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Vol. 1

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

CURRENT ECONOMIC POSITION AND PROSPECTS OF UGANDA

(in two volumes)

VOLUME I

June 9, 1969

Eastern Africa Department

EQUIVALENTS

Currency

1 Uganda Shilling	=	U.S. $0.14
U.S. $1	=	U Sh 7.14
£ St. 1	=	U Sh 17.1375

Weight

Unless otherwise stated, tons in this report refer to long tons of 2240 lbs.

THE MISSION

This report is based on the findings of a mission which visited Uganda during November-December 1968. The mission consisted of the following:

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UGANDA

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UGANDA

BASIC DATA

Area: 91,076 sq. miles (land area 74,712 sq. miles)

Population (1968): 8.13 million

Rate of growth: 2.7% p.a.
Population density (per sq. mile of land area): 109

Political status: Independent since October 9, 1962
Member of Commonwealth

Gross National Product (1967): Sh 6,350 million ($890 million)1/

GNP per capita (1967): Sh 800 ($112)

Gross Domestic Product at current factor cost (1967): Sh 6,079 million ($850 million)

Of which
Monetary Product: Sh 4,539 million
Non-monetary product: Sh 1,540 million

Annual rate of growth (Constant 1964 prices):	1967	1962-67
Total GDP	2.6	4.6
Monetary	2.5	4.8

Percent of total GDP (1967)	100	
Agriculture, including crop processing	58	
Industry	11	
Transport and commerce	17	
Other sectors	14	

Percent of Monetary GNP at market prices:	1967	1962-67
Gross fixed capital formation	16.6	14.1
Gross national savings	15.2	15.2
Balance of payments current account	-1.4	1.1
Net factor income payments	2.8	2.4
Government current revenue (fiscal years)	20.2	20.3

1/ Uganda's national income accounts are currently being revised; Sh 6,350 million is the mission's estimate of the probable revised figure.

Basic Data (Continued)

Money and credit

Relationship to large monetary or customs area: Member of East African Community and the Sterling area. Since July 1968 associated with the European Economic Community.

	June 30, 1968 Sh million	Rate of Change p.a. 1962-1967
Bank notes in circulation	335	.
Commercial bank deposits	820	+16%
Demand	443	+10%
Time and Saving	377	+26%
Commercial bank credits	756	+12%
Cost of living index		+ 3.2%

Public sector operations	1967/68 (Sh million)	Rate of Change p.a. 1962/63-1967/68
Central Government:		
Current revenue	973	+11.7%
Current expenditure	870	+ 9.5%
Current surplus	103	.
Capital expenditure	273	+26.0%

External public debt (US$ million)	December 31 1968	Average 1962-67
Total debt outstanding	215.5	175.9
Uganda debt	148.6	108.4
One-third of EACSO debt 1/	66.9	67.5
	1968	
Total annual debt service	18.9	9.9
Uganda debt	8.1	5.4
One-third of EACSO debt	10.8	4.5
Debt service ratio, percent	7.7	4.9

Balance of payments (Sh million)	1968	Rate of Change p.a. 1962-67
Merchandise exports	1,487	+10.6
Merchandise imports	1,315	+11.8
Net invisibles	181	.
Of which net factor income payments	-119	.
Balance on current account	-9	.

	1968	Average 1962-67
Commodity concentration of exports (coffee and cotton)	65%	66%

1/ As of June 30, 1968.

Basic Data (Continued)

	April 30 1969	Average 1964-68
Gross foreign exchange reserves		
Sh million	350	
Months' imports	3	
IMF position (US$ million)		
Quota	32	29
Drawings	-	-

External financial assistance (in thousands of US$)

	Average 1962-1967		1968	
	Commitments	Disbursements	Commitments	Disbursements
Total	17,985	10,344	8,112	8,391
Soft assistance 1/	10,887	6,289	8,112	7,032
Hard assistance	7,098	4,055	-	1,359
Major donors				
IBRD/IDA	3,067	816	3,000	1,336
Germany	1,689	864	-	2,033
U.K.	9,432	7,702	-	3,635
U.S.A.	1,075	854	4,950	1,180
U.S.S.R.	2,722	108	-	207

1/ Soft assistance is defined to include: (1) loans repayable in foreign currency with a maturity over 20 years and an interest rate not exceeding 3%, and (2) loans repayable in local currency.

CURRENT ECONOMIC POSITION AND PROSPECTS OF UGANDA

PART I

SUMMARY AND CONCLUSIONS

i. The growth of Uganda's economy which amounted to 5 percent a year during the period 1961-65 has slowed down to about 3 percent during the past three years. In view of the deterioration in the terms of trade which has taken place in recent years, the relatively slow growth of the economy probably implies that there has been little or no increase in real per capita incomes.

ii. Among the factors which inhibited growth were the unsettled conditions which prevailed in the two years following the political disturbances of 1966 and adverse weather conditions. The output of cotton - one of the two most important crops - reached a peak in 1965/66 but decreased substantially in the following two years. The output of coffee, the other leading crop, remained steady from 1962/63 to 1967/68, but has risen substantially in the 1968/69 crop year. In view of Uganda's adherence to the international Coffee Agreement, a bumper crop is likely to create marketing problems.

iii. There has been a significant increase in the output of tea, tobacco and sugar. However, in view of the relatively small weight of these items in total agricultural output, their contribution to diversification is minimal. A successful beginning has been made in developing the livestock and dairy sectors for which there is considerable potential.

iv. Among the other sectors, manufacturing and power have made notable strides, the former due, in part, to the growing desire of Uganda to become independent of Kenya. Although it is not evident from official figures, the construction industry has also been growing steadily.

v. In the first half of the 1960's employment decreased despite a rapid growth of the economy. This has been reversed in the last two years, but the recent increases are much less than was anticipated in the Plan.

