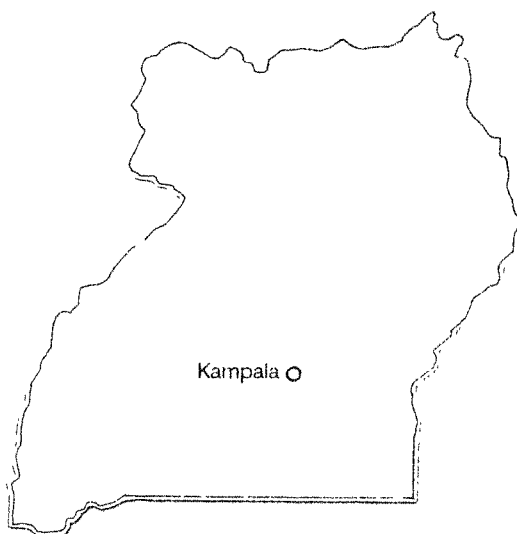


Country profile

Uganda 1991

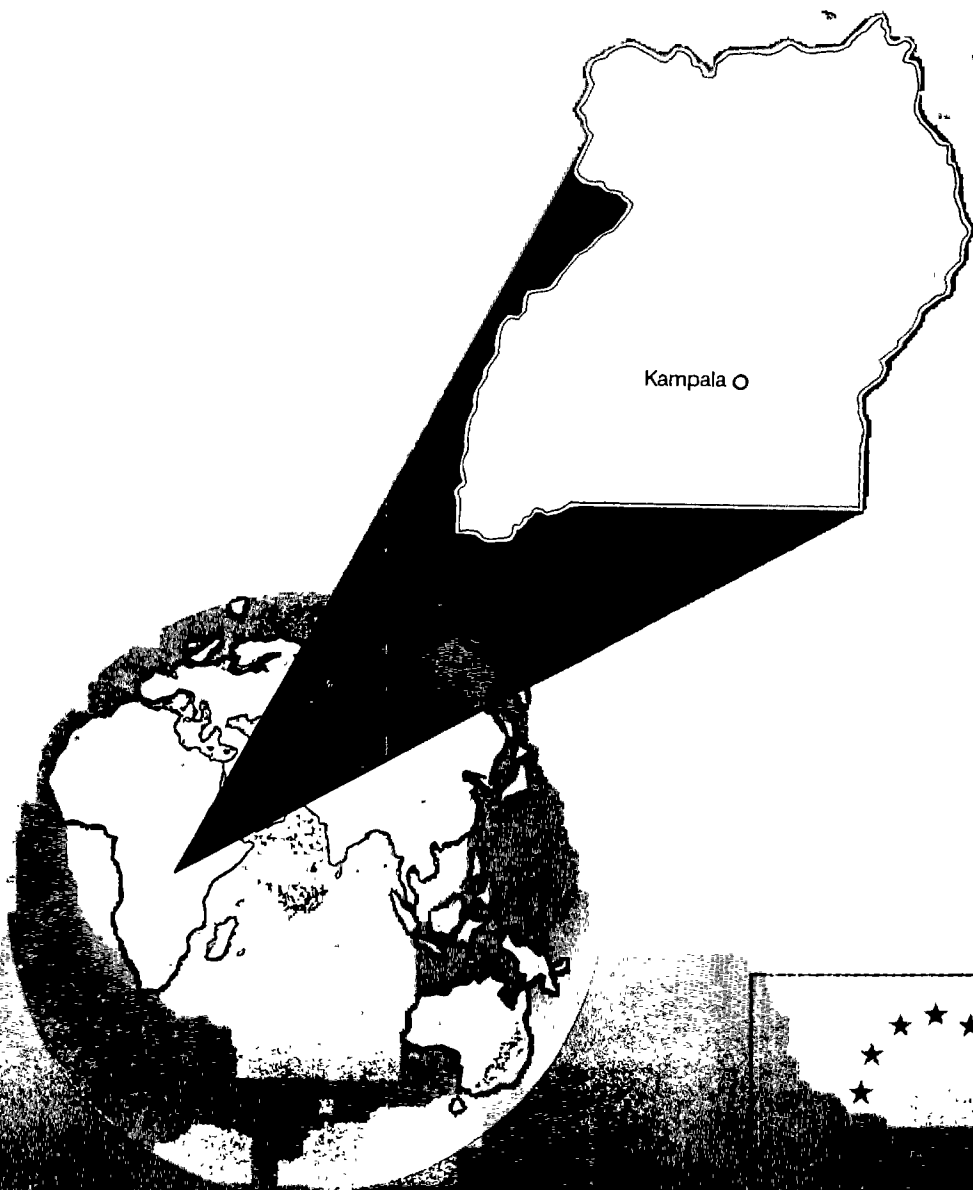


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EXPLANATION OF SYMBOLS

- 0 = Less than half of 1 at the last occupied digit,
but more than nil
- = Magnitude zero
- ! = General break in the series affecting comparison over time
- . = Figure unknown
- x = Available information is not meaningful

GENERAL ABBREVIATIONS*)

g	=	gram	h	=	hour
kg	=	kilogram	kW	=	kilowatt (10 ³ watt)
dt	=	quintal (100 kg)	kWh	=	kilowatt hour
t	=	ton (1 000 kg)	MW	=	megawatt (10 ⁶ watt)
mm	=	millimetre	GW	=	gigawatt (10 ⁹ watt)
cm	=	centimetre	MWh	=	megawatt hour
m	=	metre	GWh	=	gigawatt hour
km	=	kilometre	p.	=	piece
m ²	=	square metre	P	=	pair
ha	=	hectare (10 000 m ²)	mn	=	million
km ²	=	square kilometre	bn	=	billion
l	=	litre	BY	=	beginning of year
hl	=	hecto litre (100 l)	MY	=	mid-year
m ³	=	cubic metre	YE	=	end of year
tkm	=	ton kilometre	YA	=	year average
GRT	=	gross registered ton	Qrt	=	quarter
NRT	=	net registered ton	HY	=	half-year
tdw	=	tons deadweight (t = 1 016.05 kg)	A	=	average
USh	=	Uganda Shilling	MA	=	monthly average
US\$	=	US Dollar	cif	=	cost, insurance, freight included
ECU	=	European currency unit ¹⁾	fob	=	free on board
SDR	=	Special Drawing Rights			

SELECTED INTERNATIONAL WEIGHTS AND MEASURES

1 inch (in)	=	2,540 cm	1 imperial gallon (imp. gal.)..	=	4,546 l
1 foot (ft)	=	0,305 m	1 barrel (bl.)	=	158,983 l
1 yard (yd)	=	0,914 m	1 ounce (oz)	=	28,350 g
1 mile (mi)	=	1,609 km	1 troy ounce (troy oz)	=	31,103 g
1 acre (ac)	=	4 047 m ²	1 pound (lb)	=	453,592 g
1 cubic foot (ft ³)	=	28,317 dm ³	1 short ton (sh t)	=	0,907 t
1 gallon (gal.)	=	3,785 l	1 long ton (l t)	=	1,016 t

*) Special abbreviations are to be found in the respective sections. With only few exceptions, provisional, revised and estimated figures are not marked as such. Individual entries may not add up to total because of rounding.

1) See also page 6, (The ECU and Official Exchange Rates of Important Currencies).

THE ECU AND OFFICIAL EXCHANGE RATES OF IMPORTANT CURRENCIES*)

Exchange rates for 1 ECU

Year	US\$1)	bfr/ fr	dkr	DM	FF	Dr	frf	Lit	htf	Esc	Pta	£	US-\$	SDR
1980	0.103	40.5980	7.82736	2.52421	5.86896	59.4178	0.675997	1 189.21	2.76027	69.5522	99.7017	0.598488	1.39233	1.06447
1981	0.559	41.2947	7.92256	2.51390	6.03993	61.6230	0.691021	1 263.18	2.77511	68.4948	102.676	0.553111	1.11645	0.94548
1982	0.921	44.7116	8.15687	2.37599	6.43117	65.3419	0.689605	1 323.78	2.61391	78.0066	107.558	0.560455	0.97971	0.88448
1983	1.370	45.4380	8.13189	2.27053	6.77078	78.0884	0.714956	1 349.92	2.53720	98.6886	127.503	0.587014	0.89022	0.83253
1984	2.838	45.4421	8.14648	2.23811	6.87166	88.4154	0.725942	1 381.38	2.52335	115.680	126.569	0.590626	0.78903	0.76777
1985	5.128	44.9137	8.01877	2.22632	6.79503	105.739	0.715168	1 447.99	2.51101	130.252	129.135	0.588977	0.76309	0.74904
1986	13.778	43.7979	7.93565	2.12819	6.79976	137.425	0.733526	1 461.88	2.40090	147.088	137.456	0.671543	0.98417	0.83756
1987	49.433	43.0410	7.88472	2.07153	6.92910	156.268	0.775448	1 494.91	2.33418	162.616	142.165	0.704571	1.15444	0.89214
1988	125.504	43.4285	7.95152	2.07440	7.03644	167.576	0.775672	1 537.33	2.33479	170.059	137.601	0.664434	1.18248	0.87988
1989	245.791	43.3806	8.04929	2.07015	7.02387	178.840	0.776818	1 510.47	2.33526	173.413	130.406	0.673302	1.10175	0.85956
1990	517.932 ^{a)}	42.4257	7.85652	2.05209	6.91412	201.412	0.767768	1 521.98	2.31212	181.109	129.411	0.713851	1.27343	0.93859
1991 ²⁾	689.513	42.2126	7.88794	2.04881	6.95952	216.831	0.767772	1 540.15	2.30979	182.484	129.124	0.701862	1.35752	0.95375

*) Annual averages of the daily rates.

1) All national currency data in the report refer to new Ugandan shilling. All data originally quoted in old Uganda Shilling have been converted into new US\$. - 2) January average.

a) January to November average.

Sources: Ugandan shilling : Commission of the European Communities, Dep. IX.
Other currencies : Commission of the European Communities, Dep. IX.

The conversions in the report from US-\$ into ECU were done by using the rates of exchange published by the Commission of the European Communities.

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FOREWORD

Between 1975 and 1990, four conventions between the European Community and the African, Caribbean and Pacific countries (commonly called the ACP countries) were concluded in Lomé. The Lomé Conventions form the cornerstone of economic relations and development cooperation between these two groups of countries.

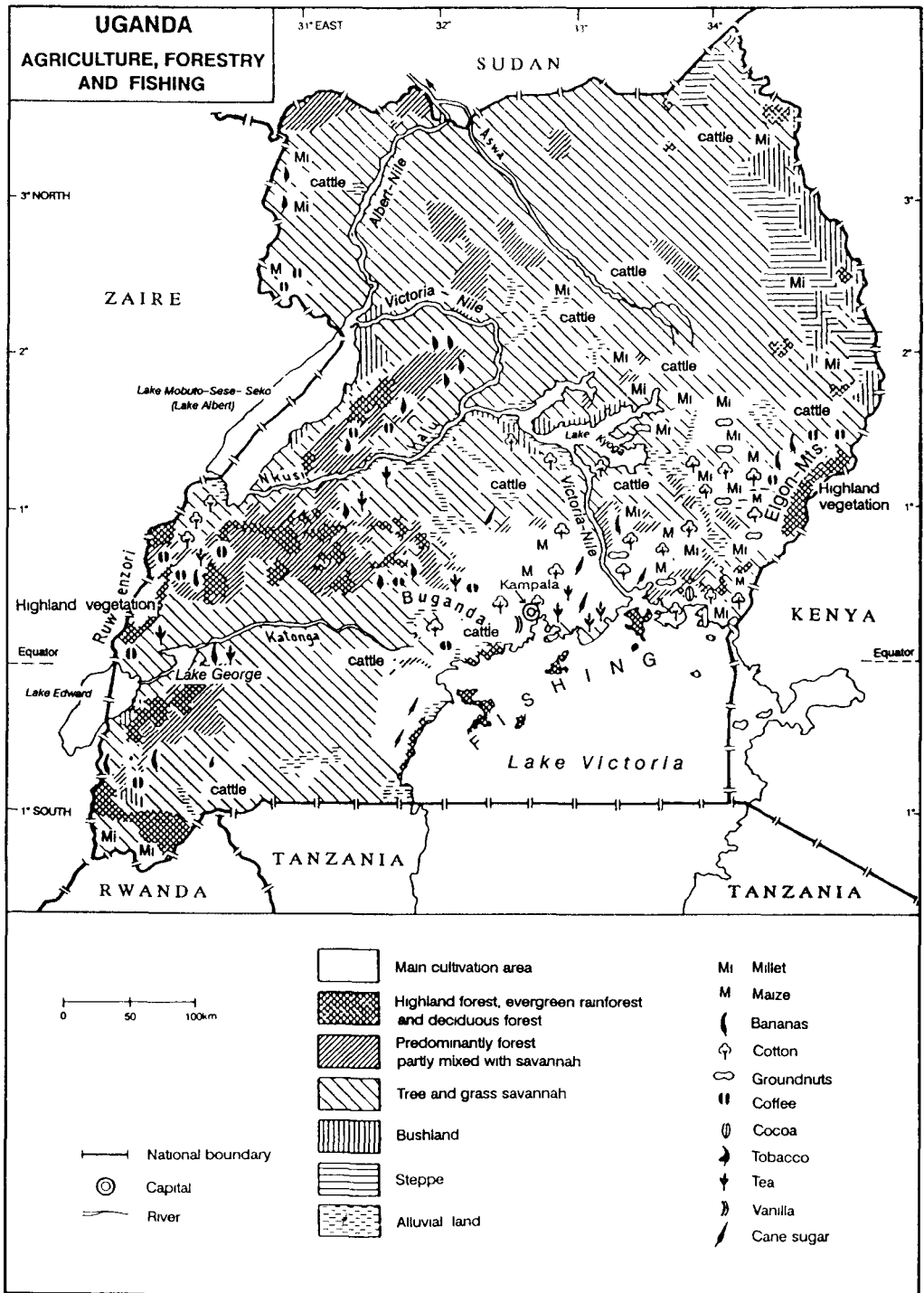
The Federal Statistical Office of Germany (StBA) and the Statistical Office of the European Communities (Eurostat) are attempting to meet the increasing demand for statistical information which results from the importance of these ACP/EC links.

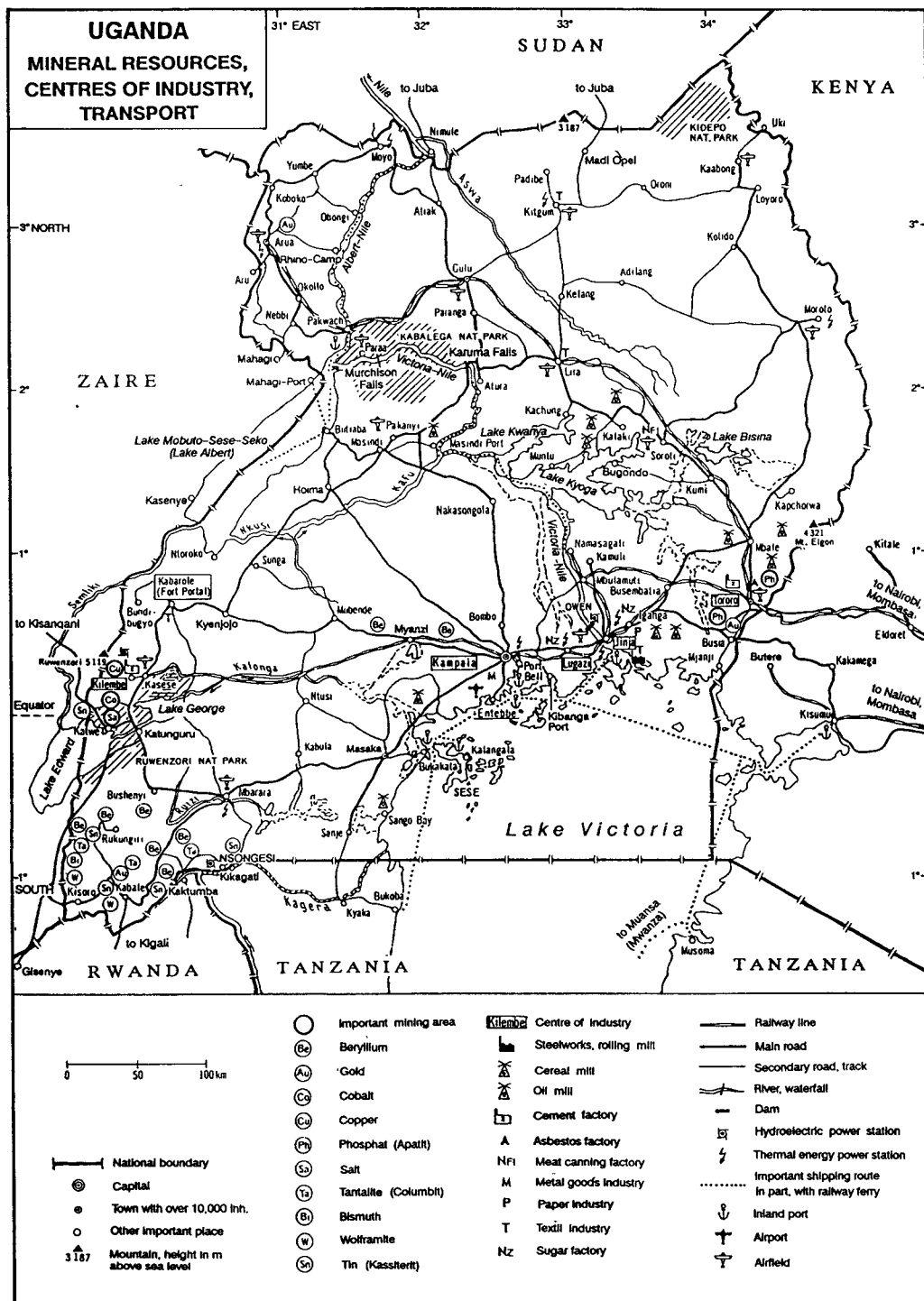
The official launch of this new series of publications took place in Berlin on the fourth of July 1991 when the country profile on Togo was presented at a press conference hosted by Mr. E. Hölder, President of the Federal Statistical Office of Germany and Mr. Y. Franchet, General Director of the Statistical Office of the European Communities (Eurostat).

As well as supplying basic statistics on the situation in Uganda, this report includes chapters on foreign trade, public development aid, foreign investment and debt seen from a Community perspective. This provides the reader with valuable information on the potential for development in ACP countries.

The country profile on Uganda, the second in the new joint series, is published in English, French and German.

Publication of further country profiles on Cameroon and Namibia is foreseen during the course of 1992.





1 GENERAL DATA

1.1 BASIC DATA

	Unit				
Territory					
Total area	km ²	1990:	241 038		
Usable agricultural area	km ²	1988:	67 050		
Population					
Total population					
Census results	1 000	1959:	6 450	1980:	12 636
Mid-year	1 000	1985:	15 491	1990:	18 442
Growth	%	1959-1980:	95.9	1985-1990:	19.0
Density	Inh. per km ²	1959:	26.8	1990:	76.5
Births	per 1 000 inh.	<u>1965/70 A:</u>	49.1	<u>1985/90 A:</u>	50.1
Deaths	per 1 000 inh.		18.7		15.4
Infant mortality	per 1 000 live births		118.0		103.0
Life expectancy at birth					
Men	years		44.4		49.4
Women	years		47.6		52.7
Health					
Hospital beds ¹⁾	Number	<u>1970:</u>	15 294	<u>1986:</u>	20 091
Inhab. per hospital bed ¹⁾	Number		641		811
Doctors	Number		1 065	<u>1984:</u>	700
Inhab. per doctor	1 000		9.2		21.7
Dentists	Number		48	<u>1981:</u>	17
Inhab. per dentist	1 000		204		816
Education					
Illiterates, aged					
15 years and older	% of age group	1980:	47.7	1985:	42.7
Primary school enrolment	1 000	<u>1970:</u>	720.1	<u>1989:</u>	2 532.8
Secondary school enrolment	1 000		40.7		238.5
Students	1 000		4.2		13.3
Agriculture, forestry and fisheries					
Index of					
agricultural production	1979/81 A = 100	<u>1985:</u>	103	<u>1989:</u>	109
food production	1979/81 A = 100		102		109
per inhabitant	1979/81 A = 100		86		80
Yields of					
Sweet potatoes ²⁾	1 000 t	<u>1980:</u>	1 200	<u>1989:</u>	1 658
Cassava ²⁾	1 000 t		2 072		3 568
Plantains ²⁾	1 000 t		5 699		7 469
Coffee	1 000 t	1981/82:	166.6	1988/89:	174.0

1) Incl. beds in medical centres; 1986: without beds in specialist hospitals.

2) 1989: Estimate.

	<u>Unit</u>				
Cattle	1 000	<u>1981:</u>	4 745	<u>1989:</u>	4 184
Timber	1 000 m ³	<u>1983:</u>	11 669	<u>1988:</u>	13 873
Fish	1 000 t		172.3	<u>1989:</u>	213.5
Industry					
Installed capacity of power stations	MW	<u>1980:</u>	155	<u>1989:</u>	155
Electricity production	mn kWh		634		661
Tin ore	t	<u>1984:</u>	263		34
Wolframite	t		14.7		21.0
Production of Cement	t	<u>1983:</u>	30 780		17 378
Soap	t		.		26 872
Cotton and artificial silks	mn m ²		16.6		11.6
Sugar	t		3 133		15 859
Beer	1 000 l		14 206		19 516
External Trade					
Imports	US\$ mn	<u>1982:</u>	422.0	<u>1989:</u>	659.1
Exports	US\$ mn		347.1		251.6
Transport and Communications					
Railway track lengths	km			<u>1989:</u>	1 286
Road lengths	km	<u>1970:</u>	27 154	<u>1985:</u>	28 332
Private cars per 1000 inh.	Number	<u>1981:</u>	1.9	<u>1989:</u>	2.0
Passengers through Entebbe Airport	1 000	<u>1980:</u>	110		130
Telephone lines	1 000		46		55
Televisions	1 000		74	<u>1986:</u>	100
Tourism					
Foreign visitors	1 000	<u>1983:</u>	13	<u>1989:</u>	44.0
Foreign exchange earned	US\$ mn		7	<u>1987:</u>	8
Money and finance					
Official exchange rates ¹⁾	US\$ for 1 ECU	YA 1983:	1.4	<u>1990:</u>	504.7
Foreign exchange reserves	US\$ mn	YE 1983:	101.9	Oct. 1990:	19.3
Public finance					
Central government budget					
Revenue	US\$ bn	<u>1983/84:</u>	0.948	<u>1989/90:</u>	111.350
Expenditure	US\$ bn		1.169		169.264
Foreign debts (public)	US\$ mn	<u>1984:</u>	955	<u>1989:</u>	1 614
Employment					
Economically active population (10 years and older)	1 000	<u>1970:</u>	4 749	<u>1990:</u>	8 129
Percentage of total popul.	%		48.5		44.1

1) 1990: January/October A.

	<u>Unit</u>				
Male	1 000	<u>1970:</u>	2 699	<u>1990:</u>	4 792
Female	1 000		2 050		3 337
Prices					
Cost of living index in Kampala					
lower income groups	Aug. 1981 = 100	<u>1984:</u>	217	<u>1988:</u>	12 693
middle income groups	Apr. 1981 = 100		350		21 270
National accounts					
Gross Domestic Product					
at factor cost					
at current prices	US\$ bn	<u>1981:</u>	2.4	<u>1989:</u>	995.6
at 1987 prices	US\$ bn		154.3		199.2
per capita	US\$ 1 000		11.7		12.2

1.2 IMPORTANT ECONOMIC AND SOCIAL INDICATORS OF AFRICAN COUNTRIES*)

Country	Nutrition		Health		Education	
	Calorie supply 1) 1986		Life expect- ancy at birth 1990	Inhabi- tants per hospital bed 1985	Literates as percen- tage of total po- pulation (aged 15 and over) 1990	Registered pupils as percentage of all children of primary school age 1987 2)
	per inh./day					
	Number	% of needs 3)	Years	Number	%	
Algeria	2715	112	64	439	58	96
Angola	1880	82	46	563 (83)	42	93
Benin	2184	95	48	1016 (81)	23	63
Botswana	2201	96	60	383 (80)	74	111
Burkina Faso	2139	86	49	1359	18	32
Burundi	2343	97	48(87)	831 (84)	34(85) ^{a)}	67
Cameroon	2028	88	52	373	54	109
Cape Verde	2729 ^{b)}	.	63	512 (80)	50(86)	108
Central African Republic	1949	86	47	672	38	66
Chad	1717	69	47	1278 (78)	30	51
Comoros	2109 ^{b)}	.	54	528 (80)	48(80)	80
Congo	2619	117	50	225 (81)	57	156(82)
Côte d'Ivoire 4)....	2562	110	54	891 (80)	54	70
Djibuti .....	.	.	49	286 (81)	12(85)	45
Egypt	3342	132	63	788 (86)	48	90
Equatorialguinea ...	.	.	48	170 (80)	50	108
Ethiopia	1749	71	43	2787 (80)	66(86)	37
Gabon	2521	107	53	228	61	126(86)
Gambia	2365 ^{b)}	99	45	928 (80)	27	62
Ghana	1759	76	56	584 (81)	60	71
Guinea	1776	77	44	592 (76)	24	30
Guinea-Bissau .....	.	105	47	529 (81)	37	56
Kenya	2060	92	60	653	69	96
Lesotho	2303	101	58	676 (83)	74(85)	113
Liberia	2381	102	56	654 (81)	39	34
Libya	3601	153	63	201 (82)	64	127(85)
Madagascar	2440	106	55	449 (82)	80	94
Malawi	2310	102	48	592	41(85)	66
Mali	2073	86	48(87)	1864 (83)	17	23
Mauritania	2322	92	48	1572	34	52
Mauritius	2748	121	70	357 (83)	83	106
Morocco	2915	118	63	854	50	71
Mozambique	1595	69	48	984 (81)	33	83
Namibia	1824	82	58	97 (73)	72(86)	.
Niger	2432	98	46	1389	28	29
Nigeria	2146	90	52	1370	51	77
Rwanda	1830	81	50	633 (82)	50	68

For footnotes see at the end of the table.

1.2 IMPORTANT ECONOMIC AND SOCIAL INDICATORS OF AFRICAN COUNTRIES*)

Country	Indicator	Nutrition		Health		Education	
		Calorie supply 1) 1986		Life expect- ancy at birth 1990	Inhabi- tants per hospital bed 1985	Literates as percen- tage of total po- pulation (aged 15 and over) 1990	Registered pupils as percentage of all children of primary school age 1987 2)
		per inh./day					
		Number	% of needs 3)	Years	Number	%	
Sao Tomé and Príncipe	2386 ^{b)}	.	65(88)	120 (78)	93	.	
Senegal	2350	99	47	1342	58(86)	60	
Seychelles	2269 ^{b)}	.	70(88)	168 (86)	38	103	
Sierra Leone	1854	81	43	892	88(82)	54	
Somalia	2138	90	46	691 (79)	67	15	
South Africa	2924	120	62	179 (80)	27	105(72)	
Sudan	2208	88	51	1202 (83)	24	49	
Swaziland	2550 ^{b)}	110	57	398	93(86)	104	
Tanzania	2192	96	54	565 (82)	68(87)	67	
Togo	2207	97	55	749	43	101	
Tunisia	2994	123	67	462 (86)	65	117	
Uganda	2344	95	53	811 (86)	48	70	
Zaire	2163	98	54	355 (79)	72	76	
Zambia	2126 ^{b)}	92	55	303	73	97	
Zimbabwe	2132	89	60	755	21	128	

*) Data for the country of the report are underlined. Figures in brackets refer to years.

1) 1 calorie = 4.187 joules. - 2) Percentages greater than 100% refer to pupils counted by classes, whereby some of the pupils do not belong to the equivalent groups. - 3) 1984/86 average. - 4) Formerly Ivory Coast.

a) Ten years and over. - b) 1984/86 average.

1.2 IMPORTANT ECONOMIC AND SOCIAL INDICATORS OF AFRICAN COUNTRIES*)

Indicator Country	Agriculture		Energy	Foreign trade	Transport	Communications		National product
	Proportion of agriculture in GDP 1988	Population active in agriculture 1988	Energy consumption per inhabitant 1988	Processed products as percentage of total exports ¹⁾ 1988	Cars 1987	Telephone-connections 1989	Television-sets 1987	GNP at market prices per capita 1988
			kg oil equivalent unit 2)	%	per 1000 inhabitants			US-\$
	%			%	Number			
Algeria	13	26	1094	4	31(85)	28	70	2360
Angola	48(80)	71	202(86)	1(86)	8(84)	7	5	390
Benin	40	63	46	26	3(79)	3	4	390
Botswana	3	65	415	.	15(86)	15	7	1010
Burkina Faso ..	39	85	18(86)	2	3(83)	1	5	210
Burundi	56	92	20	16	2	1(87)	1	240
Cameroon	26	63	152	12	8(86)	3	12	1010
Cape Verde ...	.	45	117(84)	33(87)	9(84)	8	.	680
Central African Republic	44	65	30	40	0(86)	2	2	380
Chad	47	77	18	10(87)	2(81)	1	.	160
Comoros	41(82)	80	27(84)	18(80)	8(86)	5	0	440
Congo	15	60	245	11	19(82)	8	3	910
Côte d'Ivoire 3) ...	36(87)	58	175(86)	12	19(84)	6	54	770
Djibuti	4(83)	.	181(84)	.	27(82)	12	48	.
Egypt	21	42	607	35	15	26	83	660
Equatorial-Guinea .....	.	58	63(84)	.	14(72)	3	6	410
Ethiopia	42	76	20	1	1(88)	2	2	120
Gabon	11	69	1134	14	14(85)	15	23	2970
Gambia	33(84)	82	89(84)	14(84)	8(85)	5	.	200
Ghana	49	51	125	3	3(85)	3	13	400
Guinea	30	76	78	2(81)	2(81)	3	2	430
Guinea-Bissau ..	.	80	29(84)	8(80)	.	6	.	190
Kenya	31	78	94	17	6(84)	6	6	370
Lesotho	21	81	10(87)	.	4(82)	7	1	420
Liberia	37(86)	71	164	1	4	4	18	450(87)
Libya	2(84)	14	2719	1(84)	154(81)	65	63	5420
Madagascar ...	41	78	39	16	3	2	6	190
Malawi	37	77	42	17	2(85)	3	.	170
Mali	49	82	21	30	3	1(87)	0	230
Mauritania ...	38	66	111	2	8(85)	2	1	480
Mauritius	13	24	402	62	35(86)	48	188 ^{a)}	1800
Morocco	17	38	239	50	26(86)	12	56 ^{a)}	830
Mozambique ...	62	82	86	1(84)	2(83)	3	1	100
Namibia	8(86)	37	.	.	.	27	11	1020(86)

For footnotes see at the end of the table.

1.2 IMPORTANT ECONOMIC AND SOCIAL INDICATORS OF AFRICAN COUNTRIES*)

Indicator Country	Agriculture		Energy	Foreign trade	Transport	Communications		National product
	Proportion of agriculture in GDP 1988	Population active in agriculture 1988	Energy consumption per inhabitant 1988	Processed products as percentage of total exports 1988	Cars 1987	Telephone connections 1989	Television-sets 1987	GNP at market prices per capita 1988
					per 1000 inhabitants			
	%		kg oil equivalent unit 2)	%	Number			US-\$
Niger	36	88	43	4	6(83)	1	3	300
Nigeria	34	66	150	2	3(81)	2	6	290
Rwanda	38	92	41	1	1	1	.	320
Sao Tomé and Príncipe ....	.	.	128(84)	0(77)	.	18	.	490
Senegal	22	79	155	24	12(85)	4	32	650
Seychelles ...	8(83)	.	432(84)	7(85)	64(81)	103	43	3800
Sierra Leone .	46	64	76	59	5(84)	4	9	300(87)
Somalia	65	72	66	5	1(80)	1	0	170
South Africa .	6	15	2439	80 ^{b)}	106(88)	84	97	2290
Sudan	33	63	58	7	5(85)	3	52	480
Swaziland	20(81)	68	.	.	21(84)	14	12	810
Tanzania	66	82	36	18	3	3	1	160
Togo	34	70	54	9	1	3	5	370
Tunisia	14	26	499	64	37(88)	32	68	1230
Uganda	69(89)	82	25	0	2(89)	3	6	280
Zaire	31	67	74	7	1(86)	1	1	170
Zambia	14	70	376	2	11(83)	8	15	290
Zimbabwe	11	69	527	40	28(86)	13	22	650

*) Data for the country of the report are underlined. Figures in brackets refer to years.

1) SITC headings 5 - 8. - 2) 1 kg oil equivalent unit = 0.043 gigajoule. - 3) Formerly Ivory Coast.

a) Receiving permits. - b) Data for the South African Customs Union (members are South Africa, Namibia, Lesotho, Botswana and Swaziland); without data of mutually trade.

2 GEOGRAPHICAL LOCATION AND CLIMATE

The national territory of Uganda covers a total area of 241,038 km². Located in East Africa, it is a land-locked country, stretching across both sides of the equator between 1° south and 4° north longitude, and 29° and 35° east latitude. Uganda borders Zaire to the west, Sudan to the north, Kenya to the east and Tanzania and Rwanda to the south. 197,100 km² of the country consists of land, with the remaining almost one sixth consisting of lakes, rivers and marshes. Half of both Lake Victoria, with a total surface area of 69,000 km², and Lake Mobuto-Sese-Seko (Lake Albert), extending over 5,300 km², belong to Uganda.

Uganda is dominated by an elevated basin between the east African and central African rift valleys, covered by uniform "Rumpfflaechen" which, on average, are 1,000 to 1,300 m high, merging in the north with a plateau rich in inselbergs. The level interior of this feature (known as the Kyoga basin) consists largely of marshland and wetland (Lake Kyoga), fed by the natural flow of the Victoria-Nile. In its higher reaches this flows over the Kabale Falls into the broad valley of the central African rift valley, to the bottom of which lie Lake Edward (913 m) and Lake Mobuto-Sese-Seko (Lake Albert; 613 m). In places the edge of the rift valley falls a sheer 800 m.

At the edge of the rift valley in the south, Uganda has a tropical climate but this is greatly tempered by its altitude. Kampala, the capital city, has a mid-year median temperature of 22°C. Annual rainfall varies considerably region by region. The highest levels, averaging over 2,000 mm, are found in the Lake Victoria area. In contrast, parts of the country lying within the rain shadow, such as the edges of the rift valley, experience little rainfall (only some 750 mm annually). Similarly the north east also has little rainfall, with average annual amounts of less than 500 mm. In the centre of the country, average annual rainfall varies between 1,000 mm and 1,500 mm, with less than three dry months of the year. In the south, the dry season lasts from June to August, in the north from December to March.

The vegetation varies from dry savanna and thornbush savanna in the west and north east (with grassland in some regions) to the tropical rain and mist forests in the south-west, although these are only found in isolated pockets as a result of the comparatively high density of settlement and intensive farming in the central parts of the country. In the stretched valleys of the highlands, especially in the Lake Kyoga area, papyrus marshes predominate. The high mountain ranges feature cloud- covered forests, moss and bamboo thickets.

The time difference between Uganda and Central European Time (CET) is +2 hours.

2.1 CLIMATE *)
LONG-TERM AVERAGE

Month \ Station Site	Kitgum	Gulu	Entebbe	Kabale
	3°N 33°0 914 m	3°N 32°0 1 113 m	0°N 32°0 1 182 m	1°S 30°0 1 871 m

Air temperature (°C), average daily minima

Coldest month:	16.1 ^{XII}	16.1 ^{VII}	16.7 ^{VII-IX}	9.1 ^I
Warmest month: March to May	19.4	17.8 ^{II-V}	18.3	11.1
Year	17.7	17.1	17.5	10.1

Air temperature (°C), average daily maxima

Coldest month: July	28.9	26.1	24.4	22.2 ^{V,VI}
Warmest month: January	35.0 ^{II}	32.2	26.7	23.9
Year	31.7	29.2	25.7	23.1

Rainfall (mm)

Wettest month:	178 ^{VII}	216 ^{VIII}	256 ^{IV}	130 ^{III}
Driest month: January	8	10	66	20 ^{VII}
Year	1 280	1 516	1 506	998

Number of rainy days (min. 0.25 mm)

Wettest month:	18 ^{VII}	21 ^{VIII}	23 ^V	20 ^{IV}
Driest month: January	4	5	9	3 ^{VII}
Year	143	163	170	159

*) Roman numerals indicate deviating months.

More detailed climatic data on these and other stations can be obtained from the German Meteorological Service (Deutscher Wetterdienst, Seewetteramt Hamburg, P.O. Box 201190, 2000 Hamburg 36). In general, a fee is charged for providing climatic data.

3 POPULATION

At the time of the last census, in January 1980, Uganda's population was estimated at 12.636 mn. The previous, 1969, census had recorded a population of 9.457 mn; thus Uganda's population had increased by 33.6%. The average annual growth rate between the two counts was 2.8%. Especially since 1980, all population figures needed to be considered as rough estimates rather than as accurate assessments. In mid-1990, the United Nations (UN) estimated the population to be 18.422 mn. The UN's projections are based on a mid-1980 population figure of 13.119 mn - some 4% above the 1980 census level. As a result, the UN estimate for the 1990 population may be somewhat high. According to the Ministry of Planning and Economic Development (MPED), the mid-1990 population stood at 16.872 mn, 1.57 mn or some 8.5%, less than the UN figure (see Table 3.5).

The most recent World Bank projections (made in 1987/88) estimate the mid-1990 population at 17.232 mn. This gives a total figure of over 1.2 mn less than the UN estimate. Whereas the UN's figures for 1990 give a population density of 76.5 per km², the World Bank's suggest an overall density of 71.5 per km², compared with the national figure of 70.0 per km². Even if one disregards these differences, Uganda is undoubtedly a densely populated country compared to other east African states. For instance, next door neighbour Kenya had a population density in 1990 of only 43 per km², while the figure for Tanzania was a mere 29. What is more, as some 44,000 km² of the country consists of water, the population density, in terms of the land actually available for settlement, rises to 93.6 per km² (World Bank figures, 87.5; national data-base, 85.6). Since the early 1950s, it is been the south western parts of the country in particular which have experienced the greatest population pressure in relation to available land resources.

In spite of the differences between them, all available sources reveal that Uganda's population is growing at a rapid rate, even compared with the higher rates of Africa. According to UN data, the average annual growth rate between 1985 and 1990 was 3.5% (1980-85 average, 3.4%). A significant acceleration of the population growth rate occurred during the 1980s as compared with the 1970s (3.0%). According to World Bank sources, there was an average growth rate of 3.3% per annum between 1985 and 1990. Without any allowance for AIDS (see Chapter 4 below), the current rate of growth Uganda's population suggests a doubling every 20 and 22 years. What is more, there has been no notable decline in the fertility rate for some time whereas the mortality rate is declining significantly. This high population growth rate creates an added break on government's efforts speedily to rebuild the economy and infrastructure shattered by civil war and internal unrest.

3.1 POPULATION TRENDS AND DENSITY*)

Category	Unit	1959	1969	1980	1985	1990
Population 1)	1000	6450 ^{a)}	9457 ^{a)}	12636 ^{b)}	15491	18442
Male	1000	3237	4770	6260	7675	9147
Female	1000	3213	4687	6376	7816	9295
Population density in relation to to- tal land area 2) .	Inh. per km ²	26.8	39.2	52.4	64.3	76.5

*) Status: Mid-year.

1) More detailed tables are based on partly differing data. - 2) National territory: 241,038 km² (surface area of land: 197,100 km²).

a) Result of the census of 18 August. - b) Result of census of 18 January.

As a result of differing assumptions regarding current and projected fertility and mortality rates, projections of future population growth vary widely. Those produced by the government, the UN and the World Bank all assume a considerable increase in population over the coming decades. None of them include projections of AIDS deaths, and all are based on rapid falls in the fertility rate. According to the UN's medium variant, the population will grow from 18.442 mn in 1990 to 55.198 mn in 2025, representing a trebling of the population over this period and an average growth rate of 3.2% per annum, in spite of the fact that the medium variant is based on the assumption that the average number of children per woman (known as the "Total Fertility Rate") will fall from 6.9 in the second half of the 1980s to 3.55 between 2020/25. This would be equivalent to a 50% fall in the fertility rate. Even the UN's low variant, which assumes a reduction in the total fertility rate between 2020/25 to an average of 2.96, would mean that the population would have increased over two-and-a-half times by 2025 to some 48.355 mn.

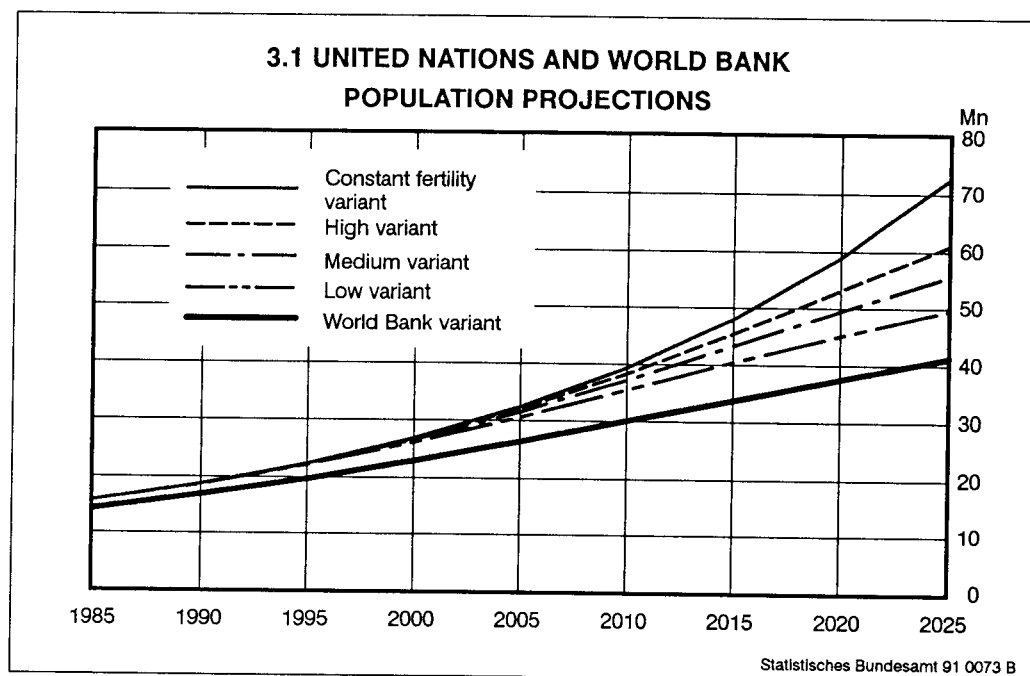
3.2 UNITED NATIONS AND WORLD BANK POPULATION PROJECTIONS*)

1 000

Population projection	1990	1995	2000	2005	2010	2015	2020	2025
United Nations								
Lower variant	18387	21842	25852	30379	35238	40120	44845	49355
Medium variant	18442	22012	26285	31272	36932	43036	49203	55198
Higher variant	18442	22078	26491	31799	38025	45116	52797	60589
Variant based on constant fertility ..	18442	22078	26570	32146	39093	47771	58636	72264
World bank	17237	20132	23374	26944	30692	34359	38182	42005

*) Status: Mid-year.

The World Bank offers the most favourable scenario. Assuming a decline in the total fertility rate from 6.9 to 2.6, the Bank's projections suggest a 2025 population of 42.005 mn. This lower population growth rate results from the more rapid fall in population as well as a lower population base. Even so, according to this projection Uganda's population would more than double by the year 2025¹⁾.



As Uganda's fertility rate has remained at a high level over recent decades, and as national family planning policy is only just coming into being, these UN and World Bank population projections have been seen, until recently, as optimistic. Possible reasons for the high fertility rate could include the young age at which women marry, low numbers of single people and the limited spread of family planning and birth control. According to the Uganda Demographic and Health Survey (UDHS) conducted by the Health Ministry between September 1988 and February 1989 in which a representative sample involving 4,730 women of child-bearing age was surveyed, the average age of marriage for women (20 to 24 year olds) was 18.1. 53% of the female population aged between 20 and 24 had already married by age 18. By the age of 25, over four fifths had married (82.9%). Only approximately one out of every twenty married women of child-bearing age who were asked said that they practised any form of contraception. About a half of these relied on traditional methods, such

1) Estimates by the US Demographics organisation, Futures Group, suggest that as a result of AIDS, Uganda's population would only rise to 20 mn by the year 2015 (The Guardian, London, 31 January, 1991)

as lengthy periods of sexual abstinence and coitus interruptus. According to the UDHS, only 2.5% of married women aged between 15 and 49 practised modern methods of contraception. Of these, some 44% used the pill, and about one third had been sterilised; 16% used injections, and 8% used intra-uterine devices such as coils and sponges.

Given the minimal use of modern contraceptives, a rapid fall in the birth rate would not be expected. The low status of women, poorer educational opportunities for girls, the importance attached to children working on the land, and having family members to look after one in old age are all factors which hamper the reduction in the number of children women bear. Added to which is the fact that many women have no access to family planning services. Most clinics distributing contraceptives are to be found in the cities, whereas over 80% of women of child-bearing age live in the rural areas.

Finally, the actual average total fertility rate would appear to be higher than the UN and the World Bank have assumed in their population projections. Thus according to the UDHS, the total fertility rate between 1985 and 1988 was 7.4 births per woman, significantly higher than the figure of 6.8 births used in the World Bank and the UN projections, suggesting an even more rapid population growth rate than assumed in the above projections.

What Uganda's population might be in 2025 if the fertility rate does not fall is suggested by the UN figures which assumes a constant birth rate. In the absence of any notable decline in the fertility rate, the population is projected to increase to 72.264 by 2025 - and so will have quadrupled from the level in 1990. The average growth rate between 1990 and 2025 would rise to 4.0% per annum.

The Ugandan government has recognised the need for speedy action on population policy. In collaboration with the United Nations Fund for Population Activities (UNFPA) it has developed a nationwide population policy programme for the period 1988 to 1992. Whereas in the 1960s and 1970s, family and population policy activities were largely the domain of the Family Planning Association of Uganda (FPAU) - founded in 1957 and a sister organisation of the International Planned Parenthood Federation - family planning policy has now been incorporated into overall government planning and policy. Family planning was defined by the state in 1980 as an integral component in the improvement of the health situation of mothers and children, and on this basis family planning services became part and parcel of the state's basic health care system. There are now plans to expand population policy activities even more. Thus the population programme for 1988/92 comprises 10 projects involving total spending of US\$16 mn (ECU 13.5 mn). In addition to a new population and housing census as well as various education programmes (Population Education), the programme includes a strengthening of family planning activities as part of the existing mother-child services and specific regional population policy measures such as the Integrated District Population Programme. Population and development planning is to be im-

proved, while the 1988/89 Demographic Health Survey also forms part of the new population policy initiative. Part of its purpose was to plug the information gap in terms of fertility, family planning and infant mortality, and to provide a solid basis for overall population policy planning.

Table 3.3 reveals the trends of declining mortality rates coupled with a continuingly high level of fertility. Although the years of war and civil unrest led to the mortality rates falling from 18.7 to 15.4 per 1,000 inhabitants between 1965-70 and 1985-90 (a drop of some 17.6%), the birth rate figures for the same period rose from 49.1 to 50.1 per 1,000 inhabitants. The upshot is that the natural population growth (the difference between birth and death rate figures) rose progressively between 1965-70 from 3.04% and 1985-90 to 3.47%. This makes Uganda one of those countries which are on the way to what is termed a "demographic transition" from high birth and mortality figures to low rates of fertility and mortality. Uganda is in the "early transitional phase", where the scissors of demographic growth are open widest.

Until recently, and especially with the collapse of the health service during the upheavals of the 1970s, there was little hope of a breakthrough in the battle against infant mortality. During the 1970s and the first half of the 1980s no substantive fall in infant mortality rates could be achieved, and with 103 deaths for every 1,000 live births, the overall infant mortality rate remained at a high level throughout the second half of the 1980s. There was also only a minimal improvement in life expectancy over the last two decades: in the period 1985-90, life expectancy at birth was 49.4 years for men and 52.7 years for women (overall: 51.0 years).

3.3 FERTILITY, MORTALITY AND POPULATION GROWTH

Category	Unit	1965/70A	1970/75A	1975/80A	1980/85A	1985/90A
Births	per 1000 inh.	49.1	50.3	50.3	50.3	50.1
Deaths	per 1000 inh.	18.7	18.5	17.6	16.8	15.4
Natural population growth ..	% p.a.	3.04	3.18	3.27	3.35	3.47
Deaths under 1 year of live age	per 1000 births	118.0	116.0	114.0	112.0	103.0
Life expectancy						
Total	years	46.0	47.0	48.0	49.0	51.0
Male	years	44.4	45.4	46.4	47.4	49.4
Female	years	47.6	48.6	49.7	50.7	52.7
Total fertility rate	per woman	6.91	6.90	6.90	6.90	6.90
Net reproduction rate	per woman	2.35	2.39	2.43	2.47	2.55

Accelerated growth of Uganda's population is also suggested by the net reproduction rate, an indicator which points to the extent to which a cohort of women secures the continuation of its own sex: a net reproduction rate of 1.0 is the critical level and is termed "replacement-level-fertility". The replacement level indicates that a generation of women produces sufficient numbers of girls surviving to child-bearing age exactly to "reproduce" itself. Thus the Ugandan average net reproduction rate for 1985-90 of 2.55 can be used to show that, under the prevailing fertility and mortality conditions, the current female child-bearing population is producing the next generation which is two and a half times its own size. Continuing falls in mortality rates and only a gradually declining birth rate make it likely that in future years there will be still further increases in the coming generations of girls able to and bearing children.

The effect of the situation where the rising generation is more than twice as large as that of its parent's generation becomes clear from the 1990 age profile. It exhibits the "pyramid shape" typical of many African countries with a characteristically broad base of young people with rapidly diminishing age cohorts as people grow older. In 1990, 48.5% of the population were under 15 years of age, and in contrast, the percentage of people aged over 64 was a mere 2.5%.

