	1.8	1.6	1.4	1.9	0.9	0.4	0.6	0.8	0.1	0.1
BLISTER COPPER ('000 TONS)	18						15.7	14.1	9.6	8.9	8.3	5.0	2.3	1.3	0.4	
FOOTWEAR ('000 PAIRS)	19							2.9	3.2	2.5	1.6	1.1	1.1	1.3	0.7	
FISHNETS ('000)	20						467.1	406.5	349.2	362.8	298.8	93.0	98.5	141.0	47.0	
BICYCLE TIRES & TUBES (MILL.)	21						1.3	1.5	1.4	1.4	0.5	0.4	0.7	0.7	0.4	

1/ OF 10 GROSS SMALL-SIZE MATCHBOXES.
2/ OF 200 LARGE-SIZE MATCHBOXES.

SOURCE: MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT, STATISTICAL DEPARTMENT.

DATA SET: UGA/8S

TABLE 9.1
UGANDA: HIGHWAY NETWORK
(LENGTH IN KM.)

ITEM		Primary Rds. Bit.	Primary Rds. Gravel	Sec. Rds. Bit.	Sec. Rds. Gravel	Tertiary Rds. Bit.	Tertiary Rds. Gravel	Total Bit.	Total Gravel	TOTAL
RESPONSIBLE AGENCY										
MINISTRY OF WORKS	1	1,630.0	2,233.0	85.0	1,704.0	219.0	1,146.0	1,934.0	5,083.0	7,017.0
- KAMPALA	2	632.0	236.0	77.0	179.0	80.0	155.0	789.0	570.0	1,359.0
- MBALE	3	316.0	549.0		553.0	125.0	248.0	441.0	1,350.0	1,791.0
- FORT PORTAL	4	536.0	585.0	2.0	679.0	5.0	443.0	543.0	1,707.0	2,250.0
- GULU	5	146.0	863.0	6.0	293.0	5.0	300.0	161.0	1,456.0	1,617.0
RURAL LOCAL AUTHORITIES 1/	6						20,020.0		20,020.0	20,020.0
CITY COUNCILS 2/	7			130.0				130.0		130.0
TOTAL	8	1,630.0	2,233.0	215.0	1,704.0	219.0	21,146.0	2,064.0	25,103.0	27,167.0

1/ INCLUDES SOME SECONDARY ROADS.
2/ INCLUDES SOME PRIMARY AND TERTIARY ROADS.

SOURCE: (1) MINISTRY OF WORKS.
(2) WORLD BANK ESTIMATES.

DATA FILE: D/UGA/9S/D.

TABLE 9.2
UGANDA: VEHICLE FLEET 1/

ITEM		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
HEAVY COMMERCIAL VEHICLES	11	6,795.0	6,617.0	5,978.0	5,535.0	7,210.0	6,185.0	5,755.0	5,812.0	3,216.0	3,500.0
PICKUPS AND VANS	12	4,989.0	5,320.0	4,836.0	4,542.0	5,087.0	4,393.0	4,475.0	5,101.0	3,336.0	3,500.0
BUSES	13	903.0	996.0	915.0	902.0	971.0	846.0	777.0	839.0	553.0	600.0
MINI-BUSES AND COMBOS	14	665.0	709.0	645.0	611.0	593.0	514.0	614.0	779.0	533.0	500.0
CARS	15	23,771.0	24,054.0	21,732.0	20,025.0	18,994.0	16,523.0	15,734.0	15,757.0	11,279.0	11,000.0
MOTORCYCLES AND SCOOTERS	16	6,161.0	6,235.0	5,654.0	5,381.0	5,132.0	4,399.0	4,562.0	4,754.0	4,459.0	4,500.0
OTHERS	17	1,227.0	1,331.0	1,220.0	1,260.0	1,365.0	1,298.0	1,765.0	2,252.0	1,914.0	1,950.0
TOTAL	18	44,510.0	45,262.0	40,980.0	38,256.0	39,352.0	34,158.0	33,682.0	35,294.0	25,290.0	25,550.0

1/ IN 1980 EXCLUDES SOME VEHICLES LICENSED BUT NOT YET RECORDED AT CENTRAL REGISTRY.