vi. There is little reliable information on investment and savings. Firm figures exist only for the government sector, and hence private and parastatal investment is derived as a residual from total investment figures which are themselves based on imports of capital goods. Total investment has grown steadily since 1962 when it had reached a low level. Although Central Government investment levelled off in the period 1965-67, investment in the parastatal and private sectors has shown impressive gains. The growth in investment in manufacturing is particularly noteworthy.

vii. Gross national savings averaged about 15 percent of monetary GNP in the period 1962-67. Although private savings have generally been high, they were not available in full for domestic investment, particularly until after 1965 when exchange control measures were introduced.

viii. The most significant improvement which has occurred since the inception of the Plan is in the management of public finances. Financial imbalances which were characteristic of the period until 1966 have been eliminated. Recurrent revenue has risen steadily since 1965/66, mainly as a result of tax increases and the imposition of new taxes. Although recurrent expenditure has also risen in this period, the rate of increase was relatively slower, and hence substantial budget surpluses were achieved. Long-term borrowing within the country was very modest in the first year of the Plan, but has risen steadily since. During the first two years of the Plan, domestic resources financed about 65 percent of the total development expenditure.

ix. Development expenditure since the inception of the Plan has been below the Plan targets. Since a detailed breakdown of development expenditure is available only for the first year of the Plan, it is not possible to comment conclusively on the impact of development expenditure on the economy. Although the Plan assumed that the investment would amount to about 90 percent of development expenditure, in practice it has amounted only to 50-60 percent.

x. Until the middle of 1967 the liquidity of the banking system was very tight, and the ratio of advances to deposits was over 100 percent in 1965. Since then the situation has shown a marked improvement. There has been a steady decrease of indebtedness overseas.

xi. The Bank of Uganda imposed some selective credit restrictions in 1967 to curtail the steep rise in imports. These have had a beneficial effect; in particular, commercial bank advances have become more selective. The convertible foreign assets of Uganda which had fallen to a very low level of Sh 125 million in 1966 have been building up very steadily and, in April 1968, amounted to about Sh 350 million.

xii. Traditionally, Uganda's balance of payments have shown a surplus on the merchandise account. The substantial reduction in this surplus which occurred in 1965 and the relatively small increase since then, combined with a negative balance on the services and factor income account have resulted in a deficit on the current account since 1965. There were long term private capital outflows in the period 1962-66, not wholly offset by public capital inflows. Hence there was a consistent reduction in reserves. Since 1966, however, there have been net capital inflows and reserves have increased.

xiii. Merchandise exports grew in the period 1962-64, but have levelled off since 1964. The main reason for this is the very substantial weight in total exports of coffee and cotton, neither of which has fared very well in recent years. Although exports of tea and tobacco have risen, the quantities involved have been too small to have a significant impact. The liberal import policy which had been pursued until 1964, has since been replaced by a licensing system and by quantitative restrictions. There have also been increases in import duties.

xiv. One of the factors impeding the progress of the Plan is the absence of effective planning units in Ministries which have substantial expenditure programs. The lack of ministerial planning units has delayed the preparation and execution of projects.

xv. The mission has estimated that, in the three years 1968/69-1970/71, Uganda could expect to achieve an investment of about Sh 2,500-2,600 million. Including the investment of Sh 1,500 million in the first two years of the Plan, total investment during the Plan would amount to about Sh 4,050 million. Central Government development expenditure is expected to be Sh 995 million in the final three years of the Plan.

xvi. It is estimated that during the last three years of the Plan, the Central Government should be able to use Sh 380 million of external assistance for its development expenditure program. The major proportion of this would be disbursed from commitments which have already been made. Although aid commitments amount to about Sh 605 million, the mission estimates that effective disbursements will not amount to more than Sh 355 million: hence, a gap of Sh 25 million would arise in relation to aid which could be utilized. Further commitments which are needed for the pipeline in the initial period of the next Plan are estimated at Sh 440-480 million. In sum, the mission considers that new aid commitments of Sh 485-520 million or US$70-75 million equivalent are needed in the remaining years of the Plan.

xvii. Domestic sources would then have to provide the balance of Sh 615 million. Domestic borrowing could amount to Sh 315 million. Miscellaneous items of non-recurrent revenue could provide about Sh 100 million, and hence recurrent budget surpluses would have to provide about Sh 200 million. In order to achieve budget surpluses on this scale, it would be necessary to hold back the increase in recurrent expenditure.

xviii. On the assumptions that the capital-output ratio would be 3.5 to 1, that public and private savings could be generated on the scale required and also that project preparation is improved, monetary GDP could show an annual increase of 4.5 to 5 percent a year. Local savings and hence investment would depend very much on the growth of export earnings. While prospects for the main export crops are somewhat uncertain, tourism holds promise of growing very rapidly.

xix. If exports grow as projected and private and public capital inflows are maintained, it should be possible to permit a growth in imports averaging 5-6 percent a year.

xx. Although Uganda's debt service payments are relatively small, they have grown rapidly in recent years. Including Uganda's liability (on a notional 1/3 basis) for the debt of the Common Services, the debt service ratio was 7.7 percent in 1968. Debt rescheduling will not, however, be required.

xxi. A projection of Uganda's debt service over the next 15 years shows that the debt service ratio is sensitive both to the growth of export earnings and to the terms of lending. Uganda's resort to supplier credits/contractor finance could result in a fairly steep rise in the debt service ratio, and hence this has to be watched with some caution. In these circumstances it would be desirable if the terms of lending could be kept as soft as possible.