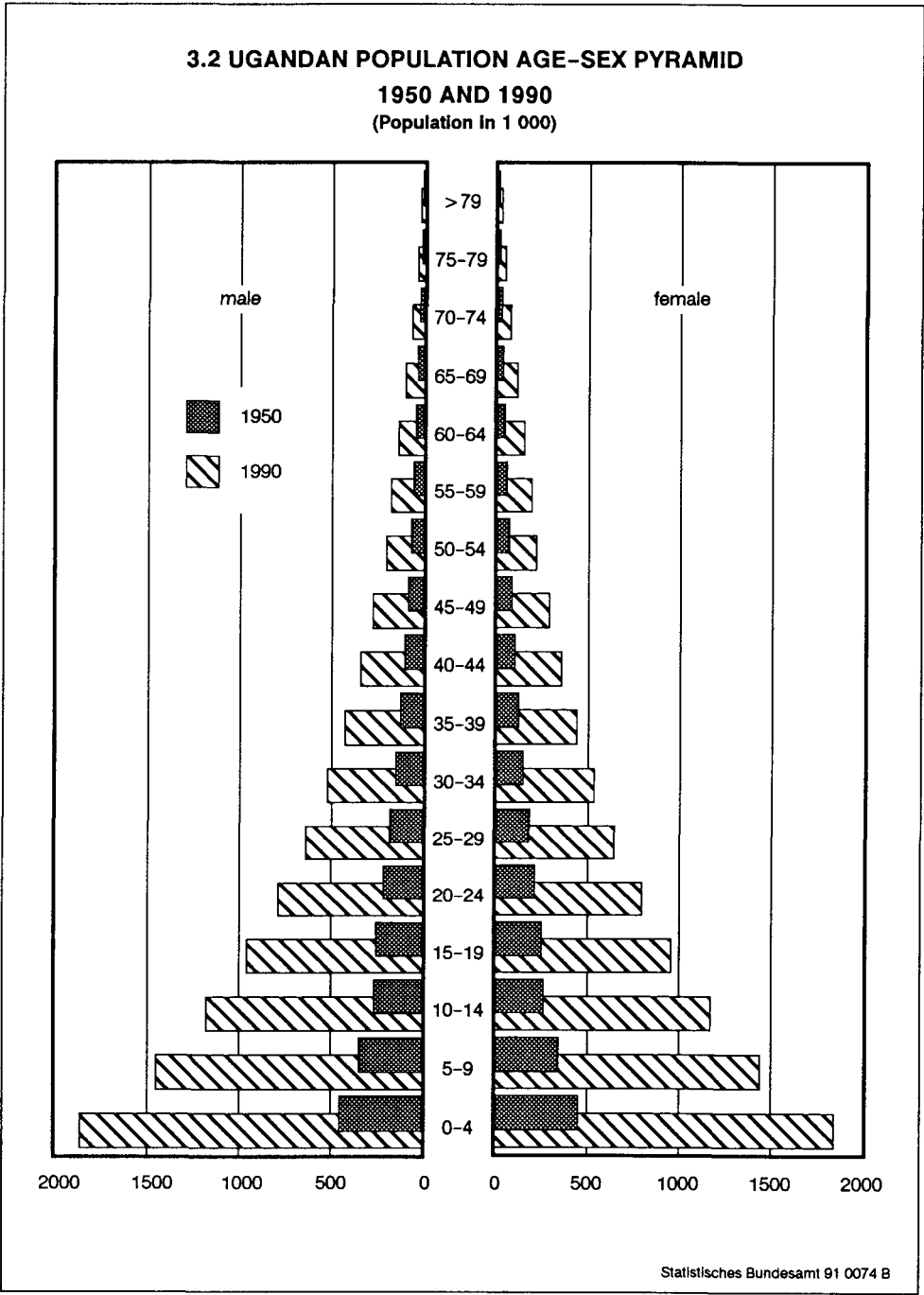
3.4 POPULATION BY AGE AND SEX*) % OF TOTAL POPULATION

Age from ... to under ... years	1950			1990		
	Total	Male	Female	Total	Male	Female
Under 5	18.9	9.4	9.5	20.1	10.1	10.0
5 - 10	14.5	7.2	7.3	15.7	7.9	7.8
10 - 15	11.0	5.4	5.5	12.7	6.4	6.4
15 - 20	10.5	5.2	5.3	10.4	5.2	5.2
20 - 25	8.9	4.4	4.5	8.6	4.3	4.3
25 - 30	7.5	3.7	3.8	7.0	3.4	3.5
30 - 35	6.2	3.1	3.1	5.7	2.8	2.9
35 - 40	5.0	2.5	2.5	4.7	2.3	2.4
40 - 45	4.2	2.1	2.1	3.8	1.8	1.9
45 - 50	3.4	1.7	1.7	3.0	1.5	1.6
50 - 55	2.8	1.4	1.4	2.3	1.1	1.2
55 - 60	2.2	1.1	1.1	2.0	1.0	1.0
60 - 65	1.8	0.8	0.9	1.6	0.7	0.8
65 - 70	1.3	0.6	0.7	1.1	0.5	0.6
70 - 75	0.9	0.4	0.5	0.7	0.3	0.4
75 - 80	0.5	0.2	0.3	0.4	0.2	0.2
80 and over ..	0.3	0.1	0.1	0.2	0.1	0.1

*) Status: Mid-year.

A comparison of the current with the 1950 age profile shows that over the last 40 years the share of children and youth in the total population has trebled, or even quadrupled. As

these trends continue, they will clearly continue to strain the provision of a range of basic services. For instance, educational expenditure will have to increase in real terms by the same rate as the population rate increase simply to maintain current schooling access.



3.5 AREA, POPULATION AND POPULATION DENSITY BY REGION AND DISTRICT*)

Region/District	Area km ²	1969 ¹⁾	1980 ¹⁾	1990 ²⁾	1980	1990 ²⁾	Population growth p.a. 1969/90
		Population in 1000			Inhabitants per km ²		
Total	241 038	9 535.1	12 636.2	16 871.9	52.4	70.0	+ 2.8
Central Region ..	61 510	2 672.0	3 582.6	4 814.7	58.2	78.3	+ 2.8
Kampala	238	351.8	479.8	650.8	2016.0	2 734.5	+ 3.0
Kalangala	5 716	6.8	8.6	15.0	1.5	2.6	+ 3.8
Luwero	9 198	315.2	412.5	545.8	44.8	59.3	+ 2.6
Masaka	16 327	458.0	631.2	849.4	38.7	52.0	+ 3.0
Mpigi.....	6 222	492.4	639.9	840.1	102.8	135.0	+ 2.6
Mubende	10 310	331.0	510.3	746.1	49.5	72.4	+ 3.9
Mukono	14 242	541.0	634.3	771.3	44.5	54.2	+ 1.7
Rakai	4 973	182.6	274.6	396.2	55.2	79.7	+ 3.8
Western Region ..	54 917	2 432.7	3 392.0	4 677.0	61.8	85.2	+ 3.2
Bundibugyo	2 338	79.4	112.2	161.3	48.0	69.0	+ 3.4
Bushenyi	5 396	410.7	524.7	677.7	97.2	125.6	+ 2.4
Hoima	9 896	184.1	294.3	438.4	29.7	44.3	+ 4.2
Kabale	2 489	403.4	455.4	536.2	183.0	215.4	+ 1.4
Kabarole	8 361	328.0	519.8	766.5	62.2	91.7	+ 4.1
Kasese	3 205	164.1	277.7	425.3	86.6	132.7	+ 4.6
Masindi	9 640	167.9	223.2	298.7	23.2	31.0	+ 2.8
Mbarara	10 839	450.5	688.1	999.6	63.5	92.2	+ 3.9
Rukungiri	2 753	244.6	296.6	373.3	107.7	135.6	+ 2.0
Eastern Region ..	39 953	2 528.4	3 237.4	4 213.0	81.0	105.4	+ 2.5
Iganga	13 113	470.2	643.9	878.1	49.1	67.0	+ 3.0
Jinja	734	196.3	228.5	270.8	311.3	368.9	+ 1.5
Kamuli	4 348	278.3	349.6	449.1	80.4	103.3	+ 2.3
Kapchorwa	1 738	64.5	74.0	89.6	42.6	51.6	+ 1.6
Kumi	2 861	190.7	239.5	306.1	83.7	107.0	+ 2.3
Mbale	2 546	421.4	556.9	742.7	218.7	291.7	+ 2.7
Soroti	10 060	379.9	476.9	611.9	47.4	60.8	+ 2.3
Tororo	4 553	527.1	668.4	864.7	146.8	189.9	+ 2.4
Northern Region .	84 658	1 902.1	2 424.6	3 167.2	28.6	37.4	+ 2.5
Apac	6 488	225.4	313.3	431.5	48.3	66.5	+ 3.1
Arua	7 830	369.6	472.3	614.5	60.3	78.5	+ 2.5
Gulu	11 735	223.7	270.1	336.8	23.0	28.7	+ 2.0
Kitgum	16 136	240.1	308.7	400.9	19.1	24.8	+ 2.5
Kotido	13 208	105.6	161.4	235.0	12.2	17.8	+ 3.9
Lira	7 251	278.9	370.3	498.8	51.1	68.8	+ 2.8
Moroto	14 113	164.7	188.6	225.8	13.4	16.0	+ 1.5
Moyo	5 006	90.0	106.9	130.6	21.4	26.1	+ 1.8
Nebbi	2 891	204.1	233.0	293.3	80.6	101.5	+ 1.7

*) Revised administrative organisation following the 1980 census. The districts are named after their administrative centre.

1) Census results. - 2) Mid-year estimate.

In Uganda, there is a clear north-south divide in terms of population distribution. The main clusters of population are the coastal areas around Lake Victoria and the Kigeri Highlands together with the districts of Buschenyi, Rukungiri, Kasese and Kabale. These areas enjoy high and reliable annual rainfall. The highest population densities in the eastern region are to be found in the districts of Jinja, Mbale, and Tororo. The northern region is the least densely populated.

There is evidence of some considerable regional variation in terms of population growth between 1969 and 1990. High growth rates in districts such as Mbarara, Kabarole, Kasese and Hoima in the western region - sometimes over 4% per annum between 1969 and 1990 - were boosted significantly by inward migration from densely-populated districts such as Kabale, Rukungiri and Buschenyi, which experienced below average growth rates during that time. Growing population pressure in the border areas with Rwanda, Tanzania and Zaire has had a positive effect on resettlement policies to settle people in the less opened-up districts of the north west. It remains uncertain, however, whether these new settlement zones will lead to permanent long-term settlement for, although they do possess good land, they remain vulnerable to trypanosomiasis (sleeping sickness) and are characterised by significant annual fluctuations in rainfall. If unplanned infiltration from the south western districts continues, then conflict between the indigenous population, who until now have practised extensive farming methods, and the newcomers would seem set to increase.

Even Jinja (1990 density, 368.9 inhabitants per/km²), the most densely populated district in the country after Kampala (1990: 2,734.5 inhabitants per/km²) recorded a below average population growth rate of 1.5% per annum between 1969 and 1990. It would appear that the rising shortage of land in the district led to elements of the population moving to the neighbouring Iganga district, where the population increased by 3.0% per annum over the same period.

The large waves of out-migration experienced during the last two decades have largely been the result of civil unrest and war. Whilst the refugee problem in Uganda is not of the same order as that of, say, Ethiopia, Sudan, Malawi, Somalia or Mozambique, there have nonetheless been waves of refugees numbering several tens of thousands. From 1979, following the expulsion of Idi Amin and the related exit of soldiers from neighbouring countries who had formerly served him, major sectors of the population from the West Nile area (the districts of Moyo, Arua, Nebbi) fled to Sudan and Zaire. By 1982, approximately 95% of the inhabitants of the Moyo district had left their homeland: the number of refugees estimated at 250,000. After the truce in 1983, the "West Nile Returnee Programme" began; this had as its goal the reintegration of exiled Ugandans back into their homeland. The project, carried out by the UNHCR and several Non-Governmental Organisations (NGOs) with financial support from the European Community (EC), ended in March 1989. Besides a comprehensive rebuilding of the road network infrastructure, new school

buildings, wells and health centres, this programme also provided returnees with farming equipment and seeds to enable them to be self-sufficient in food within a short space of time. In total, some 300,000 Ugandans living abroad were reintegrated.

The intensification of the civil war in Sudan in 1988 and mounting ethnic unrest in Rwanda have also sparked off immigration to Uganda in more recent years. According to UNHCR figures, there were 121,472 foreign refugees in Uganda at the end of March 1989. The number of Rwandans was then estimated at 75,000, the majority living in camps in south west Uganda. The number of Sudanese refugees was put at between 40,000 and 45,000; the Sudanese refugees are concentrated in the northern districts of Kitgum and Moyo. In addition, there were smaller numbers of refugees from Zaire living in Uganda.

Uganda supports largely an agriculturally-based economy, with about 85% of the population living in rural areas. The process of more rapid urbanisation which began in the 1950s and 1960s was interrupted in the 1970s when food shortages in the cities (particularly in Kampala) led to a partial return to the rural areas: having grown by 8.4% per annum between 1965 and 1970, the first half of the 1970s saw a deceleration of urban growth to an average 3.6% per annum. Not until the early 1980s was there a fresh acceleration in the growth of the urban population (officially averaging 4.9% between 1980 and 1985). In the five year period 1985-90, the growth rate officially went up to 5.7% per annum. As a result of the low urban growth rate of the 1970s, official data suggest the proportion of the population living in the main urban areas rose from 6.5% in 1965 (521,000) to only 10.4% in 1990 (1.923 mn). However and especially in Kampala, there is a large unofficial urban population boosted, for instance, by in-migration following food shortages in the mid-1980s in the Luwero Triangle. Thus the actual urban population rate may well be closer to 15%.

3.6 OFFICIAL UNITED NATIONS URBAN AND RURAL POPULATION ESTIMATES*)

Urban/rural	Unit	1965	1970	1975	1980	1985	1990
Urban areas	1 000	521	781	933	1 146	1 458	1 923
	%	6.5	8.0	8.3	8.7	9.4	10.4
Rural communities	1 000	7 526	9 025	10 250	11 973	14 033	16 519
	%	93.5	92.0	91.7	91.3	90.6	89.6

*) Status: Mid-year.

The city of Kampala is the most important pole of attraction in the migration from rural to urban areas. The 1980 census put the population of Kampala (but also including Entebbe) at 479,800. In 1990, according to MPED estimates, there were 650,800 people living in Kampala and Entebbe. This means that over a third of the total urban population is concentrated in the capital and vicinity. The most important industrial centre is Jinja (1982:

55,000 inhabitants). Further important urban centres include Masaka (1980: 29,100 inhabitants), Mbale (1980: 28,000 inhabitants), Fort Portal (1980: 26,800 inhabitants) and Mbarara (1980: 23,300 inhabitants). Compared to Kampala and Jinja, however, these are "secondary" urban centres.

Uganda is one of Africa's most heterogeneous nations, comprising more than 40 clearly distinct ethnic groupings, although the main divisions are between the Nilotic groups of the north and the Bantu groups of the south. Over half the population are Bantu-speaking. According to the results of the 1980 census, the Baganda constitute the largest ethnic group, comprising 18% of the population, followed by the Nyora (14.4%) and the Turkana (11.0%).

The official language of Uganda is English. Other languages used include various Bantu dialects (primarily Luganda), Swahili, Hamitic and Sudanese languages.

4 HEALTH

Compared with other African states, Uganda had already reached a high standard of medical provision before Idi Amin seized power in 1971. The level of staffing in terms of trained medical personnel, the number of hospitals and general medical services was among the best in Africa. Over the course of the 1970s, however, the health sector largely collapsed: the entire government hospital infrastructure and many health centres were destroyed leaving health care largely in the hands of the voluntary (church-based) sector. The majority of foreign doctors left the country, and there was a grave shortage of medical supplies. Whereas at the start of the 1970s approximately 70% of the target population had been reached by vaccination programmes, by the early 1980s only between 15% and 25% were being reached.

Since 1981, national health policy has been aimed at rehabilitating the health service and on extending primary health care services especially through preventive intervention. In 1983, a National Plan of Action for Primary Health Care was launched. In view of the uncertain political situation, however, nothing could be done to implement the PHC strategy as part of the World Health Organisation's (WHO) *Health for All by the Year 2000* programme until 1985. The Ministry of Health and the Ministry of Local Government are responsible for central health policy planning and organisation. The Ministry of Health is in charge of overseeing urban hospitals and therefore, in a broader sense, also for overseeing the curative health service. The Ministry of Local Government is responsible for health provision in the rural areas and has prime responsibility for the country's preventive medical service.

The main objectives of current health policy are:

- the rehabilitation and development of the medical infrastructure destroyed in the 1970s;
- the strengthening of preventive medical services in line with the WHO *Health for All by the Year 2000* strategy. This includes extension of the mother-child services and rural vaccination programme, improving the water supply and a targeted attack on diarrhoeal diseases;
- tackling the AIDS epidemic as part of the AIDS Control Programme which was begun in February 1987;
- extending primary health care education by training health educators and introducing a school health programme into the primary school system;

- improved provision of medical facilities with essential medical supplies as part of the Essential Drugs Management Programme initiated in 1986; and,
- setting up treatment centres for sleeping sickness which, like malaria, is endemic in many parts of the country.

Since national resources are severely limited, these goals can only be achieved for the present with external financial aid and donor assistance. On average over the last six years the proportion of the budget spent on the health service was only 4%. In 1989, in view of the tight financial situation, a working party was set up with the task of devising a nationwide strategy for financing the health service. In addition, a National Health Plan for the 1990s is in preparation.

Because of current constraints in financing the health service and the security situation in some parts of the country, it has been impossible to achieve the goals originally set for the year 1990 of reducing the infant mortality rate to 80 per 1,000 live births and of reaching a 100% immunisation rate for infants for the six main diseases.

Numerous aid agencies and organisation are involved in rebuilding and extending Uganda's health service. Among multilateral aid projects are the following:

- **UNICEF** operates a total of eight programmes in the health sector. As well as financially supporting the immunisation programme for infants and pregnant women (*Expanded Programme of Immunisation/EPI*), UNICEF is particularly involved in the *National Control of Diarrhoeal Diseases Programme*, which has been running since 1984. Further areas of UNICEF involvement include rural water supply, providing the Ministry of Health with vehicles, and collaboration on the development of a new curriculum for health education in 6,700 schools, with an emphasis on AIDS education and prevention.
- The **World Health Organisation (WHO)** runs several programmes in Uganda. The emphasis of WHO activities is on the *AIDS Prevention and Monitoring Programme*, for which the WHO has sent experts to the country.
- The European Community's **European Development Fund (EDF)** is supporting the rehabilitation of 123 medical centres in seven districts in south west Uganda. As part of EDF IV and EDF V, ECU 3.1 mn were made available for this project. A further ECU 2.5 mn are to be provided under EDF VI to enable the rebuilding works to be completed.
- The **United Nations Development Programme (UNDP)** is financing the provision of basic water supplies, electricity and drainage to several district hospitals. In addition, the UNDP is active in the fight against and research into trypanosomiasis.

- The **International Development Association's (IDA)** First Health Project includes the rehabilitation of the Mulago Hospital in Kampala, a further 8 district hospitals and the building of a new hospital in the district of Rakai, which has been badly hit by the AIDS epidemic. As part of this project, the IDA has provided a loan of US\$52.5 mn (ECU 41.2 mn). As well as the rehabilitation of existing health care facilities, the IDA programme also involves support for health and hygiene education, AIDS counselling services, the development of effective management structures in the Ministry of Health, and more general strategies for financing the health sector. Moreover, the IDA provides about US\$10.7 mn (ECU 8.4 mn) for health programmes as part of the PAPSCA project (Project for the Alleviation of Poverty and the Social Costs of Adjustment), which began in 1990. The emphasis here is on target-group oriented health programmes for war widows and orphans, as well as strengthening the water supply and sewage system in selected slum areas of Kampala.

Among the important bilateral aid initiatives are:

- the **United States Agency for International Development (USAID)** which is active in the fight against diarrhoeal diseases (supplying ORT packages), family planning and HIV prevention (supplying condoms), immunisation and nutrition education.
- **SIDA (the Swedish International Development Agency)** is involved in helping to finance the IDA's first health project with a grant of US\$6.5 mn (ECU 5.1 mn).
- **DANIDA (the Danish International Development Agency)** is working with the **Danish Red Cross** in a 6 year arrangement with the government to improve medical supplies, as part of the Essential Drug Management Programme.

In addition to these initiatives, numerous church organisations and a variety of NGOs are involved in helping to bridge the gap between health needs and health sector provision. They often work with both the government and in conjunction with the official aid donors. NGOs in particular have been prominent in providing health services in emergency situations and in the refugee camps in the north and east of the country.

Regrettably, reliable data on the main diseases are not currently available. However some light is shed on the main diseases by figures provided by 15 district hospitals reporting to the Ministry of Health as part of the new Health Information System (HIS). On the basis of in-patient treatment recorded by these hospitals between January and June 1989, malaria was the most important disease, accounting for approximately 14% of all cases, followed by diarrhoeal diseases (10%), respiratory diseases (8%), injuries (6%) and tuberculosis (5%). 4% of all hospital patients suffered from anaemia or AIDS, or exhibited other symptoms related to the HIV virus.

Diarrhoeal diseases, at 22%, were the largest cause of illness among infants. Malaria was the major illness in all other age groups. The available data make clear that the most wide-

spread diseases are largely ones that could be quickly eliminated if there was a comprehensive system of preventive medicine across the country (including an effective attack on malaria).

On the basis of the reports from these 15 district hospitals, it appears that diarrhoeal diseases were the prime cause of death, accounting for 12% of all fatalities, followed by malaria (9%). 8% of all deaths were caused each by respiratory diseases/pneumonia and anaemias. About 7% of all deaths in hospitals was the result of AIDS. The next most common causes of death were malnutrition-related, meningitis, and tuberculosis (5% each), followed by measles and tetanus (4% each).

These data on causes of death illustrate the enormous deficiencies in the current preventive health system. Mortality rates could be substantially reduced by extending the immunisation campaign, the anti-diarrhoea and the school nutrition programmes, and with an intensive attack on malaria.

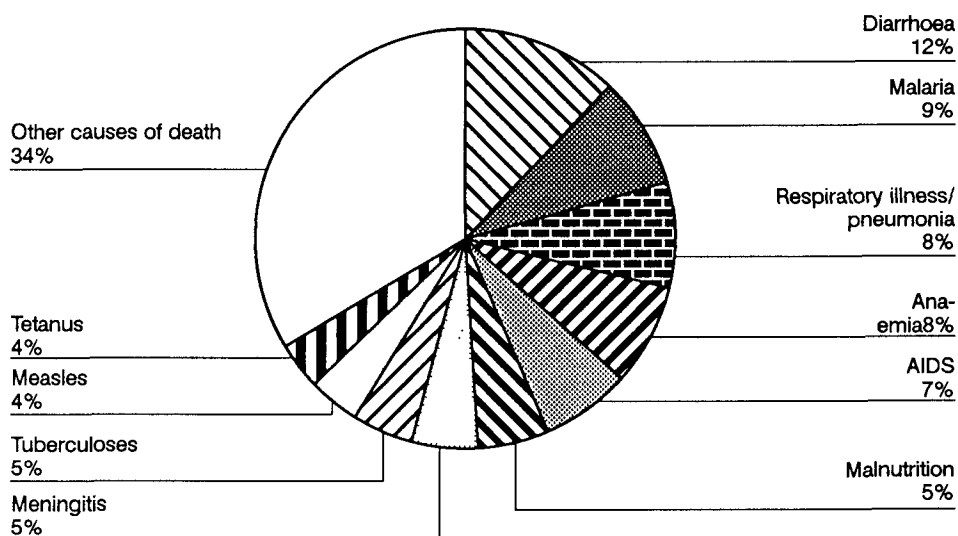
4.1 DIAGNOSED DISEASES IN 15 DISTRICT HOSPITALS JANUARY TO JUNE 1989 (HOSPITALISED CASES)*)

	Number of cases by age group										No age given	Total		
	0 - < 1	1 - < 2	2 - < 4	5 - < 15	15 plus									
	Number	%	Number	%	Number	%	Number	%	Number	%			Number	%
Malaria	1 041	19	559	23	609	24	411	15	885	8	139	7	3 644	14
Diarrhoeal diseases 1) .	1 189	22	460	19	204	8	172	6	441	4	123	6	2 589	10
Respiratory diseases,														
Pneumonia 2)	655	12	333	14	327	13	215	8	536	5	75	4	2 141	8
Injuries 3)	59	1	38	2	82	3	267	10	882	8	191	10	1 519	6
Tuberculosis 4)	78	1	137	6	110	4	142	5	781	7	43	2	1 291	5
Anaemia 5)	475	9	153	6	160	6	131	5	198	2	29	1	1 146	4
AIDS and HIV infection .	77	1	42	2	32	1	12	0	731	7	26	1	920	4
Abdominal hernia	45	1	13	1	27	1	44	2	491	4	130	7	750	3
Malnutrition 6)	158	3	183	7	216	8	54	2	14	0	5	0	630	2
Measles	116	2	100	4	164	6	121	5	11	0	3	0	515	2
Other illnesses	1 547	28	427	17	617	24	1 105	41	6 070	55	1 217	61	10 983	42
TOTAL	5 440	100	2 445	100	2 548	100	2 674	100	11 040	100	1 981	100	26 128	100

*) The 15 district hospitals reporting under the new information system are: Aber, Angal, Arua, Iganga, Kitovu, Gombe, Kuluva, Masaka, Nsambya, Matany, St. Joseph, Grade "A" Entebbe, Grade "B" Entebbe, and Hoima.

1) Including salmonella infections, bacterial dysentery and non-specific stomach and intestinal inflammations. - 2) Acute respiratory infections and bacterial pneumonia. - 3) All types of injuries except poisoning. - 4) Tuberculosis of the lungs and other tuberculosis. - 5) Anaemias caused by lack of iron, sickle cell and haemolytic anaemias. - 6) Including marasmus, other forms of protein-energy malnutrition and other deficiencies due to nutritional factors.

4.1 DIAGNOSED PRINCIPAL CAUSES OF DEATH IN 15 DISTRICT HOSPITALS (JAN.-JUNE 1989)



Statistisches Bundesamt 91 0050 B

In common with other countries in Africa, AIDS is now becoming a major health (and economic) problem in Uganda. The extent of the AIDS epidemic can be seen in the fact that the Ugandan AIDS Control Programme estimated in late 1990 that a massive 1.2 mn people were HIV+. By March 1990, a total of 15,569 AIDS cases had been diagnosed in Uganda. This implied more than a doubling of the number of AIDS cases since the end of 1988 (7,249 AIDS cases). On 31 March 1990, the incidence of AIDS cases per 1 mn inhabitants was 922.8 (see Fig. 4.2). The number of AIDS cases amongst juveniles and adults (12 years old and over) at that time was 13,984 or 89.8% of all cases. The number of child AIDS patients (under 12 years old) was recorded as 1,585 (10.4%). There were 6,394 cases amongst women of child-bearing age (13 to 49 years old). In the 15-19 year old age group and the 20-29 year old age group there was a clear predominance of female AIDS cases whereas in all older age groups of the population the number of male cases was larger.

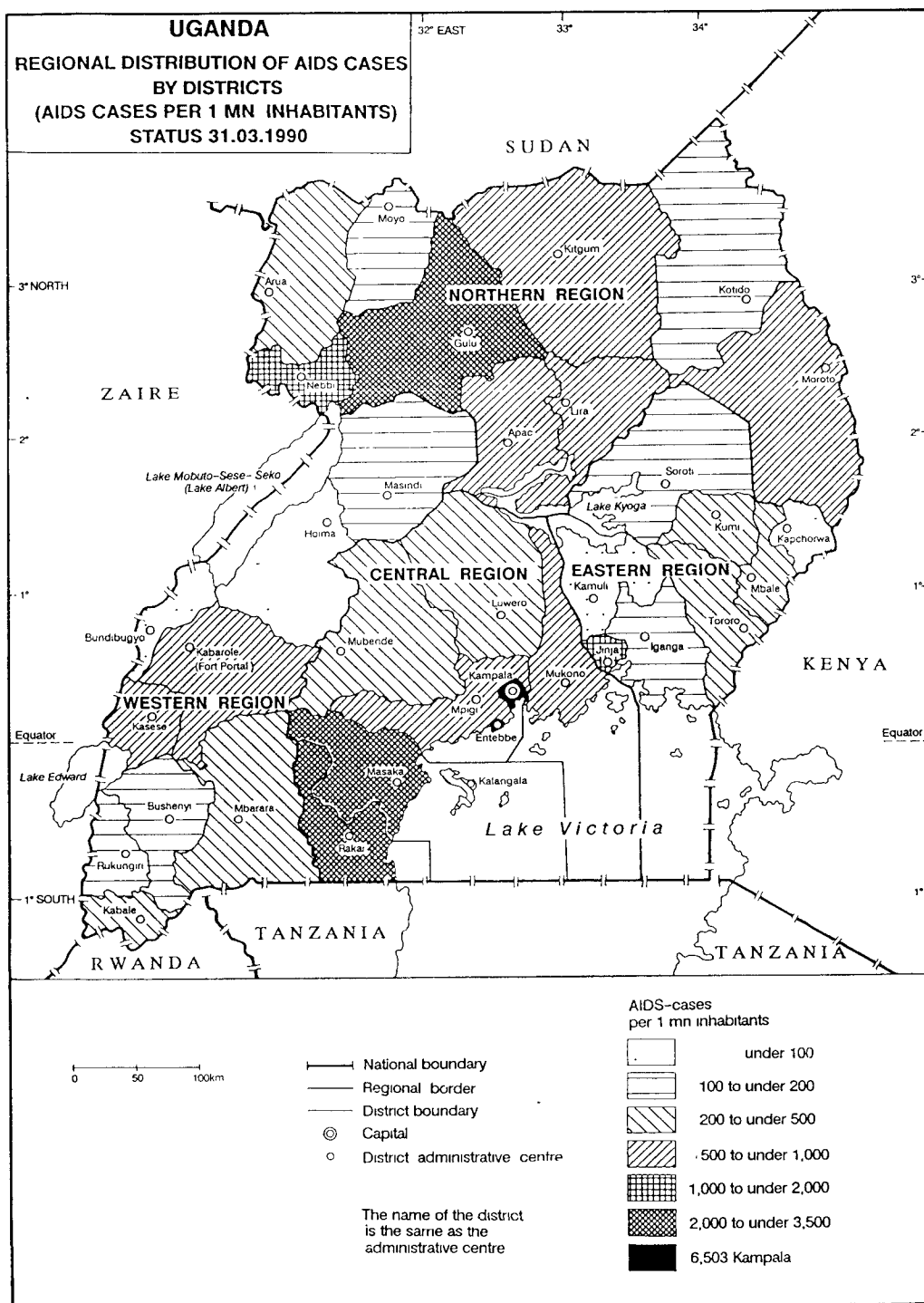
In regional terms, AIDS is primarily concentrated on the southern parts of the country (see map section). The highest incidence per 1 mn inhabitants as of 31 March 1990 was in Kam-

pala (6,502.8 AIDS cases per 1 mn inhabitants) and Masaka (3,305.9 AIDS cases per 1 mn inhabitants). AIDS was also widespread in the northern district of Gulu with 2,933.5 AIDS cases per 1 mn inhabitants. Other concentrations of AIDS cases are the districts of Rakai (2,115.1 AIDS cases per 1 mn inhabitants), Jinja (1,288.8 AIDS cases per 1 mn inhabitants) and Nebbi (1,043.3 AIDS cases per 1 mn inhabitants).

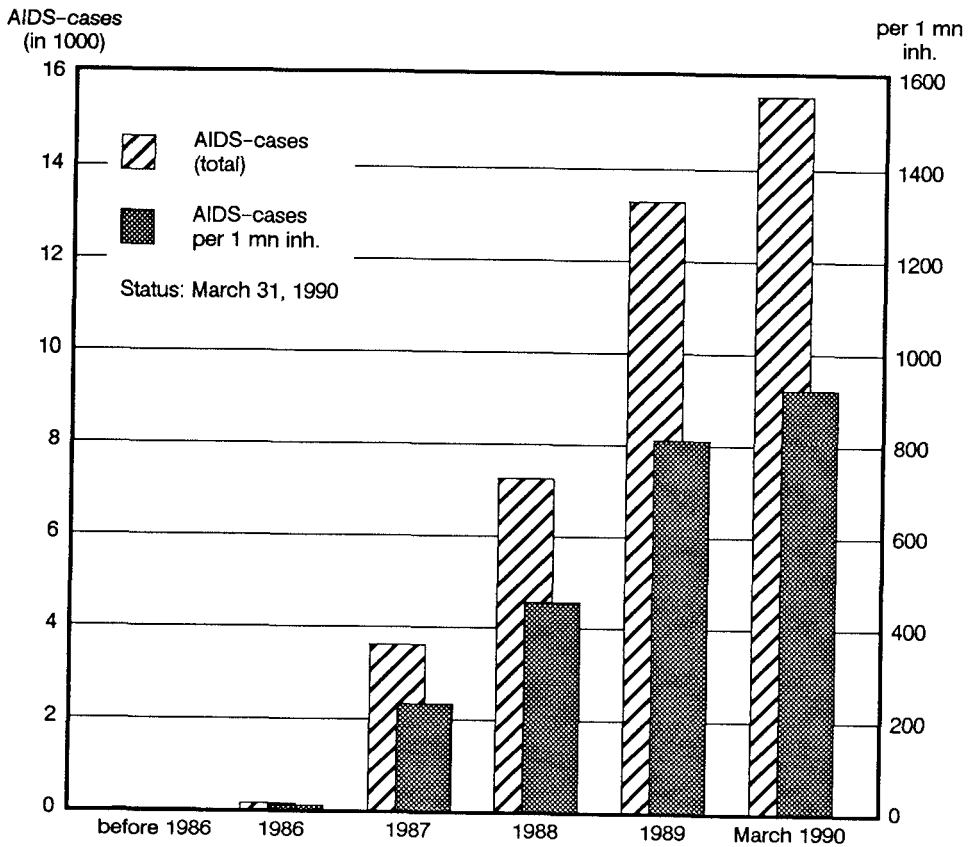
People testing HIV+ have been reported in all districts in the country but, as in other African countries, there is a greater concentration in the urban areas and along well-used transport routes. One indicator of the future extent of the AIDS virus in Uganda comes from analysing the HIV serological status of women attending antenatal clinics. On average, 22.6% of such women were infected with HIV in the first quarter of 1990, with regional figures rising as high as 31% for the major Kampala clinics and hospitals. Thus more and more children are being born with the virus, and more and more are now dying of AIDS: twice as many babies under one year died of AIDS than those aged one year.

Figures for January to June 1989 show that AIDS, or HIV infection, was the fifth highest cause of death among in-patients in 15 major reporting hospitals. 16% of all deaths in the over 15 age group are due to AIDS, already making it the most common cause of death amongst juveniles and adults. The most common route of infection, accounting for approximately 80% of all HIV infections, is heterosexual contact. 7% of all HIV infections are due to blood transfusions. The remainder are largely due to transmission from mother to child. Taking the most recent AIDS figures provided by the WHO, Uganda has the highest reported number of AIDS cases in Africa, and the second highest number of AIDS cases after the United States. Clearly Uganda's AIDS problem, within the so-called east and central African "AIDS-belt", is particularly worrying.

The Museveni government was one of the first in Africa to recognise and acknowledge the extent of the AIDS epidemic. In February 1987, the AIDS Control Programme was started. In addition to a nationwide sero-prevalence study, aimed at illuminating the extent of HIV infection, this programme has at its centre a targeted AIDS information campaign reaching down to the primary school system. A blood screening service has also been established which is aimed at halting the further spread of the epidemic by means of targeted preventive measures. One of the greatest problems the AIDS Control Programme is confronted with is the rapidly rising cost of fighting the virus, rising from US\$5.2 mn (ECU 4.7 mn) in the period 1986 to 1989 to US\$18 mn (ECU 14.1 mn) by 1990. Further problems are presented by the shortage of condoms, their low level of acceptability amongst major groups of the population, as well as minimal change in sexual behaviour. A further problem is the inadequate supply of drugs for AIDS patients for the treatment of specific symptoms of the disease such as tuberculosis, oral fungus or Kaposi sarcoma. There are few financial resources available to purchase AZT, currently the most effective means of assisting HIV victims.



4.2 CUMULATIVE CASES OF AIDS



Statistisches Bundesamt 91 0051 B

Following the virtual standstill in the national immunisation programme during the 1970s and early 1980s, October 1983 saw the start of the Expanded Programme of Immunisation/EPI, which has been supported financially by UNICEF. Between 1985 and 1987 alone, UNICEF provided US\$10.5 mn (ECU 9.2 mn) for the immunisation campaign. In spite of enormous efforts, UDHS data show that by the end of the 1980s vaccination levels had not reached a satisfactory standard. Overall by 1988/89, only 44% of all children under five years old surveyed had a vaccination card. Of these only 43.7% were fully vaccinated against all the major diseases affecting young children. Assuming that all children without

vaccination cards would also not have been involved in the immunisation programme, the UDHS figures suggest that only about a fifth (19.2%) of all under five year olds were fully immunised against the major infectious diseases. The highest immunisation rates were for tuberculosis prevention: according to the UDHS, 97.7% of all under five year olds with a vaccination card were immunised against tuberculosis. Over two thirds (68.7%) of all under five year olds with a vaccination card were immunised against measles. The lowest immunisation levels were for the triple vaccination against diphtheria, pertussis (whooping cough) and tetanus (54.7%) and for polio (54.5%).

4.2 VACCINATIONS FOR UNDER FIVE YEAR OLDS ACCORDING TO UHDS 1988/89

Age in months	Percentage of children with vac- cination card	TBC	DPT ¹⁾			Polio			Measles	Percentage of children fully immunised	
			1.	2.	3.	1.	2.	3.		with vac- cination card	total ²⁾
			vaccination			vaccination					
< 6	23.0	100.0	69.5	24.2	11.4	77.0	28.1	12.5	0.6	0.0	0.0
6 - 11	48.0	98.4	90.1	66.0	45.9	89.7	66.6	45.9	21.9	15.1	7.2
12 - 17	48.9	99.3	94.8	72.9	53.6	95.4	74.2	54.1	63.8	42.6	20.8
18 - 23	49.9	96.3	95.7	81.3	61.5	95.3	82.1	61.6	81.5	54.5	27.2
24 - 59	44.9	97.2	97.7	78.7	59.8	97.9	78.2	59.2	85.0	52.8	23.7
Total	44.0	97.7	94.6	73.6	54.7	95.0	73.9	54.5	68.7	43.7	19.2

1) DPT = Diphtheria, pertussis (whooping cough) and tetanus. - 2) Based on the assumption that all children without a vaccination card have not received any vaccinations.

These results of the programme indicate that expanding the EPI has enormous potential for reducing infant and child mortality rates. It is no accident that measles, tuberculosis and tetanus are still the main causes of death (see Fig. 4.1). Further gains are still being held back in some parts of the country by the security situation.

By listing the numbers of health facilities apparently available in the country, the provision of medical facilities would appear to be good compared with other sub-Saharan African countries. However as large parts of the health service infrastructure is still in disrepair following the civil unrest of earlier years, these figures provide no accurate reflection of the nature of the facilities currently available and in use. Nonetheless the comprehensive rehabilitation underway with the assistance of a range of aid agencies point to a far better future with the prospect in the 1990s of the complete rehabilitation of the country's medical infrastructure.

In 1988, the total number of hospitals was put at 81 (including 48 state hospitals). The only district which did not have a hospital at that time was Rakai, but one is currently being built there with EC aid. The number of medical centres almost quadrupled between 1970

(262 units) and 1988 (988 units) the majority of which are concentrated in rural areas. According to UNICEF data, the proportion of the population in 1985/87 with access to medical services within a one hour's walking distance was 61% (urban: 90%; rural: 57%).

4.3 MEDICAL FACILITIES

Facility	1970	1975	1981	1986	1988
General hospitals	65	69	75	79	81
State hospitals	36	43	44	46	48
Specialist hospitals	1	1	1	.	.
Leprosy homes .....	.	.	5	10	5
Medical centres	262	350	404	853	980 ¹⁾
State	210	311	365	745	763

1) Includes 122 health centres, 110 dispensaries and maternity centres, 160 dispensaries, 36 maternity centres, 392 sub-dispensaries and 160 health stations.

Whilst there was a significant increase in the number of beds in Uganda's hospitals and health centres between 1970 and 1986, there is still a substantial bed short-fall in each district. The majority of the beds available are concentrated in the central region, particularly in the capital city Kampala, with provision in the other parts of the country noticeably poorer.

4.4 BEDS IN MEDICAL FACILITIES

Facility	1970	1975	1981	1986
General hospitals	9 399	10 926	12 652	13 990
State	5 953	7 493	8 031	8 993
Specialist hospitals	957	957	1 269	.
Medical centres	4 938	6 273	5 861	6 101

During the 1970s, the uncertain political situation led to an enormous loss of medical personnel. The number of doctors fell from 1,065 in 1970 to 426 in 1975, with the average number of people served by one doctor rising from 9,200 to 27,600. While this situation did improve in the first half of the 1980s, by 1984 there was still only one doctor for 21,700 people. More up-to-date data are not available. There have been recent improvements in the staffing levels of other medical personnel (medical assistants, nurses, midwives), however, the situation in the dental service is still worrying. In 1981, there were an average of 816,000 people for each dentist.

4.5 DOCTORS, DENTISTS AND OTHER MEDICAL PERSONNEL

Category	Unit	1970	1975	1981	1982	1984
Doctors	Number	1 065	426	611	665	700
Inhabitants per doctor .	1 000	9.2	27.6	22.7	21.6	21.7
Dentists	Number	48	11	17	.	.
Inhabitants per dentist	1 000	204	1 068	816	.	.
Medical assistants	Number	368	558	626	.	.
Pharmacists	Number	47	14 ^{a)}	27	.	.
Nursing staff 1)	Number	1 221	4 024	6 778	.	.
Auxiliary nurses	Number	761	1 677			
Midwives	Number	670	387			

1) Including staff with midwife training.

a) Only in the state service.

5 EDUCATION

At the time of Independence Uganda had one of the best education systems in tropical Africa. However, the education system, like other sectors of the economy and society, suffered badly as a result of the economic and social instability of the 1970s. The emigration of large numbers of teachers, especially those in higher education, together with the destruction of school buildings led to a qualitative deterioration of education over the course of the decade. As a result, there was a pressing need for substantial investment in the education sector which, like health, could not be met from national resources. With assistance especially from the World Bank, the EC and USAID together with other multi- and bilateral donors, it has proved possible to make a start on the rehabilitation of the educational infrastructure from the second half of the 1980s and into the present decade.

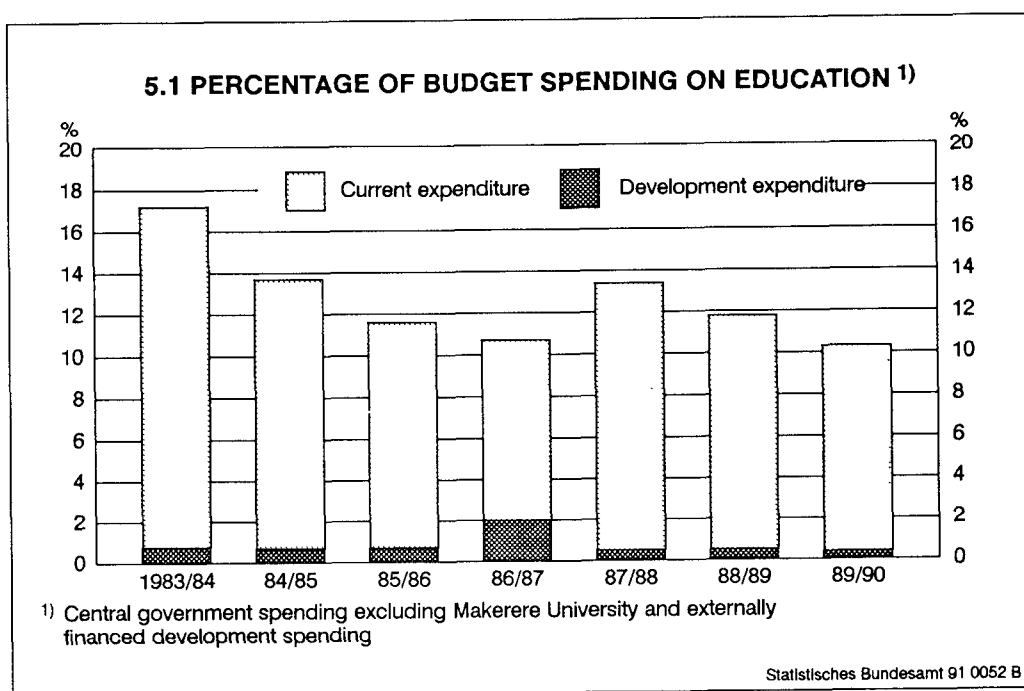
In Uganda both the state and the private sector run schools, in the case of the latter church schools predominate. Attendance at school is not compulsory; however, the government hopes to be able to provide free primary schooling across the whole nation by the year 1996. The Ugandan education system has a four tier structure. The first is a seven year Primary Tier starting at age six. There then follows a four year Secondary Tier I, either to "O" Level, or a three year Vocational Schooling. After successful completion of the "O" Level examinations, there is the possibility of attending the two year Secondary Level II "A" Level, or to shift to specialist or teacher training schools. Passing "A" Level provides access to Makerere University in Kampala or, in a minority of cases, to universities abroad.

According the 1987-88 to 1990-91 Reconstruction and Development Plan the official aims of state education policy are:

- the restoration of educational facilities destroyed in the 1970s;
- the expansion of the education system, particularly at the primary level, to keep pace with future population growth;
- the expansion of vocational education to produce a qualified indigenous workforce to further the development process; and,
- the adaptation of curricula to educate for responsible citizenship.

The government sees education as having a major impact on the country's development. This is evident from the fact the sector constitutes one of central government's most important spending areas. Even so, the education sector was confronted with a difficult financial situation in the 1980s. In particular, the enormous annual fluctuations in government spending proved to be a serious problem in terms of medium and long term planning. In

the 1983-84 fiscal year, central government allocated a total of USh 132.4 mn to education (recurrent expenditure, USh 126.3 mn, capital expenditure, USh 6.1 mn), constituting 17.2% of the total budget¹). However it was not possible to maintain this level of spending in subsequent years (see Fig. 5.1). Whilst high and rising rates of inflation led to large nominal increases in educational spending, its share of the total budget had fallen to 10.3% by 1989-90 (total 1989-90, USh 12,971 bn, of which current expenditure, USh 12,437 bn, and capital expenditure, USh 533.6 mn). Current expenditure consists almost entirely of wage and salary payments; state spending on teaching materials, textbooks and furnishings is extremely small, as is capital expenditure. As Figure 5.1 illustrates, capital expenditure between 1983-84 and 1989-90 accounted for only 4% to 6% of the total education budget. The 1986-87 financial year was an exception (the year the Museveni government came to power) when approximately a fifth of the education budget was spent on capital development, but it was not possible to maintain this high level in subsequent years.



1) Central Government expenditure excluding externally financed development spending.

In spite of the nominal increases, the education budget fell substantially in real terms over the course of the 1980s. According to Ministry of Planning and Development figures, spending on education in 1988-89 was only 21% of that achieved in the 1970-71 financial year, with per pupil expenditure in 1989-90 falling to 13% of the 1970-71 level.

As the financial problems of financing the education system will not be resolved in the near future, the following financial strategy has been adopted:

- to implement a thorough-going redistribution of intra-sectoral funding in favour of the primary sector, which has in fact been evident over recent years; and,
- to diversify the sources of financing. Amongst other things this includes greater involvement of local government and the local community in the building of new schools (providing unpaid workers, local building materials etc.). It is also planned to introduce increased integration of productive activities into the curriculum (e.g. poultry farming, gardening and farming etc.) as a form of self-financing, which can contribute to the maintenance of the school's infrastructure. In addition, the government is concerned to expand the education system's resource base through increased capital expenditure from foreign aid sources.

It had already proved possible in the past, at least in part, to make up for the limited state financial resources for education through the use of aid funds. Thus, as part of the third IDA Project for 1984-87, Uganda received a World Bank loan of US\$32 mn (ECU 41 mn) for the rehabilitation of educational facilities and the purchase of teaching materials (including textbooks, bookcases and office materials) for a total 5,200 schools nationwide. As part of the PAPSCA initiative, Uganda will receive US\$12.65 mn (ECU 9.9 mn) from the IDA to expand its primary system in the 12 more deprived districts. The core of the project is the provision of 4,200 classrooms for around 210,000 primary school pupils.

5.1 ILLITERACY

Category	1980	1985	1980	1985
	1 000		% of age group	
15 years and over	3 453	3 597	47.7	42.7
Male	1 257	1 252	35.4	30.3
Female	2 196	2 345	59.5	54.7

Table 5.1 gives an indication of the extent and trends in the pattern of illiteracy in the country. Rising schooling levels in the primary sector produced a drop in the illiteracy rate in the first half of the 1980s: between 1980 and 1985 the proportion of those aged 15 and over who could not read or write went down from 47.7% to 42.7%. Nonetheless, by the

mid-1980s over two fifths of the adolescent and adult population were still illiterate. What is more, there are considerable gender differences. Whereas over two thirds of the male population aged 15 and over could read and write in 1985, less than half the female population could. At 2.345 mn, the number of female illiterates was almost twice that of male illiterates (1.252 mn).

The rapid expansion of the primary school system during the 1980s is shown clearly in Table 5.2. Between 1980 and 1989, the number of primary schools rose from 4,276 to 8,041 (+88.0%). Compared with 1970 (2,755 primary schools), the number of primary schools had trebled. Expansion of the secondary system was even faster. Having expanded from 73 in 1970 to 120 in 1980, the number of middle and higher schools had risen to 515 by 1987. No comparison can be made with the years 1988 and 1989 because, current figures now include private schools, whereas before they did not. The 1980s also witnessed a comprehensive expansion in vocational and teacher-training facilities. The most important institution in the further education sector is Makerere University in Kampala. Established in 1922, Makerere has educated not only the national elite but also many students from the neighbouring countries of Kenya, Tanzania and Sudan. In recent years, the EC has provided ECU 8 mn for the renovation of teaching and research facilities at the University, for restocking the library, and for further training of the university teaching staff. The agricultural faculty is being revamped with financial assistance from USAID.

Following the founding of an Islamic university in Mbale in 1988, the Mbarara University of Science and Technology opened in October 1989 with financial assistance from Cuba.

5.2 SCHOOLS AND OTHER EDUCATIONAL ESTABLISHMENTS

Establishment	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988 ¹⁾	1989 ¹⁾
Primary schools	2755	4276	4585	4945	5695	6425	7025	7350	7627	7905	8041
Middle and higher schools	73	120	179	270	287	430	500	508	515	774 ^{a)}	854 ^{a)}
Teacher training institutes	26	31	32	50	55	68	73	73	92	94	68
Vocational schools	21	15	15	15	36	47	52	56	55	52	52
Colleges .....	.	4	4	4	7	20	24	24	23	24	25
Universities	1	1	1	1	1	1	1	1	1	2	3

1) Provisional figures.

a) Including private schools.

Student numbers went up considerably in almost all parts of the education system during the 1970s and 1980s. The number of primary school pupils rose from 720,100 in 1970 to 2.5338 mn in 1989 (+ 251.7%). The rapid expansion in student numbers in the primary sector was not only the result of the high population growth rate, but also the consequence of more students attending school. Between 1980 and 1986, the proportion of children in

school in the primary sector went up from 49.5% (boys: 56.4%; girls: 42.7%) to 69.6% (boys: 76.3%; girls: 62.9%). In view of the strong increase in pupil numbers in 1987 and 1989, it is safe to assume that the rise in the proportion of children in primary school is continuing. UNESCO estimates the proportion for 1990 to have been 73.7% (boys: 76.8%; girls: 70.5%).

5.3 PUPILS AND STUDENTS

Establishment	Unit	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988 ¹⁾	1989 ¹⁾
Primary schools	1 000	720.1	1292.4	1407.2	1582.0	1730.3	1930.7	2117.0	2203.8	2307.8	2416.8	2532.8
Middle and higher schools	1 000	40.7	73.1	83.0	101.8	117.1	144.5	159.7	196.0	224.4	238.1	238.5
Teacher training institutes	Number	3967	10027	10988	9806	11314	11382	11229	12551	13179	13173	15166
Vocational schools	Number	3557	3457	3437	4181	4995	6079	6932	6491	6548	6548	6941
Colleges	Number	4232	5854	6096	6554	7448	9071	9516	10104	10700	12362	13325
Universities .	Number	2953	3916	4156	4583	4854	5042	5271	5390	5533	5565	6318

1) Provisional figures.

The number of students in the secondary sector rose even more rapidly than in the primary sector. Whereas there were 40,700 students at middle and higher schools in 1970, the numbers had grown to 238,500 by 1989, an almost sixfold rise. Between 1980 and 1986, the proportion of students in secondary school rose from 4.9% (boys: 6.9%; girls: 2.8%) to 13.4% (boys: 18.2%; girls: 8.6%). UNESCO judges that by 1990 the proportion had risen to 18.0% (boys: 24.1%; girls: 11.9%). However, the increase in student numbers at vocational schools was extremely small; in 1989 only 6,941 students attended a vocational school (1970: 3,557 students). The number of students in further education was recorded as 13,325 in 1989. Compared with 1970 (4,232) the numbers had more than trebled.

5.4 TEACHERS AND PUPIL-TEACHER RATIOS

Establishment	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988 ¹⁾	1989 ¹⁾
Teachers											
Primary schools	21471	38425	40489	43967	49206	57078	61424	66101	72970	75561	88639
Middle and higher schools	1816	3202	3732	4772	5617	6561	6903	10193	12000	12300	12919
Teacher training institutes	327	388	436	558	558	743	906	1105	1105	1429	1429
Vocational schools	310	243	242	407	407	436	443	649	649	649	649
Colleges	481	462	625	765	787	905	1099	1321	1412	1491	1122
Universities	350	300	395	347	369	390	435	485	558	558	600

For footnote see at the end of the table.

5.4 TEACHERS AND PUPIL-TEACHER RATIOS

Establishment	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988 ¹⁾	1989 ¹⁾
Pupil-teacher ratio											
Primary schools	33.5	33.6	34.8	36.0	35.2	33.8	34.5	33.3	31.6	32.0	28.6
Middle and higher schools	22.4	22.8	22.2	21.3	20.8	22.0	23.1	19.2	18.7	19.4	18.5
Teacher training											
institutes	12.1	25.8	25.2	17.6	20.3	15.3	12.4	11.4	11.9	9.2	10.6
Vocational schools	11.5	14.2	14.2	10.3	12.3	13.9	15.6	10.0	10.1	10.1	10.7
Colleges	8.8	12.7	9.8	8.6	9.5	10.0	8.7	7.6	7.6	8.3	11.9
Universities	8.4	13.1	10.5	13.2	13.2	12.9	12.1	11.1	9.9	10.0	10.5

1) Provisional figures.