SOURCE: MINISTRY OF WORKS.

DATA FILE: D/UGA/9S/D.

TABLE 9.3

UGANDA: RAILWAY TRAFFIC

ITEM		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
PASSENGERS (NOS.)	21	552.0	667.0	1,185.0	1,659.0	2,007.0	1,697.0	867.0	866.0	624.0	1,288.0
GOODS FORWARDED ('000 TONS)	22	1,030.0	669.0	772.0	670.0	493.0	377.0	308.0	130.0	211.0	195.0
GOODS RECEIVED ('000 TONS)	23	786.0	584.0	1,036.0	918.0	949.0	767.0	363.0	287.0		

SOURCE: UGANDA RAILWAYS CORPORATION.

DATA FILE: D/UGA/9S/D.

TABLE 9.4
UGANDA: RAILWAY ROLLING STOCK
(AS OF JUNE 30, 1981)

ITEM		Rolling Stock							Locomotives		
		Cov.	High Open	Low Open	Tank	Coach	Livest.	Total	Diesel	Steam	Total
INHERITED FROM EAC	26	42.0	48.0	13.0	8.0	26.0		137.0	21.0	28.0	49.0
ACQUIRED AND DELIVERED	27	380.0				20.0	20.0	420.0	30.0		30.0
SUB-TOTAL	28	422.0	48.0	13.0	8.0	46.0	20.0	557.0	51.0	28.0	79.0
LESS:											
RETIRED	29	42.0	48.0	13.0	8.0	26.0		137.0		28.0	28.0
LOST	30								5.0		5.0
SUB-TOTAL	31	42.0	48.0	13.0	8.0	26.0		137.0	5.0	28.0	33.0
AVAILABLE ON JUNE 30, 1981	32	380.0				20.0	20.0	420.0	46.0		46.0
OF WHICH:											
IN OPERATION	33	380.0				20.0	20.0	420.0	22.0		22.0
OUT OF SERVICE	34								24.0		24.0
OTHERS:											
ON ORDER	35					84.0		84.0	23.0		23.0
ON LOAN FROM KENYA 1/	36				90.0			90.0			

1/ SINCE JULY 1981. ADDITIONAL WAGONS HAVE ALSO BEEN MADE AVAILABLE, BUT THERE ARE NO SPECIFIC COMMITMENTS.

SOURCE: UGANDA RAILWAYS CORPORATION.

DATA FILE: D/UGA/9S/D.

TABLE 10.1
UGANDA: POWER GENERATION AND CONSUMPTION
(KWH MILLION)

ITEM		1966	1967	1968	1969	1970	1971	1972
TOTAL UNITS GENERATED	1	635.0	704.0	731.0	731.0	734.0	816.0	802.0
LOSSES 1/	2	56.0	65.0	73.0	67.0	72.0	71.0	76.0
UNITS AVAILABLE	3	579.0	639.0	658.0	664.0	662.0	745.0	726.0
TOTAL SUPPLIED TO KENYA 2/	4	203.0	242.0	224.0	218.0	247.0	294.0	284.0
TOTAL SUPPLIED TO UGANDA, OF WHICH:	5	376.0	397.0	434.0	446.0	415.0	451.0	442.0
- HOUSEHOLD	6	50.0	54.0	59.0	64.0	69.0	83.0	76.0
- COMMERCIAL 1/	7	46.0	50.0	55.0	59.0	69.0	81.0	83.0
- INDUSTRIAL	8	280.0	293.0	320.0	323.0	277.0	287.0	283.0