I. INTRODUCTION

General

1. Uganda attained independence from British rule in October 1962. The dominant position of the kingdom of Buganda and the existence of three other kingdoms within Uganda was reflected in the compromise consitution which gave federal status to Buganda and a semi-federal status to the other kingdoms. The Kabaka, the King of Buganda, became titular head of the new State, under the title of President, and Dr. Obote, the leader of the Uganda People's Congress became Prime Minister. There were, however, signs that this complex arrangement would serve only as a temporary expedient. Dr. Obote's main concern was the building of a unified Uganda and the progressive elimination of narrow loyalties. The Kabaka felt that this threatened his own position as King of Buganda. The growing hostility between the President and Prime Minister precipitated a major crisis in February 1966 which lasted until May and involved some fighting between forces of the Central Government and the Kabaka's supporters. The Kabaka was forced to leave and Dr. Obote became Executive President of the country. In June a new constitution was introduced, which abolished the Kingdoms and established Uganda as a republic.

2. Although the immediate crisis was over, Uganda underwent a prolonged, unsettled period, and it was not until about mid-1968 that signs of a return to normalcy began to appear. In the intervening two years, the main focus of the Government was on building national unity and overcoming the fears and suspicions of the people in the former Buganda area. Efforts which inevitably had to be devoted to the task of restoring normal conditions, particularly in Buganda, probably resulted in some slowing down in the decision-making process. Hence, the Second Five-Year Plan which was launched in July 1966 got off to a slow start. There are now some indications that development has since gathered momentum.

3. Uganda is a fertile country with a variety of good soils and an annual rainfall averaging 40-50 inches over most of the country. The estimated population in June 1968 was 8.1 million, made up of 8.0 million Africans, 94,000 Indo-Pakistani people, 10,300 Europeans and about 4,000 others. The density of population is 109 per square mile of land. There is no pressure on land in most parts of the country, but local pressures do exist in three or four areas. A fuller discussion on the population situation is included in an appendix to this report.

Background to the Five-Year Plan

4. Uganda's Second Five-Year Plan became effective on July 1, 1966 and will terminate in June 1971. The present Plan represents the first phase of a long-term perspective plan aimed at achieving a transformation of the structure of Uganda's economy. The basic aim of the perspective plan is to double the monetary income per capita (at 1964 prices) by 1981. The broad goals of the current Plan 1/ are increased production and wealth, diversification of production and social and economic justice. The Plan aims at an

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1/ "Work for Progress" - Uganda's Second Five-Year Plan, 1966-1971.

average annual increase of 6.3 percent in the gross domestic product. The diversification of production is to be achieved by (a) expanding the production of crops other than coffee and cotton which have hitherto dominated the economy, and tapping the obvious potential for livestock and fisheries, and (b) enlarging the base of the manufacturing and infrastructure sectors. The Plan objectives in the social and economic fields are to be achieved by increasing the wages of the lower paid workers, expanding the social services - particularly education, health, and community services - improving rural living conditions and enlarging employment opportunities.

Investment Targets

5. The Plan envisages an aggregate investment within the five-year period of Sh 4,600 million, of which Sh 2,800 million would be accounted for by the Central Government, parastatal organizations and the East African Community, and Sh 1,800 million by the private sector. About two-thirds of the investment is to be financed from domestic sources and the rest from foreign sources.

The 1966 IBRD Mission

6. An IBRD economic mission visited Uganda towards the end of 1966 to appraise the country's Development Plan. This mission came to the conclusion that, in the Plan period, GDP at factor cost could grow at the rate of 4.6 percent annually. It estimated that investment during the Plan would amount to about Sh 4,000 million of which the government and the parastatal sectors would account for Sh 2,400 million, and the private sector for the rest. There would be a savings gap of Sh 1,240 million in the public sector, but a surplus of Sh 840 million in the private sector could be mobilized for investment, leaving an overall gap of Sh 400 million. In the current account of the balance of payments, the mission estimated that there would be a deficit of Sh 400 million during the Plan. On the assumption that debt service payments in this period would amount to Sh 400 million and that a further Sh 400 million would be needed to rebuild reserve which had undergone serious depletion, the mission estimated that a total of Sh 1,200 million would have to be obtained from external sources. Of this amount, Sh 300 million was expected to come from private sources, leaving an amount of Sh 900 million to be provided by external official donors.

7. The 1966 mission drew attention in its report to the serious bottlenecks to development that existed in the areas of staffing and organization, and suggested that this problem be tackled in a concerted fashion by external aid-giving agencies. The sector annexes to the mission report dealt with the problems confronting individual sectors. Since Uganda's basic problem - as was recognized in the Plan - was to reduce the dependence on cotton and coffee, which accounted for the bulk of agricultural output and the country's total exports, measures were needed to introduce alternative crops and activities. This required the formulation and detailed preparation of projects - a task which was hampered by the shortage of staff. The 1966 mission called for a thorough review of the organization, procedures and staffing of the Ministries of Agriculture, Forests and Cooperatives, and also of Animal Industry, Game and Fisheries.

8. The 1966 mission pointed out that Uganda faced a deterioration of its external accounts over the next five years, in view of the market limitations facing the two main export crops and the inevitable rise in imports which would result from rising investment. Since the services account would also run a deficit, the country would need considerable external aid in order to achieve the desired growth rate. The mission concluded that, in view of the low average foreign exchange cost of Uganda's projects, external assistance would have to cover some of the local expenditure of these projects.

9. Finally, the 1966 mission felt that, despite its relatively low debt burden, Uganda would need to obtain external assistance on concessional terms in view of its low per capita income, the slow prospective growth of exports and the large amount of foreign capital required. The mission also expressed some concern about the implications for future debt service of the growing use of supplier credits/contractor finance, both in the private and public sectors.

II. ECONOMIC DEVELOPMENTS SINCE 1966

A. Economic Performance

Growth of the Economy

10. After growing at more than 5 percent during 1961-1965, Uganda's economy has slowed down in the last few years. In the monetary sector, the growth rate of GDP at constant factor cost was about 3.5 percent in 1966 and 1967, and the provisional estimate for 1968 is about 3 percent. The non-monetary sector probably grew at the same rate as the money economy after 1965. In contrast to the period from 1961 to 1965, when improving terms of trade enabled the purchasing power of domestic production to grow slightly faster than real output, the terms of trade have probably worsened somewhat after 1965. As a result, real monetary income is likely to have increased by no more than 2.5 to 3 percent in the years 1966-1968. Since population has grown at about the same rate, real income per capita has probably not increased at all over the last three years.