In recent years, there has been an improvement in the pupil-teacher ratio, as the number of teachers in both the primary and secondary sectors has increased faster than student numbers. Whereas in 1970, a primary teacher had an average class of 33.5 pupils, the numbers had fallen to only 28.6 pupils by 1989. In middle and higher schools, the number of pupils per teacher fell from 22.4 (1970) to 18.5 (1989). Whereas the first half the 1980s saw a worsening of the student-teacher ratio in the vocational and teacher-training sector compared to 1970, the subsequent period witnessed a significant improvement here too: in further education in 1989, there were an average of 11.9 students per lecturer.

6 ECONOMIC OVERVIEW

Uganda is a country rich in natural and human resources. In the 1960s it was viewed as one of the most promising economies of Sub-Saharan Africa (SSA): economic growth averaged 6% a year from 1963 to 1970, and prices were relatively stable. By the end of the 1960s, it had the fourth highest Gross Domestic Product (GDP) per capita in SSA, with only a little over half of coming from agriculture. Uganda's manufacturing sector was dynamic and diversified, and its tourist sector was a major foreign exchange earner. Levels of education and health care were high and improving.

From 1970, however, the country was racked by political and economic turmoil, a succession of internal wars and conflicts which had a prolonged and devastating effect on the economic and social life of the country. During that decade, real GDP declined by 20%. In the early years of the 1980s, some recovery occurred but, by 1984, political and economic instability led to further contraction, runaway inflation and a vastly over-valued exchange rate.

In 1986, President Museveni's Government came to power inheriting an economy in ruins, a social structure severely strained and a civil service unable to administer the country. The country's Gross National Product (GNP) was below the level reached in 1968, and per capita GDP was 35% lower than it had been at the time of Independence, 25 years previously. Primary and secondary school enrolments were lower in the mid-1980s than they had been in the mid-1960s, both the country's manufacturing and tourist industries had all but ceased to function, and the agricultural diversification away from dependence upon coffee and into cotton and tea, especially, and had been reversed¹⁾. In 1970, non-monetary GDP was 30% of total GDP, by 1986 the ratio had risen to 46%. According to World Bank data, by 1988 Uganda's GDP per capita had dropped to just US\$280 (ECU 237), making it the 12th lowest in SSA.

At the end of the 1980s, Uganda was classified as one of the 42 "least developed countries" of the world. Years of war and internal conflict had left hundreds of thousands of people homeless and tens of thousands of children orphaned.

As Uganda begins the 1990s, its economy is dominated by coffee: whereas in 1970, coffee earned 58% of total export revenues, in 1988, it accounted for 98% of export earnings. Agriculture dominates the economy, providing a livelihood for about 80% of the population, with 60% of agricultural production originating in the non-monetary economy. With

1) In 1965, 52% of Uganda's GDP originated in agriculture and 13% in industry, by 1988, the ratios had changed to 72% and 4% respectively.

rich soils and in general adequate rainfall, the country is very fertile and there are only rarely - and then localised - shortages of food and consequent famine. The basic foodstuffs are bananas (*matooke*) and maize. Almost all coffee, as well as other major cash crops such as cotton and tea, are grown by small-holders. Only some 10-15% of the population live in the main urban areas of the country.

Given the inheritance of political strife and disorder, and economic decline, the main priorities of the Government have been to restore civil order and to start the rehabilitation of the economy. There have already been major successes on both fronts: by late 1990, peace had been restored to almost the entire country. As for the economy, current initiatives have their origin in the early months of 1987, when the Government approached the international community to assist in drawing up an economic recovery programme, and in helping to mobilise sufficient external resources to arrest economic decline and lay the basis for sustained development.

By mid-1987, the Ministry of Planning and Economic Development had prepared and published the key initial planning document for the country, which was to provide the focus for the next four years: the two volume Rehabilitation and Development Plan 1987/88 - 1990/91. The overall thrust of policy has been to attempt to further (Volume 1:iii):

the rehabilitation and the reconstruction of the economic and social infrastructure in order to restore the productive capacity of the economy in key sectors. This objective is to be pursued within the framework of the long term objective of the National Resistance Movement (NRM) Government of creating an independent, integrated and self-sustaining national economy.

Since 1987, the Government has worked closely with a range of international donors who have provided substantial financial assistance to Uganda, amounting now to over ECU 300 mn, equivalent to over 60% of total imports. Particularly influential have been the World Bank and the International Monetary Fund (IMF), both in relation to the monies they have provided and in the manner they have influenced macro-economic policy-making. In June 1987, the Government signed a three year ECU 53 mn (SDR 47 mn) Structural Adjustment Facility with the IMF, later increased to ECU 71 mn (SDR 63 mn). In 1987, Uganda also obtained from the World Bank's International Development Association (IDA) an Economic Recovery Credit (ERC) of ECU 57 mn (SDR 51 mn) together with an African Facility of ECU 21 mn (SDR 19 mn). Two years later, in 1989, the IMF approved the provision of a ECU 208 mn (SDR 179 mn) Enhanced Structural Adjustment Facility, while the IDA approved a second Economic Recovery Credit valued at ECU 114 mn (SDR 98 mn) (for further discussion see chapters 17 and 20).²⁾ In November 1989, a World

2) In the interim, Uganda received supplementary financing from the World Bank's Board of ECU 21 mn (US\$25 mn) in 1988, and ECU 12 mn (US\$13 mn) in 1989.

Bank led Consultative Group meeting in Paris led to donors pledging a total of ECU 581 mn (US\$640 mn) for the year 1990, with the World Bank itself committing ECU 241 mn (US\$265 mn). The Government has also obtained a separate amount of ECU 36 mn (US\$40 mn) for its programme for the alleviation of poverty and social costs of adjustment (PAPSCA)³⁾. In April 1990, an IMF team visited Uganda to design a structural adjustment programme for the country up to the year 1993.

The general assessment of the team was that the economy was on course to recovery. This was attributed to the strict implementation of demand management and supply side policies during the financial year 1989/90. As a result, most of the bench-marks were satisfied. (Bank of Uganda Quarterly Economic Report, April - June 1990, Volume 02/1990, Kampala: Research Department, Bank of Uganda.)

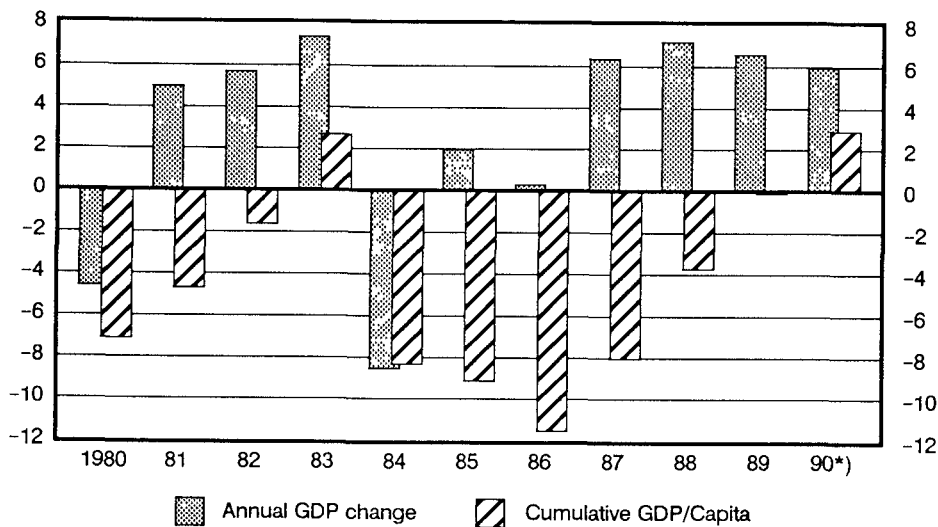
There are four key indicators of economic performance which could be used to judge the Government's record in regard to overall economic policy. These are: the performance of the overall economy, measured by the economic growth rate; changes in domestic prices, measured by the rate of inflation; changes in relative domestic and external prices, measured by movements in the official and parallel exchange rates, and, finally, the country's public finance performance. For the first three indicators, the record has been impressive, especially when judged against the legacy of the past.

Figure 6.1 provides a picture of the annual rate of growth of GDP during the last ten years, as well as data on the cumulative rate of growth of GDP per capita from 1980 to 1990. It shows clearly the high growth rates achieved since 1986, averaging 6.7% a year in real terms in the years 1987, 1988 and 1989, and forecast to stay above the 6% level for 1990. It also reveals that by the end of 1990, sustained recent economic growth should have made up for the loss in per capita GDP of the past nine years: 1990 should record the first aggregate rise in GDP per capita since the end of the 1970s.

In 1987, inflation (as measured by the consumer price index) was running at an annual rate of over 255%. In 1988, this dropped significantly to an annual rate of 189%, but since then the fall has been even more impressive. The 1989 budget set a target rate of inflation for the end of the fiscal year of 30%, down from 90% at the start of the fiscal year. In the event, the rate dropped to just 23% - even if, since then, it has risen again slightly (to 26%, from August 1989 to August 1990).

3) This is similar in thrust and approach to the PAMSCAD programme in Ghana.

6.1 ANNUAL CHANGES IN GDP AND CUMULATIVE CHANGES IN GDP/CAPITA



*) Estimate

Statistisches Bundesamt 91 0053 B

Source: Ministry of Planning and Economic Development, 1990, and Ministry of Finance, 1990.

The Ugandan shilling was officially valued at 1,450 to one United States dollar in 1986. Following the installation of the new Government, a new currency unit, the new Ugandan shilling (USh), was introduced at the same time as a 76% devaluation of the currency was effected, so that USh 60 was then equal to US\$1. Since then there has been a succession of devaluations, some very substantial. The rate dropped from USh 223 to the dollar in 1989, to USh 440 by July 1990, USh 450 by August 1990, and USh 513 by mid-November 1990. The objective has been to attempt to narrow the gap between the official and parallel (or *kibanda*) rate, which in the mid-1980s was running at a level two to three times the official exchange rate: over the past 18 months the pace of devaluations has been more rapid than the equivalent rise in domestic prices. Besides following a policy of successive devaluations, a major new initiative was announced in the 1990 budget when the parallel market was legalised; since then parallel market foreign exchange bureaux have been permitted to operate openly. By September 1990, the parallel market exchange rate for the US dollar ranged from USh 690 to 710, a marked narrowing in the official rate differential that prevailed three years previously.

A final indicator of performance would be the record of public finance; here analysis reveals the continuation of many of the country's inherited problems. The legacy of past economic contraction, and particularly the execution of policies to eclipse much of the private sector, has meant that by 1990, Government revenue only amounted to some 6% of GDP. This is the lowest ratio recorded by the World Bank for *any* country in SSA⁴⁾, highlighting the difficulties that the Government has in its desire, and its need, to expand its expenditure programme. Although public expenditure as a percentage of GDP has remained comparatively low in comparison with many other African countries - accounting for just 8% of GDP in 1989/90 - the Government has not yet managed significantly to reduce the budget deficit to GDP ratio, which has fluctuated between 4.5% and 6.8% over the last three years, and which is likely to remain at or a little above the 5% level for the next few years. It has only been through substantial donor support that the Government has been able to contain the increase in the annual budget deficit.

Pressures to contain public expenditure costs clearly have had and continue today to have a restraining effect on key Government programmes and objectives. For instance, the much-needed expansion and up-grading of the education and health services have been held-back both through shortages of revenue, and because funds have had to continue to be channelled to emergency and relief programmes.

The 1990s are likely to see a consolidation of the gains made in the brief period since the National Resistance Movement (NRM) Government came to power. In time, however, there is likely to be a gradual shift away from concerns of rehabilitation and reconstruction towards policies which will enhance and accelerate sustained development. As the Government recognises, such a shift will require significant increases in investment, which will itself require a major boost and expansion of the private sector, both domestic and foreign. While donor support for the efforts the Ugandan Government is making it likely to continue for the foreseeable future, it is recognised in Kampala that the current high level of dependence on development assistance will have to be reduced, if only because the expansion in donor funds which have characterised the recent past cannot continue indefinitely.

A central feature of Government's plans to boost investment is likely to be a return to positive real interest rates to boost domestic savings. This will be related to a continuation of tight monetary policy and the maintenance of strict expenditure controls: the 1990 budget set a 15% target for the annual rate of inflation to mid-1991. In relation to the external economy, increased efforts are already being put into export diversification, made even

4) World Bank (1990) World Development Report 1990, Washington: The World Bank, p. 200. The comparative data for the other countries of the SSA region are for the year 1988.

more urgent by the fall in the international price of coffee and the rise in the oil price, which together have made a situation of already severe foreign exchange shortage even worse.

The overall economic framework for the start of the 1990s was recently summarised by the Government thus (Ministry of Planning and Economic Development (1990) Background to the Budget 1990 - 1991, Kampala: MPED, p.7):

With the progress from rehabilitation to development there will be new challenges in the economy. The continuation of strong growth will increasingly depend upon increasing the level and efficiency of investment. This requires a healthy economic environment and an adequate supply of domestic and foreign resources. With the application of the lessons of the 1980s, macro-economic policy into the 1990s will focus on continued stabilisation of inflation and the promotion of exports.

Subsequent chapters, particularly those on aid, investment, trade, public finance, prices and the balance of payments, provide greater in-depth analysis of these key issues for Uganda's future economic development.

7 AGRICULTURE, FORESTRY AND FISHERIES

Agriculture is the most important sector of the Ugandan economy. In 1989 the combined grouping of agriculture, livestock, forestry and fisheries accounted for more than two thirds (68.6%) of the Gross Domestic Product (GDP) at 1987 prices. Over 80% of the population depends on farming for its livelihood, and almost all export revenues are derived from agricultural produce, dominated by the single crop, coffee. Export taxes on agricultural export produce are one of the state's most important sources of revenue (see Chapter 13). The agricultural sector is also important as a supplier of inputs to local industry.

In general the country is extremely fertile and benefits from adequate rainfall, offering favourable natural conditions for agricultural production, the main exceptions are the northern parts of the country. Good climatic conditions allow parts of the southern regions of the country to produce two harvests a year. However in the north, where the rains occur chiefly between the months of May and September, only one harvest is possible. The semi-arid districts of Kotido and Moroto in the north-east are dominated by extensive herding.

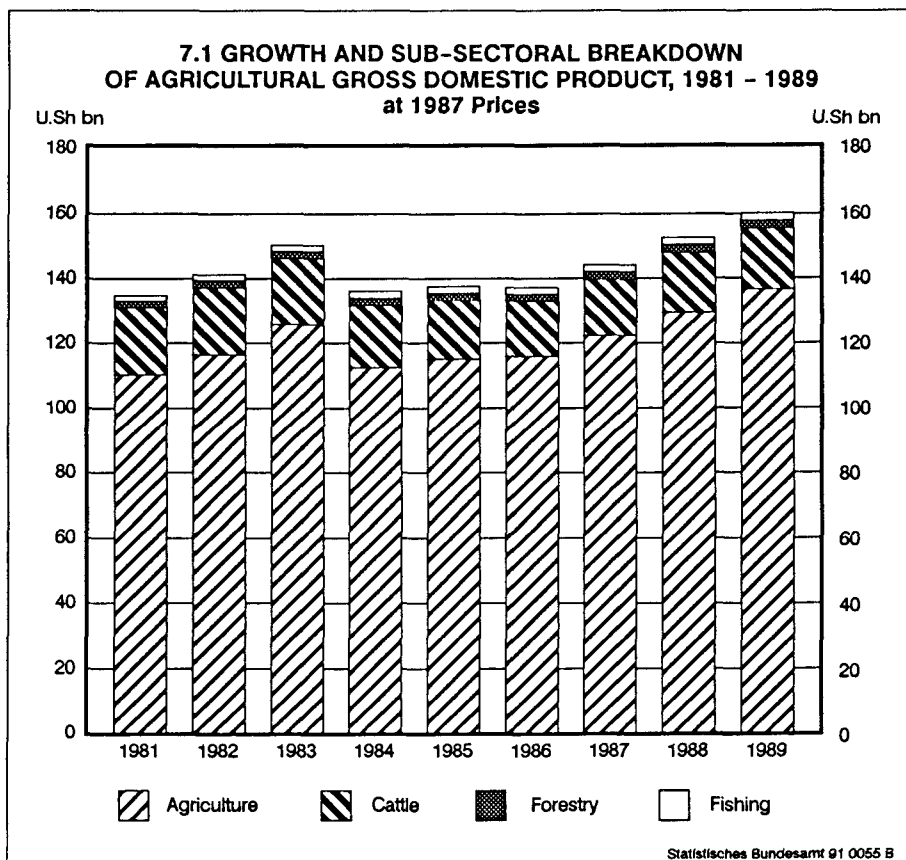
In the early 1970s, Uganda had a highly productive agrarian sector: the country was not only self-sufficient in food but also exported large amounts of cotton, coffee, tea and tobacco. Civil war, low producer prices, the expropriation of large farms, an excessively over-valued exchange rate, the destruction of the transport infrastructure, a chronic shortage of foreign currency, hyper-inflationary price increases, and an increasingly inefficient marketing system all combined to unleash a far-reaching crisis on the Ugandan economy, and on the agricultural sector in particular. The consequences were increased food imports, a drastic reduction in agricultural exports, and the transformation from what was once a commercially-oriented rural economy into one that was increasingly subsistence-oriented.

It was not until the early 1980s that agriculture showed the first signs of recovery from the grave effects of the collapse of the 1970s. Between 1981 and 1983, the value added from agriculture (at 1987 prices) rose from US\$ 134.9 bn to US\$ 150.2 bn (including livestock, forestry and fisheries), a rise of 11.4% (see Figure 7.1). This expansion was due primarily to the strong growth in the non-monetary agricultural economy, particularly in subsistence-oriented food production. In consequence, the trend towards subsistence-orientation, which characterised the 1970s, initially continued into the 1980s.

This short growth spurt came to an abrupt end in 1984 when total value added fell to US\$ 136.2 bn (a drop of 9.4%) as a result of drought. Whilst production in the forestry sector was largely maintained in 1984, and there was even a significant increase in fish production (+ 23%), crop and livestock production suffered enormously as a result of the shortage of

rain. The collapse in food production caused by the drought was the most serious of all. Compared with 1983, the value of food crops produced contracted by 12.4%, even if the value added by agricultural exports fell by only 5.8%.

1985 and 1986 were marked by stagnation in production. This had its origin in the resurgence of civil unrest which seriously hampered the transportation of goods. In addition, poor producer prices prevented the revitalisation of the market-oriented rural economy.



There has been a marked upswing in production, however, since 1987. Between 1986 and 1989, agriculture's share of GDP expanded from USh 137.3 bn to USh 160.1 bn, a rise of 16.6%. The main causes of the upswing have been an increase in both export and food crop production, a significant growth in forestry (in 1987 and 1988), together with an expansion in cattle production following years of contraction. Underlying this growth in agricultural production, however, has been the return of peace to key agricultural areas of the country, the gradual restoration of the transport system, greater efficiency in the marketing of agricultural produce, as well as a significant inflow of foreign resources promoting a multiplicity of agricultural rehabilitation projects.

As Figure 7.1 makes clear, food crops and export products form the backbone of Uganda's agricultural sector. In 1989, 85.3% of value added originated in these sub-sectors. Cattle accounted for 11.8%, with forestry and fisheries playing minor roles, accounting for 1.6% and 1.4% of total agricultural value added respectively.

The expansion of agriculture has also had ripple effects on other sectors of the economy, thereby boosting broader economic recovery, and providing support for the view that assistance to agriculture remains of fundamental importance to Uganda. As part of the Rehabilitation and Development Plan, 1987-88 to 1990-91, it is envisaged that 34 agricultural or agriculturally-related projects will be carried out.

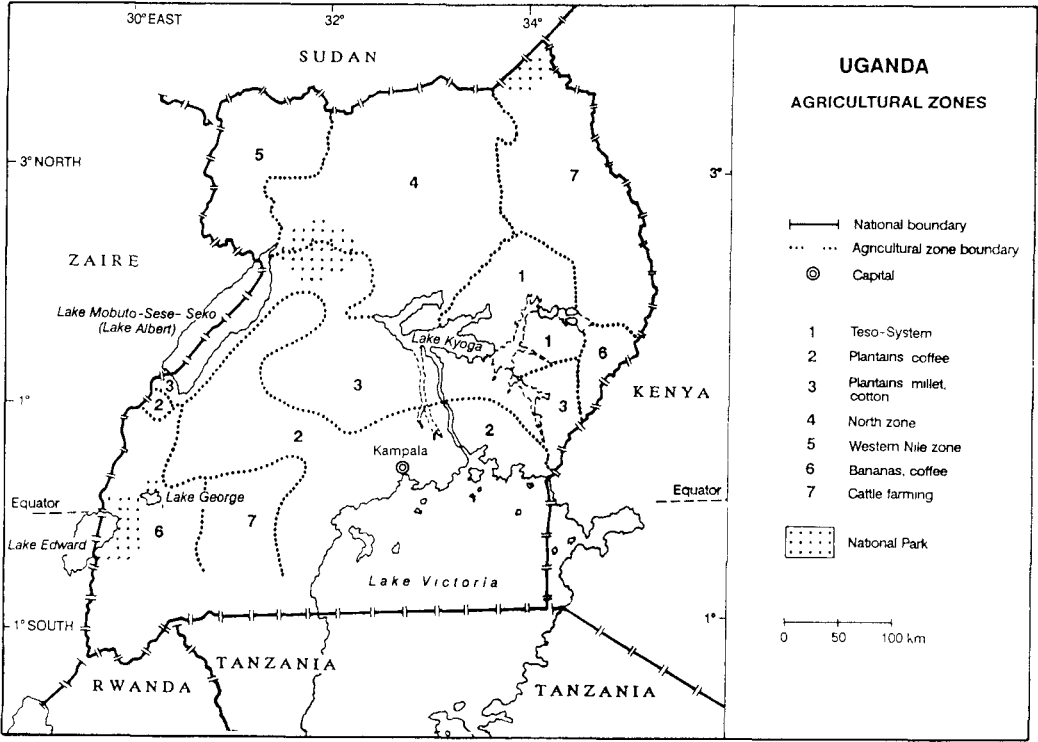
The following provide the prime strategic objectives of the government's current approach to agricultural development:

- to raise the level of food production in order to improve the general nutritional standard of the population and to secure national food supply;
- to increase and diversify agricultural export production by targeting funding towards new export crops such as maize, beans, groundnuts, soya beans, and sesame, adding these to the cultivation of the traditional cash crops (coffee, cotton, tea and tobacco);
- to produce agricultural raw materials for those branches of domestic industry with an agro-industrial production base;
- to create new employment opportunities in the agricultural sector; and,
- to support agricultural development as a means of involving the majority of the population in the national development process.

At the governmental level, at the end of 1990, an Agricultural Sector Policy Agenda was being developed. The objective is to implement an action plan, already agreed, which contains six objectives for agricultural and institutional reform: increasing agricultural producer prices, liberalising agricultural trade, intensifying crop cultivation and processing, reorganising marketing institutions, restructuring the financing of production cooperatives, and improving agricultural research and advisory services.

Among its priorities, the government attaches great importance to supporting the approximately 2.2 mn small-holders (with average plots of 2.5 ha) who produce 94% of total agricultural value added, and who therefore constitute the backbone of the agricultural sector. Sizeable commercial farms and plantations are largely limited to growing tea and sugar cane and to commercial livestock production, which almost exclusively employ modern farming methods. In contrast, the majority of small-holders rely on comparatively simple farming techniques and methods of farming. Statistics from the UN's Food and Agriculture

Organisation (FAO) provide information on land use. They reveal that there were 50,000 km² of arable land in Uganda in 1988, some 25.4% of the total area of the country. Compared with the early 1970s (1973: 39,000 km²), this was a 28.2% rise in arable land. There was an even greater growth in the amount of land used for permanent cropping, rising by 33.2% between 1973 and 1988 from 12,800 km² to 15,050 km². The expansion in arable land and land used for permanent cropping was brought about at the expense of forest land, which was reduced by 10.3% between 1973 and 1998, falling from 63,080 km² to 56,600 km², due largely to the expansion of farming and agricultural export production into formerly wooded areas. In addition, a rapid increase in demand for firewood, the building of new roads, and the spread of settlements into former woodland areas contributed to the rapid deforestation which continued in the 1970s and 1980s. Growing demand for arable land has also partly been met by the rehabilitation of previously fallow areas. Between 1973 and 1988, the area of "wasteland" was reduced by 25.3%, falling from 34,670 km² to 25,900 km².



In spite of the expansion in arable land, population pressure on the available land resources continued to grow. In 1973, the population density in terms of arable land and land used for permanent cultivation was 205 inhabitants per km², but rose to 257 inhabitants per km² by 1988. This means that together with Rwanda and Burundi, Uganda has one of the highest agricultural population densities in eastern Africa.

7.1 LAND USE 1 000 HA

Type of use	1973	1978	1983	1984	1985	1986	1987	1988
Arable land	3 900	4 080	4 600	4 800	4 900	5 000	5 000	5 000
Permanent crops .	1 280	1 530	1 700	1 700	1 700	1 705	1 705	1 705
Permanent meadows and pastures 1)	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Forest + woodland	6 308	6 160	5 910	5 860	5 810	5 760	5 710	5 660
Other areas 2)	3 467	3 185	2 745	2 611	2 561	2 506	2 540	2 590
Irrigated areas .	4	6	8	16	16	9	9	9

- 1) FAO division; depending on climatic conditions incl. areas only occasionally usable.
- 2) Excluding land covered by water.

There is as yet little irrigated agriculture in Uganda. In 1988, irrigated land covered 90 km², only some 0.1% of the total arable land or land used for permanent cultivation. Rice, sugar cane, citrus fruits and certain vegetables are currently the main products grown under irrigation. According to African Development Fund (ADF) estimates, Uganda has good potential for an expansion of its irrigated agriculture, with the amount of land which could potentially be cultivated under irrigation estimated at 2,020 km². Using the Victoria-Nile river and its tributaries, or the larger inland lakes would, however, have serious consequences for irrigated farming and the supply of water for countries to the north, especially Sudan and Egypt and would certainly unleash serious tensions in foreign policy.

The application of artificial fertilisers is extremely limited in Uganda: in 1988-89, average consumption per hectare of arable land and land used for permanent cultivation was only 0.01 kg. Artificial fertiliser is mainly used for the production of export crops. There is scarcely any use made of commercial fertiliser in the production of foodstuffs, largely because many producers lack the financial means to buy it; the majority of small-holders rely on dung and vegetable waste to enrich the soil they till. Two prerequisites for any future increase in the use of artificial fertilisers by small-holders are, first, the expansion of the rural credit system and, second, a reduction in the chronic shortage of foreign currency which allows scarcely any financial latitude for the import of agricultural production inputs.

Similarly there is minimal tractor tillage among Uganda's small-holders. According to FAO figures, in 1988 the number of tractors nationwide was only 4,200 units, with the number of combine harvesters put at just 14. A number of initiatives have been mounted to encourage further mechanisation. For instance the commercial banking sector has instituted revolving loan funds to encourage farmers to buy tractors. The aim is to increase the number of tractor purchases from 600 per annum in 1989 to 3,000 by the year 1992.

7.2 CONSUMPTION OF COMMERCIAL FERTILISERS *)

Category	Unit	1984/85	1985/86	1986/87	1987/88	1988/89
Total commercial fertilisers	t pure nutrient	500	200	388	1 175	100
containing nitrogen .	t pure nutrient	400	200	262	789	100
containing phosphate	t pure nutrient	100	.	126	374	.
containing potash ...	t pure nutrient	.	.	.	12	.
Consumption per ha of arable land and area under permanent crops ¹⁾	kg pure nutrient	0.08	0.03	0.06	0.18	0.01

*) Farming year: July to June.

1) Arable land and area under permanent cultivation according to Table 7.1.

Uganda is one of the few countries in Africa that is able in most years to grow sufficient food without recourse to significant levels of import. Apart from problems of internal distribution, caused by the disruption of transport systems, there were no national food crises in the 1980s: the shortages which have occurred, such as in the "Luwero Triangle" in the early 1980s, and more recently in the northern and eastern districts have their origins more in civil unrest and its consequences than in national food shortages. Depending on weather conditions, domestic production covers between 95% and 100% of the country's food requirements. Only small amounts of wheat and rice are imported. Recent figures - for 1988 - show that cereal imports of 28,000 t (22,000 t wheat; 6,000 t rice) accounted for a very small 2% share of total grain requirements of 1,426 mn t. 98% of grain required for domestic consumption was met by domestically grown produce (1,398 mn t). Plans to expand wheat and rice production over the next few years are expected to lead to a further reduction in import requirements.

Uganda's staple foodstuffs are maize, millet, plantains, known as *matooke*, sorghum, cassava, sweet potatoes, beans and groundnuts. Over the course of the 1980s, it proved possible significantly to increase production of almost every important staple food. The good harvests of 1989, particularly for cereal, root crops and pulses, were the result of favourable weather conditions.

Traditionally, one of the most important staples has been **matooke**, grown mainly in the southern parts of the country. Between 1980 and 1989, production levels went up from 5.699 mn t to 7.469 mn t, a rise of 31.1% (Table 7.3). After a short-term setback in 1983 and 1984, the ensuing period witnessed continued growth in harvests. Improved growing methods and a targeted programme of pest control have made a significant contribution to the increased yields since the mid-1980s. In part, too, the increase in production stems from the expansion of the area planted to bananas in previously forest/wooded areas. It has been estimated that the 1990 crop would reach 7.8 mn t.

There was also a notable increase in **cereal** production following a short-term fall in output between 1984 and 1986; by 1989 it had risen to 1.619 mn t, giving a more than 50% increase over 1980 when the level reached was 1.078 mn t. This expansion was primarily due to the rapid expansion of **maize**: between 1980 and 1989, maize production more than doubled from 286,000 t to 624,000 t. The availability of high-yielding seed varieties and an improved supply of farming inputs were the main causes of this increase in production. In 1989, for the first time, the volume of maize produced exceeded that of finger millet, until then the most important cereal crop (see Table 7.3). Projected future maize surpluses are anticipated increasingly to be used for barter trade.

Finger millet is mainly grown in the northern and north western parts of the country. In addition to its being a staple food crop, it is also used in beer production. 1989 finger millet production of 610,000 t exceeded the 1980 crop by about a third. Compared with 1988, 578,000 t, there was a rise of 5.5%.

Like finger millet, **sorghum** is partly used as a malt substitute for domestic beer production. Whilst sorghum production had risen to 347,000 t by 1989, following a decline between 1984-86 caused by drought and civil war, the record crop of 407,000 t achieved in 1983 has not been surpassed. However compared with the 1980 crop, 299,000 t, there had been a 16.1% growth in yield over the decade.

Although **rice** production is still of relatively minor importance at present, the 1980s saw a substantial increase in domestic demand in the wake of a rapidly growing urban population and changing eating habits. At present, and in spite of an enormous growth in production, only 80% (1988) of demand is being met domestically: in 1989, production reached 27,000 t. The main growing areas are around Lake Kyoga. In the past, irrigated rice growing took place in the districts of Iganga (Kibimba Rice Scheme) and Tororo (Doho Rice Scheme). In terms of self-sufficiency, great importance is attached to the Olweny Swamp Rice Irrigation Project which is carried out with financial support from the African Development Fund, the Islamic Development Bank, and the Ugandan government. The project is located in Lira district near Lake Kwanja, along the Soroti-Lira road. Production is due to start

in 1990. By 1993 harvests of 7,000 t are anticipated, based on a net irrigation area of 800 ha with an estimated 5 t yield per hectare, and an average of 1.75 harvests a year.

Wheat is the major food crop imported into Uganda, although it is also grown in the country, the main area being in Kapchwora district. In 1989, the domestic wheat harvest was estimated to be 11,000 t. In 1988, domestic production was 13,000 t compared with imports of 22,000, giving a low self-sufficiency rate of 37%.

7.3 YIELDS OF SELECTED CROPS TO COVER DOMESTIC FOOD REQUIREMENTS 1 000 T

Product	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 ¹⁾
Plantains (Matooke) .	5 699	5 900	6 596	6 487	6 250	6 468	6 565	7 039	7 293	7 469
Cereals	1 078	1 165	1 093	1 399	944	1 171	1 058	1 220	1 398	1 619
Finger millet	459	480	401	545	332	480	427	518	578	610
Maize	286	342	393	413	338	354	322	357	440	624
Sorghum	299	320	270	407	247	310	280	315	344	347
Rice	17	15	19	22	20	19	21	20	23	27
Wheat	17	8	10	12	7	8	8	10	13	11
Root crops	3 438	4 509	4 810	5 291	4 731	4 532	4 863	4 960	5 177	5 474
Sweet potatoes	1 200	1 300	1 487	1 843	1 630	1 664	1 865	1 674	1 716	1 658
Irish potatoes	166	175	196	209	132	168	98	185	190	248
Cassava	2 072	3 034	3 127	3 239	2 969	2 700	2 900	3 101	3 271	3 568
Pulses	182	291	295	392	372	338	346	374	430	485
Beans	133	240	237	314	295	267	267	299	338	389
Peas	7	8	10	12	13	8	10	11	12	12
Cow peas	16	18	20	37	39	35	39	37	38	38
Pigeon peas	26	25	28	29	25	28	30	27	42	46
Oilseeds	93	120	131	148	149	134	163	163	184	206
Groundnuts	70	90	90	99	102	93	118	122	134	145
Soya beans	3	5	6	7	8	8	10	8	14	16
Sesame	20	25	35	42	39	33	35	33	36	45

1) Estimate (yield minus harvest losses).

The cultivation of **root crops** has expanded markedly in the 1980s. Total production went up from 3.438 mn t in 1980 to 5.474 mn t in 1989, a rise of 59.2%. This was the first year that root crop production had exceeded the record 1983 level of 5.291 mn t. The most important root crop is cassava. In 1989, production was 3.568 mn t, an increase of 72.2% over the 1980 level of 2.072 mn t. Cassava is of great importance in times of drought, being more drought-resistant than cereals.

Other important root crops are **sweet potatoes** (1989 production, 1.658 mn t) and **Irish potatoes** (1989 production, 248,000 t). In the 1980s sweet potatoes were, to some extent, being replaced by cassava, a less labour intensive crop, which explains the relative stagnation in sweet potato production since 1984. The Irish potato, introduced from Ireland, is mainly grown in the cooler mountain regions. Field potato production went up by almost 50% between 1980 and 1989.

The production of **pulses** increased enormously (166.5%) between 1980 and 1989, rising from 182,000 t to 485,000 t. They are of great local importance for the vegetable protein they provide. Cultivating **beans** was heavily encouraged in the 1980s as part of the efforts to diversify exports, and between 1980 and 1989, production almost trebled. As with maize, the expansion of bean production is intended to produce export surpluses which can be used for barter trade. The 1980s also saw almost continuous growth in the production of **oleaginous crops**. The most important of these are **groundnuts** and **sesame** (simsim) with production of both more than doubling between 1980 and 1989. Whereas groundnuts are grown throughout the country, sesame production is concentrated in the north. As well as being important foodstuffs, sesame and groundnuts, and now increasingly **soya beans** too, are gaining significance as agricultural export products.

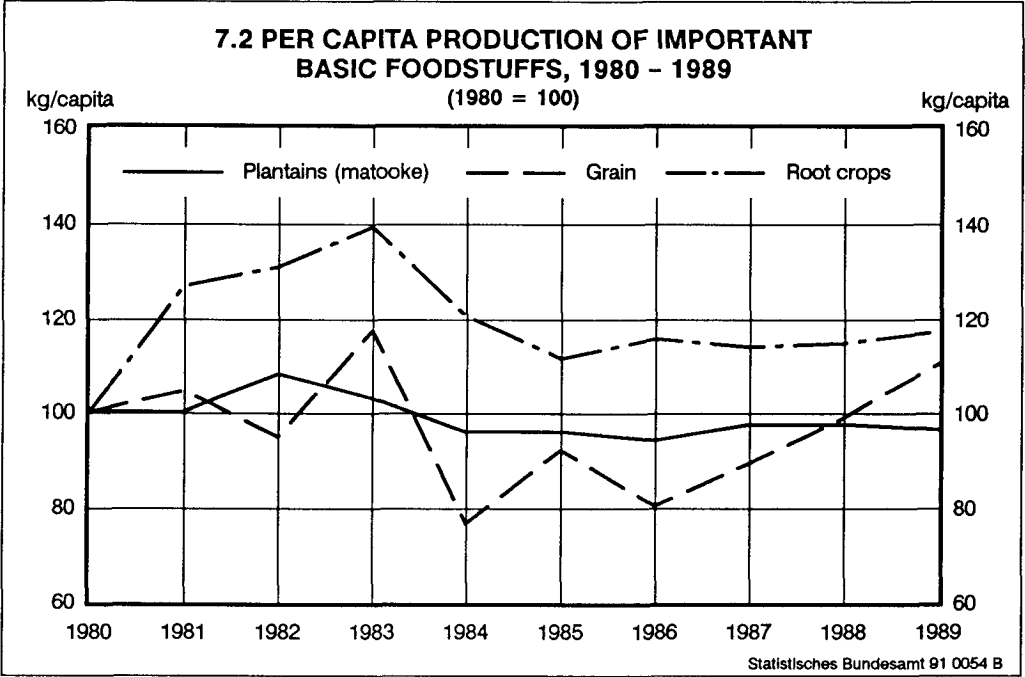
Commercial **horticulture** is recent development in Uganda, offering small-holders a rewarding additional source of income, as well as contributing to exports. With the financial support of the FAO and UNDP, 1989 saw the start of the Development of Horticulture Industry Project, aimed at intensifying horticultural research and advisory services. In 1989, the most important horticultural export products were **ginger**, **passion fruits**, and **pineapples**.

7.4 YIELDS PER HECTARE OF SELECTED CROPS TO COVER DOMESTIC FOOD REQUIREMENTS T/HA

Product	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 ¹⁾
Plantains (Matooke) .	4.9	5.0	5.5	5.4	5.2	5.3	5.4	5.5	5.6	5.6
Cereals	1.5	1.6	1.3	1.6	1.0	1.5	1.2	1.4	1.4	1.5
Finger millet	1.6	1.6	1.2	1.6	1.0	1.6	1.2	1.6	1.6	1.6
Maize	1.1	1.3	1.4	1.4	1.0	1.2	1.0	1.2	1.3	1.5
Sorghum	1.8	1.9	1.4	2.0	1.2	1.6	1.4	1.6	1.5	1.5
Rice	1.5	1.3	1.3	1.3	1.2	1.4	1.1	1.3	1.4	1.4
Wheat	2.1	2.0	2.0	2.4	1.8	2.0	1.6	2.0	2.2	2.2
Root crops	6.2	6.6	6.6	6.2	5.9	6.6	6.2	6.4	6.4	6.6
Sweet potatoes	5.2	3.7	4.0	4.0	4.2	4.6	4.6	4.2	4.1	4.1
Irish potatoes	6.9	7.0	7.0	7.0	7.8	6.7	5.2	7.1	7.0	6.9
Cassava	6.9	9.8	9.4	8.7	7.4	9.0	8.0	9.0	9.1	9.1
Pulses	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.7	0.8
Beans	0.6	0.8	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8
Peas	0.4	0.4	0.5	0.5	0.8	0.5	0.6	0.5	0.5	0.5
Cow peas	0.4	0.4	0.4	0.8	0.8	0.8	0.8	0.9	0.8	0.8
Pigeon peas	0.5	0.5	0.5	0.5	0.3	0.5	0.4	0.5	0.7	0.7
Oleaginous crops	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7
Groundnuts	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.7	0.8
Soya beans	0.8	1.0	1.0	1.2	0.7	0.8	0.8	0.8	0.8	0.9
Sesame	0.3	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.5

1) Estimate.

Since 1986, the export of non-traditional foodstuffs such as maize, beans, groundnuts, soya beans and sesame is under a monopoly arrangement with the Produce Marketing Board (PMB) set up in 1968. The Board is also responsible for the domestic marketing of this produce. In July 1989, state regulation of minimum producer prices for these products was lifted. The PMB can now independently set its own prices in relation to current world market prices and in competition with private traders.



As Figure 7.2 illustrates, the successes in the food-producing sectors of agriculture over the last ten years were just sufficient to keep pace with the rapid growth in population. The per capita production of matooke even dropped slightly between 1980 and 1989, from 434.4 to 419.4 kg. In contrast, per capita cereal production was significantly higher, after the trough in the mid-1980s. In 1989, per capita cereal production stood at 90.9 kg, 10.6% above the 1982 level of 82.2 kg. The most obvious growth was in root crops; here per capita production of 262.1 kg in 1980 grew to 307.4 kg over the same period, a rise of 17.3%. What remains uncertain is whether available agricultural resources will continue to be sufficient to provide Uganda's growing population with an adequate food supply. The country still has the potential to increase domestic food production: the 1980s output growth was largely achieved by expanding farming land, only minimally by increasing yields, even if by international standards, Uganda's food crop yields are still low. Thus, whereas in 1989 the developing country average yield was 2.3 t of cereals per hectare, in Uganda it was only 1.5 t. If a

secure supply of artificial fertilisers, pesticides, and high-yielding types of seed to small-holders were to be achieved, and if these were applied more widely than at present, then yields could rapidly increase.

In the 1960s, Uganda had a flourishing agricultural export industry, with coffee, cotton, tea and tobacco providing stability to the export sector. During the 1970s and early 1980s, exports of cotton, tobacco and tea almost came to a standstill due to the collapse of the transport system, the expulsion of plantation owners and falling producer prices. Only coffee exports were able to be maintained, resulting in the country becoming increasingly a single export product economy. Although in recent years the government has made great efforts to attempt to diversify the export base, there has been no significant overall reduction in the dominance of coffee: in 1989, still over 95% of total export revenue came from coffee (see Chapter 9). There is clearly an urgent need - recognised by the government - for an expansion in the production of traditional export products, not least because of the collapse of the International Coffee Agreement (ICA) in July 1989 and the fall in the world market price.

Almost all of Uganda's **coffee production** consists of robusta varieties which are mainly grown in the central and southern regions around Lake Victoria. The production of arabica coffee is concentrated in the timber-forest belts in the Elgon and Ruwenzori mountains. In 1989, 174,000 t of coffee were produced (marketed quantities), of which robusta accounted for 166,300 t or 95.6% of the total. 7,700 t of arabica coffee were produced. The 1989 production figures were the best of the entire 1980s; compared with a 1988 production figure of 153,600 t, there was an increase of 3.3%, although arabica production went down due to a reduction in cultivation sites for arabica varieties.

The increase in production in 1989 was less the result of favourable developments in producer prices than the efforts of coffee growers to compensate for low purchase prices by increasing yields. The accelerating fall in the world price forced the government, in spite of several devaluations, to freeze the nominal producer prices for both robusta and arabica following the price increase in July 1988 (robusta: US\$ 60 per kg, arabica: US\$ 110 kg). The result was a drastic fall in producer prices up to mid-1990 (see Tables 7.7 and 7.8).

The prospects for an upswing in the coffee market in the 1990s do not appear to be bright. The collapse of the International Coffee Agreement was a severe setback for the Ugandan coffee industry which had 4% of the export quota, 138,000 t a year, bringing about a deep fall in the world price for coffee. As the prospects for a re-instatement of the ICA are poor, the world price of robusta is likely to remain around the historically low level of US\$1 per kg. There are therefore major obstacles in the way of Uganda enjoying any increased revenue from coffee exports in the 1990s.

There is also a problem about coffee-tree quality: most bushes were planted in the 1950s and, given an average life-span of about 40 years, yields are bound to fall in the 1990s unless a large-scale programme of replanting is undertaken in the near future. However the low world price is itself a hindrance to replanting, as it offers little stimulus to small-holders to invest in coffee growing.

Under these circumstances it seems likely that the fall in coffee export revenues that began in 1987 will continue into at least the early part of the 1990s. The target of increasing coffee exports to the value of US\$1 bn by 1992 now seems unobtainable.

The authorities have responded in several ways to the structural crisis in the coffee industry. Uganda has been able to maintain its share of the world market through the efforts of the state Coffee Marketing Board (CMB) in opening up new markets in the Near East, in eastern Europe, and Japan. In February 1990, the Ministry of Cooperatives and Marketing announced its decision to permit four marketing cooperatives to export coffee as from the second half of 1990, joining the former state monopoly exporter, the CMB. The aim of this move was to increase marketing efficiency so as to pass on higher prices to growers, thereby stimulating investment in coffee production.

In April 1990, the EC commenced its Farming System Support Programme in Uganda. This follows the successfully implemented Coffee Rehabilitation Programme and has a budget of ECU 13 mn. Its aim is to help remove bottlenecks in coffee and food production.

The unfavourable international climate for coffee is bound adversely to affect these attempts to restructure the coffee industry, making even more urgent the need to diversify the agricultural export base. The government has recognised this, and has provided successive increases in producer prices of cotton, tobacco and tea since January 1988 - at times well above the current rate of inflation. The result has been a significant improvement in the real incomes of producers of these products since the mid 1980s (see Table 7.8).

The prospects for supplementing coffee exports and removing its dominance as the sole export earner lie first and foremost with **cotton**: to the mid-1950s, cotton was Uganda's most important export crop. It is mainly grown in the central and south-eastern parts of the country, the main centres of production, besides Masindi and Tororo, being the districts bordering the south of Lake Kyoga. In 1971, Uganda was the third largest producer of cotton in Africa, with an annual production of 55,700 t. Yet for reasons already explained, by the end of the 1970s, cotton production had sunk to almost zero. A partial recovery occurred in the mid-1980s, with 1985 producing the best harvest of the entire 1980s - 16,300 t of raw cotton - although this was nowhere near the levels achieved in the early 1970s. It was primarily the favourable trends in producer prices that boosted cotton production in the first half of the 1980s. Thereafter, however, production levels fell again largely as a result of

the physical destruction during the unrest and falling real producer prices in 1986 and 1987. Although producer prices shifted positively from 1987 to 1989, production levels remained poor largely because of the continuing security problems in the main growing zones, as well as labour shortages.

To assist the rehabilitation of the cotton industry, the Emergency Cotton Production Programme (ECPP) began in 1986 with a budget of just under US\$13 mn (ECU 13 mn). Part of this programme consists of providing cotton producers with seed, insecticide, and spray pumps, as well as loans. Advisory services were also expanded. To date, however, the ECPP has had only limited success if judged against production figures post-1987. In April 1989, the management of the Programme was transferred from the Lint Marketing Board to the Ministry of Agriculture.

The government offers a range of special incentives to boost cotton production, which include the granting of production prizes and bonus payments in kind (bicycles, radios, cement, iron slabs etc.) for farmers who plant cotton in new areas. Cotton farmers are also granted loans by the state-owned Uganda Commercial Bank. In addition, the raising of producer prices for cotton has also had a positive effect. On 1st December 1990 a further increase to USh 85 per kg for Fifi cotton, and USh 170 per kg for Safi cotton was announced, with the hope that this will increase cotton production from 4,050 t in 1990 to 16,200 t in 1991.

Recent increases in the world price for tea and tobacco likewise provide important stimuli for expanding these export crops - provided the rehabilitation efforts continue. Tobacco was one of Uganda's most important exports at the start of the 1970s, but production came almost to a standstill in the early 1980s; in 1981 only 100 t were produced). Rising producer prices between 1982 and 1984 brought about a rapid rise in production from 600 t to 2,000 t, yet there was a fall in 1985 and 1986 due to the destruction of growing areas in the West-Nile region. Higher producer prices since 1988 have led to a gradual recovery in tobacco production, and by 1989 production had risen to 3,800 t. Part of the increase has also been due to greater access to production inputs, to expanded advisory services from British American Tobacco (BAT), which resumed in 1984, as well as to favourable growing conditions. The main tobacco growing area is the West-Nile region (the districts of Nebbi, Arua, Moyo) where the security situation has been particularly bad. The National Tobacco Corporation is responsible for tobacco processing and marketing.

Uganda has an excellent climate for growing tea. Part is produced on large plantations, and here production came to a virtual halt in the 1970s as these were abandoned. When peace came in the early 1980s, attempts were made to revitalise the industry, and by 1985 tea production had risen to 5,600 t. Rising producer prices, favourable trends in world prices, the rehabilitation of large plantations by their former owners and an improved sup-

ply of herbicides, spare parts and packaging materials all led to substantial recovery by 1985. This expansion was not to continue, however, and by 1989 production was back to a level of 4,600 t. In the second half of the 1980s expansion was hampered by poor producer prices in relation to the rapidly increasing costs (especially in 1985 and 1986), and shortages of seasonal workers from neighbouring countries.

There is, however, optimism that significant growth of tea could be achieved in the future. A recently completed feasibility study by the Australian company Williams Hi-Tec came to the conclusion that tea production could be increased to 50,000 t a year by 1993, valued at US\$60 mn (ECU 47 mn) at late 1990 prices levels, provided there was investment in mechanisation and an increased use of artificial fertilisers. The prospects for rapid investment appear promising as the large operations that dominate the sector can more easily raise the capital required than the small-holders producing coffee. What is more, a series of initiatives were taken in 1989 to restructure the tea industry. For instance, the Uganda Tea Authority, which until then had been solely responsible for marketing the crop, was superseded by a new organisation, the Uganda Tea Board (UTB). The new organisation will be responsible for monitoring, coordinating and regulating the tea industry.

Sugar cane and cocoa are two other Ugandan cash crops. **Sugar production** was suspended in 1986 and 1987 as a result of the linked closure of the domestic refineries. However in 1989, the sugar industry showed the first signs of revitalisation after almost two decades of disaster: production rose from 7,500 t in 1988 to 15,900 t in 1989. The rise in production was due to the opening of a new sugar refinery in January 1988, while, following the return of foreign owners (the Mehta and Madhvani Groups) the prospects are good for increased sugar production in the 1990s. By 1995 domestic sugar production should entirely meet local demand. Currently domestic demand lies between 160,000 t and 200,000 t a year, giving a self-sufficiency level of less than 10%.

Cocoa production is currently of only minor importance. Significant re-organisation of many cocoa production units has recently taken place as part of the Cocoa Development Project (CDP); production rose to 500 t in 1989. In an effort to raise production through liberalisation, monopoly purchasing by the Coffee Marketing Board (which had responsibility for the crop) has now been abolished.

As noted in the case of food crops, international comparisons for most of Uganda's export products indicate low yield levels. However product-specific rehabilitation programmes embarked upon since 1981 have led to considerable increases in yields for coffee, tobacco, tea and sugar cane. The low per hectare yields for cotton compared to other countries with similar growing conditions are due largely to poor seed quality, indicating that in the future the selection of varieties with a high resistance to disease will be of importance.

7.5 YIELDS OF SELECTED AGRICULTURAL EXPORT CROPS*)

1 000 T

Product	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Coffee 1)	97.5	166.6	157.4	138.7	155.0	143.3	159.4	153.6	174.0
Robusta	93.0	152.3	142.8	128.6	144.4	134.7	150.3	144.0	166.3
Arabica	4.5	14.3	14.6	10.1	10.6	8.6	9.1	9.6	7.7
Cotton 2)	4.1	5.1	10.0	12.2	16.3	4.4	2.9	1.8	2.6
Tobacco 3)	0.1	0.6	1.6	2.0	1.5	0.9	1.3	2.5	3.8
Tea	1.7	2.6	3.1	5.2	5.6	3.3	3.5	3.5	4.6
Sugar, Raw	3.8	3.3	3.1	2.4	0.8	-	-	7.5	15.9
Cocoa	0.1	0.1	0.2	0.3	0.2	0.1	0.1	0.2	0.5

*) The yields correspond to purchases by the marketing organisations.

1) Farming year: October of the previous year to September of the year cited. - 2) Farming year: November of the previous year to October of the year cited. - 3) The farming year in most tobacco growing regions corresponds to the calendar year.