ITEM		1973	1974	1975	1976	1977	1978	1979	1980
TOTAL UNITS GENERATED	1	793.0	785.0	727.0	672.0	688.0	630.0	467.0	637.0
LOSSES 1/	2	91.0	91.0	84.0	89.0	84.0	84.0	73.0	109.0
UNITS AVAILABLE	3	702.0	694.0	643.0	583.0	604.0	546.0	394.0	528.0
TOTAL SUPPLIED TO KENYA 2/	4	303.0	296.0	261.0	237.0	272.0	217.0	158.0	289.0
TOTAL SUPPLIED TO UGANDA, OF WHICH:	5	400.0	398.0	382.0	346.0	332.0	329.0	235.0	239.0
- HOUSEHOLD	6	69.0	77.0	82.0	84.0	88.0	98.0	81.0	81.0
- COMMERCIAL 1/	7	77.0	78.0	77.0	65.0	69.0	71.0	55.0	58.0
- INDUSTRIAL	8	254.0	243.0	223.0	197.0	175.0	160.0	99.0	100.0

1/ CALCULATED AS A RESIDUAL
2/ THE FALL IN SALES DURING 1970 WAS IN PART DUE TO THE SWITCH FROM ELECTRICITY TO FUEL OIL FOR RAISING STEAM, PARTICULARLY AT NYANZA TEXTILES CO.

SOURCE: UGANDA ELECTRICITY BOARD

DATA SET: UGA/10

TABLE 10.2
UGANDA: UEB OPERATING STATISTICS

ITEM			1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
UGANDA SALES												
CUSTOMERS	(NO. '000)	11	69.0	73.0	76.0	81.0	83.0	90.0	93.0	98.0	61.0	93.0
TOTAL SALES	(KWH M.)	12	451.0	443.0	400.0	398.0	382.0	346.0	332.0	329.0	235.0	239.0
AVERAGE USAGE PER CUSTOMER	(KWH)	13	6,536.0	6,061.0	5,259.0	4,917.0	4,602.0	3,838.0	3,587.0	3,346.0	3,878.0	2,586.0
TOTAL REVENUE	(U.SH.M.)	14	101.0	101.0	97.0	99.0	97.0	92.0	92.0	92.0	71.0	95.0
REVENUE PER CUSTOMER	(U.SH.)	15	1,460.0	1,386.0	1,275.0	1,218.0	1,167.0	1,018.0	996.0	939.0	1,167.0	1,024.0
REVENUE PER 100 KWH SOLD	(U.SH.)	16	22.0	23.0	24.0	25.0	25.0	27.0	28.0	28.0	30.0	40.0
KENYA SALES												
TOTAL SALES	(KWH MILL.)	17	294.0	284.0	303.0	296.0	261.0	237.0	272.0	217.0	158.0	289.0
TOTAL REVENUE	(U.SH. M.)	18	11.0	10.0	12.0	11.0	8.0	8.0	9.0	9.0	8.0	20.0
REVENUE PER 100 KWH SOLD	(U.SH.)	19	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	5.0	7.0
RATE OF RETURN ON FIXED ASSETS (%)		20	13.0	12.0	12.0	9.0	8.0	6.0	6.0	-2.0	-6.0	4.0
SYSTEM CAPACITY DEMAND												
INSTALLED CAPACITY	(MW)	21	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0
MAXIMUM DEMAND (INCLUDING KENYA)	(MW)	22	117.0	125.0	130.0	126.0	122.0	115.0	116.0	121.0	114.0	106.0
MAXIMUM DEMAND/ CAPACITY RATIO	(%)	23	76.0	81.0	84.0	82.0	79.0	75.0	75.0	79.0	74.0	69.0

SOURCE: UGANDA ELECTRICITY BOARD

DATA FILE: D/UGA/10/D.

TABLE 11.1
UGANDA: EDUCATIONAL INSTITUTIONS
(NUMBER)

ITEM		1969	1979	Average Growth Rate (% p.a.)
PRIMARY SCHOOLS 1/	1	2,722.0	4,229.0	4.5
SECONDARY SCHOOLS	2	117.0	210.0	6.0
- PRIVATE	3	46.0	92.0	7.2
- PUBLIC	4	71.0	118.0	5.2
TECHNICAL SCHOOLS	5	19.0	10.0	-6.2
- RURAL TRADE AND JR. FARM 2/	6	14.0		
- OTHER	7	5.0	10.0	7.2
TECHNICAL INSTITUTES	8	.	5.0	
TEACHER TRAINING COLLEGES 3/	9	30.0	32.0	0.6
POST-SECONDARY COLLEGES	10	.	3.0	
UNIVERSITIES	11	1.0	1.0	

1/ INCLUDES 1,986 SCHOOLS WITH P7 IN 1969. COMPARABLE STATISTIC FOR 1979 IS NOT AVAILABLE.
2/ NOT REPORTED IN 1979.
3/ GRADES II AND III.