Table 1: GDP AT FACTOR COST AT 1964 PRICES, 1961-1967

	1961	1965	1966	Estimate 1967	Average Annual Rate of Increase 1962-65	1966-67
	- - Sh million - -				%	%
Monetary Economy						
Agriculture	1,276	1,685	1,754	1,773	5.2	2.6
Forestry, Fishing, Hunting	61	61	69	77	-	5.6
Mining and Quarrying	81	101	99	100	5.7	-0.5
Manufacturing	225	251	255	294	2.8	8.2
Electricity	50	67	82	86	7.6	13.3
Construction	87	100	91	99	3.5	-0.5
Services	1,230	1,570	1,661	1,682	6.3	3.5
Total Monetary Economy	3,110	3,835	4,011	4,111	5.4	3.5
Non-Monetary Economy	1,023	1,231	1,272	1,310	4.7	3.2
Total GDP	4,133	5,066	5,283	5,421	5.2	3.5
Population growth					2.5 a/	2.8 a/
GDP growth per capita					2.6	0.7

a/ Estimate

Source: Table 6 - Statistical Annex and 1968 Statistical Abstract.

11. The growth of monetary GDP at the rate of 3 to 3½ percent annually in the first half of the Second Plan period, was considerably below the 5.2 percent annual rate that the 1966 Bank mission thought feasible for the entire period. The political events of 1966, and their aftermath, caused a substantial slowing down of activity; in particular, the preparation and implementation of projects was adversely affected. One of the main reasons for the slow growth of the economy was that in the agricultural sector production increased only by about 2½ percent a year during the period 1966-1968. A combination of economic and natural factors was responsible for a severe setback in cotton output. Stimulated by high producer prices, production had increased from 359,000 bales in crop year 1962/63 to 445,000 bales in 1965/66. The price paid to growers, however, was far above the level that could be justified by the world market price and the difference was paid out of the Cotton Price Assistance Fund. After the Fund was exhausted in 1966, producer prices had to be adjusted downward to reflect the world market price. The average price paid to growers dropped from 60 cents a lb in 1965/66 to 40 cents a lb in 1966/67. The cotton growers responded by reducing their planted acreage. Reduced acreage and drought during the

growing season resulted in an output of only 345,000 bales in 1967/68. An increase in world prices in 1968 allowed the Lint Marketing Board to raise producer prices to 45 cents a lb in 1967/68 and to 50 cents a lb in 1968/69. Output is expected to have increased to 408,000 bales in 1968/69.

12. Coffee output averaged about 160,000 tons a year during the period 1962/63-1967/68, with small annual fluctuations. Since the domestic market is small, any increase in production must be exported (see Table 11). Owing to extraordinarily favorable weather for coffee, a bumper crop of well over 200,000 tons is expected in crop year 1968/69, which will be reflected in production figures for Calendar 1969. Since probably not much more than 150,000 tons 1/ can be exported, the Coffee Marketing Board, which is the principal buyer of coffee, would be hardpressed to finance purchases which it would have to hold in stock.

Table 2: COFFEE AND COTTON PRODUCTION

	Coffee ('000 tons)	Cotton ('000 bales)
1962/63	156	359
1965/66	152	445
1966/67	161	427
1967/68	160	345
1968/69	200+	408

Source: Background to the Budget, 1968/69.

13. With cotton output decreasing and coffee output unchanged (up to 1968), total agricultural production would have fallen but for an increase in the output of tea, sugar and tobacco. This does represent some diversification, but its quantitative significance is as yet rather limited.

Table 3: TEA, SUGAR AND TOBACCO PRODUCTION
('000 tons)

	Tea	Sugar	Tobacco
1962	5.5	104.3	2.0
1965	8.2	115.7	3.1
1966	10.1	125.8	2.6
1967	11.1	135.2	3.9
1968 (estimate)	14.9	147.2	4.9

Source: Background to the Budget 1968-69.

1/ Including a quota of about 125,000 tons and possible non-quota sales of about 25,000 tons (See Appendix II).

14. Two other sectors - mining and construction - although much less important than agriculture measured by their contribution to GDP, did not show any growth after 1965. Mining output is dominated by the Kilembe copper mine, which reached its peak production a few years ago. The slight decline in its output, however, is offset by increasing production of several less important mining products, such as rock phosphate, lime and other ores. According to published figures, the construction sector whose contribution to GDP declined somewhat between 1962 and 1964, showed a significant rise in 1965, but has not grown since. It is likely, however, that there are serious deficiencies in coverage; for example, construction in many of the smaller towns and in rural areas has apparently not been included in the official figures. Furthermore, there is some evidence that the construction industry has been growing steadily since 1966. Among the indicators which support this are figures relating to production and imports of cement and the growing demand for corrugated iron sheets which are used for roofing.

15. Manufacturing and electric power have been the fastest growing sectors in recent years. Manufacturing - not including crop processing - has grown at about 10 percent since 1964, (Table 6 - Statistical Annex). This is remarkable since production of blister copper, which has a heavy weight in manufacturing, decreased during this period. Although the data are incomplete, they indicate a strong expansion in foodstuffs, clothing, wood products, and paper products.

16. Two factors have contributed to the rapid growth of manufacturing in recent years. The first is the provision for "transfer tax" in the Treaty for East African Cooperation which has enabled Uganda to protect its industries, to some extent, against imports from its Common Market partners, particularly Kenya. Exports of manufactured goods to Uganda's partner countries - particularly to Kenya - have been increasing fast (see para. 54). The second factor is the policy aimed at limiting imports, adopted by the Government since 1966; this has stimulated local production of substitutes.