7.6 YIELDS PER HECTARE OF SELECTED AGRICULTURAL EXPORT CROPS

T/HA

Product	1981	1982	1983	1984	1985	1986	1987	1988	1989
Coffee	0.44	0.74	0.70	0.62	0.69	0.64	0.71	0.68	0.73
Robusta	0.49	0.80	0.75	0.67	0.75	0.70	0.78	0.75	0.80
Arabica	0.14	0.43	0.44	0.31	0.32	0.26	0.28	0.29	0.26
Cotton	0.03	0.03	0.06	0.06	0.10	0.02	0.02	0.01	0.02
Tobacco	0.17	0.55	0.57	0.63	0.52	0.64	0.62	0.93	1.00
Tea	0.08	0.12	0.15	0.25	0.27	0.16	0.17	0.18	0.22
Sugar, Raw	0.12	0.11	0.10	0.08	0.03	-	-	0.24	0.51
Cocoa	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.05

The figures shown in Tables 7.7 and 7.8 reflect trends in minimum producer prices for agricultural export produce since 1982. As can be seen from these tables, with the exception of coffee, there was a significant increase in producer prices in real terms in the 1980s. This contrasts with the 1970s, where producer prices had been kept below the rate of inflation. Particularly from July 1983 to 1985, there have been significant increases in producer prices in real terms. The rates of inflation between 1985 and 1987 and less than adequate rises in producer prices led to further falls in real terms. In the case of tobacco and cotton (Safi), the index of real producer prices fell even below its mid-1982 level. Overall, the internal Terms of Trade shifted disadvantageously for export producers. The final 1987 to 1989 period has been one marked by conflicting trends. Whereas falling world prices left producer prices for coffee behind the rise in costs, all other export crops experienced a positive price to cost performance. This is a reflection of the government's efforts to promote agricultural export potential and diversification. The precarious situation of the coffee industry is illustrated by the fall in the producer price index in real

terms for both robusta and arabica in May 1990 to some 40% of the mid-1982 level. In contrast, producer prices for tobacco, cotton and tea had all risen significantly in real terms (Table 7.8).

7.7 MINIMUM PRODUCER PRICES FOR SELECTED AGRICULTURAL CROPS*) US\$/KG

Date	Coffee		Tobacco		Cotton		Tea green	Cocoa
	Robusta (Kiboko)	Arabica (Bugisu, Grade P)	"Flue-cured" (Grade TOI)	"Fire-cured" (Grade I)	AR (Safi)	BR (Fifi)		
7. June 1982	0.50	0.93	1.00	0.67	0.40	0.08	0.10	0.30
9. May 1983	0.60	1.02	1.15	0.75	0.50		0.15	0.40
1. July 1983	0.80	1.40	1.50	1.00	0.60		0.25	0.80
21. Dec. 1983	1.00	1.76	2.00	1.39	0.90	0.50	0.40	1.30
1. April 1984							0.45	
July 1984	1.30	2.30	2.20	1.50	1.20	0.62		1.30
Nov. 1984	2.10	3.50	3.30	2.20	1.80	0.90	0.70	1.90
20. June 1985	2.70	4.60	5.90	3.90	2.20	1.00	0.80	2.20
22. Dec. 1985	4.70	8.30	8.00	5.60	3.20	1.50	1.20	4.20
27. May 1986	8.50	16.92	10.00	7.00	4.00	2.00	1.40	5.50
May 1987	24.00	43.66	38.00	25.00	19.00	10.00	5.00	22.00
Jan. 1988	29.00	50.00	90.00	55.00	32.00	18.00	10.00	30.00
July 1988	60.00	110.00	220.00	117.00	80.00	42.00	20.00	75.00
March 1989	60.00	110.00	250.00	140.00	80.00	42.00	20.00	
June 1989	60.00	110.00	410.00	210.00	130.00	65.00	35.00	
May 1990	60.00	110.00	410.00	210.00	160.00	65.00	35.00	

*) Prices in new US\$.

7.8 PRODUCER PRICE INDEX FOR SELECTED AGRICULTURAL CROPS

Date	Coffee		Tobacco		Cotton		Tea green	Cocoa
	Robusta (Kiboko)	Arabica (Bugisu, Grade P)	"Flue-cured" (Grade TOI)	"Fire-cured" (Grade I)	AR (Safi)	BR (Fifi)		
Nominal index (June 1982 = 100)								
7. June 1982	100	100	100	100	100	100	100	100
9. May 1983	120	110	115	112	125		150	133
1. July 1983	160	151	150	149	150		250	267
21. Dec. 1983	200	189	200	207	225	625	400	433
1. April 1984							450	
July 1984	260	247	220	224	300	775		433
Nov. 1984	420	376	330	328	450	1125	700	633
20. June 1985	540	495	590	582	550	1250	800	733
22. Dec. 1985	940	892	800	836	800	1875	1200	1400
27. May 1986	1700	1819	1000	1045	1000	2500	1400	1833
May 1987	4800	4695	3800	3731	4750	12500	5000	7333
Jan. 1988	5800	5376	9000	8209	8000	22500	10000	10000
July 1988	12000	11828	22000	17463	20000	52500	20000	25000
March 1989	12000	11828	25000	20896	20000	52500	20000	
June 1989	12000	11828	41000	31343	32500	81250	35000	
May 1990	12000	11828	41000	31343	40000	81250	35000	

7.8 PRODUCER PRICE INDEX FOR SELECTED AGRICULTURAL CROPS

Date	Coffee		Tobacco		Cotton		Tea green	Cocoa
	Robusta (Kiboko)	Arabica (Bugisu, Grade P)	"Flue-cured" (Grade TOI)	"Fire-cured" (Grade I)	AR (Safi)	BR (Fifi)		
Real index (June 1982 = 100)								
7. June 1982	100	100	100	100	100	100	100	100
9. May 1983	86.2	79.0	82.6	80.5	89.8		107.8	95.5
1. July 1983	112.0	105.7	105.0	104.3	105.0		175.1	187.0
21. Dec. 1983	125.2	118.3	125.2	129.6	140.9	391.4	250.5	271.1
1. April 1984							257.1	
July 1984	141.0	133.9	119.3	121.5	162.7	420.3		234.8
Nov. 1984	162.9	145.8	128.0	127.2	174.6	436.4	271.5	245.5
20. June 1985	112.6	103.3	123.1	121.4	114.7	260.7	166.9	152.9
22. Dec. 1985	107.5	102.0	91.4	95.6	91.4	214.3	137.2	160.0
27. May 1986	145.6	155.8	85.6	89.5	85.6	214.1	119.9	157.0
May 1987	115.5	113.0	91.4	89.8	114.3	300.8	120.3	176.5
Jan. 1988	82.7	76.7	128.4	117.1	114.1	320.9	142.6	142.6
July 1988	88.1	86.8	161.5	128.2	146.8	385.4	146.8	183.5
March 1989	65.9	64.9	137.3	114.7	109.8	288.3	109.8	
June 1989	54.6	53.8	186.6	142.7	147.9	369.9	159.3	
May 1990	42.5	41.9	145.2	111.0	141.7	287.8	124.0	

Uganda has good pasture lands for raising cattle, sheep and goats. **Cattle** are the most important type of livestock, and the industry consists mainly undertaken of extensive pasture farming. Approximately 95% of livestock is in the hands of small-holders.

Cattle forms an important part of the country's agriculture: in 1989, 12% of agricultural GDP originated in livestock production (see Figure 7.1). According to the Agricultural Sector Survey 1986-87, 19% of rural households operated a mixed system of cattle and crop farming, a further 3% made their living exclusively from rearing livestock. The cattle industry entered a deep crisis in the 1970s and 1980s. Civil unrest in the 1970s meant that veterinary services almost completely collapsed. The cessation of dipping and vaccination programmes and difficulties in obtaining dips, chemicals and veterinary supplies led to the spread of a litany of critical diseases such as cattle-plague, foot and mouth disease, trypanosomiasis, rabies, tick-borne diseases, as well as Newcastle's Disease in poultry. To add to these problems, cattle rustling in the northern districts was responsible for an often dramatic fall in livestock numbers and the collapse of production in the cattle industry.

The number of large-scale commercial cattle farmers is estimated at about 400. In 1989, there were 4.184 mn cattle across the country as a whole, a drop of 19.5% compared with the 5.2 mn in 1986, primarily the result of uncertainty about the future of the industry. There has also been a contraction in sheep and goat herds since 1987. However because of increasing domestic demand for pork and poultry, pig and poultry stocks have risen continuously throughout the 1980s. Between 1981 and 1989 the number of pigs rose by 18.2%, from 195,000 to 552,900. Poultry stocks increased almost fivefold between 1981 and 1987, and estimates from the MPED suggest a total of approximately 10 mn in 1989.

7.9 LIVESTOCK

1 000

Type of livestock	1981	1982	1983	1984	1985	1986	1987	1988	1989
Cattle	4 745.4	4 821.1	4 871.3	4 993.1	5 000.0	5 200.0	3 905.2	4 259.8	4 183.7
Pigs	195.9	205.7	232.8	227.0	238.0	250.0	470.4	452.3	552.9
Sheep	1 384.3	1 453.5	1 035.5	1 602.0	1 674.0	1 680.0	682.8	690.1	644.7
Goats	2 670.8	2 804.3	1 978.9	3 091.0	3 246.0	3 300.0	2 502.8	2 110.0	2 279.7
Poultry	176.2	324.4	1 000.0	1 200.0	3 000.0	5 000.0	8 330.0	.	.

The FAO provides data on livestock production for selected animals. Using the period 1979 to 1981 as a bench-mark, livestock numbers contracted markedly in the second half of the 1980s, and by 1989 there had been a fall of approximately a third in beef and veal production. In contrast, pork production went up from 11,000 t in the period 1979-81 to 26,000 t by 1989. Milk production (cows) in 1989 was still at its early-1980s level of 370,000 t.

7.10 QUANTITIES OF SELECTED ANIMAL PRODUCTS

Product	Unit	1979/81 A	1986	1987	1988	1989
Beef and veal	1 000 t	93	60	59	59	59
Pork	1 000 t	11	20	21	26	26
Mutton and lamb	1 000 t	6	12	11	9	11
Goat meat	1 000 t	10	4	3	12	12
Poultry	1 000 t	19	25	24	21	24
Cow's milk	1 000 t	363	300	372	370	370
Chicken eggs	1 000 t	10	18	19	18	19
Honey	t	130	502	519	520	530
Cowhide, fresh	1 000 t	13	8	8	8	8
Sheepskin, fresh	t	968	2 057	1 800	1 586	1 922
Goatskin, fresh	t	1 990	750	625	2 450	2 537

Current concerns of the cattle industry include the control of animal diseases, the rehabilitation of commercial cattle farms and the problem of rustling. The African Development Bank and the Kuwaiti Fund are jointly sponsoring a US\$25.1 mn (ECU 19.7 mn) project to develop the major cattle ranches. With financial backing from the EC, the FAO and the British Overseas Development Administration (ODA), an Emergency Cattle Plague Campaign was initiated in 1988 and 1989, during the course of which 1.6 mn head of cattle were vaccinated against the disease. Additionally, foot and mouth and tic-borne diseases appear

to have been brought under control. Working with France and several multi-lateral organisations (including UNDP, FAO, IFAD, the EC, and the World Bank), the government has begun a comprehensive campaign against trypanosomiasis.

In common with many other countries, Uganda's tropical rainforests are under threat because of an accelerated process of deforestation, brought about by the expanded use of land for farming and grazing, for firewood and charcoal production, and the escalating impact of increased commercial lumbering. Population pressure around Lake Victoria has already led to substantial deforestation of the hills near the lake, and increased soil erosion. The consequence is more severe soil erosion which in the long term threatens Lake Victoria's water level.

The government has taken measures to protect the country's forest areas. Slum settlements have been cleared from approximately 4,000 ha of forest land, and woodlands are now being designated protected areas to prevent any random expansion of agricultural use into these areas, while training courses for reafforestation programmes have begun. In this context, the Bwindi Rainforest (321 km²) on the border with Zaire, the natural habitat for approximately 300 mountain gorillas threatened with extinction, was declared a protected forest and National Park in June 1989, and is overseen by the Ministry of Tourism and Game Reserves.

The most important measure to preserve Uganda's threatened rain and savanna forests, however, is the **Forestry Rehabilitation Project** begun in the fourth quarter of 1987, at a total cost of US\$33.3 mn, which is set to run until 1995. The project involves the Ugandan government, with a contribution of US\$3.4 mn, the World Bank, US\$ 13.0 mn (ECU 11.0 mn), the EC, US\$ 7.0 mn (ECU 5.9 mn), DANIDA, US\$ 7.5 mn (ECU 6.4 mn), UNDP, US\$ 2.2 mn (ECU 1.9 mn), and the NGO, CARE, with a contribution of US\$.2 mn (ECU .2 mn). The aims of the project are to increase the production of firewood and commercial timber for the urban population by establishing peri-urban timber plantations and to improve the rural population's supply of timber and forest produce by strengthening commercial forestry. In this context, it is planned to establish nurseries to produce and then plant an annual total of 27 mn young saplings. The Forestry Rehabilitation Project also provides for the reafforestation of a total 26,000 ha of land for charcoal production, the rehabilitation of 13,900 ha of softwood plantations, the redesignation of forest borders covering 1,350 km, and the provision of technical support (management advisory services, financial management), and transport equipment in order to enable the Forestry Department to improve its supervision of the forest resources. In addition, it is intended to set up special forestry training programmes (courses on planting and timber processing).

7.11 TIMBER FELLED

1 000 M³

Category	1983	1984	1985	1986	1987	1988
Total	11 669	12 066	12 499	12 943	13 402	13 873
Deciduous	10 965	11 338	11 747	12 161	12 596	13 032
Timber	1 529	1 579	1 633	1 688	1 746	1 796
Firewood and wood for charcoal	10 140	10 487	10 866	11 255	11 656	12 077

Current domestic demand for wood is mainly for firewood and charcoal, which together account for over 90% of the country's energy consumption. Growing demand for firewood has been leading to an expansion of the volume felled, which rose by 18.9% from 1983 to 1988, from 11.669 mn m³ to 13.873 mn m³. Approximately 87% (12.077 mn m³) of the total volume felled in 1988 was used for firewood and charcoal. Just under 13% of the total land area of Uganda (1.796 mn km³) was used for timber in 1988.

The **fishing industry** is becoming important in several regards. Whilst its share of GDP is still small, fresh fish is the population's most important source of animal protein. In 1989, the domestic catch supplied an average 12 kg of fresh fish for each inhabitant. In addition, fisheries offer large-scale employment opportunities for the rural population. According to the 1988 Fisheries Survey, there were approximately 75,000 fishermen. The majority of these are small-scale operators catching fish using traditional methods. There are approximately a further 150,000 jobs in the fish processing, marketing and sales sectors, with a further 150,000 people employed in boat building and making fishing equipment.

As Uganda has no coast-line, fishing is restricted to the country's (significant) inland lakes and rivers. Some degree of commercial fishing is carried out in 27 of the 33 districts, the most important being Mukono, Masaka, Kamuli, Iganga and Apac. The richest fishing grounds are Lake Victoria and Lake Kyoga which account for nearly 90% of the total catch. Fishing also takes place on Lake Mobuto-Sese-Seko (Lake Albert), Lake Edward and Lake George, Lake Wamala, the Albert-Nile and other rivers in the country. In 1989, the total catch was 213,500 t. Of this 132,400 t (62.0%) were caught on Lake Victoria and 54,700 t (25.6%) on Lake Kyoga. This was slightly down on 1988 figures of 214,300 t, but compared to the 1981 catch of 167,800 t it had increased by 27.2%. Between 1981 and 1986, the majority of the catch came from Lake Kyoga but there has been a change over recent years: from 1987 the largest catch has come from Lake Victoria, largely as a result of the increase in Nile perch. The 20% fall in the national 1985 catch was due to civil unrest, affecting fishing on Lake Kyoga particularly badly.

7.12 FISH CATCH BY FISHING AREAS

1 000 T

Fishing area	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total	167.8	170.0	172.3	212.3	160.8	200.9	149.7	214.3	213.5
Lake Victoria	17.0	13.0	17.0	44.8	45.6	56.5	80.0	107.1	132.4
Lake Mobuto-Sese-Seko	6.0	10.0	4.0	4.0	6.0	9.0	8.9	12.5	13.9
Albert-Nile	3.0	1.0	4.0	1.9	1.6	0.3	2.5	0.6	1.9
Lake Kyoga	130.0	138.0	140.0	150.0	100.0	128.0	48.0	86.7	54.7
Lake Edward and Lake George (incl. the Kazinga Canal) .	5.0	6.9	6.0	10.4	6.6	6.3	6.5	5.9	5.6
Lake Wamala	3.8	0.5	0.7	0.5	0.3	0.4	0.5	0.4	1.0
Other inland waterways	3.0	0.6	0.6	0.7	0.7	0.4	3.3	1.0	4.0
Catch per inhabitant (kg) ...	12.4	12.1	11.9	14.2	10.4	12.5	9.0	12.5	12.0

Given its copious internal freshwater reservoirs, Uganda has great potential for expanding fish exports. Apart from volume expansion, the government's plans are to expand and improve the quality of fish processing and marketing so as to encourage fish exports, to create new employment opportunities, and to improve the living conditions of the fishing population. Current problems facing the industry include the high cost of inputs, antiquated fishing fleets and equipment, and inadequate refrigeration, processing, and marketing capacities. These are being addressed with the support of international aid donors such as the EC and the IFAD.

8 INDUSTRY

INTRODUCTION

In 1989, the industrial sector in Uganda - comprising the energy and water sub-sector, quarrying and mining (including oil and gas), manufacturing and construction - contributed US\$ 4.463 bn to Gross Domestic Product (GDP), at 1987 prices, 7.3% of the total. Industry, like other parts of the economy, was seriously affected by the civil unrest of the 1970s and early 1980s. Inadequate maintenance programmes and the deliberate destruction of industrial plants, power stations, electricity lines and administrative buildings, resulted in a serious contraction of industrial output: between 1970 and 1980, industrial value added declined by an average of 7% a year. Although numerous projects to rebuild destroyed industries were undertaken in the first half of the 1980s, with the help of foreign assistance, complete rehabilitation has been far from achieved. A chronic shortage of spare parts, limited domestic demand for industrial goods, the high cost of importing oil, capital equipment and intermediary inputs, have all hindered industrial expansion and diversification.

ENERGY AND WATER

In aggregate, the contribution of the energy and water sector to GDP is small: in 1989, it accounted it amounted to US\$ 113 bn, a negligible 0.1% of the total. The most important fuel used in the country are firewood and charcoal, which together meet approximately 95% of the nation's energy requirements. In order to counter the rapidly growing shortage of firewood reserves, and to secure the future supply of firewood in the medium and long-term, timber plantations are being set up in the immediate vicinity of urban centres coupled with the targeted planting of trees and nurseries (see Chapter 7) as part of the national Forestry Rehabilitation Project.

Besides firewood and charcoal, other important primary energy sources are water power and geo-thermal energy. The country's hydro-electric potential is estimated to be 2,000 MW. Geo-thermal energy resources, concentrated mainly in the western parts of the country, are estimated to be 450 MW. In addition, agricultural waste products (vegetable waste and animal dung) are used as sources of energy.

Oil and gas products are utilised on only a small scale in contrast to the other sources of energy. No local commercially-exploitable reserves have yet been discovered, although aerial photographs from the Rift Valley have indicated potential oil deposits around Lake Edward and Lake Mobutu-Sese-Seko. As access to these oil deposits is difficult, it is esti-

mated that investments of between US\$850 mn (ECU 0.7 bn) and US\$1 bn (ECU 0.8 bn) would be needed to exploit them. In December 1989, the government issued licences for test drillings in the Lake Mobutu-Sese-Seko area to the Belgian oil company Petrofina and to Exxon (USA).

At present, Uganda is totally dependant on imports to meet its oil requirements. In 1989, 251,700 t of oil and petroleum products worth US\$77.3 mn (ECU 70.2 mn) were imported; this was approximately 12% of all imports, representing a considerable burden to the balance of payments. 69% of petrol imported is used in the transport and communications sector, 20% by private households (20%), 9% by the air transport industry, and the remaining 2% by other industries. The oil has to be transported by pipeline from Mombasa to Nairobi and from there by rail to Uganda. This is costly and therefore raises the final price to the consumer (see Chapter 16). The Kenya Pipeline Corporation's (KPC) decision to extend the oil pipeline from Nairobi, via Eldoret, to Kisumu could be of strategic importance. A planned extension as far as Malaba (on the Kenyan border) would ease the problem of delivering oil products to central Uganda, and eventually lead to a fall in transport costs.

In the attempt to save foreign exchange for oil imports, the government has been bartering its leading exports for oil imports. For instance, a barter deal with Libya worth US\$6.8 mn (ECU 5.3 mn) was agreed, where Ugandan coffee was exchanged for oil. To ensure more efficient marketing, it is planned to set up a National Oil Board which will be responsible for the purchase, storage, and selling of petroleum products.

The government estimates that only approximately 3% to 5% of the population have access to electricity. The state-owned Uganda Electricity Board (UEB) is responsible for the supply of electricity, and it is also responsible for the Owen Falls hydro-electric power station at Jinja. A key priority of Uganda's national energy policy is to make greater use of the country's considerable hydro-electrical potential, of which less than 10% is currently being exploited. At the moment, however, major emphasis is being laid on rehabilitating and maintaining the power stations which have been badly damaged by civil unrest and the lack of planned maintenance.

The Owen Falls hydro-electric power station, which has an installed capacity of 150 MW, is of critical importance for the entire electrical supply system. Under the Second Power Project, funded by the World Bank, the Commonwealth Development Corporation, and Britain, its capacity should be increased by 30 MW to 180 MW by 1993, while the UEB's grid system is also to be rehabilitated. The total costs of the project has increased to US\$98 mn (ECU 77 mn) by mid-1990 compared to the original estimate of US\$70 mn (ECU 55 mn). The plan to build a new hydro-electric power station on the Kabalengo Falls, south of Pakwach, with an installed capacity of 480 MW, has been shelved for the present due to the ex-

pected costs of between US\$500 mn (ECU 393 mn) and US\$700 mn (ECU 550 mn) and the severe damage to the environment that the construction would cause. Instead, the Ministry of Energy is now planning to further increase the capacity of the Owen Falls power station to between 252 and 286 MW. The costs of this are estimated at US\$160 mn (ECU 126 mn); international donors have already promised US\$100 mn (ECU 79 mn). It will take approximately four years for the construction of the proposed power station to be completed. Then other states in the region, besides Kenya, will be able to utilise electricity from Uganda.

A Rural Electrification Scheme is currently underway, with financial support from the European Community. The EC funding is to be used to reestablish disconnected power lines between the various regional capitals, and already several lines have been re-connected. In addition, the Mobuku power station (6 MW capacity), which belongs to the Kilembe copper mine, is currently being rehabilitated. When the work is completed it will be transferred to the UEB, and will provide the power needed to run the Hima cement factory. In October 1990, Uganda received approval from the European Investment Bank (EIB) for the reconstruction and expansion of the 132 KW transmission cable from Kampala to Kasese, as well as the construction of several down-loading stations between the two cities. The total cost of the project is estimated at ECU 28.4 mn, of which the EIB is providing ECU 11 mn, the German Reconstruction Loan Corporation, ECU 10 mn, with the UEB providing the remaining ECU 7.4 mn.

8.1 INSTALLED CAPACITY OF POWER STATIONS AND ELECTRICITY PRODUCTION*)

Category	Unit	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Installed capacity	MW	155.0	155.0	155.0	155.0	155.0	155.0	155.0	155.0	155.0	155.0
Owen Falls	MW	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Other power stations .	MW	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Electricity production .	mn kWh	634.3	516.3	559.8	515.5	614.4	626.5	637.2	611.2	567.4	660.9
Water power stations .	mn kWh	632.9	512.6	554.8	513.4	612.4	624.8	635.5	609.9	565.9	659.5
Thermal power stations	mn kWh	1.4	3.7	5.0	2.1	2.0	1.7	1.7	1.3	1.5	1.4
Transmission losses	mn kWh	106.0	49.6	60.6	46.7	116.5	167.4	106.3	96.9	194.7	228.5
Domestic consumption ...	mn kWh	239.6	288.1	285.9	251.3	281.8	244.1	299.1	338.1	262.7	275.7
Homes	mn kWh	80.8	129.5	118.8	102.0	128.0	113.6	139.0	119.3	160.7	153.2
Industry	mn kWh	99.9	73.8	99.2	85.7	73.8	75.8	40.8	38.9	39.4	46.6
Hotels and restaurants	mn kWh	8.7	14.2	14.2	12.7	16.3	7.2	9.0	30.0	9.5	7.4
Streetlighting	mn kWh	7.6	6.8	6.8	7.1	9.5	9.2	11.0	11.0	8.7	0.3
Other	mn kWh	42.6	63.8	46.9	43.8	54.2	38.3	99.3	138.9	44.4	68.2
Export (Kenya)	mn kWh	288.7	178.6	213.3	217.7	216.1	215.0	231.0	176.2	110.0	156.6

*) Uganda Electricity Board. Figures for privately generated electricity are not available but are negligible.

The country's power stations had a total installed capacity of 155 MW in 1989. Over 95% of this came from the Owen Falls hydro-electric power station. From 1988 to 1989, electri-

city generation expanded by 16.5%, from 567.4 mn kWh to 660.9 mn kWh, due to the significant progress made in the rehabilitation of the Owen Falls power station. However, in spite of comprehensive efforts to restore the power station, transmission losses are still high: in 1989, 228.5 mn kWh was lost, more than a third of total power output. Continuing problems in maintaining the generators also resulted in repeated blackouts. Of the remaining 432.3 mn kWh which finally reached end-consumers, 275.7 mn kWh or just under two-thirds (63.8%) was used by domestic customers, 156.6 mn kWh were exported to neighbouring Kenya. The largest domestic consumer group are private households, who use 153.2 mn kWh or 55.6% of domestic consumption, followed by industry which uses 16.9%. The number of electricity consumers rose to 88,303 in 1989, a rise of 9.3% from the 1988 figure of 80,795. UEB revenue from consumer purchases rose from US\$ 745.8 mn in 1988 to US\$ 2.572 bn in 1989.

The government has initiated a special programme to promote production of alternative energy sources. This includes the increased use of biomass in tobacco roasting, the drying of tea leaves, and in smoking fish. In addition, it is hoped to encourage greater use of biogas as an alternative form of energy. To this end, the building of a biogas factory in Kampala costing US\$5 mn (ECU 3.9 mn) has been agreed between the Ugandan Biogas Engineering Corporation and the Imexin State Corporation of Cuba. Initially, the factory will produce 63 t of biogas a day - produced from sugar cane waste products - and expand capacity later. It is expected that some biogas will be exported. Progress is also being made in the use of solar energy for emergency lighting purposes and refrigeration. Finally, efforts are underway to use agricultural waste products as a substitute for firewood and charcoal.

A Third Power Project is under consideration in order to meet long-term commercial energy requirements, with costs estimated at between US\$200 mn (ECU 157 mn) and US\$250 mn (ECU 196 mn). As well as extending the capacity of the Owen Falls power station, the project would also aim to expand the UEB's grid system, rehabilitate the electrical distribution and street lighting systems in Kampala, and work towards the incorporation of the northern and western parts of the country within the national grid. There are also plans to explore the potential for exploiting the country's geo-thermal potential.

MINING AND QUARRYING

Uganda has a wide range of mineral resources, whose range and commercial potential is still not fully known. In the 1960s and early 1970s, copper, bismuth, wolframite, Columbo-tantalite, gold, phosphate, calcium, tin ore and beryllium were mined. At that time, approximately 8,000 people were employed in the mining sector. In 1970, mining contributed 5.4% to GDP, with minerals accounting for 9% of total exports. The copper ore mine in Kilembe, West Uganda, was the most important in the early 1970s; in 1970, 17,000 t of copper

ore were mined. By 1977, however, production had fallen to 2,261 t. Copper mining ceased in 1978. At the same time, the copper foundry in Jinja was forced to close due to a shortage of spare parts. The overall decline of mining is shown by the fact that its share of total value added in 1989 was just US\$ 33 mn, a mere 0.1% of the total. The only visible growth at the present time is in the quarrying of sand and gravel, stimulated by demand for building materials for current rehabilitation and maintenance work.

Data on the current level of mining output by different mineral are incomplete, underlining the marginal significance of the industry. In 1989, 34 t of tin were produced. The 893.5 g of gold produced was several times greater than the amount produced in previous years, but the level was still low by historical standards. The 21 t of wolframite produced was, equally, a fraction of the total potential.

8.2 MINING AND QUARRYING PRODUCTS

Product	Unit	1981	1982	1983	1984	1985	1986	1987	1988	1989
Iron ore	t								11.1	.
Tin ore	t	-	3.5	25.4	263.3	5.9	43.5	9.7	63.8	34.0
Columbo/Tantalite	t	-	-	-	-	-	7.7	-	-	-
Gold	g	304.0	215.2	0.0	1316.7	142.0	149.7	-	20.5	893.5
Wolframite	t	2.0	7.0	6.9	14.7	16.8	19.1	30.2	74.9	21.0
Kaolinite	t	-	-	-	-	-	400.0	-	-	-
Salt	1 000 t	5.0	5.0	5.0	5.0	5.0	5.0	5.0	.	.
Feldspar	t	-	-	-	-	-	200.0	-	-	-
Limestone	t	84.0	74.0	413.0	500	500	500	500	.	.

In spite of the current marginal contribution of the sector, the foundation for a revival of both the mining and processing of mineral raw materials has been laid over recent years. A 1983 feasibility study concluded that the reopening of the Kilembe mine would be an economically viable proposition, and in 1988, an agreement was reached with the Democratic People's Republic of Korea to reopen the mine. The rehabilitation costs are high, at approximately US\$70 mn (ECU 59 mn). Also in 1983, it was agreed to build a new copper smelting plant to replace the dilapidated plant in Jinja.

As well as the copper, cobalt is also to be extracted from the 1 mn t of copper pyrite available in Kilembe: it is estimated that 50,000 t of cobalt could be quarried from the copper waste dumps. Potential investors are being sought for the cobalt plant that will be required to be built for a cost of about US\$80 mn (ECU 63 mn); any decision will clearly depend on world price of cobalt. The plan is to explore and develop the cobalt deposits in Kilembe in collaboration with the Ugandan government. In the interim, a state-owned French company has stated its interest in the project.

Another mining project relates to the superphosphate factory in Tororo. Future production could make use of the extensive deposits of phosphate ore in the Sukulu highlands, in eastern Uganda; estimated deposits of 230 mn t could lead to an average annual production of 55,000 t, ensuring supplies of superphosphate fertilisers for over 200 years. The costs of the development of the phosphate fertiliser factory in Tororo are estimated at US\$120 mn (ECU 94 mn). Tororo Industrial Chemicals and Fertilisers (TICAF) is still seeking investors for a contribution of US\$40 mn (ECU 31 mn); the African Development Bank has already allocated US\$50 mn (ECU 39 mn) to US\$60 mn (ECU 47 mn) for the project. Related to the phosphate project, are plans to build a sulphuric acid factory in Kasese, located near the Kilembe mine, which would supply sulphuric acid for the manufacture of artificial fertiliser in Tororo.

Overall prospects for an expansion of mining in Uganda appear quite favourable. There are known copper deposits totalling 4 mn t in Kilembe, with estimates of a further 1.8 mn t. In addition, there are plentiful high-quality iron ore deposits in Muko (Kabale district), and in the Sukulu mountains (Tororo district). The potential for increasing the supply of mineral products to local manufacturing industries is great, thus reducing the country's import bill, while the expansion of mineral exports would assist the long sought after objective of diversifying the export base. However such developments will be dependent upon further exploration and feasibility studies to provide reliable data on the projected costs of developing the mining infrastructure and assessing viability of the different potential areas of expansion.

Government's current policy is to encourage small-scale mining which means lower start up costs, potentially quick returns, and, importantly, a significant employment effect. There is considerable potential for small companies in mining clay, calcium, and salt production, in particular. The greatest current problem inhibiting expansion of the mining industry is the limited capital base of domestic companies. In collaboration with the United Nations Center for Transnational Corporations (UNCTC), the government is seeking to combine the Mining Code with the new Investment Code so as to offer private investors greater incentives to invest in mining.

MANUFACTURING INDUSTRY

Manufacturing industry is dominated by the processing of agricultural products (coffee, cotton, tobacco, sugar, foodstuffs, drinks). There are also major industrial plants embracing textile and clothing, tobacco processing and drinks, wood and paper manufacturing, chemicals, and building materials. The 1960s witnessed steady industrial expansion: average annual growth was 6%. At this time, industrial policy was focused on a strategy of im-

port substitution, aimed at expanding consumer good production in order to reduce imports. Export oriented industries were limited to the manufacture of sugar and vegetable oil, and to the textile industry.

Manufacturing was hit particularly hard by the succession of crises of the 1970s and early 1980s. On top of the physical destruction of plant and equipment came a chronic shortage of foreign currency and inadequate maintenance which led to the collapse of most industries. Of those factories which did operate, capacity utilisation levels of less than 10% were commonplace. Even as recently as 1986, Manufacturing value added was still only a third of its 1970-72 level.

Since 1987, however, there has been a significant revitalisation of the manufacturing sector. The improved security situation, a certain inflow of foreign capital, increased access to foreign currency for imported inputs and spares as part of the Open General Licensing System, and several targeted Special Import Programmes (SIPs) have all contributed greatly to the stimulation of industrial output. Part of this has been the result of the return of former owners of factories. The result has been two- digit levels of manufacturing sector expansion each year in the period from 1987 and 1989, even if the average annual growth rate between 1981 and 1989 was only 7.3%. It should be noted, however, that recent manufacturing growth began from a comparatively low base: in 1989, manufacturing value added contributed 4.9% to total GDP, still significantly below the 7% level of the 1960s.

Alongside the policy of privatising a range of nationalised companies in the manufacturing sector, key features of overall industrial policy include improving the domestic supply of consumer goods and the expansion of industrial processing of agricultural and mineral products.

8.3 PRODUCTION INDEX OF MANUFACTURING INDUSTRY*)

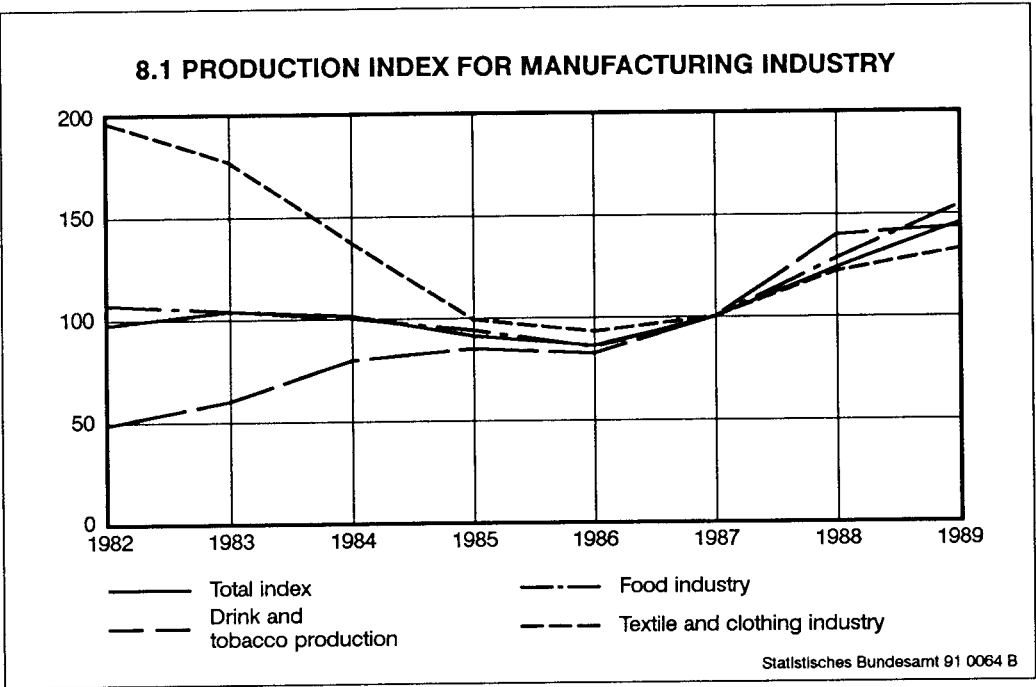
1987 = 100

Index group	Weighting	1982	1983	1984	1985	1986	1988	1989	1.Q. 1989	1.Q. 1990
Total	100	97.4	103.7	101.1	91.1	86.1	123.8	145.2	139.4	143.9
Food industry	20.7	106.7	103.7	99.8	93.9	85.3	128.0	153.9	161.0	167.3
Drink and tobacco manufacture ..	26.1	48.6	59.8	79.4	84.8	82.2	139.6	143.7	147.5	137.6
Textile and clothing industry ..	16.3	196.7	177.6	136.9	98.9	92.9	121.8	132.7	109.7	115.6
Leather processing and manufacture, manufacture of shoes	2.3	77.9	152.8	175.5	86.9	90.0	62.0	59.3	50.7	75.5
Timber processing and manufacture, manufacture of furniture, paper, cardboard, printing and photocopying	9.0	68.2	79.6	88.7	76.8	72.0	135.1	169.4	156.7	160.5
Chemical industry	12.3	64.6	68.8	61.2	58.6	58.8	111.2	164.7	169.6	177.9
Quarrying	4.3	163.7	177.4	156.5	122.7	120.6	94.4	108.9	83.8	160.5
Metal production and processing	5.3	81.6	118.5	110.7	133.1	105.9	87.2	95.8	88.9	69.3
Other	3.7	87.6	124.3	139.5	139.1	141.0	134.0	204.2	143.0	158.7

*) Annual average.

Table 8.3 shows trends in industrial production by main sub-industrial branch. As, however, the overall index is only based on production data from selected industrial companies which together account for approximately 70% of manufacturing value added, one has to be careful about making comments from these figures about the whole of manufacturing.

After a short expansion in 1983 and 1984, there was a significant fall in manufacturing production in 1985 and 1986, as a result of further political and civil unrest. This led to acts of industrial sabotage, poor delivery of production inputs and intermittent disruption to rehabilitation work on factories. Manufacturing output rose sharply by 16% in 1987, and by a further 24% in 1988. High growth originated chiefly in expansion of the food industry (recommencement of sugar production), the tobacco and drinks sector, textile and clothing, and timber and paper manufacture. The trend continued in 1989 when manufacturing value added rose by a further 17%. With the exception of the leather and shoe industry, all other sectors witnessed positive growth rates. Compared with the first quarter of 1989, the first three months of 1990 recorded further industrial expansion of 3.2%. However this growth was significantly lower than in the previous few years.



The **drinks and tobacco** sub-sector is the most important branch of manufacturing. Except for 1986, it has witnessed continual growth over the last decade (see Figure 8.1). The soft drinks produced include fruit juices, and a range of carbonated drinks; a number of facto-

ries have opened or reopened since 1987. Current domestic production capacity is 7 mn crates per annum, only about a half of domestic demand. The regional centre of production is Kampala.

The potential for substantial growth in beer production has recently been provided following Uganda Breweries Ltd.'s planned expansion to production of 4.2 mn crates of beer per annum by the end of 1990. The government is making efforts to increase local production of brewing barley - the most important raw material in producing beer. The cigarette industry is also of importance, with an annual production of between 1.4 mn and 1.6 mn cigarettes (see Table 8.4).

Coffee roasting, sugar refining and milling, are the main pillars of the **food industry**. From a low point in 1986, production has enjoyed considerable expansion: between 1986 and 1989 value added increased by 80% (see Figure 8.1).

The Uganda sugar industry consists of three large production complexes. The first is the Kakira Sugar Works, operated jointly by the government and the Madhvani Groups, with a theoretical capacity of 90,000 t of sugar a year. Following the First Phase of Rehabilitation in October 1989, 2,620 t of sugar were produced to February 1990. By the end of the Second Rehabilitation Phase in 1992, it is hoped that former production quantities can again be achieved.

The Sugar Corporation of Uganda's sugar complex, with an annual capacity 60,000 t, went back into production in January 1986. By the end of 1990, production level had fallen below expectations due to the shortage of spare parts, qualified staff, and shortages of finance: only half of the target production of 48,000 t was anticipated, according to preliminary forecasts.

The third sugar producer, the National Sugar Works at Kinyala, is still being rehabilitated. For 1991, a new sugar plantation covering 8,750 ha is planned, together with the rehabilitation of buildings and infrastructure, at a total cost of US\$55 mn (ECU 43 mn). This should lead to the production of 1,500 t of sugar a day.

A fish processing factory in Jinja, built with financial assistance from Italy, began production in February 1990. This is the first of its kind in Uganda and will serve to widen the food industry's production base.

The **textile and clothing industries** are of major significance. Following continual contraction between 1982 and 1986, the 1987 to 1989 period has witnessed high growth rates. However 1989 production levels were still only approximately two-thirds of that achieved in 1982. The important complexes are Nyanza Textile Industries Limited (NYTIL) and Ugan-

da Garments Industries Limited (UGIL). NYTIL is being rebuilt with finance from the Uganda Development Bank (UDB), and aid funds from Britain. Post rehabilitation production levels of 26 mn of fabric a year are anticipated. In 1990, UGIL received an order from a Britain for 10 mn T-shirts, valued at US\$10 mn (ECU 8 mn). UGIL has already firmed up its production to be able to provide guarantees for loans from the UDB and the East African Development Bank (EADB) required to purchase its planned machinery requirements.

Non-metallic mineral production has still not regained its former significance, primarily because of problems of the cement industry. Production fell continuously between 1982 and 1988, and only in 1989 was slight growth achieved. The cement industry is based on two major complexes: the Hima Cement Factory, and the Tororo Cement Works, which are both run by the Uganda Cement Corporation and suffered severely during the 1970s and most of the 1980s. Although rehabilitation of Hima began in 1983, production levels have still not been restored. In 1990 the programme was accelerated. The plan is to raise production capacity to 335,000 t, which will cost in the order of US\$54 mn (ECU 42 mn). The African Development Bank (ADB), the European Investment Bank (EIB) and DANIDA are the main funders of this project.

Plans to have Tororo on-stream again are less certain. A 1988 assessment concluded that the poor quality of local limestone provided a major obstacle to the decision to go ahead with a comprehensive rehabilitation. In order to defer closure, the Ministry of Industry and Technology has proposed partial rehabilitation which should guarantee monthly production levels of between 1,500 t and 2,000 t.

Overall, the chances of satisfying domestic demand for cement of approximately 650,000 t a year remain slim for the foreseeable future. In 1989, production was approximately 17,000 t, accounting for only some 3% of total domestic demand.

8.4 PRODUCTION OF SELECTED MANUFACTURED GOODS

Product	Unit	1982	1983	1984	1985	1986	1987	1988	1989	1.Q. 1990
Cement	t	18471	30780	24921	11745	16376	15904	14960	17378	8327
Soap	t	.	.	.	.	2902	15508	17929	26872	7917
Cotton and artificial silks .	1000 m ²	18557	16607	11475	10418	9733	10465	11067	11586	2755
Wheat meal	t	.	5298	4214	7830	7128	9429	12233	13871	.
Sugar	t	3289	3133	2943	808	0	0	7534	15859	7889
Milk	1000 l	.	16379	20668	16597	13197	16898	20885	17112	.
Beer	1000 l	9787	14206	15126	8407	6864	16881	21493	19516	.
Soft drinks	1000 l	1795	3953	5784	5002	5049	5875	13431	16178	4681
Cigarettes	mn	745	645	966	1416	1420	1435	1638	1586	334

Table 8.4 shows trends in production (quantities produced) of some of the most important industrial products over recent years. Between 1986 and 1989, soap production went up almost ninefold, the output of beer and soft drinks trebled, and production of flour nearly doubled. In spite of a significant expansion in years, by 1989, cement, cotton and artificial fibre production was still markedly lower than levels achieved in the early 1980s.

In spite of the recent expansion of and recovery of the manufacturing sector, Uganda will still need to import a large proportion of its industrial requirements for the foreseeable future. Major structural problems still need to be overcome to increase output further and to achieve greater diversification. These include foreign exchange shortages, low levels of capacity utilisation, shortages of managerial and technical staff, the inadequate level of domestic savings, minimal foreign private investment, and the large numbers of inefficient or non-functioning industries in the public sector. Addressing these problems is of high priority for Uganda to achieve a firm manufacturing base; much depends on maintaining political stability.

CONSTRUCTION

In the second half of the 1980s, the construction industry profited in particular from the substantial inflow of foreign assistance targetted at the rehabilitation of factories, houses, and administrative buildings, as well as the country's infrastructural facilities. The construction's industry's share of value added (monetary and non-monetary sector) rose by 83% in real terms from 1981 to 1989, increasing from USh 2,474 bn to USh 4,524 bn. Its share of GDP rose from 1.6% to 2.3% in that period, with an annual average growth of 7.8%.

The overall aggregate expansion during the 1980s conceals marked fluctuations in performance within the period. The sector contracted markedly from 1984 to 1986, by which time value added had fallen below the level achieved in 1981. However rapid expansion took place in the most recent period from 1987 to 1989, with annual growth rates of 33.8% recorded in 1987 and 27.4% in 1988, falling back to a still impressive growth rate of 8.9% in 1989.

Although a range of basic building materials - cement, galvanised tin, brackets, steel rods, windows and doors - are produced locally, they are insufficient to meet even current levels of domestic demand. Particularly acute problems have been caused by lack of local cement (see above), although imports, especially from Kenya, have helped to meet rising local demand.

On the demand side, the prospects for the construction industry appear bright: a range of further infrastructural and rehabilitation projects have not only been planned for at least the first half of the 1990s but substantial aid funds have already been pledged to finance them.

9 EXTERNAL TRADE

External trade plays an important role in the Uganda economy, accounting, in 1989, for just over 20% of Gross Domestic Product (GDP). For most of the 1980s, Uganda has run a trade deficit, the exception being in the years 1984 and 1985 when a small visible trade surplus was recorded. Since 1986, however, lower export receipts and rising imports have meant that the economy has experienced a widening, and now substantial, trade deficit. In 1989, the visible trade deficit stood at ECU 370 mn¹⁾, over 150% higher than the value of exports for that year. Government forecasts made in the fourth quarter of 1990 suggest that the trade deficit is unlikely to narrow over the next three years.

UGANDA AND THE LOMÉ CONVENTION

The Lomé Convention provides duty free access to the Community's markets for all of Uganda's exports, including, especially, the leading products of coffee, cotton and tea. Furthermore, with the aim of countering the harmful effects of the instability of export earnings, the Convention includes a compensatory system to stabilise the export earnings of a range of agricultural exports from the ACP states. This is known as STABEX. For Uganda, the following exports are included in the scheme: coffee, cotton, tea, cocoa beans, fresh and dried bananas, wool, sawn or rough wood, raw hides and skins, leather, raw sisal, vanilla, sesame seeds, pepper, cotton seed, oil cake, peas, beans, lentils and mangoes.

EXPORTS

Uganda's exports are dominated by a single product, coffee, which accounts for in excess of 95% of total exports. Other exports include cotton, tea and tobacco, with minor amounts of cocoa, hides and skins, leather, fresh bananas, sisal, mangoes and vanilla. In 1989 Uganda was the ninth largest producer of coffee in the world, accounting for just over 3% of world production. It is the leading producer of primary robusta in the world. Coffee production is dominated by smallholders and the beans produced are free from any artificial pesticides or herbicides. Small amounts of arabica are grown in the higher ground in the east of the country. Almost the entire crop is exported.

Coffee exports (and production) were adversely affected by the civil unrest of the Amin and Obote periods, but, especially since the mid-1980s, there has been a steady growth in volume, with exports in 1989 totalling 176,3000 tonnes, and exceeding, for the first time, the

1) A table with the official exchange rates for the US\$, the EC-member states and other important currencies against the ECU is presented at the beginning of the report.

previous 1980s record of 175,000 tonnes, achieved in 1984. These increased export *volumes*, however, have not been anything like sufficient to compensate for the dramatic fall in coffee *prices* since the mid-1980s. In this regard, Uganda has been particularly unfortunate as the world price of robusta has fallen even more markedly than that of arabica. Indeed throughout 1987 and 1988, when the average consumer price of arabica rose by 40%, the price of robusta fell by one third. Then in July 1989, following the suspension of quotas agreed under the 1983 International Coffee Agreement, a further fall in prices was triggered, again with robusta worst affected.

Table 9.1 records Uganda's main exports by product group for the year 1989, valued at nearly ECU 251 mn.

9.1 UGANDA'S EXPORTS BY MAIN PRODUCT GROUPING 1989 ECU MILLION

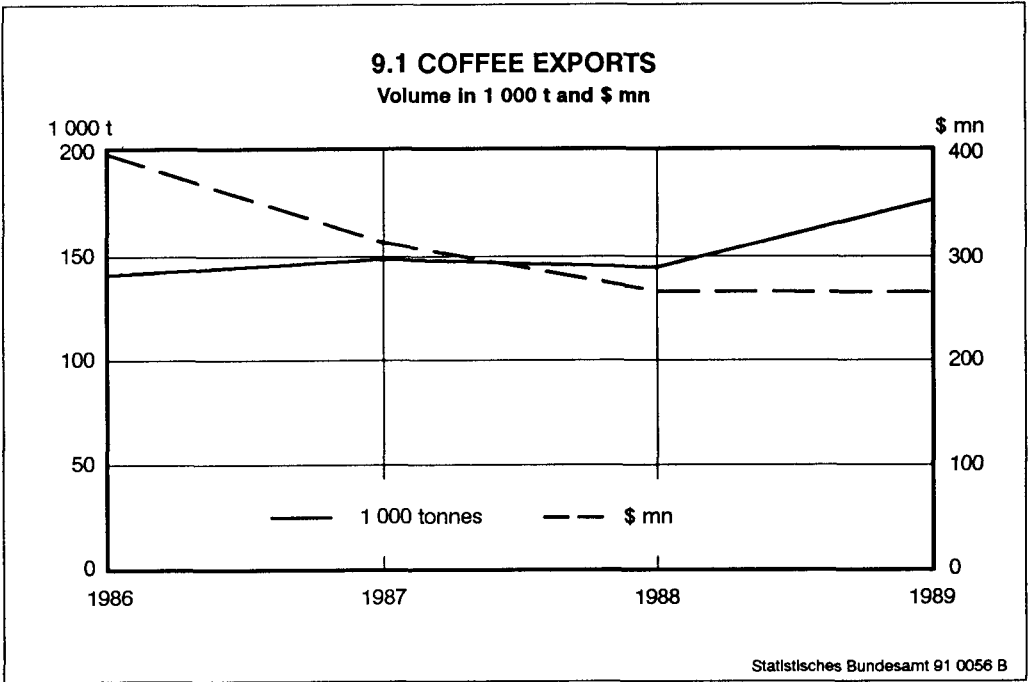
Product	Value	% of total exports
Coffee	239.2	95.4
Cotton	3.6	1.5
Tea	2.8	1.1
Tobacco	1.4	0.5
Others 1)	3.8	1.5
of which:		
Raw hides and skins)	}	<i>there are no accurate data for the value of these exports</i>
Cocoa beans)		
Fresh bananas)		
Sesame seeds)		
Oil cake)		
Wood, rough-cut)		
Beans)		
Mangoes)		
Vanilla)		
TOTAL	250.8	100.0

1) Official Ugandan statistics do not provide a further breakdown. This listing is obtained from the EC's data-base on products imported by the member states.

Source: Ministry of Planning and Economic Development (1990) Background to the Budget, 1990-1991, Table 6, and EC data-base, Brussels, September, 1990.