SOURCE: MINISTRY OF EDUCATION.

DATA FILE: D/UGA/11/D.

TABLE 11.2
UGANDA: EDUCATIONAL ENROLLMENTS
('000)

ITEM		1969	1979	Average Growth Rate (% p.a.)
PRIMARY SCHOOL	14	632.2	1,223.9	6.8
P1	15	113.1	251.7	8.3
P2	16	103.8	211.3	7.4
P3	17	100.8	189.3	6.5
P4	18	90.3	161.9	6.0
P5	19	80.0	140.6	5.8
P6	20	75.7	136.7	6.1
P7	21	68.6	132.3	6.8
SECONDARY SCHOOL - "O LEVEL"	22	29.5	61.1	7.5
S1	23	9.0	16.7	6.3
S2	24	8.5	15.5	6.2
S3	25	6.5	14.9	8.7
S4	26	5.6	14.2	9.7
SECONDARY SCHOOL - "A LEVEL"	27	2.1	5.6	10.4
S5	28	1.2	2.8	8.9
S6	29	0.9	2.8	12.1
UNIVERSITY	30	1.8	4.3	9.0
TEACHER TRAINING	31	3.7	7.9	7.8
GRADE II	32	3.3	6.1	6.4
GRADE III	33	0.3	1.1	12.7
GRADE II UPGRADING	34	0.1	0.7	19.1

SOURCE: MINISTRY OF EDUCATION.

DATA FILE: D/UGA/11/D.

IBRD 16148R

MARCH 1982

UGANDA

Main paved roads
Other main roads
Railways
Rivers
Swamps
National parks / Game reserves
National capital
District capitals
International boundaries

KILOMETERS 0 20 40 60 80 100
MILES 0 20 40 60

SUDAN
ZAIRE
KENYA
TANZANIA
RWANDA

MOYO
Yumbe
Madi Opei
Kitgum
Atanga
ARUA
Rhino Camp
GULU
Pakwach
Ngote
LIRA
Masindi
Bunia
Hoima
Bugondo
SOROTI
Nakasongola
Pallisa
Namasagali
Bukoloto
Iganga
JINJA
FORT PORTAL
Kyenjojo
MUBENDE
Beni
Kasese
Katunguru
MPIGI
KAMPALA
Lugazi
ENTEBBE
MASAKA
MBARARA
Kafunza
Kisoro
KABALE
Bukoba
Kaabong
Kotido
MOROTO
KAPCHORWA
MBALE
Kitale
TORORO
Kisumu

LAKE VICTORIA
LAKE KYOGA
LAKE MOBUTU SESE SEKO
SAHR EL JEBEL
ELEPHANT SANCTUARY
MURCHISON FALLS NATIONAL PARK
KARUMA FALLS CONTR AREA
BIKUMI BUGUNTU CONTROLLED AREA
MT KIE WHITE RHINO SANCTUARY
WEST MADI CONTROLLED AREA
LOMUNGA GAME RES
LIPAN CONTROLLED AREA
KIDEPO NATIONAL PARK
NORTH KARAMOJA CONTROLLED AREA
CENTRAL KARAMOJA CONTROLLED AREA
MATHENIKO GAME RESERVE
SOUTH KARAMOJA CONTROLLED AREA
DEBASIEN ANIMAL SANCTUARY
KATONGA CONTROLLED AREA
MBARARA CONTR AREA

To Juba
To Mombasa
To Lubero
To Goma
To Kigali
Biharamulo
To Lorengumu
To Eldoret
To Kericho

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