17. The expansion of the services sector has probably decreased from a little over 6 percent in 1962-1965 to about 3.5 percent thereafter. Although information available on this sector is not very firm, the slowdown may have resulted from the deceleration of foreign trade.

Employment

18. The Government's target in the Second Five-Year Plan is to create 100,000 extra jobs. Although the Plan recognized the desirability of promoting labor intensive production methods, the increase in employment was expected to result largely from the growth in production. With growth lower than expected in the first half of the Plan, it is not surprising that the target of 20,000 extra jobs a year could not be reached. In 1966 employment increased by about 4,000 and in 1967 by 10,000. (Table 4 - Statistical Annex). Nevertheless, the trend in the first half of the nineteen sixties, when employment declined despite rapid growth of the economy, has been reversed. One reason may be that wage increases, which were very high in the early sixties, were more moderate after 1965.

Investment and Saving

19. There is little reliable information on investment and saving in Uganda. As in virtually all developing countries, no independent estimates of saving exist and national savings figures can be derived only indirectly, via investment and balance of payments figures. More serious, however, is that for the economy as a whole there are no independent investment estimates, either. Reliable data exist only for the government sector. Published figures for total investment are estimates based on imports of capital goods. By subtracting government investment from the estimate of total investment, an indication is obtained of investment in all other sectors, including parastatal bodies. However, these residual figures for the non-government sector are not sufficiently detailed to follow growth from year to year, and offer few clues about investment in different sectors. It is, therefore, difficult to say whether investment in the non-government sector has or has not been in accordance with the Plan, although there is some evidence to suggest that it may be growing.

20. Estimates of total investment show an impressive upswing after 1962. Until 1965, both government and non-government investments contributed to the increase. After 1965, however, government investment levelled off, but private and parastatal investments continued to increase. Total investment, which amounted to only 12 percent of monetary GNP in 1962, increased to almost 17 percent of monetary GNP in 1967 (Table 7 - Statistical Annex). In judging these figures, it should be remembered that investment was low in 1962 because of the uncertainty which prevailed in the years immediately before independence. It is likely that the investment level of 17 percent of monetary GNP in 1967 was about as high as in 1955. Nevertheless, growth since 1962, especially in the non-government sector, has been impressive. It was no doubt stimulated by the export boom in the first half of the nineteen sixties, but it also reflects the return of confidence in the private sector of Uganda's economy.

Table 4: ESTIMATED INVESTMENT
(Sh million)

	1955	1962	1965	1966	1967
Total Investment	464	354	646	640	798
of which					
Government 1/	..	70	137	130	136
Other 2/	..	284	509	510	662
Total Investment as % of monetary GNP	17%	12%	16%	14%	17%

1/ Calendar year figures are averages of two budget years.
2/ Includes Local Government, parastatal bodies and the private sector.

Source: Statistical Abstracts

21. Although firm data on non-Government investment are lacking, it appears that investment has been lively in the industrial sector. The Survey of Industrial Production 1965 and 1966 indicates increased investment in such branches as textiles, paper and printing, non-metallic mineral products, as well as in base iron and steel products.

22. After a rapid recovery, from Sh 70 million in 1962 to Sh 146 million in 1965, government investment declined to Sh 138 million in 1967. A combination of unfavorable circumstances has hampered the growth of development expenditure in recent years. Foreign aid already committed could not be used in many instances because projects were not ready for execution. In addition a shortage of domestic resources (see also para. 36) has sometimes delayed the utilization of foreign aid.

23. National savings have probably averaged about 15 percent of monetary GNP over 1962-1967. (Table 7 - Statistical Annex). The figures, however, show large annual fluctuations. Savings appear to have been relatively high in 1963 and 1964, probably as a consequence of the marked improvement in the terms of trade in those years. However, these high savings were not reflected in higher domestic investment, but in an outflow of capital. After 1965, the Government introduced exchange control to check capital flight. Most of the savings originate in the private sector, a large part being generated by business enterprises. Public savings originate mainly in independent public enterprises. Central Government savings have generally been small in the national accounting sense, and hence its capital expenditure program is supported to a large extent by borrowing both abroad and at home.

B. Internal Financial Situation

Recurrent Revenue and Expenditure

24. When Uganda embarked on its current Five-Year Plan, it was clear that the public finances would have to undergo a marked improvement. Recurrent expenditure which had been rising rapidly in the years immediately preceding the Plan had to be held back, and the level of taxation raised, in order to generate budgetary surpluses. Improved financial management was necessary not only to provide more local funds for investment, but to ensure that adequate counterpart funds could be mobilized to make use of all the external aid which had already been committed.

25. Since the inception of the current Plan, the condition of Uganda's public finances has improved and there have been substantial budgetary surpluses. Recurrent revenue rose from Sh 790 million in 1965/66 to Sh 965 in 1966/67, an increase of 22 percent. This large increase was the result of higher revenues from direct taxes. Excise duties showed some increase, while import duties remained at about the same level as in 1965/66. In 1967/68, however, total revenue did not increase, the small rise in direct taxation being insufficient to offset the lower receipts from other items. Although the budgeted revenue in 1968/69 is appreciably higher than in 1967/68, present indications are that the increase will be moderate.

26. The increase in recurrent revenue since the beginning of the Plan is the result mainly of higher taxation. The Government has both raised tax rates and imposed new taxes. Tax revenue has been rising steadily since 1963/64, the average annual increase being 13.2 percent. Tax revenue as a proportion of GDP in the monetary economy, has risen from 13.5 percent in 1963 to nearly 18 percent in 1967. Among the newer taxes are a development levy which was originally conceived as a once-for-all tax, but has since been extended, although at a lower rate, and a new sales tax which was imposed in the budget of 1968/69. There are some indications that the proceeds from the sales tax may exceed the original expectation and that it may prove to be the most significant new tax imposed in Uganda in recent years; as against the budget estimate of Sh 118 million, actual receipts are likely to exceed Sh 160 million.