Figure 9.1 clearly shows the problems of Uganda's coffee trade over the past four years: quantities exported have risen steadily from 1986, with total tonnage expanding by a quarter from 1986 to 1989. Prices, however, have plummeted, falling from US\$2.80 a kilogram

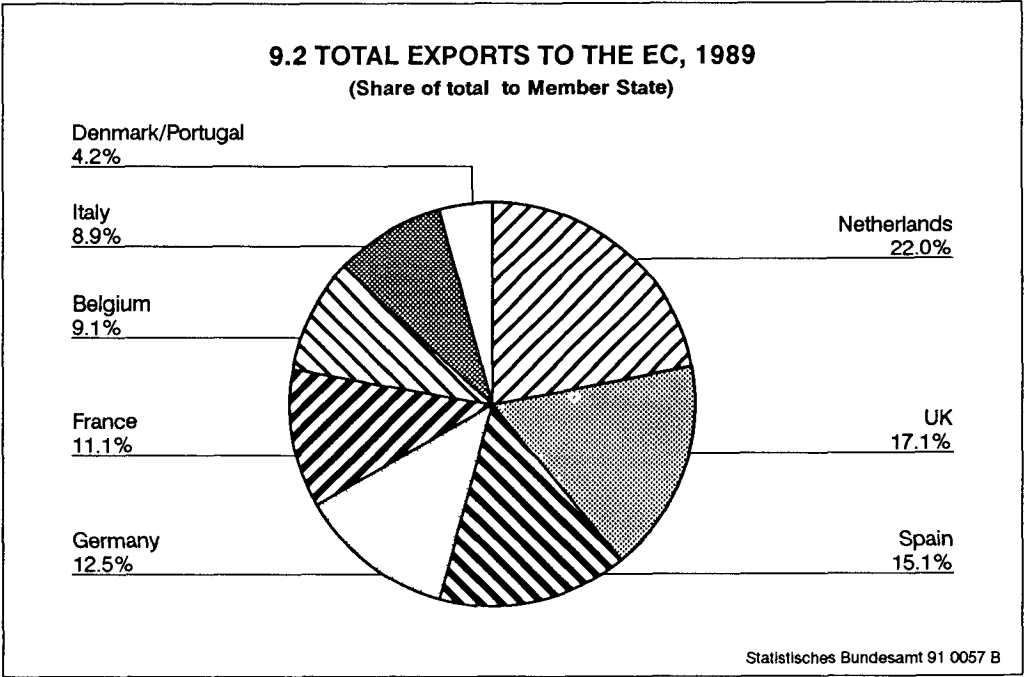
(kg) in 1986 to US\$1.50 by the end of 1989. Thus in spite of the expansion of the volume of exports, total dollar receipts fell by 33% between 1986 and 1989. Coffee exports to the EC have been similarly affected: the volume exported rose by 26 mn tonnes, or 34% between 1985 and 1989, but the price received by Uganda for the coffee sold to member states of the EC fell by ECU 110 mn, or 39% over the same period. Prices continued to fall during 1990, dropping to US\$1.20 a kg by the end of the third quarter, and to under US\$1.00 by the end of October. Bank of Uganda figures show that in the first four months of 1990, the average price of coffee exports was US 95 cents a kg compared with US\$1.70 a kg in the same period of 1989.



Source: Ministry of Planning and Economic Development (1990).

The European Community is the largest market for Ugandan exports. What is more, although annual fluctuations are substantial, broad trends show that the Community has become an even more important market destination over the course of the past decade. By 1989, some three quarters of Ugandan exports went to EC countries, valued at ECU 193 mn (cif Europe). This compares with 57% of total Uganda exports going to the EC at the start of the decade, and 65% in the mid-1980s. Figure 9.2 shows the breakdown of imports from Uganda by member states of the EC in 1989; the major importers are the Netherlands, Spain and the United Kingdom which together accounted for over half the Commu-

nity's imports from Uganda. This trade is dominated by coffee. Almost all of Uganda's tea and cotton exports to the EC go to the United Kingdom. Other significant purchasers of Ugandan exports include the United States (taking 17% of all exports in 1988), Japan, 3%, and other Asian countries about 7% combined. Official data record exports to other African countries at about 2% of the total. This figure would be higher if informal trade were also to be included. The Ugandan authorities recognise that coffee, especially, is smuggled into neighbouring countries, the quantities determined by the prevailing producer price differentials. However, compared to many other African countries, smuggling is not a major problem. Under an agreement which is set to continue to the year 2000, Uganda exports 30 megawatts of electricity to Kenya each year.



Source: Eurostat Data-Base, September 1990.

EXPORT REGULATIONS

In August 1990, the Ministry of Commerce announced that as from 1st September, the prevailing system of obtaining export licences and of exporters having to apply directly to the Bank of Uganda for such licences would cease. The old procedures are being replaced by a simplified export certification system. Now all that exporters have to do is to obtain

Export Certificates from the Ministry of Commerce, which are to be issued merely on the basis of an exporter's **expectation of trade** over the following six months. The only information required for granting these certificates are: a profile of the applicant's company, the goods to be exported and the probable markets. On completion of this form, the certificate will be issued. One certificate can cover a range of commodities to be exported, without limitations as to the quantity or value; they can also be used for any chosen export route. Under the new regulations, the commercial banks will now act as agents of the Bank of Uganda for the collection of foreign exchange receipts; on production of the relevant Export Certificate, the commercial bank will issue the exporter with his/her DC3 form and circulate the Bank of Uganda and Customs with duplicates. It is the Government's intention soon to decentralise the system so that exporters will not have to travel to Kampala to obtain their export certificates.

Earlier in June 1990, the annual budget statement announced some complementary changes. These included the following:

- waiver of export duty on all exports, except for coffee;
- refund of sales tax and excise duty on all locally-manufactured goods which are exported;
- reduction in corporation tax for exporters of locally-manufactured goods using local materials;
- permission to allow regular exporters to operate foreign exchange accounts;
- the centralisation of all export trade licensing agencies, including concerned officers of the Treasury and the Bank of Uganda in order to reduce delays.

These broad initiatives followed the announcement of measures to liberalise the export marketing of coffee and cocoa. In relation to coffee, the Government has now moved to dismantle the exporting monopoly of the Coffee Marketing Board (CMB) by permitting, initially, four cooperatives to export directly to foreign markets. For cocoa, the Government has now allowed private traders to process, market and export cocoa, although the Ministry of Agriculture retains its overall responsibility for quality control.

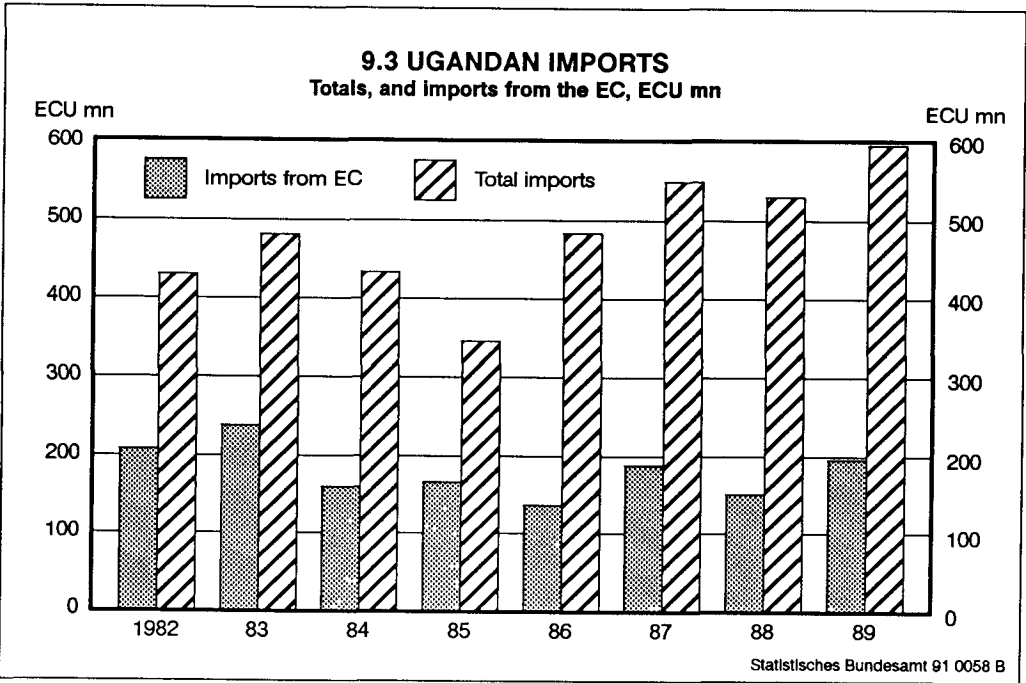
A final initiative relates to particular assistance being provided for the expansion of non-traditional cash crop exports, including horticultural products. An important element of the scheme is the implementation of an Export Retention Scheme which permits an exporter to retain 100% of the export proceeds obtained for the purposes of financing imports, either required for further export, or for the importation of goods in demand within the country. According to the Bank of Uganda (Quarterly Economic Report, 1990, No. 1), markets have already been identified among the member states of the EC, in the USA and

Middle Eastern countries. The horticultural potential of Uganda is great, and already fresh soft fruit and flowers, grown on the shores of Lake Victoria are being air-freighted to Europe.

IMPORTS

Except for a short period in the mid-1980s, Ugandan imports have expanded steadily during the past decade, to reach, in 1989, almost ECU 600 mn. The European Community is a major source of imports, accounting by 1989 for about one third of all imports, and almost 40% of non-oil imports.

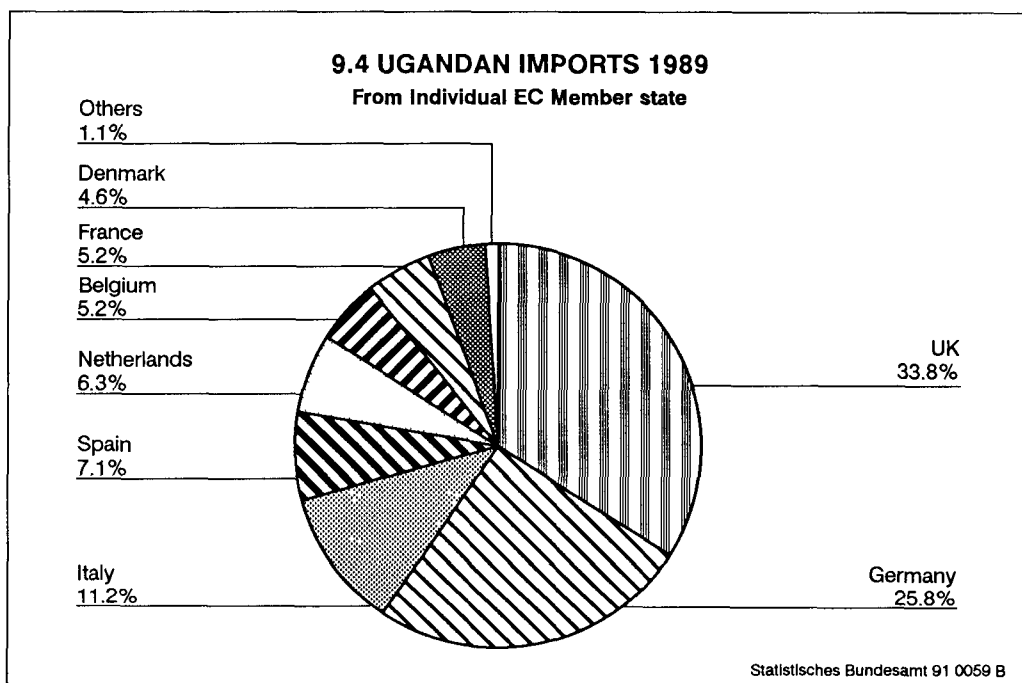
Figure 9.3 shows recent trends in both total imports and those obtained from the EC. It indicates that although imports from the EC have expanded since the mid-1980s, by 1989 they had still only reached the levels achieved in the early part of the decade.



Source: Ministry of Planning and Economic Development (1990) and Eurostat Data-Base, September 1990.

Although there has been an observable rise in the share of Ugandan imports coming from EC member states, a particular characteristic of imports is their annual volatility. Thus, total imports from the EC expanded by almost 40% from 1986 to 1987, but fell back by 20% in 1988, rising again by a further 30% in 1989. Hence it is important to note that the final year data in Figure 9.3 may not be an accurate reflection of the value of total or EC imports into Uganda for 1990 or for 1991.

Figure 9.4 shows the origin of EC imports to Uganda by member state for 1989. It reveals that the major European sources of supply to Uganda were Germany and the United Kingdom, with 26% and 34% respectively of total imports. These shares appear to have been fairly steady in recent years. Thus in 1987, Germany and the United Kingdom were responsible for 23% and 31% respectively of total Ugandan imports from the EC.



Source: Eurostat Data-Base, September 1990.

Uganda imports a wide range of goods from the EC, yet over half consist of machinery, vehicles and other transport equipment. Other important import categories include iron and steel products, clothing and textile goods, chemicals and pharmaceuticals. The details are shown in Table 9.2.

9.2 UGANDA'S IMPORTS FROM THE EC 1989

ECU MILLION

Product grouping	Value ECU mn	% of total
Animal/animal products	8.5	5.0
Vegetable products	1.9	1.1
Prepared foodstuffs, spirits, tobacco	1.7	0.8
Mineral products	0.7	0.4
Pharmaceuticals	4.3	2.5
Chemicals, including fertilizers ...	8.5	5.0
Rubber, tyres and rubber products ..	2.4	1.4
Plastic and plastic products	2.9	1.7
Leather and leather goods	0.6	0.3
Wood and furniture products	5.5	3.2
Textiles and clothing	7.8	4.6
Iron and steel products	9.4	5.6
Other metals and metal products ...	3.1	1.8
Machinery and electrical products ..	42.7	25.2
Vehicles and transport equipment ...	53.6	31.7
Optical and medical equipment	4.5	2.7
Other not classified	9.9	5.9

Source: Eurostat. September, 1990.

As Uganda has not yet compiled comprehensive import data by country of origin, it is not possible to provide an accurate breakdown of the types of goods imported from other countries. Yet the single most important import category besides machinery and vehicles is oil. Uganda has traditionally purchased refined products from the Gulf area rather than, for instance, purchasing its oil-based fuel from the Kenyan refinery at Mombasa, or from Europe. In the early 1980s, oil imports accounted for up to a quarter of the country's total import bill. However during the course of the decade both the proportion and total value of oil imports declined, falling to ECU 70 mn, under 12% of the total import bill, by 1989. This occurred in spite of a rise in the quantity imported and consumed. In 1989, oil imports totalled 252 metric tonnes, 40% more than the low of 179 metric tonnes imported in 1984. The rapid rise in oil prices following the August 1990 Gulf Crisis, however, led to an abrupt halt to the downward trend in the value of oil imports, reflected in the rise in pump prices in Kampala. These rose from 250 shillings per litre in February 1990 to 360 shillings in August, and to 500 shillings in September - an increase of 80% in US\$, at the official exchange rate, from US 65 cents in February to US\$1.17 in September.

A major source of imports to Uganda is Kenya. These are dominated by numerous consumer goods such as food products, textiles, clothing and footwear, but they also include con-

struction and building materials. Bank of Uganda data suggest that in 1989, total consumer good imports totalled about ECU 18 mn, and intermediate goods, some ECU 35 mn, amounting in all to some 10% of total imports.

During the second half of the 1980s, Uganda's imports rose at an annual rate of over 25% (at current prices). While the fall in coffee earnings and the increase in oil imports will be likely to reduce this pace of expansion, it does appear that Ugandan imports will continue to expand well into the 1990s: Ministry of Planning and Economic Development projections made in the fourth quarter of 1990 indicate a rise in imports of some 12% to 1993, providing a wide range of opportunities for suppliers of goods from other countries.

Besides consumer goods and construction materials, for which European exporters would tend not to have an overall comparative advantage (largely because of transport costs), there would seem to be a number of opportunities which will be "aid related" (see Chapter 22), supplying machinery and equipment to officially-funded projects. Other openings are likely to arise in relation to an expansion in quantity of goods currently exported from the member states of the EC and summarised in Table 9.2. However new import opportunities are also likely to arise. Uppermost among these will probably be the expanded supply of intermediate inputs for Uganda's fast-growing manufacturing sector²⁾, as well as the supply of machinery (new and second-hand) for the rehabilitation of a wide range of industries which have lain idle or operated at extremely low levels of capacity utilisation since the 1970s.

IMPORT REGULATIONS

At the same time as the new export regulations were announced (in August, 1990), the Government outlined a new system of Import Certificates which it is planning to introduce from the beginning of 1991. Under this scheme, Import Certificates are to replace the old system of import licences. The Certificates will be issued by the Ministry of Commerce solely on the importer's **expectation of trade**, on completion of a form which needs to provide information only on the following: company profile, the goods the importer wishes to import, and the probable countries of supply. However for verification purposes, the importer will also need to be able to provide the following documents: income tax clearance for the previous tax year; a valid trading licence; a business registration or certificate, and *proforma* invoices or written quotations from probable suppliers. Import Certificates issued by the Ministry will be able to cover a range of commodities and, like the export certifi-

2) An indication of the potential growth of manufacturing can be seen from the rate of expansion of production of various industrial sub-sectors. Between 1987 and 1989, food processing production increased by 54%, drinks and tobacco by 44%, timber and paper production by almost 70%, and chemical, paint and soap production by 65%.

cates, will be valid for an initial period of six months. Two types of certificate will be issued, one for "no foreign exchange required" (NFER) imports, and one for "forex required" imports.

There are various ways in which importers wishing to purchase products from abroad are able to obtain the foreign currency required. Since the legalisation of the parallel (*kibanda*) foreign exchange market, announced in the June 1990 budget, importers wishing to obtain goods from abroad, have been able to purchase foreign exchange from the ten or more foreign exchange dealers now operating openly in Kampala, even if they have to pay a premium for obtaining foreign exchange from this source³). However, this is by no means the only means by which importers can gain access to foreign exchange. Following the revision of the Open General License (OGL) system in 1987, 25 companies were issued with an OGL by the Ministry of Commerce, covering production of the following products: mattresses, beverages, textiles, cigarettes, soap and cement. In 1989, imports brought in under OGL totalled over ECU 18 mn (US\$20 mn) - purchased under the (lower) official rate of exchange. In 1990, the Bank of Uganda announced that the OGL system would be extended to include the following products: pharmaceuticals, galvanised corrugated iron sheets, aluminium holloware, nails and sugar. Finally, a proportion of imports come into the country without formal access to foreign exchange in Uganda. The amounts involved have been quite large. Thus, Ministry of Planning and Economic Development estimates suggest that in 1989/90, ECU 70 mn (US\$81 mn) worth of imports entered Uganda without access to foreign exchange. It is clear that a significant proportion of the money used to import goods "without foreign exchange" would have originated in Uganda, especially by utilising the parallel market before it was legalised. It is anticipated that the legalising of the parallel market will reduce the re-cycling of illicit funds, and therefore bring more order to the system of importing and the use made of scarce foreign exchange.

BARTER TRADE

Barter trade has been a significant part of Uganda's external trading system in recent years, even if no new deals were arranged during the first six months of 1990. In the year 1989/90, barter trade was estimated to be worth about ECU 69 mn (US\$80 mn), accounting for up to 30% of total exports and 12% of total imports.

A total of ECU 287 mn (US\$350 mn) of barter deals had been contracted to mid- 1990, and in the first six months of the year, ECU 19 mn (US\$23 mn) of commodities sold under barter arrangements were shipped, of which almost 90% consisted of coffee. Other exports

3) The rate of exchange on the parallel market varies on a daily basis. In October 1990, the official rate of exchange for US\$1 was 484 shillings (ECU 1 = 656.87 shillings); the parallel market rate for US\$1 was about 680 shillings (ECU 1 = 1,035 shillings).

used in barter deals have included cotton, maize, beans, soya beans, timber, cocoa, tea and hides and skins. The imports brought in under barter deals have embraced a wide range of both goods and services. Services traded have included road construction and hotel rehabilitation, while the following goods have been imported: pick-up trucks, cement, motor spares, medicines, sugar and salt. All deals are based on international prices and checked for quality before shipment by the Société Générale de Surveillance (SGS).

Unlike some countries, barter trade in Uganda is not reserved exclusively for the public sector. Private barter deals are permitted, indeed often encouraged, under a dual licensing system, and the value of the contracts has risen in recent years: from ECU 11 mn (US\$13 mn) in 1988, to ECU 19 mn (US\$21 mn) in 1989, and by a further ECU 17 mn (US\$21 mn) in the first six months of 1990. Most of the goods imported in these deals have been items required by the manufacturing sector⁴⁾. Yet barter deals have not only been executed with Ugandan private sector, they have also been contracted with multinational corporations. For instance, tractors have been supplied for the rejuvenation of the cotton industry in return for 35,800 bales of cotton. Similar types of arrangements have been under consideration or finalised.

In harmony with the new regulations for importing and exporting announced in August 1990, new barter arrangements will also apply through the granting of certificates. Under the measures to be introduced, to engage in barter a private trader will need to apply simultaneously for new import and export certificates which will be issued on a combined import/export certificate. Once the certificates have been obtained from the Ministry of Commerce, transactions for barter trade will have to be carried out through the commercial banks by means of letters of credit to be opened for such trade. Relatedly, at the end of 1990, the Government announced its intention to launch new guidelines and monitoring procedures governing both public and private sector barter transactions.

4) For instance, a Ugandan company has bartered tea for drugs, agricultural implements for the tea sector, and fertilizer. In return, the company immediately obtained access to foreign exchange and import licenses to bring in parts for electric kettles and refrigerators which it assembles.

10 TRANSPORT AND COMMUNICATIONS

As a land-locked country, Uganda is highly dependent on transit routes through the neighbouring countries of Kenya and Tanzania. Acknowledging its isolated location, Uganda's transport policy has long centred on expanding, securing and improving the efficiency of these routes. The majority of Uganda's external traffic goes via the port of Mombasa (Kenya). The railway line from Kampala via Jinja and Tororo to Mombasa is the main artery of Uganda's transit system. The railway link to Jinja via the ferry across Lake Victoria to Mwanza in Tanzania and on to Dar-es-Salaam is the second alternative. However, transporting goods along this route is far more expensive.

Uganda's relative isolation leads to high costs of transportation which has an adverse effect on the international competitiveness of its exports. Substantial amounts are spent on transportation services, harbour and shipping fees paid to the neighbouring countries of Kenya and Tanzania which appear as debits on the balance of payments.

The country's transport system has three primary tasks to fulfil:

- it must provide secure and permanently available transit routes through neighbouring countries;
- the domestic transport network must guarantee the transport of agricultural export produce to the central marketing organisations and industrial processing installations. In addition, it has the tasks of supplying the main urban areas with foodstuffs from the main growing areas, and of securing the supply of fuel and other resources needed for agricultural production, as well as the supply of consumer goods to the rural areas; and,
- thirdly, Uganda's transport system is of central importance to the transit of foreign goods and produce from the neighbouring countries of Burundi, Rwanda, Zaire and Sudan to Kenya.

In the early 1970s, Uganda had one of the best developed transport systems in Africa. The country shared an efficient network of railway lines, harbours and airports with the other members of the East African Community (EAC). The collapse of the EAC in 1977, together with extensive and civil unrest, led to a dramatic deterioration in the country's transport and communications systems. Poor management and inadequate technical personnel resulted in minimal to non-existent maintenance which led to the rapid deterioration and in places total collapse of the road and railway networks. As a result the transportation of goods to and from the rural areas became infrequent, unreliable and increasingly costly. The outcome was a steep rise in food prices in the cities. As for exports, these had to be

restricted as the break-up of the East African Community led to bottlenecks in the availability of railway wagons and aircraft, and there was only restricted access to neighbouring countries' harbour installations.

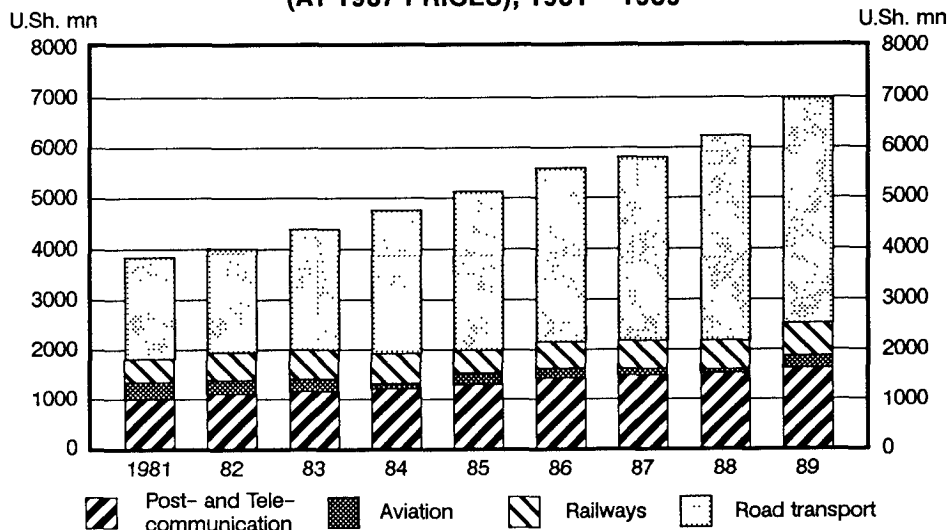
Because of its central importance to recovery and development, the transport and communications system was given the highest priority in the Rehabilitation and Development Plan (RDP) of 1987-88 to 1990-91, drawn up after the government of President Museveni came to power (see Chapter 20). The RDP highlights the following objectives for the development of the transport and communications system:

- building up the stock of useable road vehicles (lorries, buses, minibuses etc.), locomotives and railway wagons;
- increasing the proportion of freight from road to rail;
- overhauling the country's main and secondary roads, the most important railway lines, waterways and air facilities;
- reorganising state transport organisations, and furthering the training of national transport skills;
- expanding telecommunications facilities; and
- improving general traffic safety.

The general rehabilitation efforts of the Ugandan economy which are currently taking place are at their most evident in the case of the transport system. Several multi-lateral aid organisations (IDA, UNDP, ADB, EC) are working alongside the Ugandan government to rebuild the sector. The most important bilateral aid donors assisting the transport sector are Italy, Germany, Denmark and Japan.

The contribution of the transport and communications sector to GDP is small at 3.5% (1989), but this scarcely reflects its importance to the economy. Following recent rehabilitation efforts, the value added by the transport sector has increased between 1981 and 1989 from US\$ 3.835 bn to US\$ 6.979 bn, at 1987 prices, an expansion of some 82.0%. Of greatest importance has been road transportation which in 1989 contributed US\$ 4.461 bn to sectoral value added, almost 64% of the sectoral total. The importance of road transport had become more important during the decade: in 1981, its contribution stood at 53%. In 1989, rail transportation accounted for 9%, US\$ 640 mn, less than its 1981 share of 12%, in spite of recent expansion of rail traffic. The post and telecommunications system accounted for 23% of sectoral value added in 1989, valued at US\$ 1.618 bn, compared with a 26% share in 1981. The least important part of the sub-sectoral is air transport, which contributed only US\$ 260 mn of sectoral value added in 1989, just 4% of the total, compared with 9% in 1981.

10.1 GROWTH AND SUB-SECTORAL BREAKDOWN OF THE GROSS VALUE ADDED IN THE TRANSPORT AND COMMUNICATION SYSTEM (AT 1987 PRICES), 1981 - 1989



Statistisches Bundesamt 91 0060 B

The railway network is run by the state railway company, the Uganda Railways Corporation (URC). In 1989, total track length amounted to 1,286 km. Coffee as well as high bulk goods such as sugar, salt and cement are carried by the railways. The most important line runs from Kasese, on the border with Zaire, via Kampala, Jinja and Tororo, through Kenya to the port of Mombasa. Alternative routes useable for rail transit traffic are the connections via Lake Victoria from Jinja to Kisumu in Kenya or Mwanza in Tanzania. Current rehabilitation is leading to the re-opening of the Kampala-Port Bell line, for which a new loading terminal is currently being built for railway wagons to be transported across Lake Victoria. The total cost of the project is estimated at US\$ 15 mn (ECU 12 mn); it is being financed by DANIDA and is due for completion by the end of 1991. As part of a bilateral agreement, the Italian government has provided US\$65 mn (ECU 59 mn) to assist in the rehabilitation of the rail link on the critical Kampala - Kasese stretch. At a conference of donors in London in April 1989, a further US\$155 mn (ECU 141 mn) was secured for work on this section of railway track. And as part of its 1st Railway Project, the International Development Association (IDA) is providing US\$7 mn (ECU 5.5 mn) for urgent maintenance work on this same stretch of line. In addition to repairs to the network, there is a particularly urgent need for new rolling stock, as the lack of serviceable locomotives and wagons is a constant cause of bottlenecks. The purchase of 600 goods

wagons (from Zimbabwe) and 14 locomotives (from Germany), the bulk of which has already been delivered, together with the general overhaul of 82 locomotives, should provide for major improvements in efficiency.

The break-up of the East African Railways Corporation (EARC) in 1977 proved to be a serious setback for Uganda's rail system. It heralded the end of Uganda's access to rolling stock and repair services from EARC's central depot in Nairobi. As a result, by the end of the 1970s, rail had lost its dominant position as a transporter of freight, with goods increasingly shifting on to the roads. There was a short-lived revival of rail transport in the early 1980s, and between 1981 and 1984 there was a 54% rise in the transport of goods by rail. A fresh decline set in during the 1985 to 1986 period, but since 1987, the underlying aim of the RDP to shift freight from road back on to the railway has increasingly been achieved. In 1989, 90.391 mn tkm of freight was carried by rail, 76% more than in 1981 - an immediate consequence of Uganda's post-1986 economic recovery.

There was a decline in passenger traffic between 1981 and 1989. Between 1987 and 1989, the number of passenger kilometres travelled went down from 211.755 mn to 69.012 mn, a drop of 67.4%. This was primarily the result of the continued unrest in northern parts of the country which led to the closure of the line in the north connecting Mbale and Pakwach.

10.1 RAILWAY FREIGHT AND PASSENGER DATA

Capacity	Unit	1982	1983	1984	1985	1986	1987	1988 ¹⁾	1989 ²⁾
Passenger traffic	1000 passengers/km	342 236	337 612	245 838	234 773	195 398	211 755	117 592	69 012
Quantity index .	1981 = 100	150	148	108	103	86	93	52	30
Freight traffic ..	1000 tkm	66 954	72 543	78 996	59 221	70 729	77 170	82 839	90 391
Quantity index .	1981 = 100	130	141	154	115	138	150	161	176
Cattle transport .	1000 heads/km	2 775	2 921	1 493	1 329	908	41	117	202
Quantity index .	1982 = 100	100	105	54	48	33	1	4	7
Packages & parcels	1000 tkm	1 363	1 845	1 703	1 206	2 056	1 203	933	2 439
Quantity index .	1981 = 100	15	21	19	14	23	14	10	27

1) Actual data. - 2) Estimate.

Uganda's major road network has a total length of 28,332 km. Of this, about 6,000 km are all-weather roads of which in turn 1,800 km are asphalted. Although almost all parts of the country are well supplied with roads, the condition of the road network deteriorated considerably in the 1970s. The transit routes to Zaire, Burundi, Rwanda and Sudan were particularly adversely affected due to overuse by heavy goods-vehicles.

The start of the period of the RDP in 1987-88 saw the beginnings of the rehabilitation of the road network. Particular emphasis has been placed on the overhaul of the rural feeder road system in order to increase marketing access for agricultural export produce. The to-

tal costs of this part of the road rehabilitation plan has been estimated to be US\$55 mn (ECU 47 mn). Under the Emergency Rural Feeder Roads Rehabilitation Programme, which began in 1988, a partial rehabilitation of roads in rural areas is in progress, financially supported by the Ministry of Local Government (MOLG). By mid-1990, over 500 km of rural roads had been renovated, (levelled, embankments etc.).

Besides the government through the MOLG, foreign assistance for rehabilitating the road system has come through the German GTZ, UNDP, ILO, IDA and the Japanese government.

Emphasis is also being given to the rehabilitation of the main transit arteries. Major work on the Northern Corridor route from Malaba to Kabale via Kampala is now in its final phase. Work has also begun on the Masaka-Mbarara-Kabale section of road. Major work to the road network in Kampala has been completed, while the Kampala-Entebbe connection has been restored. The International Development Association (IDA) is heavily involved in redeveloping the main road system, and under its fourth Highway Project, has allocated a total US\$76 mn (ECU 60 mn).

The country's stock of road vehicles was considerably reduced during the 1970s, falling from about 45,000 units in the early 1970s to about 24,000 by 1982. Thereafter, the importation of road vehicles increased, such that between 1982 and 1989 the nation's stock of vehicles rose by 45.1%. However by the year 1989, the total stock of road vehicles, at 34,938, had still not reached the levels of the early 1970s. In particular, there has only been moderate growth in the number of private cars. The low numbers can be seen from the average figure of only 2.0 cars per 1,000 inhabitants in 1989. One of the biggest problems facing road haulage is the lack of lorries. In 1989, there were only 3,700 lorries available compared with 7,000 in 1970. A final and increasingly serious problem in the late 1990 has been both a shortage of fuel and its rising cost.

10.2 NUMBER OF VEHICLES AND CAR DENSITY

Vehicle type/car density	1981	1982	1983	1984	1985	1986	1987	1988	1989 ¹⁾
Total	25 638	24 074	25 933	27 154	27 732	29 394	31 307	32 913	34 938
Private cars	10 656	9 821	10 061	10 430	10 825	11 616	12 342	12 739	12 964
Minibuses	675	699	1 225	1 670	1 732	1 875	1 980	2 078	2 384
Omnibuses	620	593	626	609	552	548	553	578	564
Small lorries	3 689	3 426	3 749	4 169	4 521	5 153	5 933	6 616	7 410
HGVs	3 607	3 529	3 364	3 232	3 093	3 041	3 235	3 360	3 700
Motorbikes/cycles	4 217	3 926	4 308	4 420	4 403	4 303	4 187	4 157	4 240
Other vehicles ²⁾	2 174	2 080	2 600	2 624	2 606	2 858	3 077	3 385	3 676
Private cars per 1000 inh.	1.9	1.7	1.8	1.8	1.8	1.8	1.9	1.9	2.0

1) Estimate. - 2) Including tractors and construction vehicles.

Transport on the inland waterway system is mainly concentrated on Lakes Victoria, Kyoga, Mobuto-Sese-Seko (Lake Albert) and on the River Nile. The presence of these inland waterways eases communications with the north west which has been poorly served by the railways, as well as serving local traffic along the shore lines. The purchase of five ferries in 1987 brought about significant improvements in both freight and passenger transport on both Lake Victoria and Lake Kyoga. Lake Victoria's two railway links are of particular importance making possible railway transport via Jinja to Kisumu in Kenya and to Mwanza in Tanzania. In recent years, the ferry from Jinja via Mwanza to Dar-es-Salaam has grown in importance as an alternative transit route to Mombasa.

10.3 NUMBER OF COMMERCIAL BOATS*)

Category	Unit	1978	1980	1985	1987	1989
Boats	Number	1	1	2	3	3
Tonnage	GRT	5 510	5 510	3 394	5 091	5 091

*) Boats of over 100 GRT, as of 1 July.

The country's airline, Uganda Airlines Corporation (UAC), was founded in 1976; after the collapse of East African Airlines in 1977, it functioned as the sole national airline. In recent years, UAC has operated international flights to Nairobi, Rome, Brussels, London, Cologne, Dubai, and Bombay. However its fleet of aircraft is extremely old, posing a major problem for an airline and country with extremely limited financial resources. Indeed financial problems led to most passenger services having to be temporarily suspended in February 1990; in April 1990, a reduced domestic service was reinstated. In late 1990, the UAC was undergoing a comprehensive re-organisation with a view to instituting a modernisation of the fleet. The introduction of a computer-aided ticket sales and reservation system for Kampala and all destinations in Europe and the Near East was being planned in 1990, while an agreement signed with Air Tanzania, is to lead to joint services to Europe.

The number of passengers flying with UAC totalled 61,000 in 1988, compared with 46,000 in 1987, representing a growth of approximately a third, due primarily to an increase in international passengers. Air freight more than doubled between 1984 and 1988, rising from 8 mn tkm to 17 mn tkm. At the time of writing no data were available for 1989 and 1990, although the difficulties highlighted above indicate a drop in both passenger and freight services.

10.4 AIR TRAFFIC STATISTICS, UGANDA AIRLINES CORPORATION (UAC)*)

Category	Unit	1984	1985	1986	1987	1988
Passengers	1 000	50	35	50	46	61
Foreign traffic	1 000	30	22	32	30	45
Passenger kilometres .	mn	108	76	104	98	128
Foreign traffic	mn	102	71	96	90	120
Ton kilometres	mn	18	18	24	24	29
Freight	mn	8	11	15	15	17
Foreign traffic	mn	18	18	23	24	28

*) Scheduled flights.

Uganda's only international airport is Entebbe, located some 40 km south of Kampala. There are a further 12 smaller airports, but at present these do not offer any regular scheduled flights. In the early 1970s, Entebbe airport was well-equipped to serve both freight and passenger transport. A total 365,000 passengers passed through the airport in 1971, but the numbers declined thereafter as the country became more internationally isolated. The low point came in 1984 with a total of only 76,000 passengers. A major problem for the country was caused by the destruction of the original airport and related facilities in the late 1970s. A new airport and terminal was built and during the late 1980s there has been a clear expansion in passenger traffic. With only 130,000 passengers in 1989, however, the volumes of the early 1970s were still far from being attained.

10.5 PASSENGER, FREIGHT AND POSTAL DATA, ENTEBBE AIRPORT

Category	Unit	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Take-offs and landings	Number	.	.	4 959	5 712	6 945	4 471	4 474	.	.	.
Passengers	1 000	110	82	88	110	76	84	96	130	120	130
Boarding	1 000	55	41	42	49	38	38	42	64	53	52
Leaving	1 000	49	41	39	53	34	39	43	54	55	57
Transit	1 000	6	-	7	8	4	7	11	12	12	21
Freight	t	5 883	13 067	8 947	9 727	10 978	5 148	3 870	9 158	8 389	7 791
Leaving	t	701	1 761	2 434	1 800	4 733	300	20	1 923	1 350	2 023
Arriving	t	5 182	11 306	6 513	7 927	6 245	4 848	3 850	7 235	7 039	5 768
Post	t	67	93	120	116	149	39	61	266	286	634
Leaving	t	25	30	76	33	55	6	21	57	80	26
Arriving	t	42	63	44	83	94	33	40	209	206	608

At the end of 1990 the only international passenger carriers using Entebbe airport were SABENA, Aeroflot and four African airlines, although in 1990 British Airways announced plans to resume flights. The efficiency of the airport is expected to improve in the near fu-

ture, with the undertaking of US\$15 mn (ECU 12 mn) of repair and maintenance work funded by the Spanish government, and with the planned involvement of the African Development Bank(ADB) in rehabilitation work.

Uganda's post and telecommunications are the responsibility of the Uganda Post and Telecommunications Corporation (UTPC). The country's telephone system was in a state of substantial disrepair at the start of the 1980s; since then there is evidence of significant improvements, following the overhaul of the telephone system. It is now possible to direct dial Uganda, to send and receive faxes and telexes. Uganda had 54,900 telephone lines in 1989, approximately 60% of which were in the capital, Kampala. The approval of an IDA loan of US\$52.3 mn (ECU 41 mn) as part of the IDA project Telecom II is likely to be of central significance to the successful completion of the rehabilitation work on the national telephone network. Part of this loan will be used to repair the system connecting Jinja with Kampala and Entebbe, to be carried out by the Japanese Marubeni Corporation.

The latest available data on the number of radio and television sets are for 1986. At that time there were about 600,000 radios and 90,000 television sets in Uganda. Radio broadcasts are made in variety of languages, but including English, French, Arabic and Swahili, as well as a number of local languages by the state- owned and run Radio Uganda. The state television company, Uganda Television Service, broadcasts in English, Swahili and Luganda within a radius of 320 km of Kampala.

10.6 SELECTED COMMUNICATIONS STATISTICS*)

1 000

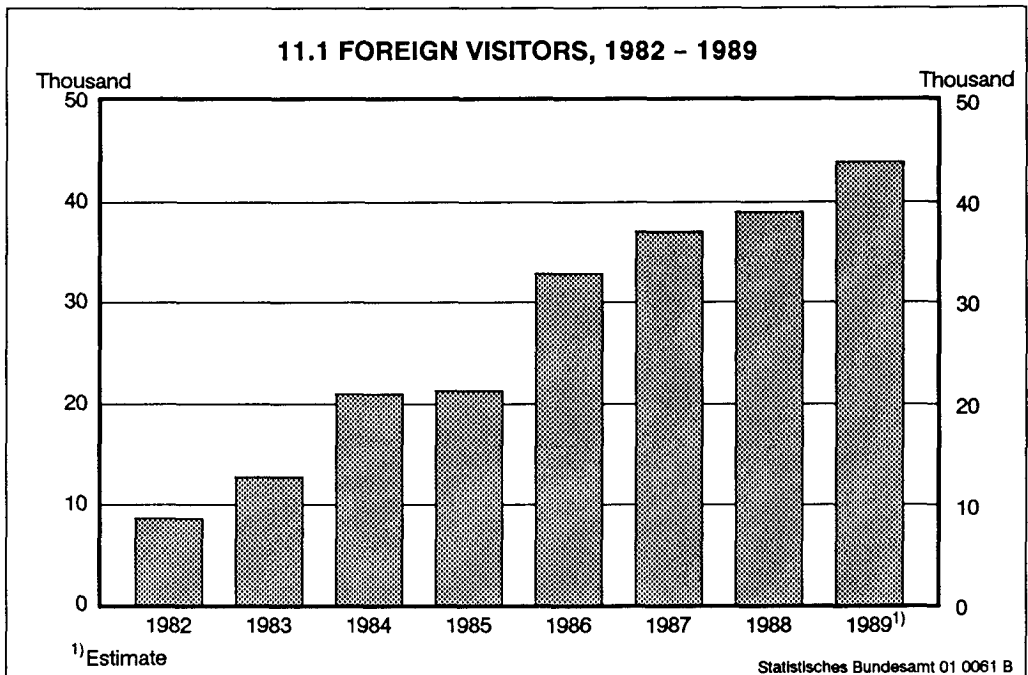
Category	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Telephones	45.9	43.4	52.7	54.4	55.8	56.9	57.8	59.0	59.5	54.9
Main lines	20.6	20.5	23.0	24.1	25.0	25.6	27.3	27.9	28.0	26.4
Radios	295	.	.	.	.	340	600	.	.	.
Televisions	74	.	.	.	.	90	100	.	.	.

*) Year end.

11 TOURISM

In the 1960s and until 1972, tourism was the third most important foreign currency earner for Uganda, after coffee and cotton. 1971 was the record year when a total of 88,360 foreign visitors came to the country, averaging 9.7 nights, and generating more than US\$20 mn. The main tourist attractions of the country are the numerous lakes and the attractive tropical landscape, particularly the mountains, forests, game reserves and national parks with their many species of fauna and flora.

Tourism came to a standstill when Idi Amin was in power, and the up-keep of the national parks and tourist hotels was neglected. Under the Obote government in 1981 US\$2.3 mn (ECU 2.1 mn) was spent in rehabilitating the hotels and in creating a new national park at Lake Mburo. With financial and technical support from the EC, the UNDP and the FAO, the government began to reafforest its decimated woodlands and to limit hunting. Further action included the training of game-keepers, the provision of transport equipment, and the re-vamping of roads and tracks in the game reserves and national parks.



There has been evidence of some recovery in the tourist sector since 1982. After falling to 8,622 by 1982, the number of foreign visitors increased to 21,278 in 1985, and rose to an estimated 44,000 in 1989 (see Fig. 11.1), although the figure appears modest when compared with Ministry of Tourism and Wildlife's estimated potential tourist capacity of 500,000 foreign visitors. A prerequisite for the revival and development of tourism in the country is a continuing improvement in the security situation, and the completed rehabilitation of the tourist infrastructure, including the appointment of first-class tourist hotels and amenities.

Accurate statistics of foreign visitors are only available up to 1983. In that year, just under two-thirds (62.5%) of all visitors in 1983 came from Germany, followed by Great Britain and Northern Ireland (15.6%), and the United States and Canada (8.6%).

The Rehabilitation and Development Plan (RDP), 1987-88 to 1990-91, recognises the importance of the tourist sector, seen in total planned projects for industry and tourism amounting to some US\$271.89 mn (ECU 230.8 mn), some one fifth (21.1%) of total planned expenditure of US\$1.289 bn (ECU 1.1 bn). According to the Ministry of Tourism and Wildlife, expenditure of approximately US\$130 mn (ECU 110 mn) is needed to rehabilitate and adequately provide for a sustainable internationally-oriented tourist industry. The RDP pinpoints the following aims and objectives for improving tourism:

- **the modernisation and expansion of the hotel infrastructure.** A total of US\$76.38 mn (ECU 64.8 mn) is needed for this element of the overall tourist rehabilitation. By mid-1990, some US\$50.88 mn (ECU 40 mn) had been made available and had partly been spent. To date, some large state-owned hotels in Kampala such as the Fairway Hotel and the Nile Hotel (which includes an international conference centre) have been rehabilitated and are once again of luxury standard. The Sheraton Hotel has also been restored at a cost of US\$27.5 mn (ECU 23.3 mn) with the assistance of the Yugoslavian company Energo-project. The Lake Victoria Hotel is currently in the restoration phase, while work on the Imperial Hotel in Kampala began in 1989. In addition, since 1988 4-star graded hotels have been built in Masaka, Fort Portal, Jinja, and Mbale with financial support of an Italian consortium led by Viginter. The repayment of loans for hotel rehabilitation will be, and has partly already, been paid through barter exports to the companies granting the loans.
- **the redevelopment of government hotels and lodges in the game reserves, and improving the administration of the national parks.** An estimated US\$53.24 mn (ECU 45.2 mn) is needed for this element of the overall rehabilitation, of which US\$17.24 mn (ECU 14.6 mn) has already been committed. However, this particular project has been delayed because of the security situation in some national parks (Murchison Falls National Park, Kidepo Valley National Park);
- **increasing foreign currency revenue from tourism**, an objective of growing importance given falling coffee export revenues since 1987. The latest available figures for foreign

exchange earnings from tourism are for the year 1987 when US\$8 mn (ECU 7 mn) was generated. Compared with the early 1970s, this is a modest sum;

- further important goals in the state's development of tourism include the **creation of new employment opportunities, the promotion of the country's national heritage and the protection of its flora and fauna.**

To ensure high quality tourism, the Ministry of Tourism and Wildlife is intending to set up a College of Hotel-Management and Tourism in the early 1990s. The growing importance attached to tourism after years of upheaval can be seen in the increased involvement of private companies in the sector. For example, Lonrho East Africa Ltd., which is based in Kenya, is planning to invest in tourism as part of a joint-venture agreement with Uganda's Katatumba Properties Ltd., a company which owns three hotels, a travel agency and an air-charter company. With Lonrho's support, Katatumba's existing hotel capacities are to be modernised and expanded. An expression of the private sector's growing interest in the tourist sector can also be seen in the recent building of private hotels in Kampala and other cities in the country.

12 MONEY AND FINANCE

Uganda's financial structure embraces the central bank, the Bank of Uganda, ten commercial banks, and two development banks. The Bank of Uganda was founded in 1966. It is responsible for issuing bank notes, monitoring trends in money supply, determining the exchange rate, and overseeing the foreign exchange system. To July 1990, when the parallel exchange market (Kibanda) was legalised, the Bank of Uganda held a quasi monopoly on the distribution of foreign exchange.

The most important domestic development bank is the state-owned Uganda Development Bank (UDB). It channels foreign loans to Ugandan companies, and plays a major role in administering foreign aid for which it receives technical support from the IMF. The East African Development Bank (EADB) was founded in 1967 as a development bank for all the member states of the East African Community. The EADB survived the demise of the East African Community and now operates as a para-national development bank. Its headquarters are in Kampala.

The most important commercial bank is the state-owned Uganda Commercial Bank (UCB) with approximately 50 branches throughout the country. Other commercial banks include the Bank of Baroda, Grindlays Bank, Standard Bank and the Uganda Cooperative Bank. The latest commercial bank to open is the Teefe Trust Bank Limited, 100% domestically-owned.

The country's unit of currency is the Uganda Shilling (USh). The value of the USh was linked directly to the IMF's Special Drawing Right (SDR) until June 1981 when it was "floated" and heavily devalued. A two-tier exchange rate was introduced in August 1982 and maintained until June 1984. During this period the currency (Window 1) was devalued several times. Between August 1982 (US\$1 = USh 0.992) and June 1984 (US\$1 = USh 3.07), the USh lost 67.7% of its value against the US\$. As Table 12.1 shows, there were further devaluations in the 1984/86 period: the rate fell from US\$1 = USh 3.60 in 1984 to US\$1 = USh 6.72 in 1985 and to US\$1 = USh 14 by 1986.

In May 1987 a major currency reform was instituted with the introduction of the new USh, worth initially 100 old shillings, and a 76% devaluation so that US\$1 = USh 60¹⁾. In agreement with the IMF, there followed a series of liberalisation measures, including, importantly, a period of successive devaluations aimed at bringing the official exchange rate gradually into line with the black market (Kibanda) rate. By March 1989 the official exchange rate

1) References to the USh for the period up to 1987 cited have been converted into New Uganda Shillings.

had fallen to US\$1 = USh 200 (annual average for 1989: US\$1 = USh 223.09). In June 1990, further devaluations had resulted in the rate falling further to US\$1 = USh 400; by November 1990 it had fallen to US\$1 = USh 501 (buying price). These falls in the value of the USh meant that the objective of narrowing the official closer to the parallel market rate was at least partially achieved: whereas up to mid-1989 the parallel market rate had been between twice and three times as high as the official rate, the difference narrowed to between 60% and 70% by mid-1990 - US\$1 = from USh 710 to USh 760.

As Table 12.1 illustrates, the value of the USh also fell sharply against other leading currencies in the course of the 1980s. Between January and October 1990, the official exchange rate to the SDR was USh 564.89, based on the monthly average. In the same period, the rate against the ECU was USh 504.69.

12.1 OFFICIAL EXCHANGE RATES*)

Currency	1983	1984	1985	1986	1987	1988	1989	1990 ¹⁾
ECU Uganda Shilling for 1 ECU	1.37	2.84	5.13	13.78	49.43	125.50	245.79	504.69
Official rate against the US\$ Uganda Shilling for 1 US\$	1.54	3.60	6.72	14.00	42.84	106.14	223.09	410.71
Special Drawing Rights rate (SDR) ²⁾ Uganda Shilling for 1 SDR	2.51	5.10	15.38	17.12	85.12	222.04	486.24	564.89

*) Annual average.

1) January/October average. - 2) Status: year-end; January to October 1990: average of the current exchange rate at the end of the month.

Between 1983 and 1989, Uganda's foreign currency reserves fell from US\$101.9 mn to US\$14.1 mn, a drop of 86.2%. There was a slight increase to US\$19.3 mn by October 1990, but this did not reflect any fundamental shift in the medium-term position. Uganda had no SDR reserves between 1985 and 1989, but in July it was provided with an amount equivalent to US\$16.5 mn.

12.2 FOREIGN CURRENCY RESERVES*)

Category	Unit	1983	1984	1985	1986	1987	1988	1989	1990
Foreign exchange	US\$ mn	101.9	64.3	23.4	24.9	54.6	49.3	14.1	19.3 ^{a)}
Special Drawing Rights (SDR)	US\$ mn	0.9	0.2	-	-	-	-	-	16.5 ^{b)}

*) Status: end of year.

a) Status: end of October. - b) Status: end of July.

An important step in easing the foreign exchange problem was taken with the legalising of the well-used parallel, or kibanda, market in July 1990. In payment of a licence fee of US\$1,000, private foreign exchange dealers are now authorised by the central bank to trade freely in foreign currencies, setting their own rates of exchange.

Excessive growth of the money supply was one of the prime causes of the high rates of inflation experienced throughout most of the 1980s, but in recent years the government has taken stringent measures to restrain this growth. It has met with some considerable success, inter alia by imposing strict controls on budgetary spending. Thus total money supply (M1 + M2) increased from USh 23.49 bn in March 1988 to USh 50.68 bn in March 1989, a rise of 116%, but it rose by only 74% between March 1989 and March 1990, to USh 88.05 bn. This was primarily due to a fall in the growth of cash in circulation, from 108.8% between March 1988 and March 1989, to 53.7% from March 1989 to March 1990. The outcome was a fall in the ratio of cash in circulation to the total money supply from 52% in the first quarter of 1988 to 44% in the first quarter of 1990. In contrast, savings deposits and fixed deposits have increased enormously: between the first quarter of 1989 and the first quarter of 1990, they increased threefold, from USh 4.26 bn to USh 12.56 bn, with the ratio to total money supply rising from 9% in March 1989 to 14% in March 1990. The share of current account deposits to total money supply remained largely unchanged. These different proportionate changes in the composition of total money supply were strongly influenced by an increase in interest rates in March 1989 - up to 20% on current account deposits, and to 37% on savings and fixed deposits - coupled with the falling rate of inflation.

12.3 DATA ON SELECTED FINANCIAL INDICATORS*)

Category	Unit	1986		1987		1988		1989		1990
		March	Sept.	March	Sept.	March	Sept.	March	Sept.	March
Money supply	USh bn	3.78	5.73	8.48	12.34	23.49	33.27	50.68	66.22	88.05
Cash in circulation	USh bn	1.73	2.45	4.15	6.21	12.14	17.63	25.35	31.16	38.97
Sight deposits	USh bn	1.55	2.54	3.04	4.87	9.22	12.86	21.07	27.73	36.52
Savings and fixed deposits ..	USh bn	0.50	0.74	1.29	1.26	2.13	2.77	4.26	7.33	12.56
Cash in circulation per capita 1)	USh	107.9	152.8	250.0	374.1	706.3	1025.7	1423.8	1750.2	2113.1
Bank loans	USh bn	3.37	3.59	6.12	8.64	17.88	36.29	37.36	54.83	57.69
to the government	USh bn	1.66	1.52	2.79	2.84	6.79	22.65	8.04	3.47	- 8.05
to the private sector	USh bn	1.70	2.07	3.33	5.80	11.09	13.64	29.32	51.36	65.74
Discount rate	% p.a.	36.0 ^{a)}	36.0 ^{b)}	31.0 ^{a)}	.	45.0 ^{a)}	45.0 ^{b)}	55.0	55.0 ^{b)}	55.0

*) Status: end of month.

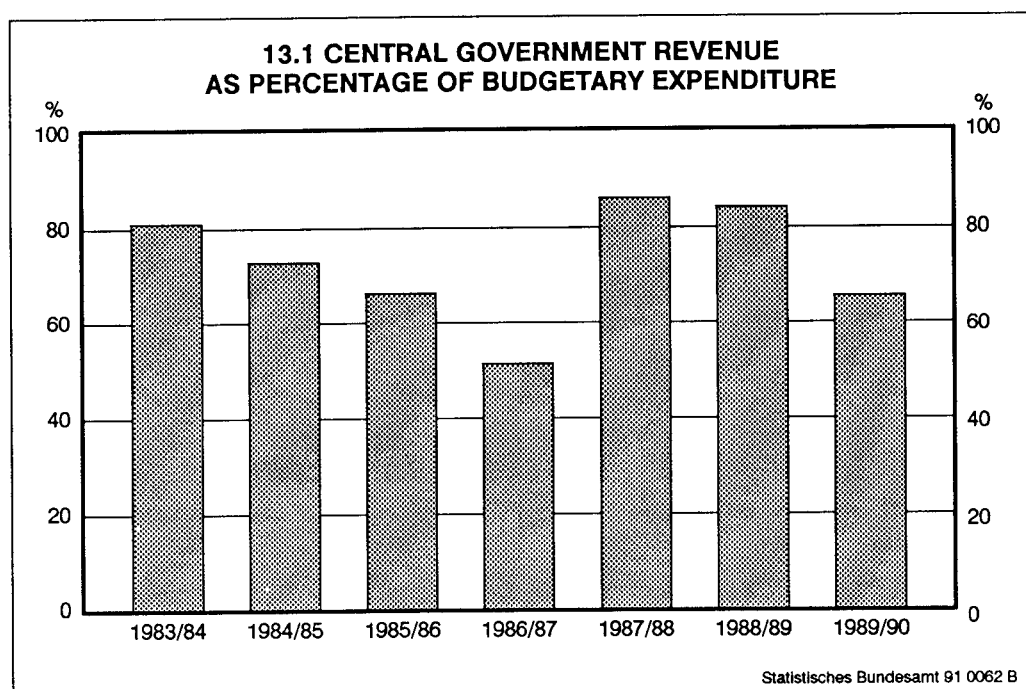
1) In relation to the mid-year population.

a) Status: July. - b) Status: December.

The growth of credit also slowed significantly, owing to the reduction in loans to the government since the beginning of 1989. Whereas total loans rose by 109% between March 1988 and March 1989, from USh 17.88 bn to USh 37.36 bn, the growth in credit had fallen 54% by March 1990 to USh 57.69 bn. The fall in state borrowing reflects the government's efforts gradually to reduce the amount borrowed to finance budget deficits through imposing rigorous spending controls.

13 PUBLIC FINANCE

One of Uganda's gravest problem areas has been public finance, extending from the growth of the money supply and inflation to the issue of foreign debt. With the exception of 1977, when the coffee boom boosted revenue from export taxes, the 1970s were marked by large budgetary deficits. In most years, central government revenue covered only between 60% and 70% of expenditure, largely because of falling output and adverse terms of trade combined with mounting inefficiencies in the tax collection system.



Following the end of the Amin era, budgetary policy was focused on attempting to restrain public expenditure in order to win back the trust of western donor states and the IMF. In the early 1980s, a temporary fall in the budget deficit was achieved: for the fiscal year 1983/84, revenue rose to 81% of government spending (see Figure 13.1). However in the following year controls were relaxed and civil services salaries were trebled. In 1985/86 and 1986/87, state finances worsened in the wake of a drastic increase in defence spending and declining revenues: in the latter year, revenue covered only approximately 50% of government expenditure (see Figure 13.1).

The following year, 1987/88, witnessed a U-turn in budgetary policy, when a series of austerity measures recommended by the IMF were introduced. The result was strongly to reduce spending in the ensuing period, while revenues were boosted by the substantial inflow of multilateral and bilateral development aid together with the IMF and World Bank's loan funds.

Strains re-appeared during the 1989/90 financial year: revenue of US\$ 111.35 bn was only two thirds of total expenditure of US\$ 169.26 bn, producing an absolute deficit of US\$ 57.91 (see Table 13.1). This was primarily due to the sharp fall in the price of coffee, from July 1989 onwards, which heavily reduced the export tax base. In addition, revenues from sales taxes and custom duties were only 69% and 55% respectively of their expected levels. The result was that actual revenue covered only 75% of anticipated revenue of US\$ 149 bn. The actual budget deficit of US\$ 50 bn was only slightly less than forecast, however, because of a shortfall in expenditure which amounted to only US\$ 199 bn. Thus the budget deficit came to 4.5% of the GDP, still within the agreed parameters. The main cause of the reduced expenditure levels was lower than planned capital expenditure on items to be funded by domestic sources (rather than aid monies): only 54% of the planned amount was used. This was due primarily to lower tax revenues, although project execution was also slower than planned.

13.1 CENTRAL GOVERNMENT BUDGET*) US\$ MN

Category	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Revenue	947.9	1 698.9	3 228.2	5 858.0	31 064.6	61 127.4	111 349.9
Expenditure	1 169.4	2 329.7	4 866.5	11 415.0	36 563.7	72 563.4	169 264.2
Deficit	221.5	630.8	1 638.3	5 557.0	5 499.1	11 436.0	57 914.3

*) Financial year: July/June.

The 1990/91 budget proposals envisaged total spending of US\$ 320 bn, of which US\$ 209 bn was current expenditure, the remainder capital expenditure. Approximately 35% of current expenditure was earmarked solely for foreign debt repayment. Projected government revenue was put at US\$ 207 bn, or just under two-thirds of expenditure, split between tax revenues of US\$ 139 bn and grants of US\$ 66 bn. Some three quarters of the remaining gap of US\$ 113 bn was to be financed by domestic borrowing and bank loans, the rest to be met by foreign borrowing.

One of the greatest weaknesses of Uganda's public finances remains the narrow revenue base, influenced particularly by both an inefficient tax assessment and an inadequate tax collection system. For the 1989/90 financial year, government revenue came to a mere 10% of the GDP.

Certain structural changes have occurred during the 1980s, especially in relation to revenue sources. Thus whereas in 1983/84, 95% of government revenue came from domestic sources, the domestic share had fallen to 78% (US\$ 86.46 bn) by 1989/90. By contrast, the share of revenue to come from aid sources rose in the same period from 5% (US\$ 45 bn) to 22% (US\$ 24.89 bn).

13.2 BUDGET REVENUE OF THE CENTRAL GOVERNMENT*) US\$ MN

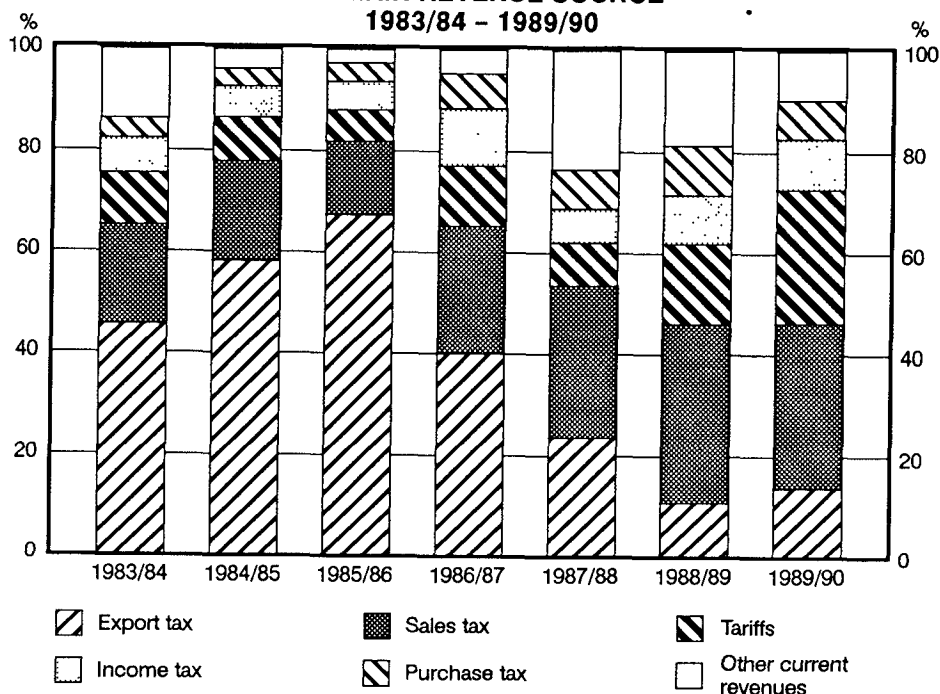
Type of revenue	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Total	947.9	1 698.9	3 228.2	5 858.0	31 064.6	61 127.4	111 349.9
Current revenue	902.9	1 620.9	2 843.8	5 005.0	22 262.3	49 719.0	86 458.7
Taxation	885.1	1 601.7	2 843.8	5 006.6	18 298.7	42 750.0	84 164.2
Income and profit tax	62.5	97.6	156.3	569.9	1 517.6	4 770.0	8 756.5
Taxes on goods and services ..	222.7	391.6	542.3	1 674.0	8 737.3	23 385.0	36 512.1
Sales taxes	176.8	318.7	422.3	1 265.5	6 651.8	17 549.0	28 106.6
Excise	34.8	55.5	97.3	340.8	1 710.5	4 905.0	6 460.0
Commercial transaction levy ..	11.1	17.4	22.7	67.7	375.0	931.0	1 945.5
Export taxes	412.1	941.8	1 914.8	1 996.5	5 274.5	5 425.0	11 925.0
Coffee	412.1	941.8	1 891.3	1 996.5	5 259.0	5 370.0	11 921.4
Tariffs	93.2	142.9	176.4	594.9	1 865.9	7 792.0	22 830.5
Exchange rate profits	79.1	0.0	0.0	0.0	-	-	-
Freight charges	13.5	24.9	50.6	52.0	-	-	-
Other taxes	2.0	2.9	3.4	119.3	903.4	1 378.0	4 140.1
Non-tax revenue	17.8	19.1	0.0	- 1.7	3 963.6	6 969.0	2 294.5
Grants	45.0	78.0	384.4	853.0	8 802.3 ^{a)}	11 408.4	24 891.2 ^{a)}

*) Financial year: July/June.

a) Including undeclared sums (positive).

Changes have also occurred on the revenue side. For instance, whereas in 1986/87 approximately two-thirds of current revenue came from export duties, this had fallen to 10% by 1988/89 (US\$ 5.43 bn), rising only slightly to 13.8% in 1989/90 (US\$ 11.93 bn) (see Fig. 13.2). This drop in export duties largely explains the overall trends in revenue, and with it the budgetary problems of recent years. There has been a marked increase in the share of revenue derived from sales tax and customs revenues since the mid- 1980s. In the 1989/90 fiscal year, sales tax was the most important source of state revenue, amounting to US\$ 28.11 bn, 32.5% of current revenue, followed by excise duty at US\$ 22.83 bn, 26.4% of the total, providing together almost 60% of the total.

13.2 CENTRAL GOVERNMENT BUDGETARY REVENUE BY MAIN REVENUE SOURCE 1983/84 - 1989/90



Statistisches Bundesamt 91 0063 B

No detailed breakdown of government expenditure is available for the 1983/84 to 1989/90 period, just the details of spending allocations to ministries. The allocation between current and capital expenditure is also incomplete: prior to 1989/90, there is only a breakdown of domestically funded development spending. Yet the available data do permit some important observations to be made. Thus whereas in 1983/84, the share of current to total expenditure was only 52%, it had risen to 85% by 1985/86, due to the sharp fall in external aid funds. As would be expected this led to a dramatic drop in capital expenditure. Thereafter, the share of capital expenditure rose, as foreign grant and loan monies expanded: in 1989/90, current expenditure accounted for only 62% of the total. Capital expenditure in that year amounted to US\$ 63.74 bn, US\$ 21.47 bn coming from domestic sources. A similar structural pattern is apparent in the 1990/91 budget proposals: current expenditure, 65%, capital expenditure, 35%.

13.3 BUDGET EXPENDITURE OF THE CENTRAL GOVERNMENT*) USH MN

Type of expenditure	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90 ¹⁾
Total	1 169,4	2 329,7	4 866,5	11 415,0	36 563,7	72 563,4	169 264,2
Current expenditure	602,9	1 771,0	4 133,2	8 026,5	27 205,0	58 350,7	105 522,5
including for: 2)							
Foreign affairs	30,8	50,0	106,4	385,9	655,3	1 822,8	3 905,2
Finances	64,2	561,9	1 430,4	1 786,0	8 543,2	12 838,8	14 888,5
Agriculture	13,6	29,9	39,6	168,5	443,0	963,0	1 151,5
Education	126,3	279,1	527,5	887,8	4 716,9	7 985,1	12 437,3
Health	27,0	65,9	88,3	180,4	622,0	1 833,5	3 305,9
Defence	166,5	356,3	1 026,9	2 212,4	6 383,1	16 781,4	34 696,6
Development spending 3)	165,0	377,9	709,5	2 237,1	9 358,7	12 072,9	21 469,0
including for: 2)							
Finances 4)	45,9	136,2	216,8	417,6	1 457,0	1 526,0	3 446,5
Public Works	13,3	18,2	71,3	264,7	1 147,8	1 242,5	4 405,0
Defence	25,8	28,5	33,2	400,1	2 229,0	3 800,0	4 242,2

*) Financial year: July/June.

1) Provisional data. - 2) Ministry of ... - 3) Domestically funded expenditure only. - 4) Including contributions to international organisations.

A major burden on the budget is the high level of defence expenditure: in 1989/90, approximately 34% of current expenditure went to defence (not including the police force and prison administration). The second largest item of current expenditure was education, accounting for 12% of the total (excluding Makerere University). The largest allocations for domestic capital expenditure were channelled to finance, public works and defence. Government public works programmes, at US\$ 4.41 bn, accounted for just under a fifth of domestically-funded development expenditure, largely because of the high priority given to road building and rehabilitation projects.

A range of reforms to the budget's structure are being undertaken in consultation with the IMF and the World Bank. In addition, the first steps to restraining budgetary expenditure were taken in the 1988/89 fiscal year. These included the abolition of consumer subsidies, the ending of civil service salary payments to "ghost" workers, and the reduction in the purchase of public sector vehicles and equipment. Certain measures have already been taken; these include:

- the introduction of a 10% tax on imported and domestically produced;
- the introduction of a 10% levy on raw materials and intermediary inputs;
- the abolition of export taxes on hides and furs, with the result that coffee is the only remaining product liable for export tax.

Tax reform measures introduced at the 1990/91 budget are concentrated on sales and excise taxes, and on the issues of customs tariffs. In addition to sales tax concessions and ex-

emptions, the import duties on inputs used for manufacturing exports have been abolished. The government has also announced plans to improve the administration of the tax system in order to attempt to increase revenue by addressing the problem of tax avoidance.

14 EMPLOYMENT

Employment statistics for Uganda are incomplete, and therefore need to be interpreted with extreme caution. The major sources used here are those produced by the International Labour Office (ILO) and those contained in the National Manpower Survey (NMS), carried out in 1988 under the auspices of the Ministry of Planning and Economic Development. In the main the ILO data consist of general assessments and projections of labour and employment data, while the NMS data consist of statistics on economic units with five or more employees, and thus limits the strength of conclusions to be drawn about the overall structure of the workforce.

Uganda suffers from serious labour distortions. An initial problem is the shortage of a wide range of skilled personnel. The expulsion of foreign businessmen and the massive exodus of educated Ugandans in the 1970s left behind a vacuum which has still to be filled. Equally, there are severe problems of both under-employment and hidden unemployment in virtually every age group and sector of the economy. Yet another major problem is the low level of remuneration especially of public sector employees which is a key factor contributing to the inefficiency of the civil service.

14.1 ECONOMICALLY ACTIVE POPULATION IN RELATION TO THE TOTAL POPULATION*)

Category	Unit	1970	1980	1985	1990
Economically active population ¹⁾					
Total	1 000	4 749	6 163	7 054	8 129
Male	1 000	2 699	3 526	4 095	4 792
Female	1 000	2 050	2 637	2 959	3 337
Percentage of the total population					
Total	%	48.5	47.0	45.6	44.1
Male	%	55.7	54.4	53.4	52.5
Female	%	41.3	39.9	37.9	36.0

*) Status: Mid year.

1) Persons aged 10 and over.

Table 14.1, based on ILO statistics, gives an overview of trends in total active workforce between 1970 and 1990, where children from aged 10 to under 15 who are in some sort of employment or work are included in the active workforce. Between 1970 and 1990, the ILO data suggest that the total active workforce went up from 4.749 mn to 8.129 mn, a rise of

71.2%, and an annual increase of 2.7%. Dividing these periods into two, the data indicate an annual growth rate of 2.6% in the 1970s, and an annual increase of 2.8% in the 1980s. The rise in the total numbers in work was primarily due to two factors: firstly, the emigration of large numbers of skilled people in the 1970s reduced the growth in the workforce; secondly, the larger numbers of young people joining the workforce in the 1980s. The figures suggest significant differences in the growth by sexual grouping: in the 20 year period to 1990, the total numbers of male with work rose annually at a rate of 2.9%, compared with 2.5% for female, leading to a fall in the proportion of women from 43.2% in 1970 to 41.1% in 1990. The overall figure in 1990 was put at 44.1%, 52.4% for men and 36% for women).

There are also marked differences in active employment levels over time and between different age-group. ILO estimates suggest that in 1990 the ratio of the active to total workforce was lower than in both 1980 and 1970. For the 10 to 15 year age group, the ratio of the active to total workforce in 1990 was put at 37.5% compared with 45.4% in 1970. The highest ratios, consistently above the 80% level, were to be found amongst the 30 to 55 year olds. The high level of active employment among the over 64 year old group of just under 57% in 1990 is due to the absence of state pension and national insurance schemes.

14.2 ECONOMICALLY ACTIVE POPULATION AND ACTIVITY RATE BY AGE GROUPS*)

Age from ... to under ... years	1970	1980	1990	1970	1980	1990
	1 000			% of age group		
10 - 15	554	728	879	45.4	43.8	37.5
15 - 20	755	975	1 308	74.0	71.8	68.5
20 - 25	662	880	1 201	79.4	78.3	75.8
25 - 30	572	765	1 021	82.9	82.2	79.7
30 - 35	453	637	863	85.5	84.6	82.0
35 - 40	422	526	714	86.2	85.4	82.6
40 - 45	357	404	578	87.3	86.5	83.5
45 - 50	291	366	463	86.6	85.8	82.7
50 - 55	230	295	339	85.7	84.6	81.4
55 - 60	174	229	291	83.7	82.4	79.0
60 - 65	125	162	209	78.9	77.4	73.2
65 and over	155	196	262	61.3	59.8	56.8

*) Status: Mid year.

Available data on the composition of the workforce by economic sector is incomplete. However there is no doubt that agriculture (including forestry and fisheries) is the most important sector. The Background to the Budget 1990/91 estimates that approximately 92% of those in the active workforce are located in rural areas and draw their primary livelihood from agricultural activities; just under 8% of those in work live in towns. The service sector is the main area of employment in urban centres.

In contrast with the ILO data, the NMS carried out in 1988 provides (probably more accurate) data on 19% of the then "currently active population" estimated at 7 mn people¹⁾. According to the NMS, the percentage of the workforce employed in the formal sector was 5.3%, with the informal sector accounting for a comparatively extremely large 13.7% of the total active workforce. The remainder are judged to be engaged in some form of self-employed activities, the vast majority in small-scale farming activities in rural Uganda. The high level of informal activity in Uganda has its origins in the sharp and deep contraction of the formal sector economy in the 1970s; for many, informal sector activities were the only ways of securing a livelihood for large sections of the urban population. The main areas of informal employment are in commerce, small-scale industrial activities, and in transport and communications.

14.3 FORMAL SECTOR EMPLOYEES BY ECONOMIC SECTOR AND PROFESSION ON 1 JANUARY 1988*)

Sector	Profession					Total
	Management and skilled personnel in managerial positions	Technical professions	Skilled	Unskilled	Unclassified	
Total	45 393	59 716	81 372	191 354	392	378 227
Agriculture, forestry and fisheries	1 361	2 610	5 899	18 487	21	28 378
Production industries	2 070	5 241	14 553	58 135	16	80 015
Energy and water	130	248	1 194	2 847	6	4 425
Mining and quarrying	24	45	78	1 508	0	1 655
Manufacturing industries	1 623	3 932	10 323	37 760	10	53 648
Construction	293	1 016	2 958	16 020	0	20 287
Commerce, hotels and catering	1 045	2 633	9 207	10 316	10	23 211
Banks and insurance	1 586	1 411	3 399	4 431	0	10 827
Transport and communications	876	2 880	3 358	4 289	2	11 405
Local, social, and personal services	38 455	44 941	44 956	95 696	343	224 391

*) According to the National Manpower Survey. Status 1 January 1988.

At present, the "modern" or formal sector makes less impact on the total numbers in employment. According to the NMS, the number of people employed in the formal sector in January 1988 was 378,227 (see Table 14.3), with a massive 244,000 (64.5%) in the public sector, and only 134,000 people (35.5%) in the private sector.

Approximately half (50.6%) of the wage-earners in the formal sector were classified as unskilled workers (191,354 people), 81,372 people or 21.5%, as skilled, 59,716 people or 15.8%, as technical personnel, and 45,393 people or 12.0%, as administrative and management workers.

- 1) The National Manpower Survey gives a smaller number of those in the active workforce than the ILO estimates in Table 14.1.

Some 60% (224,391 people) of all wage-earners in the formal sector at the start of 1988 were involved in the service sector, almost all being state or para-statal employees. The second most important formal sector employer was manufacturing with 53,648 employees (14.2%), followed by agriculture, with 28,378 employees, (7.5%) of total formal sector employment. The main sub-sectors in agriculture in terms of employment are tea and sugar. Other important formal sector employers of labour at the start of 1988 included wholesale and retail trade with 23,211 employees (6.1%) and construction with 20,287 employees (5.4%).

It is very difficult to provide accurate assessments of future employment trends. Without accounting for AIDS, population growth figures suggest that during the 1990s the working population will grow by between 200,000 and 250,000 people per annum. The shake up of the civil service, required as part of the World Bank and IMF's structural adjustment programme, will bring about a substantial reduction in civil service employment levels, perhaps reducing the numbers employed by one sixth, or about 40,000 jobs, while opportunities for private formal sector employment expansion will remain small in relation to the numbers of job-seekers, unless major inflows of foreign investment are forthcoming. It is thus apparent that household agricultural employment and the informal sector will have to absorb most of the growth in the labour force. But as opportunities here are also likely to remain restricted, an increase in rural under-employment and overt urban unemployment are likely in the short to medium term.

Part of the World Bank sponsored PAPSCA initiative (the Project on the Alleviation of Poverty and the Social Costs of Adjustment) contains a component to reintegrate former civil servants into the productive economy in order to counter-balance, in part, personal hardship that will be caused by redundancies. The package of measures proposed include redundancy payments, business start-up loans, and retraining schemes. However even if successful, not even this package of measures can be expected to provide a solution to Uganda's serious employment problems in the 1990s.

15 WAGES AND SALARIES

Available data on wage and salary trends in the formal economy remain incomplete, and therefore offer a rather limited view of the circumstances of those in work. Only a comparatively small percentage of wage earners is employed in the formal sector, earning a salary. According to the 1989 National Manpower Survey, conducted by the Manpower Planning Department of the MPED, there were 378,227 people employed in the formal sector in January 1988, just 5.3% of the workforce. Approximately two-thirds of all wage earners in the formal sector (244,195 people) were employed in public service, leaving one a third employed in the para-statal sector, and in private and cooperative organisations.

There was a dramatic fall in real incomes in the formal sector throughout the 1970s and 1980s. This was caused by high inflation rates, at times well above 100%, and little attempt to compensate employees for escalating living costs. Rising budget deficits and growing balance of payments problems made restrictions on public service wage and salary increases inevitable; the occasional wage rises did not anything like keep pace with general price rises.

Table 15.1 gives an overview of trends in price and income indices. Having risen substantially in real terms up to 1967, the real minimum wage declined rapidly in the ensuing years. By 1984, it had contracted to a mere 9% of its real 1972 value. In 1967, 50% of the minimum wage of an urban worker was sufficient to purchase the basic food requirements of a family of four; but by 1984, such purchases exceeded the minimum wage four and half times, not including spending on rent, clothing, transport, medicine or school fees.

15.1 MINIMUM MONTHLY WAGE IN NOMINAL AND REAL TERMS

Year	Minimum wage US\$	Price index	Nominal wage index	Real wage index	Percentage of minimum wage needed to cover a family's food requirements
		1972 = 100			
1957 ...	0.33	61.4	17.8	29.0	164
1967 ...	1.50	75.2	81.1	107.8	49
1972 ...	1.85	100.0	100.0	100.0	60
1980 ...	4.00	3 348.0	216.2	6.5	.
1984 1)	60.00	35 000.0	3 243.2	9.3	450

1) November 1984.

As a result of this rapid erosion of purchasing power, a majority of urban wage earners from the 1970s and first half of the 1980s have been forced to find additional income sources outside their primary source of employment, and in some cases to resort to growing their own food requirements. In Kampala in the 1970s, there was a considerable increase in the inner city cultivation of maize and cassava. One outcome has been a change in urban eating habits: whereas in the 1960s there had begun to be a shift towards eating more animal products, such as meat and milk, the mid-1970s witnessed a switch to cheaper foodstuffs such as corn meal or matooke. Additionally, many city-dwellers used the opportunities created by the expulsion of the Asians to gain a foothold in inner-city trading, so that the informal trading sector developed into a most important source of urban income during the 1970s, and thereafter.

The serious losses in real incomes which occurred in the 1970s and 1980s brought about a shift from a wage-earning economy more towards a subsistence and shadow economy (see Chapter 17). One result of the fall in real wages in the public sector was a marked decline in the efficiency of the civil service, as most took alternative employment and some, the more qualified, simply left the country.

There is an absence of accurate data on real income trends in the modern economy beyond 1984. Annual wages and salaries by selected industries in the manufacturing sector, published by the statistics department of the Ministry of Planning and Economic Development, offer only a partial view of income trends, as the range of companies surveyed varies widely from year to year and the companies included do not form a representative sample. In view of the hyper-inflation of, especially, the 1987 to 1989 period, when annual price increases exceeded 100%, (see Chapter 16), and money incomes have risen only minimally, there have clearly been further falls in real income levels.

15.2 AVERAGE GROSS MONTHLY EARNINGS OF FORMAL SECTOR EMPLOYEES BY ECONOMIC SECTOR AND TYPE OF COMPANY*) US\$

Economic sector	Type of company					
	state	para- statal	private	coope- rative	Other	Total
Agriculture, forestry and fisheries	1 298	1 917	1 860	899	1 736	1 565
Mining and quarrying	722	1 133	2 763	.	500	1 516
Manufacturing	2 145	9 616	2 840	1 488	3 879	5 638
Electricity, gas, and water	930	2 510	17 916	7 141	1 271	2 910

For footnote see at the end of the table.

**15.2 AVERAGE GROSS MONTHLY EARNINGS OF FORMAL SECTOR
EMPLOYEES BY ECONOMIC SECTOR AND TYPE OF COMPANY*)**
USH

Economic sector	Type of company					
	state	para-statal	private	cooperative	Other	Total
Construction	700	2 821	3 354	1 183	260	1 549
Wholesale, retail, restaurants and hotels ...	1 217	3 366	9 456	820	1 481	6 077
Transport, storage, and communications	1 058	1 755	3 568	3 695	1 573	3 380
Banks and insurance	694	4 273	34 480	369	8 633	12 187
Public administration	1 157	868	6 930	10 398	2 972	1 169
Education	838	2 223	1 210	.	5 710	850
Health service and veterinary medicine	1 402	957	21 561	2 069	857	3 990
Other social, communal, and public related services ..	927	3 650	2 639	685	2 178	1 773
Total	1 175	5 786	7 312	1 723	2 425	3 127

*) January 1988.

The most up-to-date cross-sectional data on formal sector income levels are to be found in the National Manpower Survey of 1989. According to this source, average gross salaries in the formal sector in January 1989 were USh 3,127 a month, with state employees earning on average just of USh 1,175 a month. In contrast, the average wages in the para-statal sector were USh 5,786, with private sector employees on average paid USh 7,312 a month. In almost all branches of the economy, government levels of remuneration were lower than in the para-statal or private sectors, with the largest differences in banking and insurance. Here at the start of 1998, state employee received only USh 694 a month, compared with pay of USh 4,273 in the para-statals and as much as USh 34,480 a month in the private sector. Banking and insurance paid the highest across-the-board average monthly wage of USh 12,187 a month, the lowest paid was education with an average of merely USh 850 a month. The low relative payment of teachers has clearly had an adverse effect on the quality of schooling as teachers have been forced to find additional forms of remuneration.

In spite of tight budgetary constraints and the need to continue to fight inflation, pressures to increase wages and salaries will continue to build up not only to improve living standards but also to raise the efficiency of the workforce in general and of the civil service

in particular. In an effort to increase real incomes in the public sector, the government announced a 22% wage rise in 1990. In addition, there are also plans for graduated wage rises for technical-academic staff in the state sector. However, as the government recognises, more will have to be done in the years ahead.

16 PRICES

Uganda's high inflation rate has been one of its key economic problems. Shortages of consumer goods and escalating transport costs in the 1980s had severe inflationary effects, with President Museveni declaring the fight against inflation to be one of the most important goals of his economic strategy. Towards the end of 1990, the government's hopes of achieving a halt to high inflation by means of controlling the budget deficit and the growth in the money supply appeared to be working.

Unlike many other African countries, Uganda does not have an extensive system of price control. As early as the "first economic development programme" of 1981, a liberalisation of pricing policy took place, and there was an almost total lifting of administered price controls. As of the end of 1990, direct pricing is limited to determining the producer prices of the most important agricultural export produce, the price of petroleum products, as well as deciding the level of consumer charges for public services (electricity, water, post and telephone, transport fees).

16.1 COST OF LIVING INDEX FOR LOWER INCOME GROUPS IN KAMPALA AUGUST 1981 = 100

Category	Total	Food	Drinks and tobacco	Fuel and soap	Household goods	Clothing
Weighting	100	70	11	8	2	9
1982	114.7	121.3	79.7	95.4	123.6	121.3
1983	153.4	168.0	95.9	121.7	124.3	145.3
1984	216.8	238.2	130.2	176.3	174.1	202.1
1985	572.5	654.6	316.2	438.4	479.4	474.7
1986	1 405.0	1 495.0	899.2	946.1	1 568.7	1 733.7
1987	4 285.6	4 439.9	2 736.3	3 049.2	4 970.1	6 047.0
1988	12 692.9	13 191.8	7 296.3	12 707.5	12 859.9	16 043.9
Change against previous year (%)						
1983	33.7	38.5	20.3	27.6	0.6	19.8
1984	41.3	41.8	35.8	44.9	40.1	39.1
1985	164.1	174.8	142.9	148.7	175.4	134.9
1986	145.4	128.4	184.4	115.8	227.2	265.2
1987	205.0	197.0	204.3	222.3	216.8	248.8
1988	196.2	197.1	166.6	316.7	158.7	165.3
Dec. 1988	159.2	175.3	103.6	190.6	100.7	111.7
Average annual growth rate (%)						
1982-1988	119.1	118.5	112.3	126.0	116.9	125.7

The consumer-price indexes for lower and middle income levels in Kampala give an indication of trends in living costs up to 1988, with the index for low income groups being rela-

tively representative of overall trends in living costs. As can be seen from Table 16.1, the average annual inflation rate between 1982 and 1988 came to 119.1%. Trends within this time period indicate that in 1983 and 1984 price, increases remained relatively low, at 33.7% and 41.3% respectively, but there was then a massive increase in 1985, when the annual inflation rate reached the level of 164.1%. This was primarily the result of a surge in food prices (+174.8%) and household goods (+175.4%), which together account for almost 80% of the total expenditure of lower income groups. The rises were mainly the result of shortages arising from the deteriorating transport situation, as well as mounting budget deficits. Prices continued to rise in 1986, by 145.4%, with the disproportionately higher rises recorded for clothing in 1986 (+265.2%) and in 1987 (+248.8%) originating in part from changes in the methods of gathering the data: from the last quarter of 1986, the price of clothing was based on market prices rather than on the price charged in state shops.

16.2 COST OF LIVING INDEX FOR MIDDLE INCOME GROUPS IN KAMPALA APRIL 1981 = 100

Category	Total	Food	Drinks and tobacco	Fuel and lighting	Transport	Clothing	Other consumer goods	Other manufactured goods
Weighting	100	41	17	6	10	14	10	2
1982	200.7	169.0	118.3	185.4	326.9	347.9	143.8	218.9
1983	248.9	239.8	128.9	303.4	445.7	331.8	145.5	245.6
1984	349.8	321.4	170.0	822.5	599.7	407.8	180.6	231.4
1985	787.9	877.8	422.9	1 577.8	1 019.5	720.4	457.3	642.6
1986	2 217.8	2 186.5	1 299.6	3 065.0	2 382.3	3 242.2	1 598.9	3 225.7
1987	7 498.0	6 820.1	3 812.3	11 634.5	4 512.4	16 465.1	4 854.5	6 172.0
1988	21 270.3	20 100.5	8 353.5	27 655.8	14 321.6	50 032.8	12 400.7	13 638.9
Change against previous year (%)								
1983	24.0	41.9	9.0	63.6	36.3	- 4.6	1.2	12.2
1984	40.5	34.0	31.9	171.1	34.6	22.9	24.1	- 5.8
1985	125.2	173.1	148.8	91.8	70.0	76.7	153.2	177.7
1986	181.5	149.1	207.3	94.3	133.7	350.1	249.6	402.0
1987	238.1	211.9	193.3	279.6	89.4	407.8	203.6	91.3
1988	183.7	194.7	119.1	137.7	217.4	203.9	155.4	121.0
Dec. 1988	119.3	112.4	31.9	42.7	352.6	176.5	56.5	114.3
Average annual growth rate (%)								
1982-1988	117.5	121.8	103.3	130.3	87.8	128.9	110.2	99.1

In early 1986, just after President Museveni came to power, a six-month stabilisation programme was initiated, among whose objectives was a speedy reduction in the inflation rate. During the year, as prices remained high, a range of price controls were announced (for a limited period) for basic goods such as sugar, salt, and soap, with upper limits placed on profit margins for some products. These measures did not initially succeed; on the contrary, prices continued to rise, peaking in 1987 at an annual rate of inflation of 205.5%. The following factors contributed to this last price increase:

- a persistent shortage of goods caused by the lack of foreign exchange, arising from delays in foreign aid payments;
- the low world price of coffee, which reduced government revenue, with a government loan from the Bank of Uganda contributing to a growth in the money supply;
- higher than anticipated debt-service payments; and,
- increased transport costs, arising from growing border conflicts and the periodic closure of important transport arteries.

In 1988, the average rate of inflation still remained high, at 196.2%, but there were clear signs of the rate falling by the end of the year: whereas in August, the annual rate averaged 323.7%, it had fallen to 159.2% by December. This was attributed to improved supplies of food and imported industrial goods, as well as more effective budgetary and monetary policy.

16.3 NEW CONSUMER PRICE INDEX IN KAMPALA DECEMBER 1988 = 100

Category	Total	Food	Drinks and tobacco	Fuel and energy	Transport	Clothing, shoes	Other products	Services
Weighting	100.0	50.8	6.3	7.3	5.9	5.5	8.5	15.7
1988 December ...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1989 January	104.4	104.0	101.5	93.9	100.0	99.7	98.2	118.2
February ...	109.4	111.0	100.3	96.4	100.0	106.6	99.9	123.5
March	116.9	119.0	126.3	102.4	106.8	115.7	104.4	124.1
Apr'11	125.9	135.3	127.5	98.0	107.6	112.6	105.7	130.0
May	135.9	143.7	129.3	101.8	108.0	115.2	124.2	153.4
June	141.0	145.6	133.8	140.2	106.5	115.5	128.5	158.2
July	143.9	147.3	154.0	133.4	118.8	115.1	132.2	159.8
August	146.6	152.5	152.4	136.2	118.8	115.1	128.8	161.3
September ...	154.4	160.7	156.8	125.6	120.6	115.1	135.5	182.8
October	162.2	173.9	168.9	113.5	137.4	116.7	137.6	182.8
November	165.1	174.5	181.0	131.9	139.7	117.2	139.9	183.8
December ...	166.9	178.2	182.3	117.2	142.6	120.2	145.7	184.0
1990 January	180.0	179.9	189.8	162.4	154.5	145.6	158.9	217.7
February ...	180.8	175.4	198.0	174.7	159.4	161.5	162.9	218.6
March	179.5	173.6	199.3	161.8	159.4	161.1	164.3	221.2
Apr'11	177.7	172.0	198.1	154.5	160.6	161.2	159.1	221.2
May	181.2	170.9	202.5	155.8	162.3	161.2	160.0	243.3
June	177.1	159.6	195.6	181.1	167.9	161.2	158.5	243.3
July	176.4	151.0	214.5	171.3	171.2	169.0	162.6	258.0
August	184.9	166.2	196.2	165.4	180.7	161.3	177.7	264.0
1989 A	139.4	145.5	142.8	115.9	117.2	113.7	123.4	155.2
1989 A (Jan./June)	122.3	126.4	119.8	105.5	104.8	110.8	110.2	134.6
1989 A (Jan./Aug.)	128.0	132.3	128.1	112.8	108.3	111.9	115.2	141.1
1990 A (Jan./June)	179.5	171.9	197.2	165.1	160.7	158.6	160.6	227.6
1990 A (Jan./Aug.)	179.7	168.6	199.3	165.9	164.5	160.3	163.0	235.9

16.3 NEW CONSUMER PRICE INDEX IN KAMPALA DECEMBER 1988 = 100

Category	Total	Food	Drinks and tobacco	Fuel and energy	Transport	Clothing, shoes	Other products	Services
Change against the same period of the previous year (%)								
1989 December ...	66.9	78.2	82.3	17.2	42.6	20.2	45.7	84.0
1990 January	72.4	73.0	87.0	72.9	54.5	46.0	61.8	84.2
1990 February ...	65.3	58.0	97.4	81.2	59.4	51.5	63.1	77.0
1990 March	53.6	45.9	57.8	58.0	49.3	39.2	57.4	78.2
1990 April	41.1	27.1	55.4	57.7	49.3	43.2	50.5	70.2
1990 May	33.3	18.9	56.6	53.0	50.3	39.9	28.8	58.6
1990 June	25.6	9.6	46.2	29.2	57.7	39.6	23.3	53.8
1990 July	22.6	2.5	39.3	28.4	44.1	46.8	23.0	61.5
1990 August	26.1	9.0	28.7	21.4	52.1	40.1	38.0	63.7
1990 A (Jan./June)	46.8	36.0	64.6	56.5	53.3	43.1	45.7	69.1
1990 A (Jan./Aug.)	40.4	27.4	55.6	47.1	51.9	43.3	41.5	67.2

A new consumer-price index was launched by the statistics department of the MPED in December 1988. This is based on a more accurate basket of goods derived from analysis of the Household Budget Survey conducted in 1989-90 - the previous index was based on 1966 expenditure patterns. In contrast with the previous indexes, the new one also includes, amongst others, spending on education, health and housing (rents). The only disadvantage is that, like its predecessor, it only provides price trends for Kampala.

According to the new index, prices rose by only 66.9% in the twelve months to December 1989, heralding a considerable fall in inflation compared with the 159.2% rise of the previous year (see Table 16.1). As in 1988, prices rose faster in the first half of the year than in the second, explained in part by a sizeable government loan from the Bank of Uganda to guarantee the coffee purchases of the Coffee Marketing Board, as well as payments to coffee producers. Prices rises were higher than the targetted 55% level set in the structural adjustment facility (ESAF) agreement initialled with the IMF in April 1989.

A short-lived rise in the inflation rate in January 1990, caused by a hike in school fees, was followed by a dramatic slowdown in price rises: by June, the end of the 1989/90 financial year, the rate of inflation had fallen to 25.6%, this time below the target rate for the year which had been set at 30%. The breakthrough was the result of the satisfactory food supply situation, resulting from good harvests, together with the improved government financial management. In addition, the Bank of Uganda's Special Import Programmes (SIPs) improved the supply of industrial inputs.

The progress made to June continued into July and August 1990, increasing the hope that the target rate of 15% set for the financial year to June 1991 will be achieved, and suggest-

ing that the 1991/92 target of 7.5% no longer appears unrealistic. This is on condition that the government manages to continue to check the growth of the money supply, to trim back the budget deficit, and to finance exports in a non-inflationary manner.

16.4 AVERAGE MARKET PRICES OF SELECTED CONSUMER GOODS IN KAMPALA*) USH

Produce	Quantity	1985	1986	1987	1988	1989	1990 ¹⁾
Milk	1 l	3.5	6.9	34.5	103.5	183.3	237.1
Edible oil	1 bottle	8.6	22.8	50.2	158.0	236.2	239.3
Bread	1 kg	11.9	33.2	104.4	326.2	602.4	714.1
Maize meal	1 kg	3.4	7.6	25.4	74.4	266.6	253.8
Rice	1 kg	7.9	22.4	54.0	191.7	314.3	419.6
Beans, dried	1 kg	4.4	6.5	36.7	89.6	168.2	184.2
Sweet potatoes	1 kg	1.6	4.0	10.2	36.5	66.1	56.9
Cassava, dried	1 kg	2.3	3.9	14.6	45.0	86.8	120.4
Groundnuts	1 kg	14.4	23.8	68.7	205.1	376.7	348.1
Onions	1 kg	11.4	20.0	78.6	203.8	391.2	581.5
Tomatoes	1 kg	4.4	8.3	42.5	112.2	162.3	203.5
Bananas, "matooke"	1 kg	1.4	3.7	9.1	25.4	55.7	56.7
Sugar	1 kg	9.2	18.4	68.5	165.2	464.9	587.8
Salt	1 kg	5.0	13.9	31.6	104.3	128.9	154.4
Charcoal	1 kg	1.4	2.7	9.0	41.1	63.4	82.8
Paraffin	1 l	5.3	9.6	33.8	183.3	183.1	276.8
Soap	1 kg	19.5	58.5	158.1	411.5	303.3	403.9

*) Annual average.

1) January to September average.

Table 16.4 gives an overview of the trends in the average market prices of selected consumer goods in Kampala. In contrast with substantial hikes in the prices of all recorded products between 1985 and 1989, there was a noticeable weakening of this trend in the monthly averages from January to September 1990. The prices of maize meal, sweet potatoes and ground nuts actually fell, and those of edible oil and bananas (*matooke*) scarcely rose at all in the first nine months of 1990. Increases for most other goods were smaller than in the previous years.

The prices of petroleum products are subject to state control. As Uganda has no oil refineries of its own, all petroleum products have to be imported. The price of petroleum products has risen considerably since 1982, due both to the depreciation of the Ugandan Shilling and to a higher pricing policy introduced to compensate for falling coffee export earnings in 1988 and 1989. Sharp price hikes for petroleum and diesel products in August and September 1990 were the result of the rise in world oil prices following the start of the Gulf crisis, as well as the continuing devaluation of the USh.

**16.5 CONSUMER PRICES OF SELECTED PETROLEUM PRODUCTS
IN KAMPALA*)
US\$ PER LITRE**

Time of increase		Petrol		Diesel	Kerosene
		Premium	Regular		
1982	June	1.20	1.10	0.60	0.40
	November	1.50	1.40	0.90	0.80
1983	June	1.70	1.60	1.10	0.90
	November	1.90	1.80	1.50	1.30
1984	January	1.90	1.80	1.50	1.50
	June	2.20	2.10	1.70	1.70
	December	3.30	2.90	2.50	2.50
1985	June	3.50	3.40	3.00	3.00
	December	6.50	6.40	5.00	5.00
1986	August	11.00	10.00	5.00	7.50
1987	March	12.50	10.00	6.50	8.00
	May	30.00	28.00	19.80	14.40
	June	32.00	-	22.00	12.00
1988	January	38.00	-	27.00	16.00
	July	70.00	-	50.00	45.00
	November	90.00	-	70.00	60.00
1989	March	120.00	-	90.00	75.00
	July	145.00	-	110.00	90.00
	September	180.00	-	145.00	110.00
	October	200.00	-	160.00	130.00
1990	February	250.00	-	195.00	175.00
	June	310.00	-	230.00	210.00
	August	360.00	-	270.00	240.00
	September	500.00	-	400.00	350.00

*) Pump prices.

17 NATIONAL ACCOUNTS

All Ugandan national accounts data need to be treated with great caution as the difficult political situation of the 1970s and early 1980s made collection of important statistics almost impossible; only recently has a functioning statistical system begun to be built up again. The statistics department of the Ministry of Planning and Economic Development, which is responsible for producing the country's national accounts, emphasises that the published figures are only estimated values which require cautious interpretation. Nonetheless, these statistics are based on *firmer* raw-data than previous national accounts statistics.

Uganda's economic performance cannot be separated from the tragic political developments which have inflicted the country since the early 1960s, with periods of economic contraction and growth interlinked with the state of national politics. The period from independence up to the early 1970s was marked by continuous economic growth: between 1965 and 1971, Gross Domestic Product (GDP) rose by an average of 4.2% a year in real terms. On the economic front this success was due to both steady agricultural expansion and to the growth and diversification of the manufacturing sector.

Severe economic problems began in the early 1970s coinciding with the presidency of Idi Amin. The expulsion of over 60,000 Asians, prominent in the fields of commerce, industry and plantation agriculture, as well as Asian doctors, lawyers, teachers, engineers, white-collar workers and officials, together with the forced nationalisation of many foreign private companies, economic mismanagement and increasing civil unrest all contributed to the collapse of this once vibrant economy. The destruction of key infrastructural facilities, the closing down of factories due to the lack of any maintenance, and the absence of investment activity were the hallmarks of the 1970s. Between 1970 and 1980, GDP fell by at least 20%. Only subsistence agriculture and the coffee sector managed to maintain output levels achieved during the 1960s.

The 1980s began with a rehabilitation programme supported by massive financial assistance from abroad; it produced a (short) period of economic stability (see Chapter 19). A stand-by-loan from the International Monetary Fund (IMF) of SDR 135 mn (ECU 143 mn) followed by further amounts payments of SDR 127 mn (ECU 144 mn) in 1982 and SDR 95 mn (ECU 114 mn) in 1983 formed the basis of the economic recovery. Between 1981 and 1983, GDP expanded from US\$ 154.293 bn to US\$ 175.239 bn, at 1987 prices, a rise of 13.6%. Over the same period, GDP per capita went up by 7.4%, from US\$ 11,737 to US\$ 12,613.

17.1 TRENDS IN GROSS DOMESTIC PRODUCT AT FACTOR COST

Year	Gross Domestic Product at factor cost				
	at current prices	at 1987 prices		Price component	Inhabitants
		total	per capita		
	US\$ mn		US\$	1987 = 100	
1981	2 367	154 293	11 739	1.53	85
1982	3 350	163 126	12 098	2.05	87
1983	5 178	175 239	12 613	2.95	90
1984	8 300	160 343	11 229	5.18	92
1985	21 502	163 481	11 136	13.15	95
1986	50 644	164 005	10 865	30.88	97
1987	174 443	174 443	11 245	100.00	100
1988	491 432	186 967	11 725	262.84	103
1989	995 579	199 247	12 150	499.67	106

17.2 CHANGES IN GROSS DOMESTIC PRODUCT AT FACTOR COST

Year	Changes in Gross Domestic Product at factor cost compared to previous year resp. average annual growth rate in %		
	at current prices	at 1987 prices	
		total	per capita
1982	41.5	5.7	3.1
1983	54.6	7.4	4.3
1984	60.3	- 8.5	-11.0
1985	159.1	2.0	- 0.8
1986	135.5	0.3	- 2.4
1987	244.4	6.4	3.5
1988	181.7	7.2	4.3
1989	102.6	6.6	3.6
1981/89 A	112.8	3.2	0.4

This was not to last, however, and a further crisis arose between 1984 and 1986. In 1984, GDP fell by 8.5% in real terms to US\$ 160.343 bn. There was only moderate growth in the following two years, of 2.0% and 0.3% respectively. As a result, GDP per capita fell back to US\$ 10,865, the lowest level of the entire 1980s. One factor contributing to the poor per-

formance of the economy at this time was the weather which in 1984, and again in 1986 led to considerable production losses. These had rippled effects in other sectors, particularly in the closely-linked manufacturing sector, and in commerce. General Okello's seizure of power in July 1985 contributed to the worsening of the economic situation in the following year.

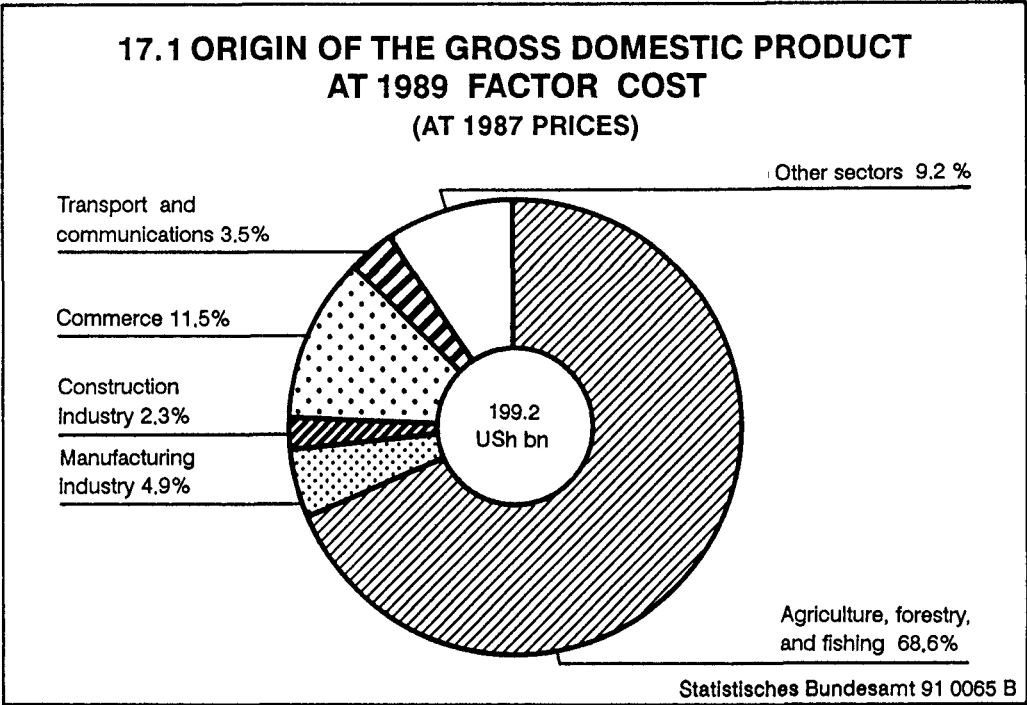
Political unrest continued until in January 1986, the government of President Yoweri Museveni came to power. From 1987 onwards, increasing political stability has been accompanied by strong economic growth. Expansion from 1987 to 1989 was boosted by the execution of the Rehabilitation and Development Plan 1987-88 to 1990-91 published by the Museveni government in May 1987. The government's commitment to the realisation of fundamental economic reforms led to the re-establishment of contacts with the International Monetary Fund, which had been broken off in the interim period. Tangible effects were to be felt as early as June 1987 when a structural adjustment loan of SDR 46.8 mn (ECU 52.5 mn) was provided, later increased to SDR 63.2 mn (ECU 70.8 mn). This led the international donor community to support Uganda with financial aid more strongly than before. Increased inflows of foreign aid, favourable climatic conditions, the return to peace of many parts of the country, and serious attempts at reform provided the basis for the high level of economic growth recorded between 1987 and 1989. Between 1986 and 1989, GDP rose by 21.5%, rising from USh 164.005 bn to USh 199.247 bn, increasing by 6.4% in 1987, and by 7.2% in 1988 (see Table 17.1). Such high levels of growth meant that by 1988 total value added had reached the level previously reached in 1972 - for the first time. Strong growth continued into 1989 when GDP rose by a further 6.6% in real terms, in spite of the slump in world coffee prices. Manufacturing expanded by a staggering 18.5% in 1989, followed transport and communications, 12.0%. The 7.2% expansion in non-subsistence agriculture was primarily due to good harvests for the main export crops of tea, sugar and tobacco, as well as commercially-marketed food products.