27. Although estimated recurrent revenue in 1968/69 - the third year of the Plan - is likely to be significantly higher than in 1965/66, there has not been a steady increase from year to year. The steep rise in revenue in 1966/67 and the absence of a rise in 1967/68 underline some basic problems affecting Uganda's public finance and, by implication, provide some indications for the future. In the first place, the behavior of Uganda's main exports - coffee and cotton - in the world market exercises a dominant influence on governmental revenue. If adverse weather reduces the quantity exported or if the world market price is depressed, a chain reaction is set in motion in the form of reduced personal incomes, lower aggregate demand, lower profits and consequently reduced governmental revenue while, on the other hand, rising exports are translated very soon into increased revenue. A second factor is that proceeds from import duties have remained at about the same level since 1965/66, the main reason being the growth in Uganda of industries based on import substitution. Although the decrease in import duty stemming from import substitution can be partly offset by an increase in excise duty, there is often some reluctance to increase the cost of living. In view of the continuing dependence of Uganda's economy on exports the world market for which is somewhat uncertain, and also the prospect of further progress in import substitution for which some scope exists, Uganda needs to explore other means of augmenting tax revenues. The sales tax imposed in 1968/69 is an example.

28. Recurrent expenditure in the period immediately preceding the Plan had risen rapidly. From Sh 590 million in 1963/64, it increased to Sh 812 million in 1965/66, an average annual increase of 17.3 percent. A very large proportion of the increase was accounted for by the higher wages and salaries paid to government employees in 1964/65, and a further increase in the following year. The increasing scope of governmental activity was also a contributory factor, since higher outlays on goods and services became necessary. The main consequence of rising recurrent expenditure was that a large part of the increase in revenue at this time was absorbed by current consumption, thereby limiting allocations to capital formation.

29. Since the beginning of the Plan, however, the growth of recurrent expenditure has slowed down somewhat. From Sh 812 million in 1965/66 - the last year prior to the present Plan - recurrent expenditure rose to Sh 861

million in 1966/67, an increase of only 6 percent. There was only a fractional increase in 1967/68 over the preceding year. Although this indicates that a greater degree of restraint is now being exercised, actual recurrent expenditures have generally exceeded the budget estimates.

30. The most important feature in the management of public finance since the beginning of the present Plan is the success achieved in generating surpluses on the recurrent budget. The size of the surpluses could have been higher if actual expenditure had not been allowed to exceed the budget estimates. The amount of the recurrent budget surplus seems to depend mainly on the extent of pressure for increasing the allocation for social services. In 1967/68, for example, actual surplus was lower than the budget estimate because of the need to make supplementary provision for social services. While the gap between the demand for social services and their supply may necessitate some supplementary provisions each year, it is important that these be held in check in order to prevent an erosion of the budget surpluses. These surpluses provide Uganda with the surest means of ensuring that enough resources are generated locally to meet the local currency costs of projects which attract external financing.

Development Expenditure

31. Central Government development expenditure in the Second Five-Year Plan period was expected to be Sh 1800 million. Development expenditure in 1966/67, the first year of the Plan, was put at Sh 300 million, rising to Sh 420 million in the final year i.e. 1970/71. However, in the expectation of shortfalls in development expenditure during any year and in view of the need to provide for some flexibility in development spending, it was decided that there would be a trend target which, over a five-year period, would reflect the projected investment, and two other "targets" - set 20 percent higher and lower than the trend - to reflect over- and underrealizations. The three targets and the phased expenditure thereof is shown in the following table.

Table 5: TARGETS FOR DEVELOPMENT EXPENDITURE
(Sh million)

	1966/67	1967/68	1968/69	1969/70	1970/71	Total
Minimum	240	264	288	312	336	1440
Trend	300	330	360	390	420	1800
Peak	360	396	432	468	504	2160

Source: "Work for Progress"

The intention was that, in each of the five years, a number of high priority projects would be identified, and efforts would be directed towards their completion. When necessary, some projects would be rephased over a longer period.

32. Development expenditure rose from Sh 118 million in 1963/64 to Sh 273 million in 1967/68, an average annual increase of 23 percent. Most of the increase took place, however, in 1964/65. Although there has been a further increase since then, it has been slower and less steady, as shown in the table below:

Table 6: CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE, 1963/64 - 1967/68, ECONOMIC ANALYSIS
(Sh million)

	1963/64	1964/65	1965/66	1966/67	1967/68 a/
Economic Classification					
Government Consumption	25	32	70	60	
Subsidies	6	10	11	9	
Transfers	14	33	29	21	
Financial Transactions	-	-	-	12	
Fixed Capital Formation	73	141	122	127	
of which:					
Building and Construction	(62)	(122)	(98)	(94)	
Transport Equipment	(2)	(7)	(9)	(8)	
Other Equipment	(9)	(12)	(15)	(25)	
Total	118	216	233	230	273

a/ Details based on an economic analysis are not yet available.

Source: Background to the Budgets.