These recent and high growth rates have resulted in a substantial rise in per capita GDP (see Figure 6.1). The highest level of per capita income for the entire 1980s of USh 12,150 was achieved in 1989. However in international terms the levels are still comparatively low: the 1989 figure translates to just US\$259 (USh 60 711; ECU 235) per person, leaving Uganda amongst the poorest countries in the world.

Overall, the 1980s witnessed positive economic growth. GDP at factor costs (at 1987 prices) grew by an average 3.2% a year between 1981 and 1989, while over the same period, GDP per capita rose by 0.4% a year. In considering the extent to which these rates can be sustained into the future, it needs to be borne in mind that 1988 and 1989 were particularly good years for agriculture, while the rehabilitation efforts which have marked out the latter part of the 1980s have also provided a unique boost to the economy.

Analysis of GDP changes by sub-sector makes clear the importance of Uganda's of the non-monetary economy to overall performance. In 1989, the non-monetary economy produced an estimated US\$ 86.766 bn of goods and services. This amounted to 43.5% of total GDP, compared with the 44.4% share of 1981. 40.8% of total GDP originated in subsistence agriculture, at an estimated value of US\$ 81.230 bn. What is more, the 1970s and 1980s saw a shift back to a more subsistence-based and food-producing economy; in practice this provide a benefit as it was only by strengthening such food self-sufficiency that large sections of the population were able to survive these hard years. By 1989, still some 60% of net value added in agriculture (including forestry and fishery) was derived from subsistence activities.

The 1980s have produced no significant shifts in the contribution of different sub-sectors to total GDP. As Figure 17.1 illustrates, in 1989 over two-thirds (68.6%) of total value added came from agriculture, forestry and fishery (monetary and non-monetary sectors). Commerce was the second most important activity accounting for 11.5% of GDP. 3.5% of GDP was derived from the transport and communications sector. In aggregate, about a quarter of value added (24.1%) had its origins in tertiary economic activities. The contribution of industry stood at only 7.3% in 1989, broken down into manufacturing 4.9%, energy and water, 0.1%, and construction industry 2.3%.



17.3 ORIGIN OF THE GROSS DOMESTIC PRODUCT AT FACTOR COST

US\$ MN

	1981	1982	1983	1984	1985	1986	1987	1988	1989
at 1987 prices									
Gross Domestic Product at factor cost	154 293	163 126	175 239	160 343	163 481	164 005	174 443	186 967	199 247
Monetary sector	85 745	89 101	93 915	85 132	88 152	87 560	94 581	103 881	112 481
Farming, forestry and fishery	46 263	47 200	49 139	42 241	44 905	44 651	47 669	51 656	55 368
Mining	53	53	46	42	34	28	34	33	33
Manufacturing industries	5 588	6 482	7 020	6 795	6 129	5 767	6 734	8 262	9 793
Energy and water	113	116	108	118	108	126	130	105	113
Construction	2 252	2 531	3 097	2 973	2 656	2 183	2 999	3 885	4 247
Retail wholesale	17 893	18 590	19 593	17 198	17 750	17 389	18 977	21 091	22 943
Transport and communication	3 835	4 010	4 384	4 759	5 137	5 596	5 812	6 230	6 979
Other sectors	9 748	10 119	10 528	11 006	11 433	11 820	12 226	12 619	13 005
Non-Monetary sector	68 548	74 025	81 324	75 211	75 329	76 445	79 862	83 086	86 766
Farming, forestry and fishery	64 111	69 473	76 634	70 390	70 373	71 349	74 625	77 702	81 230
Construction	222	228	235	241	248	255	262	269	277
Other sectors	4 215	4 324	4 455	4 580	4 708	4 841	4 975	5 115	5 259
Change compared to previous year resp. annual average growth rate in %									
Gross Domestic Product at factor cost	5.7	7.4	- 8.5	2.0	0.3	6.4	7.2	6.6	3.2
Monetary sector	3.9	5.4	- 9.4	3.5	- 0.7	8.0	9.8	8.3	3.5
Farming, forestry and fishery	2.0	4.1	-14.0	6.3	- 0.6	6.8	8.4	7.2	2.3
Mining	0.0	-13.2	- 8.7	-19.0	-17.6	21.4	- 2.9	0.0	- 5.8
Manufacturing industries	16.0	8.3	- 3.2	- 9.8	- 5.9	16.8	22.7	18.5	7.3
Energy and water	2.7	- 6.9	9.3	- 8.5	16.7	3.2	-19.2	7.6	± 0.0
Construction	12.4	22.4	- 4.0	-10.7	-17.8	37.4	29.5	9.3	8.3
Retail wholesale	3.9	5.4	-12.2	3.2	- 2.0	9.1	11.1	8.8	3.2
Transport and communication	4.6	9.3	8.6	7.9	8.9	3.9	7.2	12.0	7.8
Other sectors	3.8	4.0	4.5	3.9	3.4	3.4	3.2	3.1	3.7
Non-Monetary sector	8.0	9.9	- 7.5	0.2	1.5	4.5	4.0	4.4	3.0
Farming, forestry and fishery	8.4	10.3	- 8.1	0.0	1.4	4.6	4.1	4.5	3.0
Construction	2.7	3.1	2.6	2.9	2.8	2.7	2.7	3.0	2.8
Other sectors	2.6	3.0	2.8	2.8	2.8	2.8	2.8	2.8	2.8

There were substantial variations in sectoral economic growth during the 1980s. Between 1981 and 1989, the monetary sectors grew by 3.5%, compared with the 3.0% for the non-monetary sectors. The highest sub-sectoral growth rates achieved between 1981 and 1989, of 7.8%, for construction (monetary sector, 8.3% per annum; non-monetary sector, 2.8% per annum) and transport and communications, followed by manufacturing (7.3%). The boom in the building sector was largely the result of rehabilitation work. The high recent growth of manufacturing provides the basis for the hope that the secondary sectors of the economy will increase their share of total growth in the 1990s, a hope dependent upon a rise in investment and greater access to foreign exchange.

Agricultural growth was mixed. Overall there was a 2.7% annual average expansion between 1981 and 1989, yet the growth of monetary sector agriculture at 2.3% per annum remained lower than non-monetary sector growth of 3.0%. In general, the lower than average growth of all elements of agriculture during the 1980s was the result of the droughts of 1984 and 1986, and the problems of the livestock industry, both discussed in Chapter 7 above.

The commercial sector (retail and wholesale trade) grew at an average rate of 3.2% a year between 1981 and 1989. The only sector to record negative growth was mining which, on average, contracted by -5.8% a year; however it is of only minor significance to the overall economy. Production in the energy and water industries stagnated between 1981 and 1989.

Uganda produces no official national accounts statistics by expenditure grouping. However according to World Bank data, about 86% of GDP originated in private consumption in 1988, 7% in public consumption, with 15% accounted for by gross investment, and the remaining 8% taken up with imports.

18 BALANCE OF PAYMENTS

The performance of Uganda's balance of payments has been and remains closely connected to the value of its coffee exports and the inflow of capital, private and official. During the 1970s, the country experienced large trade deficits, aggravated by the low producer price set for coffee which encouraged smuggling and led to a fall in official export receipts. The adverse balance of payments position during this period was made worse by the outflow of capital which followed the expulsion of foreign, including Asian, business people.

In the early 1980s, the balance of payments position improved. Small current account deficits of US\$69.6 mn (ECU 71.3 mn) in 1982 and US\$72.3 mn (ECU 81.2 mn) in 1983, gave way to surpluses of US\$107.1 mn (ECU 135.7 mn) in 1984 and US\$77.0 mn (ECU 100.1 mn) in 1985. The change was influenced largely by trends in trade, with a trade deficit of US\$74.9 mn (ECU 76.5 mn) in 1982 progressively changing to a trade surplus of US\$114.9 mn (ECU 150.6 mn) by 1985. The main influence here was the world price of coffee: rising prices for raw coffee induced an increase in export revenue from US\$347.1 mn (ECU 354.3 mn) in 1982 to US\$407.9 mn (ECU 517.0 mn) by 1984, a rise of 17.5%. Additionally, total imports fell from US\$422.0 mn (ECU 430.7 mn) to US\$342.2 mn (ECU 433.7 mn) over the same period, a drop of 18.9%, although this was due largely to an import squeeze caused by a reduction in capital account inflow. In 1985, Uganda had experienced an overall balance of + US\$66.9 mn (ECU 87.0 mn), for the first time for many years.

The year 1986 also saw an overall positive balance, this time of US\$91.2 mn (ECU 92.7 mn), but the underlying cause was different. While exports grew, import levels jumped significantly, producing a trade deficit of US\$69.3 mn (ECU 70.4 mn). On capital account, a surplus of US\$51.1 mn (ECU 51.9 mn) was achieved, compared with a deficit of US\$27.4 mn (ECU 35.9 mn) in 1985, largely because of an increase in capital inflow helped by re-scheduling of payments due, which appear on the balance of payments as capital inflows.

The trade balance continued to deteriorate in 1987, with the collapse of the world coffee price - which was even worse for robusta coffee exports of which Uganda is the world leader - severely affecting the value of exports. At the same time, imports continued to grow rapidly. The result was a large increase in the trade deficit from US\$69.3 mn (ECU 70.4 mn) in 1986 to US\$300.8 mn (ECU 260.6 mn) in 1987, a jump of US\$231.5 mn (ECU 190.2 mn). However a growth in the inflow of development aid reduced the current account deficit of US\$169.8 mn (ECU 147.1 mn) to an overall deficit of just US\$8.5 mn (ECU 7.4 mn).

The crisis in the export sector continued in 1988 and 1989. In 1989, in spite of volume increases, exports reached their lowest level of the decade, falling to US\$251.6 mn (ECU

228.4 mn), as a result of the collapse of the International Coffee Agreement (see Chapter 9). In 1989, exports were sufficient to pay for just 38% of imports, compared with 43% in 1988. The trade deficit rose to US\$407.6 mn (ECU 370 mn). The outcome was an increase in the current account deficit to US\$207.2 mn (ECU 188.1 mn) in 1989, even though the inflow of unrequited transfers (development assistance inflows on current account) reached a new peak of US\$332.0 mn (ECU 301.3). It was only increased capital inflows - project-specific loans, and balance of payments support from the IMF and the World Bank - which enabled the overall deficit to be contained. In 1989, it was recorded as - US\$5.4 mn (ECU 4.9 mn).

18.1 TRENDS IN THE BALANCE OF PAYMENTS

US\$ MN

	1982	1983	1984	1985	1986	1987	1988	1989
Current account balance	- 69.9	- 72.3	107.1	77.0	- 4.2	-169.8	-194.1	-207.2
Trade balance	- 74.9	- 60.4	65.7	114.9	- 69.3	-300.8	-354.6	-407.6
Exports (fob)	347.1	367.7	407.9	379.0	406.7	333.7	272.9	251.6
Imports (cif)	-422.0	-428.1	-342.2	-264.1	-476.0	-634.5	-627.4	-659.1
Services (net)	-102.3	-115.4	- 44.0	- 98.9	-143.5	-113.6	-126.9	-131.6
Interest 1)	- 26.3	- 51.0	- 36.8	- 21.0	- 47.4	- 18.3	- 24.1	- 18.3
Transfers (net)	107.3	103.5	85.4	61.0	208.7	244.6	287.3	332.0
Capital account balance	14.6	27.7	- 88.3	- 27.4	51.1	142.3	54.7	243.4
Medium and long-term payments (net)	26.2	23.9	32.1	14.6	38.4	135.3	179.0	237.8
Inflows	96.8	163.7	120.8	85.6	128.5	239.7	239.1	390.5
Payments	70.0	112.8	109.7	85.6	128.5	180.0	207.6	287.2
Outflows	- 70.6	-139.8	- 88.7	- 71.0	- 90.1	-104.4	- 60.1	-152.7
Redemption payments 2)	- 43.8	- 88.9	- 77.6	- 71.0	- 90.1	- 42.1	- 39.8	- 33.3
Short-term payments (net) 3)	- 11.6	3.8	-120.4	- 42.0	12.7	7.0	-124.3	5.6
Merchant banks (net)	- 8.3	- 1.0	- 23.2	- 20.0	-	-	-	15.7
Commercial loans (net)	- 3.3	4.8	- 97.2	- 22.0	12.7	7.0	-124.3	- 10.1
Net changes of arrears 2)	22.4	8.3	- 77.3	17.3	44.3	19.1	142.0	- 41.5
Balance of payments account 2)	- 32.9	- 36.3	- 58.5	66.9	91.2	- 8.5	2.6	- 5.4

1) Some interest payments may be recorded under repayment of principal. - 2) Arrears are included in overall balance: negative values indicate a fall, and positive values an increase in (net) arrears. - 3) Including barter trade balance (net).

The high price of oil during the second half of 1990 added yet further problems by boosting the country's already high import bill. The prospects for an improvement in the balance of trade and in the current account of the balance of payments remain rather slim, if low coffee prices persist, as it is far from easy rapidly to diversify the export base, while any attempt to squeeze imports still further would have a direct and adverse effect on growth rates. Thus maintaining and even expanding foreign capital inflow remains critical in the coming years.

Fortunately, the outlook here appears reasonably favourable if commitments of assistance are turned into actual disbursements, and if the IMF and World Bank continue to view Uganda's macro-economic management in favourable light. The donor's conference held in Paris at the end of 1989 produced pledges of capital and other forms of assistance of US\$640 mn (ECU 581 mn) for 1990, while the IMF and World Bank have allocated loan funds for balance of payments support in 1990 and 1991. Yet such high levels of external assistance, and the conditionality that goes with it, mean that Uganda has to pay a high price of dependency in order to maintain a "healthy" balance of payments position.

19 EXTERNAL DEBT

Uganda's foreign debt is not as large as many other African countries: its total external debt is smaller than that of more than half the countries of sub-Saharan Africa (SSA) while, in 1988, over 85% of SSA countries had a higher total debt to Gross National Product (GNP) ratio. Nonetheless, in common with most countries of the African sub-region, Uganda is burdened with a large external debt, with total external commitments in 1990 in excess of US\$2 bn (ECU 1,6 bn), and a level of debt servicing commitments which, in recent years, it has found it increasingly difficult to meet. As a result, it has begun to build up an arrears pipeline, which rose from US\$255 mn (ECU 216 mn) at the end of 1988 to almost US\$300 mn (ECU 246 mn) by mid-1990, in spite of Paris Club rescheduling of US\$93 mn (ECU 84 mn) at the end of 1989. This chapter looks at recent trends in some of the major debt indicators, and ends with some comments about likely future trends.

An all-pervasive difficulty in analysing Uganda's foreign debt profile is that the data are acknowledged to be incomplete and unreliable, but no one yet knows the extent to which the current debt figures under-report the true extent of the country's debt exposure¹⁾. Table 19.1 highlights this difficulty by showing data on Uganda's total external debt for recent years from four different sources: the World Bank, the Bank of Uganda, the Organisation for Economic Co-operation and Development (OECD), and the IFO-Institute for Economic Research in Munich. The rest of the chapter will be based largely on World Bank data, supplemented by Government and Bank of Uganda data for recent payments and by IFO Munich data for the analysis of European debt exposure in Uganda.

The build up of foreign debt in Uganda has been far less rapid than in many other African countries. Thus the stock of foreign debt stood at only US\$733 mn (ECU 526 mn) in 1980 and rose to reach US\$1,287 mn (ECU 1,308 mn) by 1986. Thereafter, as shown in Table 19.1 it rose by almost 50% (24%) in the following two years (according to World Bank data), or by nearly 65% (46%) in three years according to Bank of Uganda data. However, although the ratio of total debt to GNP built up over the second half of the 1980s, rising from 29% in 1986 to an estimated value of just under 50% by the end of 1989, it was by then still significantly less than the average ratio of 54% recorded at the start of the 1980s.

1) Steps are being taken to remedy this problem and a long term consultant started work on debt reconciliation and general debt analysis within the Bank of Uganda in mid-1990.

19.1 UGANDA'S EXTERNAL DEBT STOCK BY VARIOUS SOURCES **US\$ MN**

Year	Bank of Uganda	World Bank	OECD	IFO Munich
1981 .....	.	794	.	772
1982 .....	.	933	883	969
1983 .....	.	1 016	1 068	1 083
1984	955.2	1 031	1 041	1 084
1985	1 052.8	1 171	1 158	1 175
1986	987.1	1 287	1 268	1 199
1987	1 239.2	1 632	1 580	.
1988	1 446.6	1 925	1 719	.
1989	1 613.8	.	.	.

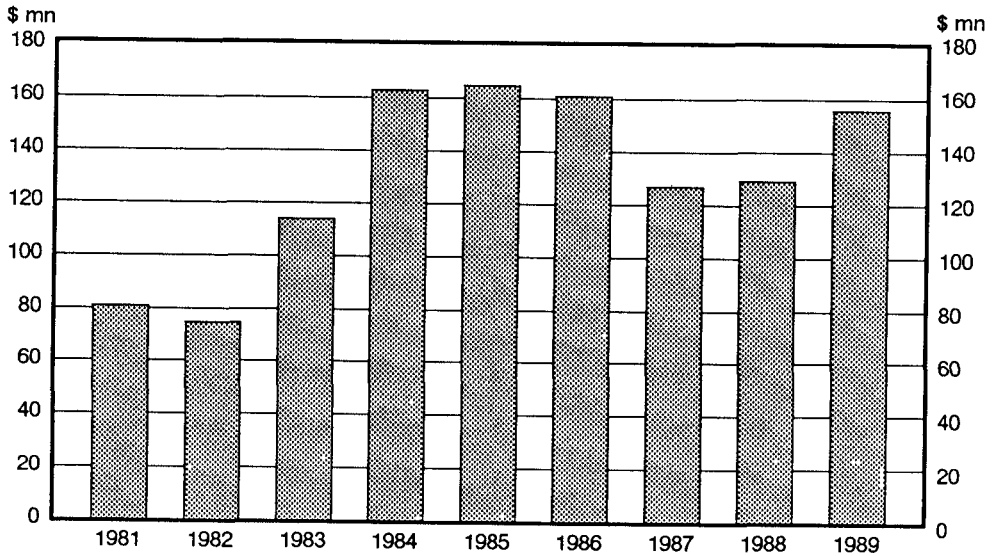
Source: World Bank (1989) World Debt Tables 1989-90, Washington: World Bank; OECD (1990) Financing and External Debt of Developing Countries, Paris: OECD; Bank of Uganda, 1990 and Strack, D. and Schönherr, S. (1989) Debt Survey of Developing Countries: An Improved Reporting System Approach, Munich: IFO Institute for Economic Research.

At the end of 1989, less than 15% of outstanding debt was owed to the European Community and its member states. Of the US\$419 mn (ECU 380 mn) of outstanding bilateral debt, US\$154 mn (ECU 140 mn; 37%) was owed to member states of the EC, principally to Germany, France, Italy and the United Kingdom; and of the US\$944 mn (ECU 857 mn) owed to multilateral agencies, only US\$23 mn (ECU 21 mn; 2%) was owed to EC institutions²⁾.

Figure 19.1 maps the total amounts of foreign debt repaid each year during the 1980s. This shows a major expansion in repayments made in the post-1983 period. In the first six months of 1990, debt repayments totalled US\$65 mn (ECU 53 mn), more in line with the repayment schedule for 1987 and 1988. Figure 19.2 shows trends in the debt service ratio - the ratio of debt repayments to export earnings each year. It reveals the increasingly severe constraint which debt repayments have had on Uganda, especially in recent years: in 1988, the debt service ratio amounted to nearly 50% of export earnings and, according to the 1990 edition to Background To The Budget, the debt service ratio amounted to a crippling 62% in 1989. It is no wonder, with the fall in coffee prices, that in the second quarter of 1990, external debt maturities of US\$36 mn (ECU 29 mn) only led to payments of some US\$19 mn (ECU 16 mn).

2) These ratios are based on World Bank figures, as provided to the Government of Uganda.

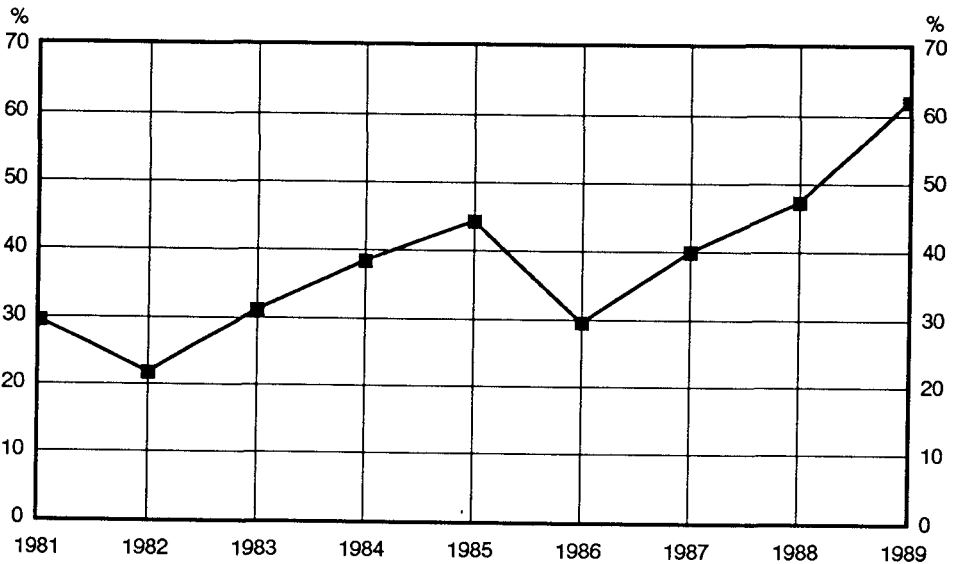
19.1 FOREIGN DEBT REPAYMENTS



Statistisches Bundesamt 91 0066 B

Source: World Bank (1989) World Debt Tables 1989-90, Washington: World Bank.

19.2 DEBT SERVICE RATIO



Statistisches Bundesamt 91 0067B

Source: World Bank (1989) World Debt Tables 1989-90, Washington: World Bank.

At the end of 1990, the latest breakdown of Uganda's foreign debt stock (World Bank data) is for the year 1988. This shows that approximately 75% of the debt stock was long term debt, of which roughly two thirds was on concessional and one third on non- concessional terms. However Bank of Uganda data suggest that well over 85% of the country's debt stock in 1989 was attracting interest rates of less than 1%. In recent years, a rising proportion of Uganda's long term debt has been owed to multilateral creditors: by 1988, almost 60% of total long term debt was multilateral, compared with 48% in 1984 and only 14% at the start of the 1980s. The most important creditors are the International Monetary Fund and the World Bank. They have increased their combined share of Uganda's total debt from 32% in 1981 to over 50% by the end of 1988, with their total exposure in that year amounting to over US\$700 mn (ECU 592 mn).

The remaining 25% of debt stock in 1988 consisted of short term debt, of which the largest part consisted of export credits. Overall, however, Uganda owes only minimal amounts to private creditors. In 1988, the figure came to US\$225 mn (ECU 190 mn), about 11% of total debt. As US\$75 mn (ECU 63 mn) of this amount consisted of trade credits, the share of private to total long term debt amounted to only 7%.

19.2 DEBT EXPOSURE OF EUROPEAN DONORS AND PRIVATE SECTOR INSTITUTIONS PERCENTAGES

Year	EC bilateral debt as % all official bi- lateral debt	Multilateral EC debt as % total multi- lateral debt	All EC official debt as % all official debt	European private debt as % total private debt	All European debt as % of total debt
1981	2.8	0.0	1.3	55.0	13.3
1982	17.9	0.3	7.1	40.8	14.9
1983	26.6	0.2	9.0	31.0	12.8
1984	26.6	0.3	8.1	33.0	11.8
1985	27.3	0.4	7.8	29.1	10.3
1986	28.0	0.5	7.8	40.0	10.7

Source: Strack, D. and Schönherr, S. (1989) Debt Survey of Developing Countries: An Improved Reporting System Approach, Munich: IFO Institute for Economic Research.

Table 19.2 summarises recent trends in the breakdown of debt exposure of European official agencies and private sector institutions in Uganda. The share of official European to total official debt is extremely small, amounting to a fairly constant rate of less than 8%. The small share of private to total debt in Uganda has already been noted; however within

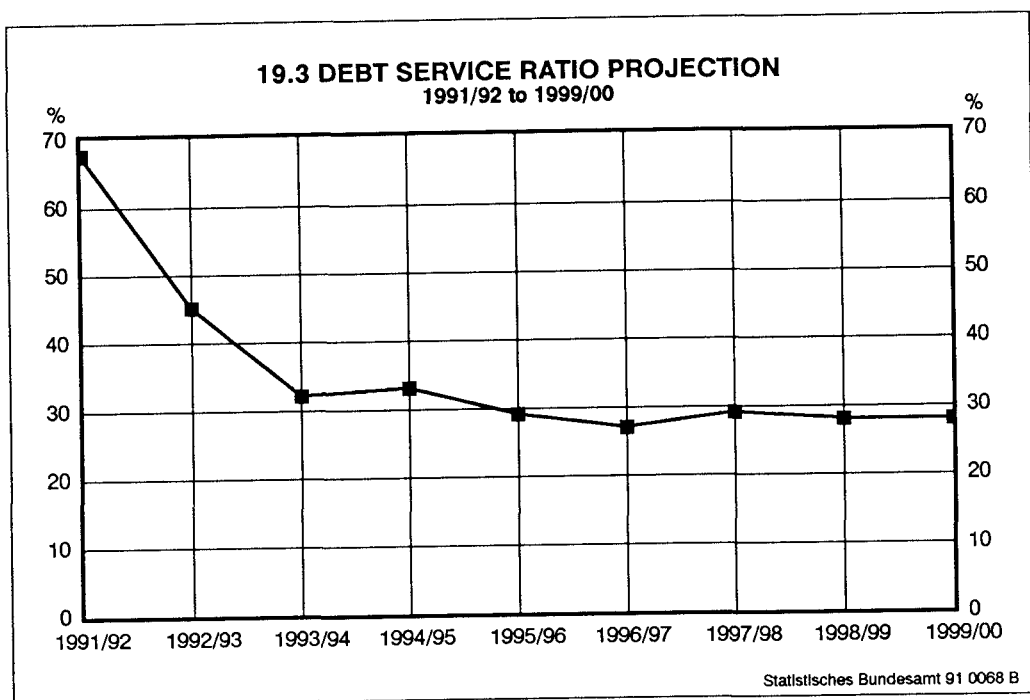
this context, private European institutions have a relatively high exposure, having contracted between 30 to 40% of all private sector debt owed. Yet when the debts owed both private and official European creditors are combined, they amounted to only 11% of total debt in 1986, with their share having fallen steadily over the previous five years³⁾. The only significant and rising trend, which is shown in Table 19.2 is in relation to official bilateral debt owed to member states of the EC as a proportion of all official bilateral debt.

It should be noted, however, that official European donors and institutions are owed a proportionately **higher** share of Uganda's debt arrears. Thus World Bank data for the end of 1989 show that of total arrears of US\$236 mn (ECU 214 mn), some 28% was owed to European creditors: US\$64 mn (ECU 58 mn) to bilateral European donors and US\$3 mn (ECU 2.7 mn) to EC institutions. Since then, however, the process and pace of debt forgiveness to the least developed countries of Africa (of which Uganda is one) by bilateral donors has quickened, while, additionally, some bilateral debt obligations have been paid. For instance, with final payment on 31 May 1990, the German-Ugandan Government Agreement of April 1983 on the rescheduling of Ugandan debts was fulfilled, while following the decisions made in Dakar in Senegal, French debt relief to Uganda stretching from 1989 to the year 2013 is estimated at about US\$19 mn (ECU 17 mn).

On 14 November 1990 the Commission of the European Community proposed that much of the outstanding debt to the EDF be written off or recycled. This proposal currently being examined by the EC Council of Ministers.

The final debt issue which needs to be addressed is the likely pattern of Uganda's foreign debt profile as the 1990s unfold. Long run projections by the IMF suggest a scenario whereby Uganda's total external debt would rise to about US\$2.7 bn (ECU 2.2 bn) by the mid-1990s and to US\$3.85 bn (ECU 3.2 bn) by the year 2000. In relation both to more recent rises in debt stock and to projected rises in GDP, these increases are modest. Indeed as shown in Fig 19.3, they would lead to a progressive decline in the debt service ratio, which would fall below the 30% level by the mid-1990s and drop to 26% by the beginning of the next century. However these projections are particularly sensitive to assumptions made in relation to the world price of coffee, success in diversifying the export base, and continued support from the donor community, including the speeding up of disbursements, and, finally, the narrowing of exchange rates between the official and parallel markets. Given the fall in coffee prices and the rise in oil prices experienced during the second half of 1990, these projections probably need to be viewed as optimistic.

3) The figure given above for 1989 was 13%, although the two sets of figures are not strictly comparable for the 1989 data are from the World Bank, while these ones are from the IFO Munich.



Source: IMF, 1990 (unpublished).

20 DEVELOPMENT PLANNING

Following independence in 1962, national development planning took place within the framework of five year plans. A target of doubling per capita income levels was set for a 15 year long-term period covering the years 1966 to 1981. The first step towards the realisation of this goal came with the 1966-71 development plan, with projected expenditure of US\$ 230 mn. The prime objective was to increase GDP by approximately 6% a year, principally by increasing tea and sugar production, expanding cotton cultivation, and intensifying cattle production. In addition, attempts were made to accelerate industrialisation and expand the infrastructure (in particular through the construction of a new hydro-electric power station on the Nile).

The third five year plan (1971-72 to 1975-76) had a target GDP growth rate of 5.6% a year, with total financing of US\$ 350 mn. A series of measures to nationalise key sectors of the economy were announced in 1970 by President Obote, and pursued rigorously by his successor, Idi Amin, for whom increased state activity was central to development. The climax of his "Africanisation" or "Ugandanisation" of the economy occurred in the autumn of 1972 with the expulsion of some 60,000 foreign Asians and the nationalisation of their assets (industrial plants, tea plantations, shops and other commercial enterprises). In agriculture, there was to be a push towards crop diversification, while in industry, import substitution and the expansion of export-oriented branches of production shifted to centre-stage. As is now well known, however, instead of the high growth rates which had been planned, GDP declined during the third development plan, with state spending on development lagging way behind planned levels.

A three year plan (totalling US\$ 11.3 bn) was developed for the period 1977-78 to 1979-80, and in an attempt quickly to achieve an improvement in living standards, US\$ 2 bn was spent on foreign-good imports. Some two-thirds of the financing of the three year "Action Programme" was to come from foreign aid and loans. The largest sectoral expenditures were for transport and communications, taking some 38% of total spending, followed by the industrial-commercial sector, 30%, and agriculture, 20%. The goals of the plan included the doubling of cotton production and an increase in coffee production to an annual figure of 260,000 t. In the face of intensifying internal political conflicts, however, these targets could not be achieved. On the contrary, by the end of the 1970s, the Ugandan economy had reached its lowest-point.

In the 1980s, development planning was characterised by extensive efforts to rehabilitate the production units and infrastructure destroyed during the 1970s. Little effort was wasted

on planning aimed at furthering sustainable development: the task of rebuilding an economy that had collapsed was overwhelming.

The first policy measure taken to rebuild the Ugandan economy was the Economic Recovery Programme (ERP) begun in June 1981 by the second Obote government, following the fall of Idi Amin. The main support for the ERP came from a stand-by loan of SDR 135 mn (ECU 143 mn) from the International Monetary Fund (IMF). The objectives of the plan were to have a flexible exchange rate, the lifting of price controls, an increase in agricultural producer prices, and strict controls on public expenditure. The first attempt to bring back foreign investors driven away by Idi Amin, and moves to re-privatise the economy were focused on the passing of the Expropriated Properties Act in February 1983. This promised to return the productive assets to their original owners who were willing to return, paying them compensation. Progress, however, was slow: there was no notable re-privatisation of nationalised companies, as only a few previous owners of companies and other assets returned.

The original ERP was continued in the form of a revised rehabilitation programme covering the following 1982 to 1984 period. The IMF continued its financial support with loans of over SDR 127 mn (ECU 144 mn) in 1982 and SDR 95 mn (ECU 114 mn) in 1983. While rehabilitation continued during this period, primary emphasis was placed on diversifying agricultural exports so as to reduce dependence on coffee. One of the main problems confronting the second Obote administration was that in spite of IMF backing, there was no notable capital inflow either from donors or from the private sector. The result was a chronic shortage of foreign exchange which reached critical levels in 1984 when the IMF ceased payments following disagreement over government fiscal policy. Yet another halt to national development planning occurred in 1985 following fresh political and military conflicts which shook the country.

After the take-over by President Museveni in early 1986, a six month emergency programme was initiated aimed at removing war damages installations in the worst affected parts of the country and at bringing about peace and stability. In 1987, a new era opened up, with the announcement of the Rehabilitation and Development Plan (RDP) 1987-88 - 1990-91 in May, which won approval from both the IMF and the World Bank. In June 1987, the government signed a Structural Adjustment Facility (SAF) with the IMF providing it with SDR 46.8 mn (ECU 52.5 mn), expanded later to SDR 63.2 mn (ECU 70.8 mn). This agreement also had the desired positive impact within the wider donor community. Uganda's credit-worthiness among foreign lenders improved, foreign aid monies increased and aid organisations moved into the country in increasing numbers.

The implementation of the RDP was preceded in May 1987 by a 76% devaluation of the currency, and the introduction of a new USh worth 100 old USh. The government further

committed itself to restrict budgetary spending and to pursue the opening up of the economy through the targeted encouragement of economic activities in the private sector. Apart from reducing budget deficits, the core of the RDP was concentrated on liberalising the economy, improving incentives to producers by means of higher producer prices, accelerating the rehabilitation of the economy and infrastructure, and streamlining state administration. The RDP reflects the Museveni government's serious attempt to restart the economy, the goal being the creation of an independent, integrated and self-supporting economy during the course of the 1990s.

At the sectoral level, the RDP has the following objectives:

- the diversification of agricultural production, in particular an increase in food production, the broadening of the agricultural export base and the provision of agricultural raw materials needed for industrial processing;
- the establishment of efficient import substitutive industries, the development of industries based on agricultural raw materials, and the increase of productive capacity in the capital and intermediate goods sectors;
- the development and promotion of mineral resources; and
- the revitalisation of the tourist industry.

Total projected spending under the 1987-88 to 1990-91 RDP was estimated at US\$1.2885 bn (ECU 1.116 bn), US\$596.9 mn (ECU 517.0 mn) of which had already been allocated by March 1987. Most spending was planned to be in the transport and communications sector, amounting to US\$378.7 mn (ECU 328.0 mn), 29.4% of the total, followed by agriculture at US\$314.5 mn (ECU 272.4 mn), 24.4%, industry and tourism US\$271.1 mn (ECU 234.8 mn), 21.1%, social services US\$221.0 mn (ECU 191.4 mn), 17.2%, and mining and energy US\$89.2 mn (ECU 77.3 mn), 6.9% of the total. According to Ministry of Planning and Economic Development data, US\$248.5 mn (ECU 215.3 mn) was to be spent in the 1987-88 financial year, but actual spending totalled US\$310.4 mn (ECU 268.9 mn), 25% higher. Increases of actual over planned spending were greatest in the industrial and tourist sectors, where overspending exceeded planned expenditure by 75%, followed by social services, with a figure of 58%. The worst performance ratings was in the mining and energy sector where only 68% of planned spending was achieved, and in transport and communications where the figure was 71%.

The overall objectives of the RDP have been to achieve an annual 5% growth in the economy, a reduction in the inflation rate to 10% a year, and a sustainable balance of payments position by the end of the plan period. Whilst actual economic growth was well ahead of target (see Chapter 17), the rate of inflation has not been reduced to its target level (see

Chapter 16). Progress on the balance of payments front proved impossible to achieve due to falling coffee revenues.

As for the future, following on from the second Economic Recovery Credit (ERC2), Uganda is expected to receive a total US\$125 mn (ECU 98 mn) in the 1990-91 financial year as balance of payments support. This should help address existing foreign exchange shortages by providing funds to import raw material and intermediate inputs, spare parts, selected consumer goods and petroleum.

In 1988, at a major donors' conference in Paris in October, the government was announced that the 1987-88 to 1990-91 RDP was to be rolled over and absorbed into the 1988-89 to 1991-92 Economic Recovery Programme. Revised figures now suggested total spending of US\$1.6 bn (ECU 1.4 bn), with the government again committing itself to the complete fulfilment of the Programme's objectives. The most important objectives of the 1989-90 to 1991-92 ERP are the achievement of a high economic growth rate of about 5% per annum, the continual maintenance of sound state spending policy, the reduction of the inflation rate to 7.5% per annum by the end of the plan period, and further improvements in the balance of payments.

The process of economic reform is to be accelerated in a comprehensive manner through, inter alia, further devaluation of the US\$, an increase in bank interest rates as an incentive to boost domestic saving levels, and thereby stimulate investment, targeted export incentives, and flexible foreign currency management to permit the import of key inputs.

In April 1988, government success in adhering closely to conditions for the country's structural adjustment programme was rewarded by the conversion of the IMF's structural adjustment facility (SAF) into an expanded structural adjustment facility (ESAF), valued at SDR 175 mn (ECU 199 mn), covering the period 1989-90 to 1991-92.

21 FOREIGN INVESTMENT

INTRODUCTION

In common with many other African countries, post-Independent Uganda implemented a succession of policies aimed at shifting the balance away from private towards public control and operation of the economy. A succession of governments executed policies to take direct control of many large foreign-owned or controlled establishments, leaving an inheritance of public sector dominance in productive activities, as well as in the provision and operation of utilities. The process of extending state control and operation of enterprises was more extensive in Uganda than elsewhere, however, because, in the early 1970s, the more common approach of controlling or taking over the leading foreign companies was followed by the expropriation and takeover of the many hundreds of properties and businesses owned and operated by Uganda's Asian community.

As a result by the mid-1980s, the Ugandan state had either a majority or significant minority shareholding in more than 140 separate enterprises. As well as the airways, the railways, the telecommunications and electricity supply and distribution systems, parastatals were to be found in the banking and insurance, commercial, engineering, mining, manufacturing, tourist and transport sectors, and also included a number of larger agricultural operations.¹⁾ While most of the former foreign-owned companies continued to function, key Asian enterprises were left to decline or die; machinery was pilfered, cannibalised or left to rot and rust. Uganda is still recovering from this episode: a 1989/90 survey of 30 para-statal manufacturing enterprises found that, by 1989, only two were operating at over 50% capacity.²⁾

With the installation of the Museveni Government, a new chapter in the relationship and attitude to the private sector opened: it is still being written. The *promotion* of private investment is now a key policy of the Government of Uganda. Furthermore, the importance of the private sector is likely to increase during the 1990s. As a recent (1990) economic position paper, The Way Forward, explains:

-
- 1) These enterprises came under the control of a range of government ministries and departments, and holding organisations. They include the ministries of industry, finance, agriculture and environment protection, as well as the Uganda Development Corporation.
 - 2) It should be noted, however, that capacity levels had risen in over **half** the enterprises analysed between 1986 and 1989. [J.H. Schroder, Wagg and Co. Ltd and Deloitte Haskins and Sells (1990) "Divestiture Design Study".]

The macroeconomic strategy for Uganda for the next five years aims to ensure sustainable development by focusing on the mobilisation of resources for investment... (t)he role of government policy has to be to "facilitate", or "enable" change in the economy. Therefore a macro-economic strategy for Uganda should focus on enabling the operation of market-based incentives.

Former policies of expanding the public sector into productive enterprise have now been reversed: companies formally owning and operating enterprises in Uganda have been asked to return and re-establish themselves - including, importantly, those owned by the Asian community - and new foreign investors are being sought.

Especially since the start of 1990, a number of major changes to alter foreign investment regulations and to improve the "climate" for foreign investment have been announced. Of greatest importance was the July 1990 publication of a new Investment Code bill, heralding major changes to stimulate the growth and expansion of private foreign investment. As, however, by the end of November the reform process had not yet been completed,³⁾ this chapter will only be able to capture the general direction of change in approach towards foreign investment, rather than provide a detailed analysis of all relevant laws and regulations.

IMPROVING THE CLIMATE FOR FOREIGN INVESTMENT

There are three main elements to Uganda's overall approach towards encouraging and stimulating private investment. These are:

- privatisation policies:
- measures to improve the climate for domestic private sector expansion; and,
- the introduction of measures to encourage new foreign investment.

Government's success in attracting foreign private investment is dependent not only upon drawing up a set of policies directly targeted at foreign investors, but also upon the manner and speed with which it successfully implements its policies on privatisation, and the extent to which it succeeds in encouraging domestic private sector expansion.

Tangible advances have been made in recent months in improving the general climate for the private sector within Uganda. An authoritative 1990 analysis summarises the position thus [World Bank (1990) Uganda: Second Economic Recovery Credit, Washington: World Bank]:

3) A range of new incentives contained in the investment bill were still being debated, while important related issues, such as the pace and extent of privatisation, were still being finalised.

There has also been a remarkable improvement in the private sector environment... This is reflected in the larger role seen for the private sector as evidenced by the ending of para-statal export and distribution monopolies... It is also seen in the dismantling of price and distribution controls so that price controls now apply to only two commodities. The introduction, in May 1987, of an Open General License system for selected manufacturing enterprises, and, in December 1988, of a Special Import Program, have greatly improved access to official exchange for private sector producers, while the government's liberal policy on imports of consumer goods and industrial inputs and spares by private importers under the "no forex" scheme constitutes a substantial safety valve. The extension of the 100% export retention scheme to cover all exports except coffee also constitutes a powerful incentive for exporting.

Additional steps in this direction have been taken since this assessment was made. For instance, the Government has legalised the parallel foreign market (the *kibanda*), announced substantial reforms to streamline importing and exporting procedures, and extended the OGL system to a wider range of products (see Chapter 9, External Trade). These policies have had a crucial effect on stimulating the rapid expansion of the manufacturing sector in recent years.⁴⁾

PRIVATISATION

A second key element affecting the promotion of and prospects for foreign investment in Uganda is the privatisation process. The Government has committed itself to a series of radical reforms of the para-statal sector embracing divestiture, rehabilitation and the improved supervision and management of enterprises. In the last two years it has commissioned a number of substantial studies on the issue, and is now in the process of executing a series of measures based on consideration of the proposals made.⁵⁾

Initially, in 1987, the Government categorised public enterprises into three groups: those in which it wished to hold a 100% share (Category A); those it wished to be run as joint ventures, but in which it would hold a majority shareholding (Category B); and those in which it wished to divest its interest, to sell to the private sector or else to wind up (Category C). Thirty two enterprises were listed in Category A, 34 in Category B and only 22 in Category C.⁶⁾

4) Data available at the end of 1990 showed that the sector grew at an average **annual real** rate of just short of 20% in the last three years for which annual data are available: 1987, 1988 and 1989.

5) The World Bank, USAID and the British ODA have all contributed to these studies. A comprehensive Divestiture Design Study was undertaken by merchant bankers J. Henry Schroder, Wagg and Co. Ltd and the accounting firm Deloitte Haskins and Sells. The report, produced in the first half of 1990, provided a strategy for a privatisation programme for Uganda.

6) This classification was still applicable in May 1990 when a conference sponsored by the African-American Institute on the "New Uganda: Investment Opportunities and Priorities" took place. A conference paper *Investment Climate and Opportunities in Uganda* was published.

By the end of 1990, new criteria and a new classification of enterprises had been drawn up for a more thorough-going privatisation programme. Now it is argued that Government involvement in enterprises should be based on three considerations: economic viability, political sensitivity and/or the provision of essential services, and capital-cost considerations. In practice it is proposed that:

- only economically viable parastatals should operate and non-viable ones should be liquidated;
- government majority participation should be only in sensitive activities or in essential public services; and
- government minority participation should be only in high capital cost ventures which the private sector is not able or inclined to set up on its own.

Under these proposals, enterprises have been grouped into four classes.

- Class I, in which the Government would have at least 75% interest and control: 23 enterprises;⁷⁾
- Class II, in which Government would hold less than 25% equity and have no control: only six enterprises;
- Class III, which would all be open to 100% privatisation: 56 enterprises; and
- Class IV, which would be liquidated either outright or failing prior efforts to privatise them: 25 enterprises.

The first stage of the new privatisation programme was made public in April 1990. This involved the announced divestiture of just eight enterprises, with existing or former shareholders being given the first option to buy. These are: **Blenders (Uganda) Ltd;**⁸⁾ **East Africa Distilleries; the Fairways Hotel; Jubilee Ice and Soda Ltd; Toro and Mityana Tea Company (Tamteco);**⁹⁾ **Uganda Fishnet Manufacturers Ltd; Uganda Garments (1973) Ltd, and Uganda Grain Milling.** All eight are not only judged to be economically viable by the external consultants, and in sound order, but - of importance - there has been considerable buyer interest, from both within Uganda and from abroad. An additional three enterprises - **African Ceramics, Printpak Uganda and United Garments** - could soon be added to the list, following some financial restructuring.

7) In contrast to the 100% in the previous categorisation.

8) Originally owned by Brooke Bond, who have shown interest in re-possession.

9) This is a joint venture between Mitchell Cotts and the Government of Uganda.

The other enterprises under Class III, listed for 100% privatisation, are the following:

African Textile Mills Ltd;
Agricultural Enterprises Ltd.
Associated Match Company Ltd;
BAT (U) Ltd;
Cable Corporation Ltd;
Chillington Tool Company (Uganda) Ltd;
East African Aluminium Works;
ECTA (U) Ltd;
Edible Oil and Soap Manufacturers Ltd;
Foods and Beverages Ltd;
General Equipments Ltd;
Gomba Motors;
Housing Finance Company of Uganda;
International TV Sales;
Kakira Sugar Works;
Kibimba Rice Co Ltd;
Kiira Saw Mills and Plywood Industry;
Kinyara Sugar Works Ltd;
Lake Victoria Bottling Co. Ltd;
National Housing and Construction
corporation;
Nile Breweries;
Nyanza Textile Industries Ltd (NYTIL);
Peoples Transport Corporation;
Republic Motors;

Transocean (U) Ltd;
TUFMAC;
TUMPECO (The Uganda Metal Products
& Enamel Co. Ltd);
Uganda Bags and Hessian Mills Ltd;
Uganda Blanket Manufacturers Ltd;
Uganda Clays Ltd;
Uganda Consolidated Properties;
Uganda Dairy Corporation;
Uganda Feeds Ltd;
Uganda General Merchandise Ltd;
Uganda Grain Milling Co. Ltd;
Uganda Hardware Ltd;
Uganda Hotels Ltd;
Uganda Leather and Tanning Industry Ltd;
Uganda Livestock Industries;
Uganda Motors Ltd;
Uganda Oxygen Ltd;
Uganda Pharmaceuticals Ltd;
Uganda Spinning Mill, Lira;
Uganda Sugar corporation Lugazi;
Uganda Tea Growers Corporation;
Uganda Tea Corporation;
Uganda Transport Corporation;
UGMA Engineering Corporation;

A key pre-requisite for the success of much of the privatisation programme is the need to clarify the legal status of a wide array of enterprises and properties (both commercial and domestic), especially those which were formally in the hands of members of the Ugandan Asian community. There has been much confusion about ownership of both commercial and residential sites, especially in the Kampala area, sometimes with more than two people or groups claiming ownership of property, and often with those other than the "owners" occupying the property. As the Government acknowledges, this has had an adverse effect on business confidence [Ministry of Planning and Economic Development (1990) Background to the Budget, 1990-1991, Kampala: MPED, p. 84-85]:

(T)he ownership issue is a major constraint to manufacturing recovery and restructuring. Private businesses were nationalised and even confiscated during the 1970s without adequate compensation.

The task of sorting out a range of ownership and related problems lies with the Departed Asians Property Custodian Board (DAPCB), which currently administers a number of Asian properties. The three main problems which still need to be clarified in many of the cases are: the determination of ownership status, and, where relevant, what to do with those occupying the property; compensation values, if the owner has opted not to return and claim the property or business; and procedures to follow if the enterprises is to be re-started as a going concern. Additionally, as the Ministry argues, "it is important that, not only are adequate arrangements made for the purchase and operation of privatised manufacturing establishments, but also that adequate levels of resources for new investment in the sector are forthcoming" (*op.cit.*) The fact that President Museveni has recently given his personal support to pursuing these land, ownership, occupancy and compensation problems is widely seen as a significant step in accelerating their final resolution.

While the process of privatisation is expected to quicken during the next few years, it should also be noted that in 1988 the Government took the initiative to create a new form of government- controlled enterprise, the National Enterprise Corporation (NEC). The NEC has already taken over a number of parastatals in most areas of economic activity and by 1990 it was operating 14 separate projects/enterprises. Yet the establishment of the NEC needs to be seen in a wider context, especially in relation to the need to accelerate army de-mobilisation, and therefore should not be viewed as a sort of back-door commitment to promoting the expansion of the para-statal sector. Thus the desire to involve the army in productive activities in order to help pay for itself, as well as the need to find work for unemployed soldiers whose numbers swelled with the incorporation into the army of former rebels forces, are principles entirely consistent with the overall shift to privatisation.

Finally, it should be stressed that a series of significant divestiture decisions have already been made. Table 21.1 lists 17 cases of divestiture either by joint venture or by repossession, with both foreign companies and prominent Asian families.

10) The NEC subsidiary companies in mid-1990 were the following:

Lowero Industries Ltd;	NEC Pest Co. Ltd;
Mukisa Foods Ltd;	NEC Pharmaceuticals Ltd;
NEC Bakery and Confectionery Ltd;	NEC Textiles Ltd;
NEC Canteen Ltd;	NEC Timber Products Ltd;
NEC Foam Products;	NEC Trading Ltd;
NEC Lime - Dura, Kasese Ltd;	NEC Works Ltd;
NEC Mobility Ltd;	Nectarine Restaurant and Bar Ltd.

21.1 LIST OF ENTERPRISES WHOLLY OR PARTIALLY DIVESTED AS OF APRIL 1990

Name of Enterprise	Divestment by Joint Venture
African Textile Mills Ltd	Patel and the Government
Associated Paper Industries Ltd	UDC, Mehta and Madhvani
British American Tobacco Ltd	BAT and the Government
Cable Corporation Ltd	Mehta and the Government
East African Steel Corporation Ltd	Madhvani and the Government
Kakira Sugar Works Ltd	Madhvani
Sugar Corporation of Uganda Ltd	Mehta and the Government
Toro and Mityana Tea Company Ltd	Mitchell Cotts & Government
Ugma Engineering Corporation Ltd	Mehta and the Government
Name of Enterprise	Divestment by Repossession
Associated Match Company Ltd	Madhvani
Chillington Tool Corporation Ltd	UDC & Chillington UK Ltd
Emco Glassware	Madhvani
Emco Oil Ltd	Madhvani
Emco Soap Ltd	Madhvani
Mulbox (Uganda) Ltd	Madhvani
Mulco and Pamba Ltd	Madhvani
Mulux Ltd	Madhvani

Source: Departed Asian Property Custodian Board, 1990.