33. The above table also shows that fixed capital formation as a proportion of development expenditure 1/ has ranged from 61 percent in 1963/64 to 52 percent in 1965/66. An analysis of Central Government capital expenditure by sectors is available only for 1966/67 and hence a detailed

1/ The terms development expenditure, capital expenditure, non-recurrent expenditure and development spending are used interchangeably in government documents. There might occasionally be slight differences in the amounts they represent. The term fixed capital formation is used here in the national accounting sense and is synonymous with investment.

comparison with Plan targets is not possible. In general, expenditure in the productive sectors has conformed to planned targets in the first two years, but shortfalls have developed in the expenditure on infrastructure and the social services. Although actual investment in the productive sectors - particularly agriculture - has conformed to the Plan targets, a very large proportion of it is accounted for by the purchase of tractors as part of the Government's mechanization program. However, there is some doubt about the effectiveness of this program, and the Government has recently decided that no further allocations would be made for the purchase of tractors unless a satisfactory evaluation is made of the mechanization program and a proper justification is provided for doing it. The shortfalls in investment in infrastructure and the social services in the first two years of the Plan are due mainly to deficiencies in the preparation of projects to meet the requirements of aid-givers and to the slow build up of institutions and staff to carry them out. There has been some improvement in this respect and investment is expected to be higher during the remainder of the Plan. In contrast to the lags in investment in infrastructure and the social services, investment in defense, law and order and general administration in the first two years of the Plan amounted to a little over 50 percent of the target for the whole Plan period.

34. In relation to the projected development expenditure of Sh 1800 million, actual expenditure in the first two years amounted to Sh 503 million or about 28 percent of the total. This is Sh 127 million short of the trend target and about the same as the minimum target for the two years. On the assumption that expenditure in the next three years would increase at about 10 percent annually, total expenditure in the Plan period would amount to about 83 percent of planned investment. This would require, however, a steady improvement in the capacity of Uganda to prepare and execute projects.

Sources of Finance

35. In the two years immediately preceding the present Plan, capital expenditure was at a high level. However, in view of the inadequacy of foreign aid and recurrent budget surpluses and also the absence of local long-term borrowing, capital expenditure at this level could be sustained only by drawing down reserves and cash balances, and resorting to short-term borrowing. The amount of the deficit which had to be covered in this way was Sh 63 million in 1964/65 and Sh 134 million in 1965/66. Since the inception of the Plan, however, the financing of development expenditure appears to be more soundly based. There were sizeable recurrent budget surpluses amounting to Sh 104 million and Sh 103 million in 1966/67 and 1967/68 respectively, and a surplus of about Sh 80 million is expected in 1968/69. Internal long-term borrowing in the first year of the Plan was only Sh 5 million, but rose to Sh 33 million in 1967/68; the estimate for 1968/69 is Sh 90 million.

36. External loans and grants have tended to increase since the beginning of the Plan. Although there was a decrease in external assistance from Sh 98 million in 1966/67 to Sh 76 million in 1967/68, it is expected to reach a higher level from now on; the estimated inflow of external assistance for 1968/69 is Sh 107 million. There is a fairly substantial pipeline of commitments, but disbursements have so far been slow, mainly because of limitations

in absorptive capacity in Uganda. The utilization of external assistance has also been hampered, to some extent, by the shortage of domestic resources to finance local currency costs.

Money, Banking and Credit

37. The Bank of Uganda, the central bank of the country, was established in August 1966 and took over the functions - mainly the issue of currency - formerly performed by the East African Currency Board. Currency notes issues by the East African Currency Board were legal tender until 1967, while coins issues by the Board were legal tender until the end of April 1969. As long as the notes issued by the Board continued to be legal tender, only an estimate could be made of the amount of such currency in Uganda, in order to arrive at the figure of money supply. In 1967 the average money supply was lower than in 1966 because of the decline in private deposits with commercial banks, attributable both to the stagnation in export receipts and some political uncertainty. The money supply in 1968 rose both because of an increase in deposits with commercial banks, stemming from higher export proceeds, and an increase in currency in circulation; the increase in money supply has continued in 1969. However, the increase in currency in circulation has generally been in line with the growth of GDP.

38. Until about the middle of 1967 the liquidity position of the commercial banks was very tight, and they had to obtain support from head offices abroad, particularly the United Kingdom. The advances-deposits ratio was 104.0 percent in June 1965. Since early 1967, however, the situation has eased, and in June 1968 the ratio was 78.9 percent. The main reason for this was the assumption by the Bank of Uganda of responsibility for providing crop finance, which resulted in a steady increase in bank deposits - from Sh 666 million in June 1967 to Sh 820 million in June 1968 - without a corresponding increase in advances. A second favorable development was a steady decrease in indebtedness overseas. Balance due from and to banks abroad are shown in the following table:

Table 7: BALANCE DUE TO AND FROM BANKS ABROAD 1/
(Sh million)

	1965	1966	1967	1968	Dec. 1968
Balances Due From:					
E.A. Banks	103.6	23.6	11.7	2.4	..
Banks Abroad	39.7	64.9	20.4	20.0	..
Total	143.3	88.5	32.1	22.4	16.4
Balances Due To:					
E.A. Banks	49.7	14.1	28.4	6.5	19.8
Banks Abroad	183.9	175.3	83.6	59.4	32.0
Total	233.6	189.4	112.0	65.9	51.8
Net Balance	-90.3	-100.9	-79.9	-43.5	-35.4

1/ End of June.

39. In 1967, in order to deal with the problem of steeply rising imports (particularly of consumer goods) and low foreign exchange reserves, import duties were raised on a number of imports, particularly on consumer goods. The Bank of Uganda also introduced certain selective credit restrictions. There were (a) a reduction of commercial bank credit by at least 5 percent for non-essential items, and (b) a limitation of advances against bonded goods. Commercial banks were also asked to restrict letters of credit facilities to 80 percent of the value of goods to be imported, and to require importers to deposit the remaining 20 percent in cash before issuing letters of credit. Of these measures, the restrictions of bank credit by an amount exceeding 5 percent proved to be the most significant operative factor in curtailing imports.

40. The effect of these restrictions has been to increase the proportion of advances for essential items and, by implication, to reduce the allocation for non-essential items. An equally important consequence has been a reduction of non-essential imports and hence some increase in the foreign assets. The external position of the Bank of Uganda and the commercial banks is shown in the following table.