NEW POLICIES TOWARDS FOREIGN INVESTMENT

The purpose of The Investment Code Bill, 1990, is to streamline the procedure for licensing investors and to institute the granting of more favourable incentives and better protection for investors. When it becomes law, the new Act will lead to the automatic repeal of the Foreign Investments (Protection) Act of 1964 and the Foreign Investment Decree of 1977. Under the proposals in the Bill, the new Code will establish the **Uganda Investment Authority (UIA)** as a one-stop investment centre. When established, the UIA is to have wide-ranging powers. It would, *inter alia*: receive all applications of foreign investors, secure all licences, approvals and permits, assist in the identification of projects, and determine the terms and conditions applicable to each investment. Once an application is received by the UIA, a decision is to be expected within 51 days.¹¹⁾

11) 30 days after receipt of the application, the Authority will prepare a detailed report of the submission; within the next 14 days a decision will be made, and within the next seven days the applicant will be notified of the decision of the Authority.

In considering an application, the UIA will look particularly closely at the extent to which the investment will contribute to the following objectives: generating new earnings or savings of foreign exchange; utilising local materials, supplies and services; creating employment in Uganda; introducing advanced, or upgrading indigenous, technologies; and, contributing to locally or regionally balanced development.

Various incentives will be offered to foreign investors under the bill which are applicable to foreign investors either with an investment valued at US\$500,000 (ECU 409,544) or more, or, in the case of exporters, if exports amount to 25% or more of total gross earnings. Among the most important are the following:

- plant, machinery and construction material imported and not available in Uganda shall be exempt from import duties and sales tax;
- there will be a five year exemption from corporation tax, withholding tax and taxation on dividends;
- investors will qualify for a drawback of duties and sales tax on imported inputs used in producing goods for exports;
- current regulations will be liberalised to facilitate greater access to domestic credit in amounts to be determined by the Bank of Uganda in consultation with the UIA, which will be related to the original investment;
- funds will be permitted to be expatriated in relation to the following: repayment of foreign loans or interest dividend repayment to non-Ugandans, royalty or technology transfer payments, emoluments paid to foreign personnel, externalisation of profits and the disposal of assets brought into the country.

Where a dispute arises over the investment made and this cannot be not settled amicably between the parties, the Code allows for recourse in accordance with the rules of procedure under the International Centre for the Settlement of Investment Disputes, or within the framework of any bilateral or multilateral agreement or membership, such as the United States' Overseas Private Investment Corporation (OPIC) or the World Bank's newly created Multilateral Investment Guarantee Agency (MIGA).

OPPORTUNITIES FOR FOREIGN INVESTORS IN UGANDA

The Investment Code bill lists 19 broad "priority" areas for future investment. These are:

- crop processing;
- processing of fish products;
- fish processing;
- the steel industry;
- chemical industries;
- the textile and leather industry;
- the oil milling industry;
- paper production;
- the mining industry;
- the glass and plastic product industry;
- the ceramics industry;
- the manufacture of tools, implements, equipment and machinery;
- the manufacture of industrial spare parts;
- the construction and building industries;
- the meat processing industry;
- the tourist industry;
- the real estate development industry;
- the manufacture of building materials;
- the packaging industry.

However paragraph 11 in the bill forbids potential *foreign* investors from engaging in crop production, livestock production or acquiring or leasing land for the purposes of crop production. This particular section of the bill has been subject to intense debate and discussion, and it is possible that changes more favourable to foreigners wishing to invest in these areas may be made.¹²⁾

There is clear investment potential within manufacturing to produce a wide range of products which are currently imported. However in common with other African countries, Uganda will be looking increasingly at products which not only serve the domestic market but which can also be exported.

Government has opted for a more outward looking policy under which new industrial investments will continue to be welcome, from both local as well as foreign investors. Considering the vast natural resource base, investors are particularly welcome in areas which will use those resources such as:

12) Under the bill "the Minister of Planning and Economic Development on the advice of the UIA may exempt any investor from these particular restrictions".

- 1) *Agro-processing and agro-based industries, eg. foods, feeds, textiles, fruits, meat preservation and canning, leather, milk and milk products, oils etc.*
- 2) *Processing of forestry products eg. timber, paper, furniture.*
- 3) *Fish processing industries eg. preservation, canning etc.*
- 4) *Metallic and non-metallic product industries, eg. clay, sands, cement, lime, tin, iron and steel, phosphates, etc.*

In view of foreign exchange constraints, Government will particularly welcome and encourage those industries that can export their products or which will have limited demands for foreign exchange.

Additional details of some of these areas are discussed in Chapter 9 (see especially Table 9.2), where note is also made of the recent rapid expansion of a number of industrial sub-sectors including food and foodstuffs, tobacco, timber and paper and chemicals. In relation to the food sector, particular note should also be taken of the potential for the expanded production and export of tropical and semi-tropical fruits, juices and concentrates, as well as the development of the still-small horticultural industry, especially for the export of fresh fruit and flowers, particularly to Europe. Relatedly, it should be highlighted that here is currently no established canning industry in the country nor, ironically, is there any instant coffee processing plant.

There is substantial potential for new investment in the fishing industry, an area which has received support and encouragement from both the Government and a range of aid donors. The explosive increase in the stock of Nile perch in Lake Victoria suggests that the potential for fish production of 300,000 tonnes a year (compared with a 1989 catch of only 213,000 tonnes) may well be an underestimate. A range of opportunities exist, including the supply of boats with inboard and outboard motors, for exploiting deep water fish in Lakes Victoria and Edward, fish handling, preserving and processing, expansion of the manufacture of fishing nets, twines and cordage, the expansion or establishment of fish farms, including the development of freshwater shrimp and crayfish production.

In the wood-processing industry, no use is currently made of waste sawdust and wood chips, which could be converted into valuable chipboard for local use and for export. The paper industry relies wholly on imported raw materials such as paper pulp, kraft paper, fluting medium, adhesives, stapling wire and printing inks. There is an acute shortage of packaging materials. With the exception of timber, all raw materials and most finished packaging materials are currently imported, although crown caps for bottles are made in Uganda. As the output, and especially the export, of fresh produce expands, so the demand for higher quality packaging material will grow. There are also significant potential for expansion of the ceramics and leather industry.

Within the mining sector, a range of opportunities present themselves. For instance, very large deposits of iron ore are currently unexploited; in southern Uganda reserves are conservatively estimated at over 50 mn tonnes, while in eastern Uganda, some 45 mn of deposits average 62% iron and 2.6% phosphorous. Additionally, it is estimated that some six million tonnes of copper ore exist for exploitation, while pyrite concentrates stockpiled at Kilembe mine total over one million tonnes, and are capable of producing substantial amounts of cobalt. There are also significant deposits of beryl: in the 1960s, Uganda produced some 20% of total world production. The major deposits have been estimated at 90,000 short tonnes with a grading of 0.3- 0.5% BeO per tonne. Deposits of limestone, marble, phosphate rock, kaolin, glass sands and clays could also be developed as a basis for a range of industrial usages.

Oil exploration is an area that has recently received international attention. Through air magnetic and gravity surveys, it has been conclusively established that hydrocarbons exist in the Western Rift Valley region, and it has been known for some time that oil seepage occurs on Lake Mobuto-Sese-Seko (Lake Albert) to the west. What is not known is the precise extent of these deposits and in what formation they are found. No exploration is taking place at present, although the Government has recently opened up three areas for licensing. A related development is an agreement concluded in 1990 between Uganda and Zaire for the joint development of petroleum resources along their common border, covering an area over 1,000 km long, and including both Lakes Mobuto-Sese-Seko (Albert) and Edward. The agreement provides a legal framework for companies wishing to operate on both sides of the border, and, of the oil majors, Petrofina of Belgium appears most interested in pursuing the possibility of prospecting.

Finally, there is increasing interest in examining a range of possibilities related to the revival of Uganda's tourist industry - in the 1960s, the industry was growing at a rate of 20% a year and, to the early 1970s, was the third largest earner of foreign exchange: in 1971, over 85,000 visitors came to Uganda, spending over US\$20 mn. Within Kampala, the Sheraton and Nile hotels have been refurbished to international standards; they are now managed with a level of efficiency and degree of courtesy comparable to leading hotels worldwide. Refurbishment of other hotels, such as the Imperial and Fairways, is also taking place (see Chapter 11).

FOREIGN COMPANIES OPERATING IN UGANDA

It must not be thought that Uganda's history of an encroaching public sector has left the country with no foreign companies established and operating in the country. In the oil and finance sectors especially, leading international corporations are operating. **Agip** (Italy) and **Total** (France) and **Shell** (Netherlands/UK), all 50% owned by their parents compa-

nies, are responsible for two thirds of the domestic oil market, while Esso, Caltex and Upet (all 100% foreign owned) also operate in the country. In the banking sector, the following seven foreign banks offer a complete range of services: **Bank of Baroda, Barclays, Gold Trust, Grindlays, Libyan Arab Bank, Nile Bank, and Standard Chartered Bank.**¹³⁾

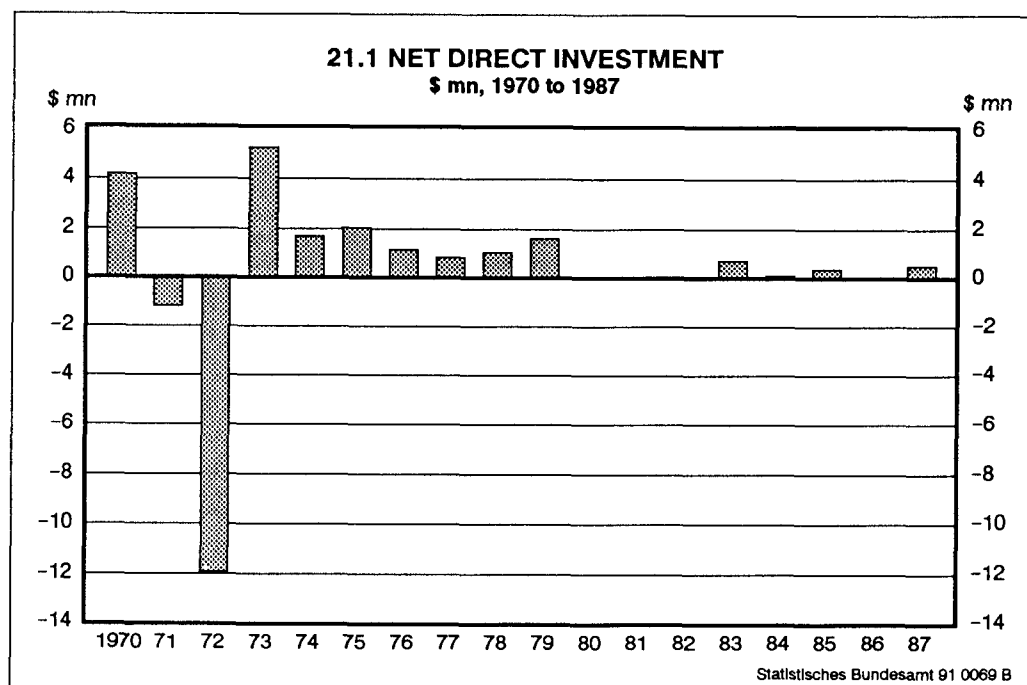
Because of its close historical association with Uganda, there are comparatively larger numbers of British firms operating in the manufacturing, agricultural, commercial, construction and trading sectors. These include **Lonrho, BAT, Mitchell Cotts, Leyland Daf, Dunlop (BTR), ICL, Wade Adams, Chillingtons, Mowlem International, GEC/Alstham, Mather and Platt, British Airways, Gailey and Roberts, Unilever and Wigglesworth and Co.** Other foreign companies include the **Four Ways Group, Sterling and Rocoh, Sheraton, Rank Xerox, Sabena World Airlines and the BATA shoe company.** Additionally, a large number of foreign companies are present in Uganda as a result of aid programmes.

Private foreign investment flows are not recorded in the balance of payments data produced by the Bank of Uganda, and there are no accurate data on the stock of private foreign investment in Uganda. Figure 21.1 gives World Bank estimates of the net flow of direct investment into Uganda since the 1970s. The accuracy of this data is completely unknown, and the figures should therefore be treated with some caution.¹⁴⁾ If, however, they bear any relation to *actual* net flows, they suggest that in the second half of the 1980s there has been a net inflow of private investment into the country - even if it has been minimal, accounting for less than ½% of total imports.

Since 1986, there has clearly been some foreign investment activity even if most of this has consisted of foreign companies present in Uganda making use of funds already in the country. Among enterprises to upgrade or rehabilitate plant and machinery or to restore production lines have been **Chillingtons, BATA, BAT, Ugandan Associated Industries (Unilever).** **Dunlop (BTR)** has brought in a small amount of new funds, as has BAT. Of greater financial significance has been the announcement that **Standard Chartered Bank** is to bring in ECU 1.4 mn (£1 mn) for a ECU 2.1 mn (£1½ mn) refurbishment of its main branch and headquarters in Kampala.

13) At the end of 1990, Standard Chartered was the only Bank operating in Uganda which was 100% foreign-owned. Other commercial banks include the Uganda Commercial Bank and the Cooperative Bank.

14) In sharp contrast, the OECD data-base records a net outflow of ECU 5.2 mn (US\$4 mn) in 1985, no recorded flows for the years 1984, 1986 and 1987, and an inflow in excess of ECU 1.7 mn (US\$2 mn) for the year 1988. (see OECD (1990) Geographical Distribution of Financial Flows to Developing Countries, Paris: OECD.)



Source: World Bank (1990) World Tables 1989-90 Edition, Washington: World Bank.

Of perhaps broader interest have been the initiatives recently brought to fruition by the Danish Industrialization Fund for Developing Countries (IFU) which exists to promote investments in developing countries in collaboration with Danish industries. These consist of two joint ventures set up with both equity and loan capital from IFU, valued at some ECU 0.8 mn (6.4 mn DKK): Victoria Pumps which manufactures handpumps, and Victoria Fresh Food, which is involved in fish processing and which was opened in July 1990. The Danish partners are Gram and Knebel.

This type of initiative, which marries the local private sector with foreign private investors through financial intermediaries is one that is currently being promoted with vigour across a number of countries in Africa, in particular by the European Investment Bank (EIB), the International Finance Corporation (IFC),¹⁵⁾ the Commonwealth Development Corpora-

15) IFC involvement in Uganda could well expand now that the Government of Uganda has secured a loan (from Equator Bank) to pay off the outstanding debt it owed to the IFC.

tion (CDC),¹⁶⁾ and the Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern (DEG). A whole range of packages has been designed, involving one or more of the following: local private investors, government participation, local or regional bank participation and the involvement of more than one foreign investor, with investment or management advice from the international agency. Within this broader framework, in Uganda the EIB has provided a ECU 2 mn line of credit to the Development Finance Corporation of Uganda in a joint funding scheme with the CDC, the IFC and the DEG. It is anticipated that these sorts of financing packages drawn up to stimulate and encourage private investment in Uganda will be expanded during the course of the 1990s.

16) In October 1990, the British Government announced that the CDC was raising the total amount of its investments in Uganda from ECU 28 mn (£20 mn) to ECU 70 mn (£50 mn). CDC's most substantial investments in Uganda are in the power sector.

22 FOREIGN AID

Foreign aid not only plays a major role in the Ugandan economy, but by the end of the 1980s aid to Uganda had expanded to the extent that the country had become the tenth largest recipient of official aid in sub-Saharan Africa (SSA). At the end of 1990, latest aggregate data (for 1988) show that net official aid receipts amounted to ECU 19 (US\$22) per head, accounting for nearly 60% of total imports and equivalent to nearly 10% of Gross Domestic Product (GDP).

Mention has already been made of possible inaccuracies in some Ugandan statistical series. While discrepancies exist between aid figures supplied by different sources. The three principle sources of aid data for Uganda are the Organisation for Economic Co-operation and Development (OECD), the United Nations Development Programme (UNDP) and the Ministry of Planning and Economic Development (MPED). Table 22.1 records total official aid flows from each of these sources for recent years, and, although the time periods are not identical, differences between the MPED and the other sources are clearly substantial.¹⁾ Averaging out the MPED figures for 1988, suggest aid flows **over 40% higher** than the OECD figures.

**22.1 OFFICIAL AID DISBURSEMENTS AS RECORDED BY DIFFERENT SOURCES,
1986 TO 1990
ECU MN**

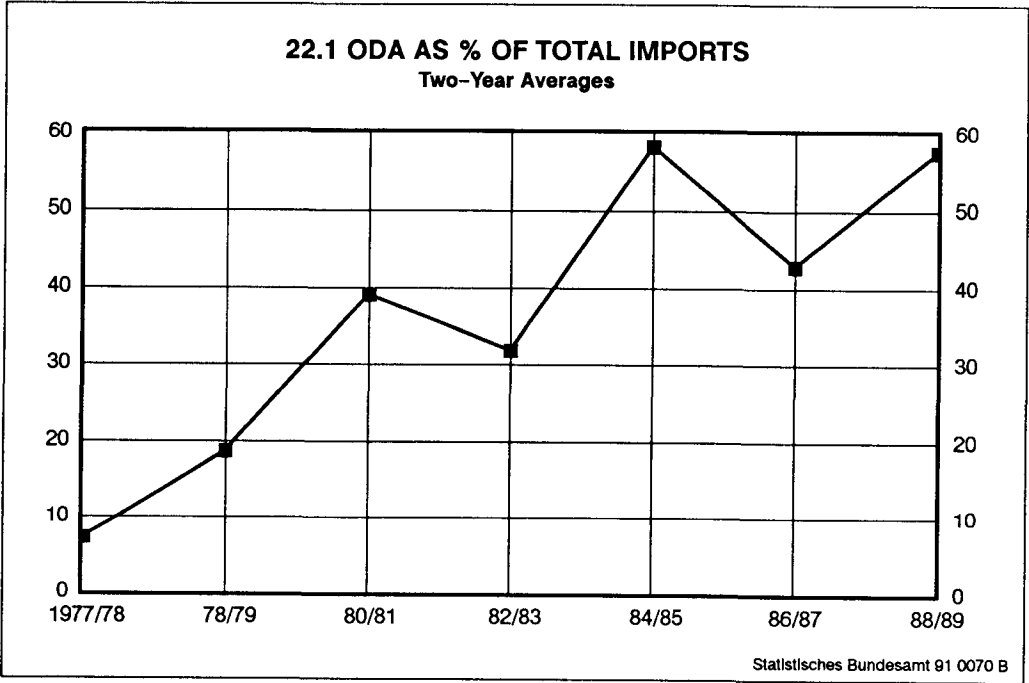
Year	OECD & EC ¹⁾	UNDP	MPED
1986	200.8	179.2	
1987	243.1	248.5	
1987/88			446.9
1988	309.1	349.4	
1988/89			451.6
1989/90			459.8

1) OECD data were used for all official aid except for Community aid where the (higher) Commission figures were used.

Source: OECD, September 1990; European Commission (1990) Uganda Annual Report, 1989; UNDP (1989) Development Cooperation Uganda, 1988 Report, and MPED data-base, October 1990.

1) The 1988 UNDP Development Cooperation Report notes the differences between its own figures and those reproduced by the World Bank - which are derived from the OECD. However it believes the two sets of figures are consistent, while drawing attention to the poor quality of the data.

There would appear to be two main reason for these differences. The first lies in the fact that the OECD data exclude most official aid provided by sources other than OECD Development Assistance Committee (DAC) members, Members of the Council for Mutual Economic Assistance (CMEA)²⁾ and multilateral Arab sources. MPED data record official aid disbursements from the following donors, which are entirely absent from the OECD data-base: China, Cuba, India, Libya, Pakistan and Yugoslavia. Bilateral aid from these sources was valued at over ECU 145 mn (US\$169 mn) in the period from 1987/88 to 1989/90. Secondly, however, the higher figures originating from the MPED may in part be attributable to the fact that they allow for no distinction between the different terms of the aid provided: some would not qualify as "official development assistance" under DAC definitions. As annual MPED data are only recorded from 1987 onwards, the time series aid trends discussed in this chapter will be based almost entirely on OECD and EC sources.

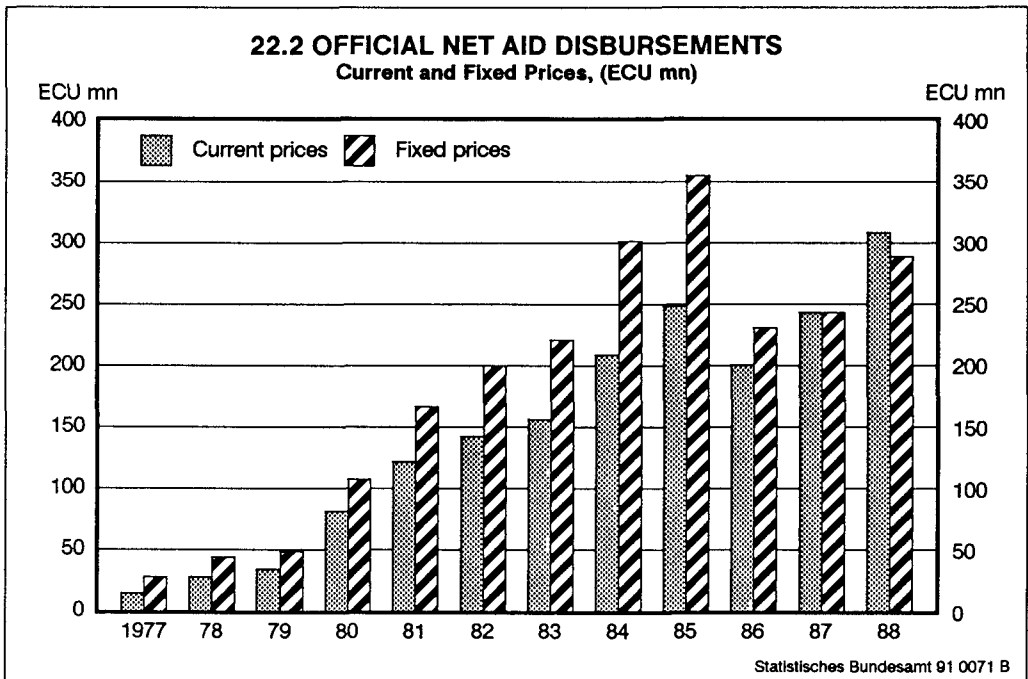


Source: OECD data-base, September 1990; MPED (1990) Background to the Budget, 1990-1991; World Bank (1990) World Tables 1989-90 Edition, Washington: The World Bank.

2) This grouping refers to the Soviet Union and what was until recently referred to as "Eastern Europe".

Figure 22.1 records trends in the ratio of official aid to total imports from the end of the 1970s to the end of the 1980s. It reveals the dramatic rise in aid dependence over the decade, with the aid to imports ratio rising from under 10% to almost 60%. There has been a similar steady rise in the ratio of official aid to GDP over the same period. This increased from about 1.5% at the start of the 1980s to almost 10% by the end of the decade.

Figure 22.2 shows the absolute rise in net aid disbursements from 1977 to 1988 in both fixed and current price terms. It reveals a clear and rapid rise in aid flows to Uganda especially since the end of the 1970s when the period of Idi Amin's presidency came to a close. Trends in real aid flows (1987 prices) show a drop in official aid disbursements in the periods 1986 and 1987, but, by 1988, the pattern of rising real aid disbursements recorded in the period 1980 to 1985 was again resumed.



Source: OECD data-base, September 1990; EC data-base, September 1990.

Table 22.2 shows the distribution of multilateral and OECD-sourced aid for the year 1988. In that year, aid was divided evenly between multilateral and bilateral sources. European Community (EC) aid, through the European Development Fund (EDF), together with bilateral aid from the member states of the Community, amounted to 43% of all official aid from these sources. What is more, trend data show that the share of official aid originating

from the EC has been rising in recent years - in the mid-1980s, it accounted for only 30% of all official aid from these sources.

**22.2 OFFICIAL DEVELOPMENT ASSISTANCE (ODA),
DISBURSEMENTS BY MAJOR DONOR 1988*)
ECU MN**

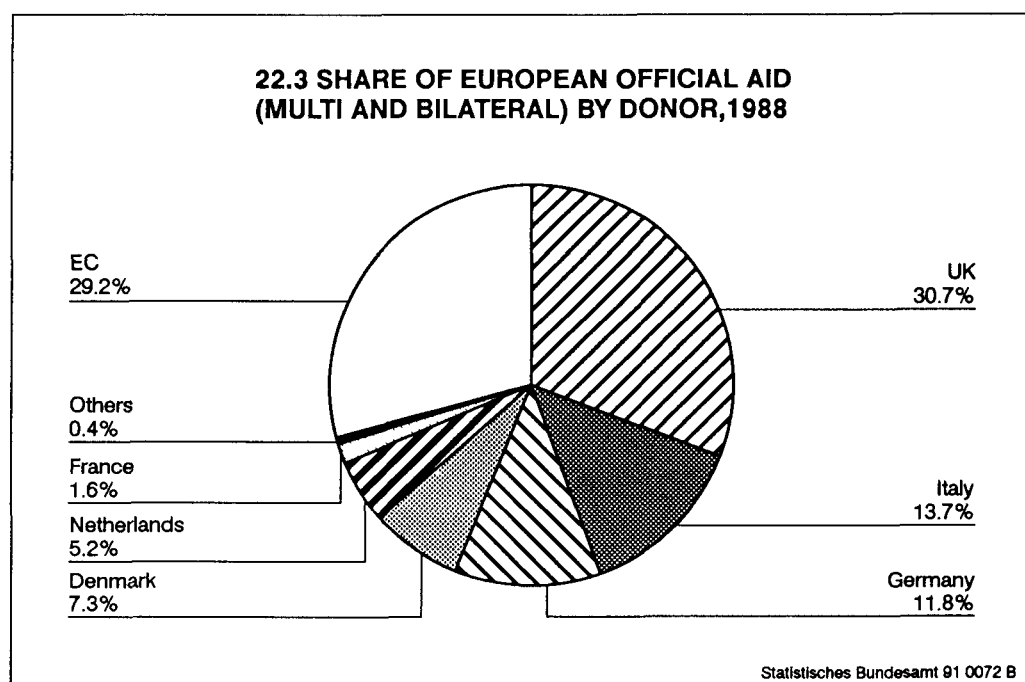
Donor	Net ODA disbursements	% of total
EC multilateral ¹⁾ (EDF ²⁾)	42.2	12.7
EC bilateral	100.2	30.2
Belgium	0.5	0.2
Denmark	10.5	3.2
Germany	17.0	5.1
France	2.4	0.7
Ireland	0.2	0.1
Italy	19.8	6.0
Netherlands	5.7	1.7
United Kingdom	44.3	13.3
EC total	142.5	42.9
Others multilateral	123.6	37.2
IDA	60.8	18.3
African Development Fund ...	17.3	5.2
UNDP	11.5	3.5
Other multilaterals	34.0	10.2
Others bilateral	65.9	19.8
Austria	7.0	2.1
Canada	10.5	3.2
Finland	6.9	2.1
Japan	8.6	2.6
Norway	3.2	1.0
Sweden	5.7	1.7
Switzerland	8.2	2.5
United States	15.4	4.6
Other bilaterals	0.4	0.1
Others total	189.5	57.0
TOTAL ODA	331.9	100.0

*) Data converted from US\$.

1) In the case of Community aid, EC sources were used, giving higher aid disbursements figures than the OECD data for EC aid. - 2) The European Development Fund.

Source: OECD data-base, September, 1990 and EC Data-base, October 1990.

Figure 22.3 shows the origin of aid from the European Community by source. It can be seen, that the EC multilateral aid programmes are responsible for 29.2% of the total European effort and that the principal bilateral programmes of Denmark accounted for 7.3%, Germany for 11.8%, France for 1.6%, Italy for 13.7%, the Netherlands for 5.2% and the United Kingdom for 30.7%. It should be noted, however, that these figures provide only a "snap shot" of donor commitment to Uganda: there have been significant variations in flows by different donors prior to this date and similar variations have occurred and will continue to occur post-1988.



Source: As for Table 22.2.

OVERVIEW OF THE AID PROGRAMME

The UNDP Development Cooperation Report for Uganda provides a breakdown of official development assistance (ODA) by broad category. In 1988, 35% of all ODA went to capital assistance projects, with only slightly less (34%) allocated to programme aid and structural adjustment support. Technical assistance comprised a quarter of all assistance, with humanitarian aid and refugee assistance taking the final five percent. It should be noted, however, that there have been substantial variations in these shares in recent years,

the most notable change being the rapid raise in structural adjustment support: in 1987, this accounted for only 20% of total ODA.

Table 22.3 shows the breakdown of the major types of aid - capital assistance, structural adjustment support and technical assistance - by economic and social category. Technical assistance programmes are concentrated in the health, agricultural, education and general development sectors. Major general development projects include World Bank training programmes, plus support equipment, and UNDP assistance to the Ministry of Planning and Economic Development. The health sector in Uganda is dominated by official aid agencies, NGOs and the churches. Projects cover many areas including essential drug management, primary health care, immunisation and AIDS programmes (see Chapter 4). In agriculture, major projects include coffee, tea and seed industry rehabilitation, while 20% of committed funds consist of three large USAID rehabilitation projects, one for the West Nile region, the others for production enterprises. Education sector technical assistance also covers a wide range of projects from technical and vocational training to teacher training programmes.

22.3 ODA DISBURSEMENTS 1988 BY MAIN AID TYPE ECU MN AND PERCENTAGES

Sector	Capital Assistance & Programme aid		Technical Assistance	
	Amount	%	Amount	%
Political affairs	0.1	.	0.7	0.8
General development	103.8	43.0	10.6	11.6
Natural Resources	11.5	4.8	7.3	8.0
Agriculture/fisheries	42.8	17.7	18.8	20.6
Industry	37.4	18.5	0.6	0.7
Transport/communications ..	27.1	11.2	7.9	8.6
Trade/ development finance	.	.	.	.
Population .....	.	.	1.9	2.2
Human settlements .....	.	.	5.4	6.0
Health	4.7	1.9	18.3	20.0
Education	2.3	1.0	12.5	13.7
Employment .....	.	.	2.4	2.6
Humanitarian/relief	11.7	4.9	4.2	4.7
Social conditions .....	.	.	0.3	0.3
Culture .....	.	.	.	.
Science/technology .....	.	.	0.2	0.2
Total	241.3	100.0	91.2	100.0

Source: UNDP (1990) Development Cooperation Uganda, 1988 Report, Kampala: United Nations Development Programme.

The International Monetary Fund and the World Bank are the two largest contributors to structural adjustment lending, supplemented by funds from Germany, Japan, Norway, Saudi Arabia and USAID. In the agricultural sector, the World Bank alone has committed over ECU 85 mn (US\$100 mn) for forestry and sugar rehabilitation and an agricultural credit programme. Aid for industry consists mostly of funds for rehabilitation, especially of the textiles, sugar, steel and food and beverages sub-sectors, and commodity import programmes for the purchase of inputs and spares. In the transport and telecommunications sector almost 50% of funds committed are for three World Bank telecommunications and road projects (see Chapter 10).

THE AID PROGRAMME OF THE EUROPEAN COMMUNITY

The centre-piece of the Community's aid programme is contained in the Lomé Convention. A major part of the Convention relates to the provision of financial assistance provided by the Community. For the duration of the Third Convention (1985 to 1990), the Community provided a total of ECU 8.5 bn to the ACP states. This was divided up as follows: ECU 7.4 bn (88%) for the European Development Fund (EDF)³⁾ and the remaining ECU 1.1 bn made up from the Community's own resources to be utilised in the form of approved loans, channelled through the European Investment Bank (EIB) in Luxembourg. In 1987, in a unique initiative following the Venice summit of Industrialised Nations in 1987, the EC launched a special programme, valued at ECU 600 mn, to assist debt distressed countries of the ACP.

The current Convention, Lomé IV, is different from the previous ones as it is set to run for a ten rather than a five year period - from 1990 to the year 2000. However, aid funds, to be disbursed under the 7th EDF, are allocated for the first five years, to 1995. A new development fund will be established for the second half of the 1990s. For the first half of the Convention, Lomé IV has a budget of ECU 12 bn, applicable for the years 1990-95, an increase of 40% on Lomé III. Of this amount, ECU 10.8 bn (90% of total funds), comprise the 7th EDF which is made up of grants. The remaining 10% originates in European Investment Bank funds to be allocated in the form of loan and risk capital.

As with other Conventions, most of the 7th EDF is to be divided up into a **programme** part, used for traditional/conventional aid projects and a **non-programmable** part, used for special funds, emergencies and other facilities not allocated in advance for any particular state. For Lomé IV, the EDF money has been allocated as follows: ECU 8 bn (74%) in the

3) There is a separate EDF for each Convention. Lomé I aid was held in EDF 4, Lomé II aid in EDF 5 and Lomé III aid in EDF 6.

form of grants,⁴⁾ ECU 825 mn (8%) in the form of special loans and risk capital, ECU 1.5 bn (14%) in the form of transfers for the stabilisation of export earnings (STABEX), ECU 480 mn (4.4%) in the form of a special financing facility under the SYSMIN scheme set up to assist ACP countries dependent on their mining sectors, and, finally, ECU 1.25 bn for Regional Cooperation. Within the compass of total grant funds, Lomé IV has added a new mechanism, with special funding of ECU 1.15 bn (10.6%), to operate as a form of rapid economic assistance targeted at structural adjustment support.

In allocating financial assistance to each ACP state, the first step after the Convention has been signed is to divide up the total programmable part into portions for each state and various regional groupings. Then the EC and each ACP state negotiate a **National Indicative Programme (NIP)** that sets the framework within which the assistance will be drawn down. After the NIP has been agreed, work can commence on identifying the specific projects which the money will finance. When each project is approved, an allocation of aid is **committed** to it and, as it is implemented and bills submitted, this allocation is **disbursed**.

A sum of ECU 160 mn of programmable resources has been allocated to Uganda for Lomé IV. This is made up of ECU 145 mn in the form of grants, with a further ECU 15 mn being the minimum allocation of risk capital managed by the EIB. In addition, Uganda will be eligible for assistance under Article 246 of the Convention relating to support for structural adjustment programmes, while it is anticipated that, as under previous Conventions, additional resources from regional co-operation funds and other funds will also be channelled to Uganda. The thrust of Lomé IV funding is likely to be largely a continuation of that provided under Lomé III, whose objectives were to diversify and increase rural production and improve social conditions through rehabilitation of social and economic infrastructure, provision of technical assistance and the supply of inputs.

Table 22.4 summarises the *allocation* and *commitment* of aid funds from the Community during the 1980s and for the first half of the 1990s, revealing the steady rise in allocations. As for aid *disbursements*, for the whole period 1976 to 1989, these have totalled over ECU 260 mn. The rate of annual disbursements quickened markedly during the second half of the 1980s, rising from an average of ECU 22 mn up to the year 1986, to an annual rate of ECU 35 mn thereafter.

The main objective of the EC aid programme in Uganda has been and continues to be the provision of assistance to support the Government in furthering its economic recovery and rehabilitation programmes. This can be illustrated by looking at some of the main projects currently being undertaken in the context of the NIP.

4) This includes ECU 350 mn for emergency and refugee assistance and ECU 210 mn for interest rate subsidies.

22.4 ALLOCATION OF EC FUNDS TO UGANDA, 1980 TO 1995
UNDER NATIONAL PROJECTS AND PROGRAMMES
 ECU MN.

	<i>Allocated</i>	<i>Committed¹⁾</i>
<u>EDF 5 (Lomé II) 1980-85</u>		
National Indicative Programme	87.3	74.9
Regional Projects	13.6	10.7
Emergency aid & Refugees	5.2	5.2
<u>EDF 6 (Lomé III) 1986-90</u>		
National Indicative Programme	112.0	70.0
Regional Projects	26.1	17.2
Emergency aid & Refugees	8.2	8.0
Special Debt Programme	15.0	15.0
<u>EDF 7 (Lomé IV) 1991-95</u>		
National Indicative Programme	160.0	na ^{a)}
Regional Projects	na	na
Structural Adjustment Assistance	17.0 ^{b)}	na
<u>European Investment Bank (EIB)²⁾</u>		
Lomé II	10.0	10.0
Lomé III	13.0	2.0 ^{c)}
Lomé IV	15.0	na
<u>EC Budget (1986-90)</u>		
Food Aid		34.0
NGOs		3.3

1) As of the end of August, 1990. - 2) This is the minimum guaranteed amount of risk capital allocated under the Lomé Convention.

a) na - not allocated. It is too early for these figures to be known yet. - b) This is a first instalment only. - c) As of August 1990, the full amount was about to be committed with a project to erect electricity transmission lines in the west of the country.

Source: Delegation of the Commission of the European Communities (1990), Uganda, Annual Report 1989, Kampala, EC Delegation.

The ECU 112 mn allocated to the NIP under the 6th EDF covers well over 25 different projects, the bulk of which are in the areas of agricultural and rural development, but they also include economic and social infrastructural projects. Other major projects have included technical cooperation, assistance and training with the University at Makerere, and the upgrading and expansion of Kampala's water supply.

Within the agricultural sector, a major Commission project is in the field of tea. The project, for which a total of ECU 8.2 mn has been allocated,⁵⁾ is part of a planned comprehensive rehabilitation programme for the entire Ugandan tea sector, targeted at smallholders. It is anticipated that some 9,000 smallholders will be assisted, raising their green leaf tea production from 6 mn kg to over 21 mn kg. This production increase is expected to lead to a rise in tea export earnings of some ECU 3 mn, thereby assisting Uganda diversify its export base away from its current almost exclusive dependence upon coffee. Community assistance is concentrated on the supply of farming inputs, and on the improved efficiency of tea collection facilities and extension services. An important element of the project consists in up-grading some of the feeder roads to improve the marketing of tea. By the end of 1989, over 2,500 hectares of tea-gardens had been rehabilitated.

Within the context of the Commission's desire to put emphasis on environmental problems, a series of projects have been and are being undertaken to support the Government's efforts to conserve the country's natural resources. The first, under the 4th EDF, aimed at the restoration of ecological planning and research activities, and the rehabilitation of basic infrastructure in the main national parks. This project, which began in 1985, was the only major donor involvement in the national parks of the country. It has been followed by a successor project which is to provide material and technical support necessary for the implementation of the management plan for the national parks drawn up in the previous project, with emphasis placed on planned community development together with a comprehensive programme of conservation education. The project covers the four gazetted major national parks - Queen Elizabeth, Murchison Falls, Lake Mburu and Kidepo Valley - and it is hoped that it can play a major role in re-establishing the country as a major tourist attraction. The project also aims to improve the management of game reserves bordering the national parks. The total cost of the project is estimated at ECU 3.2 mn, of which ECU 2.9 mn is to come from the NIP. The remainder of the funding is to come from the Commission's Regional Fund.

The Community's regional programme also plays a major role in promoting the wider aspects of Uganda's recovery and rehabilitation efforts. Some of these projects are substantial, such as the ECU 50 mn Pan African Rinderpest Campaign, aimed at ridding the re-

5) The total cost of the project was estimated at commencement (1988) at ECU 10.3 mn, of which the Government of Uganda contribution was estimated at ECU 2.1 mn.

gion of rinderpest, through research, monitoring, vaccination and the establishment of a vaccine bank. Uganda is to receive some ECU 2 mn of these funds directly. Another important regional project is the AIDS Control Programme which forms part of the EC AIDS Control Programme announced by the Commission's Vice-President Natali in 1987 (see Chapter 4). Within Uganda, a major part of this project consists of the physical renovation of the Nakasero blood-bank unit and the procurement of blood-bank equipment. Important transport initiatives include the Northern Corridor Road Project, which is both a regional and an NIP project, estimated to cost some ECU 50 mn. Another regional transport initiative, the "blocktrains" project costing ECU 28 mn, aims to contribute to an improvement in transit goods traffic within the Central Corridor by providing rolling stock to the Tanzania Railways Corporation to allow it to compose and run six blocktrains for land-locked Zaire, Burundi and Rwanda as well as Uganda. The project will be of major significance to Uganda as it will ensure a non-stop dedicated service between the port of Dar es Salaam and Mwanza/Kampala as well as to Kigoma and Isaka.

Under the Lomé Convention, EDF funds channelled through the EIB have assisted Uganda principally through interest subsidies. Funds have been channelled to the East African Development Bank, the Ugandan Development Bank and to the Development Finance Corporation of Uganda, the latter being part of a wider credit line funded jointly by the International Finance Corporation, the Commonwealth Development Corporation and the German Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern (DEG). A major purpose of EIB funds has been to help promote productive investment by small and medium-sized businesses. This will continue to be a priority under Lomé IV, together with assistance for electricity supply rehabilitation and telecommunications.

A particular feature of the NIP in Uganda has been the funding and promotion of micro-projects among indigenous groups mostly in rural Uganda. Total funding for these projects have exceeded ECU 4 mn and many thousands of applications for funding have been received. Three separate programmes have been promoted by the EC, the first starting in 1986, the most recent in 1990. Many projects supported could be broadly classified as "income-generating".

Outside the Lomé Convention, there have been a range of projects funded from Brussels to co-finance the work of European-based NGOs involved in development in Uganda. In 1989, for instance, over 15 projects were funded with over ECU 1.7 mn of Community funds, covering primary health, housing, family planning, water supply interventions. Among the NGOs assisted were the following: Belgium (ACT); Denmark (Dan-Church AID); Germany (EZE); France (AICF); Ireland (Trocaire); Italy (AVSI), Netherlands (Cebemo) and United Kingdom (British Red Cross and Water Aid).

Finally, given the history of civil strife in both Uganda and among some adjacent countries, it is not surprising that a portion of Community aid to the country has consisted of emergency and food aid, including aid to refugees. Funding has included provision, delivery and distribution of food, emergency medical programmes, supply of farm implements and household goods to refugees. In 1990, Community assistance included help in the unsettled Kumi district and the distribution of hoes and seeds to displaced people in Soroti and Gulu. In many cases, Community funds are channelled to other agencies operating on the ground in the areas involved, such as the United Nations High Commission for Refugees (UNHCR) and some of the larger NGOs, such as MCF (France), OXFAM (UK), SCF (UK) and Lutheran World Federation.

As well as assisting with the rehabilitation and development of Uganda, sizeable portions of EC aid are open for tenders for a range of contracts to all businesses, particularly (but not exclusively) to those in the member states of the Community. These include the supply of products, engineering and works contracts, technical assistance and a range of consultancies.

One growing area of interest in Uganda relates to aid interventions known, variously, as *balance of payments, import support or commodity aid programmes (CIPs)*. These are usually agreements between donors and the Government of Uganda to supply a range of products to importers, most commonly tied to purchase in the country of donor origin. CIPs have covered a range of products from machinery and transport equipment to raw materials and spare parts. They have been utilised by private sector importers, although some products have been imported by government or para-statal, and are likely to be of increasing importance if Uganda's coffee export receipts continue to be constrained. In 1988, some ECU 17.2 mn of Lomé III funds were utilised for a balance of payments support programme, and a further ECU 2.2 mn was added to this programme in September 1989. The purpose of this particular programme was to give a timely and rapid boost to the availability of raw materials for the industrial sector, and to provide much-needed inputs into the transport service sector⁶). The allocation of funds for the imports received under this programme were as follows: 50% for raw materials, 49% for transport sector supplies, and the remainder for monitoring and evaluation. Similar import support programmes have also been contracted with most major bilateral agencies.

6) The programme generates "counterpart" funds which have been utilised to finance the local currency components of EDF-funded projects.

EUROPEAN BILATERAL AID PROGRAMMES AND EUROPEAN BUSINESS INVOLVEMENT

As shown in Table 22.2, the bilateral aid programmes of the member states of the EC play a major part in the overall aid effort of the Western and multilateral donor community, accounting for 30% of all such official aid, and 60% of all bilateral aid. This section of the chapter not only looks at some of the main features of these bilateral programmes, but highlights the widespread involvement in the country of European companies, exporters, engineers and consultancy firms whose business in Uganda flows directly from bilateral aid contracts.

As Uganda's aid programme constitutes about 60% of the country's total import bill, and as aid levels are set to continue to expand well into the 1990s, aid contracts will continue to form perhaps a major point of entry of European companies into the Ugandan economy for the foreseeable future. Furthermore, one consequence of the creation of the *single market in Europe* in 1992 is an expected general loosening of the ties between bilateral aid and national procurement of goods and services. The implication is that EC member states' bilateral aid programmes will be increasingly open to Community-wide tendering procedures and a wider system of competitive bidding. In effect this will eventually bring procedures in line with those currently applicable to contracts for the EC's own European Development Fund (EDF) projects, and, in so doing, greatly expand the potential opportunities for a range of European companies wishing to do business with Uganda. What is more, if the current expansive trends in the level of bilateral aid are maintained, the impact on Uganda could be quite significant. Aggregate OECD figures suggest that around 70% of bilateral aid is tied to individual EC donor countries, while detailed aid tying studies of the major western donors show that most tied aid products tends to be transferred above competitive world prices. Thus the broadening of tendering procedures could result in substantial foreign exchange savings to Uganda.⁷⁾

The **Danish** programme is set to expand substantially into the 1990s. Having averaged less than ECU 5 mn (US\$5 mn) a year in the period 1985 to 1988, Denmark has pledged to provide a total of ECU 139 mn (US\$170 mn) over the five years from 1990 to 1994, not including technical assistance. The figures in ECU (DKK) are as follows: 1990, 23.0 mn (180

7) Those European countries reporting on the issue to the OECD, acknowledged in 1989 that some 57% of their aid was tied or partially tied to imports from their own country, while analysis of price differences suggests that tied aid goods are on average 20-25% higher than lowest cost competitive market prices. Simple arithmetic would suggest that on the basis of 1988 bilateral ODA flows from EC countries to SSA, overall purchases of tied goods could be "costing" SSA in excess of US\$730 mn (ECU 617.3 mn) over the lowest competitive price.

mn); 1991, 25.5 mn (200 mn); 1992, 28.1 mn (220 mn); 1993, 30.6 mn (240 mn), and 1994, 33.2 mn (260 mn). This expanded commitment arises because Uganda has now become a so-called "programme country". Major Danish bilateral involvement has included the rehabilitation of the Port Bell railway and ferry terminal, aid to develop the dairy industry, managing the Uganda Essential Drugs Programme and grain storage (silo) construction. Additionally, Denmark has been supplying significant quantities of steel (over 5,000 tons) for the production of hoes through its balance of payments support programme. Besides ongoing work in these areas, future projects will include water development in rural growth centres, and the expansion of rural telecommunications, as well as support to the judiciary, and the arrival of the Danish Volunteer programme in 1991.

Total **German** bilateral aid pledges have totalled some ECU 20 mn (40 mn D Marks) since 1987 and were set to remain at this level at least until the end of 1990. Three quarters of this aid is in the form of financial cooperation, the main projects being the rehabilitation of Ugandan railway locomotives and the construction of the South-Western electrical transmission line. Major German technical cooperation projects include veterinary services at the Animal Health Research Centre, advisory services for a range of feeder roads, primary health care in western Uganda, and vocational training at Jinja.

As of 1989, **French** bilateral aid commitments totalled ECU 9.9 mn (69.5 mn French francs). The largest French projects are the rehabilitation of Kampala-Kasese telecommunications system, most notably the supply of an 80 ton crane, the supply of water pumps, pipes and purifiers, as well as technical assistance for the Bushenyi/Katwe/Kabatoro and Reikai water systems, the provision of hospital supplies for Mulago hospital and mineral surveys particularly in relation to gold and cobalt.

The **Italian** aid programme has grown substantially during the course of the 1980s, with net disbursements rising from a mere ECU 1 mn (US\$1 mn) in 1982 to over ECU 30 mn (US\$30 mn) by the year 1986. By June 1990, the MPED recorded no less than 60 separate bilateral Italian projects. These ranged from the supply of trucks, of tractors and general agricultural equipment. The areas of major Italian involvement have included the railways (ECU 53 mn (US\$65 mn) and half the total costs of the Kampala-Kasese railway line rehabilitation), a ECU 10 mn (US\$12 mn) loan to help rehabilitate the East African Steel corporation, primary health care and hospitals (over ECU 11 mn (US\$13 mn) for Mulago hospital), Kakira sugar rehabilitation project (ECU 20 mn (US\$25 mn)) and a range of projects related to fishing and boat-building.

In the rising **Spanish** bilateral programme, the largest individual project, signed in the first half of 1990, was a ECU 33 mn (US\$40 mn) soft loan facility to run for an initial two year period. This followed a ECU 4.5 mn (US\$5.5 mn) loan investment project to purchase 110 railway wagons.

Present levels of **United Kingdom** aid are expected to continue into the 1990s. The two largest categories of British aid to Uganda consist of capital aid projects and programme aid. The largest British capital aid project is the Owen Falls Dam and Power Station project, which is part of a multi-million dollar complex. Part of the British assistance includes a credit package arranged by the British Commonwealth Development Corporation (CDC), and the World Bank. Other British projects include the rehabilitation of buildings, the supply of equipment to the Nytil textiles factory and the supply of road sealing equipment.

Technical assistance comprises almost 30% of British aid, and, in 1989, included the funding of over 500 British personnel overseas and some ECU 6 mn (£4 mn) for the training of Ugandans in Britain. Official British aid has also been gone into a range of relief efforts, often channelled through NGOs such as OXFAM, ACCORD, World vision and SCF. Finally, increasing amounts of British official aid have gone into supporting the project work of mostly British NGOs working in a broad spread of development projects in the country. Those benefitting have included ActionAid, CAFOD, Christian Aid, ACCORD and OXFAM.

Much of the **Netherlands** bilateral programme has gone in contributions to the different IDA programmes. However other projects have also included small grants for schools, water supply and health care. Similar sectoral projects have been part of the smaller **Belgium** programme. **Ireland** has provided three telephone exchanges to Uganda in recent years.

This provides only a selection of the range of projects funded and supported by the bilateral aid programmes of the member states of the EC.

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15 years of civil war and economic mismanagement had brought Uganda, the former 'pearl of Africa', to the brink of social and economic ruin by the mid-1980s, dashing any hopes of long-term economic growth in the post-independence period. The turning-point came when Museveni's government seized power at the start of 1986. May 1987 saw the announcement of a pioneering three-year Rehabilitation and Development Plan (RDP 1987/88 - 1990/91), which aimed to quickly clear up the damage caused by the civil war and to reconstruct the economy; and thanks to the granting of generous international financial assistance it had been possible since 1987 to secure consistently high economic growth rates and a gradual improvement in the living conditions of large sections of the population. However, the very considerable efforts on the part of the Museveni government and the international lending institutions were not able to prevent output in the Ugandan economy at the end of the 1980s remaining below even that of the late 1960s.

There are promising signs that the present phase of economic consolidation in the 1990s can lead to a sustained upturn in the economy: there is the determined policy of re-privatizing nationalized companies; the fight against inflation has seen a successful start; export conditions have improved; a new law on investment has been announced, offering a wide range of incentives; and there is a whole series of pledges of international credit and development assistance.

The sectors of the economy which have the potential for profitable economic growth are export-based agriculture, the extractive industries drawing on rich mineral resources, the processing industries and tourism. Investment in these sectors is urgently required in order to broaden the state income base and open up new sources of foreign currency.

This 1991 Uganda country profile focuses on these and similar problems. In addition, it aims to use up-to-date statistics and background material to provide in-depth information on the social and economic conditions in this country of Eastern Africa.

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15 years of civil war and economic mismanagement had brought Uganda, the former 'pearl of Africa', to the brink of social and economic ruin by the mid-1980s, dashing any hopes of long-term economic growth in the post-independence period. The turning-point came when Museveni's government seized power at the start of 1986. May 1987 saw the announcement of a pioneering three-year Rehabilitation and Development Plan (RDP 1987/88 - 1990/91), which aimed to quickly clear up the damage caused by the civil war and to reconstruct the economy; and thanks to the granting of generous international financial assistance it had been possible since 1987 to secure consistently high economic growth rates and a gradual improvement in the living conditions of large sections of the population. However, the very considerable efforts on the part of the Museveni government and the international lending institutions were not able to prevent output in the Ugandan economy at the end of the 1980s remaining below even that of the late 1960s.

There are promising signs that the present phase of economic consolidation in the 1990s can lead to a sustained upturn in the economy: there is the determined policy of re-privatizing nationalized companies; the fight against inflation has seen a successful start; export conditions have improved; a new law on investment has been announced, offering a wide range of incentives; and there is a whole series of pledges of international credit and development assistance.

The sectors of the economy which have the potential for profitable economic growth are export-based agriculture, the extractive industries drawing on rich mineral resources, the processing industries and tourism. Investment in these sectors is urgently required in order to broaden the state income base and open up new sources of foreign currency.

This 1991 Uganda country profile focuses on these and similar problems. In addition, it aims to use up-to-date statistics and background material to provide in-depth information on the social and economic conditions in this country of Eastern Africa.

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