Table 8: EXTERNAL POSITION OF BANK OF UGANDA AND COMMERCIAL BANKS (Sh million)

	June 1966	Dec. 1966	June 1967	Dec. 1967	June 1968
1. Bank of Uganda, Net Assets	-	125.8	180.8	216.3	307.9
2. Commercial Banks, Net Assets	-100.9	-78.2	-79.9	0.4	-43.5
3. Total (1 + 2)	-100.9	47.6	100.9	216.7	264.4
4. Currency Conversion b/	-	40.0	95.9	104.9 a/	136.5
5. Net Change (3 - 4)	-100.9	7.6	5.3	111.8	127.9

a/ Exclusive of convertible currency not yet received from EACB.

b/ This operation involved the surrender of currency issued by the East African Currency Board, in exchange for assets which backed such currency, generally securities held in pound sterling.

Source: Bank of Uganda, Annual Report 1967/68.

The most significant improvement was in the net external position of the Bank of Uganda. The identification of the effects of currency conversion separately in the table shows that, although this operation was significant in rebuilding foreign assets, other factors - particularly the fiscal and monetary policies referred to above - played an equally important part.

C. Balance of Payments

41. Traditionally, Uganda has had fairly substantial surpluses on merchandise account. After very high surpluses in 1963 and 1964, a sharp drop occurred in 1965. Declining coffee prices were responsible for a slow rise in total exports, while at the same time imports continued to increase. Since 1965, there has been some recovery.

Table 9: SUMMARY OF BALANCE OF PAYMENTS ESTIMATES 1/
1962-1968
(Sh million)

	1962	1963	1964	1965	1966	1967	1968
Imports c.i.f. Tororo	766	904	1,036	1,250	1,361	1,337	1,315
Exports f.o.r. Tororo	916	1,186	1,450	1,376	1,494	1,518	1,487
Trade balance	150	282	414	126	133	181	172
Balance of non-factor services	-54	-64	-46	-56	-125	-115	-62
Balance of goods and non-factor services	96	218	368	70	8	66	110
Factor income, net	-60	-50	-100	-104	-124	-135	-119
Transfers, net	-30	-26	-30	6	8	-	4
Balance on current account	6	142	238	-28	-108	-69	-5
Long-term capital, net							
Private	-294	-210	-302	-46	64	34	)
Public	92	48	52	6	294	136	) 99
Short-term capital, net	134	50	-6	-46	-73	6	)
Changes in reserves (-=increase)	104	8	56	174	-149	-101	-80
Errors and omissions, net	-42	-38	-38	-60	-28	-6	-14

1/ The balance of payments estimates are from different sources. Figures for 1962-1965 were prepared by the East African Statistical Department, while figures for 1966-1968 represent provisional estimates made by the Bank of Uganda. The comparability of the two sets of figures is limited, especially for invisibles and capital movements.

42. After the negative balances of about Sh 120 million a year in 1966 and 1967, non-factor services showed a much smaller deficit of Sh 62 million in 1968. A comparison with figures for earlier years is difficult because of discontinuity in the estimates. Net factor income payments increased from Sh 60 million in 1962 to Sh 124 million in 1966, but have remained at about this level thereafter. Apart from the increase in dividend payments, smaller interest receipts from reduced Sterling assets also explain the sharply increased net deficit from 1962 to 1966. Net transfers, which were negative in 1962-1964, turned positive in later years, because a better check was kept on private remittances.

43. Before 1966, there was a considerable outflow of private long- and short-term capital which more than offset the large surpluses on current account in 1963 and 1964, as well as the net inflow of public loans and credits. Holdings of long-term Sterling assets, as well as liquid foreign reserves, were gradually depleted. By mid-1966, Uganda's convertible foreign assets had fallen to about Sh 120 million, equivalent to only about 1 month's imports.

44. As a result of stricter controls over private capital movements to countries outside East Africa and import restrictions, the trend reversed in 1966. The deficits on current account declined from 1966 to 1968, and foreign assets of the Bank of Uganda increased to Sh 320 million in December 1968, while the external position of the commercial banks has also improved. The net outflow of private capital came to an end after 1965, and in 1966 and 1967, there was a modest net inflow. At the same time, there was a further inflow of public capital, although in 1966 a substantial part of this consisted of sales of long-term external assets held by the Government (Table 23 Statistical Annex).

Merchandise Trade

45. After a rapid increase from 1962 to 1964, export growth has leveled off. Since 1964, exports have increased by less than 1 percent a year. Earnings from the three products that make up the bulk of Uganda's exports - coffee, cotton and copper - have shown a slight decline since 1964. At the same time, exports of all other products combined continued to rise but, because of their small share in total exports (27 percent in 1968), they could not fully offset the decrease in export value of the three major products.

Table 10: MERCHANDISE EXPORTS (f.o.b. Mombasa), 1962-1968 1/
(Sh million)

	1962	1963	1964	1965	1966	1967	Provisional 1968
Coffee	404	544	708	609	696	692	702
Cotton	165	289	317	335	307	303	295
Copper	72	72	124	160	115	109	110
Tea	42	42	46	48	64	71	75
All Other Products	211	247	287	297	346	370	341
Total Domestic Exports	894	1,194	1,482	1,449	1,528	1,545	1,523

1/ For more details, and for a reconciliation of trade and balance of payments statistics, see Table 20 of the Statistical Annex.

Source: Statistical Abstracts.

46. Despite the absence of any increase since 1964, coffee has remained Uganda's most important single export product, accounting in 1967 for 45 percent of total exports. The value of coffee exports is largely beyond Uganda's control, since its export quota is determined by the International Coffee Organization, and prices by world market conditions.

Table 11: QUANTITIES AND PRICES OF COFFEE EXPORTS, 1962-1968

	Quantities ('000 long tons)			Prices (Sh per Kg.)	
	Total	Quota	Non-Quota	Unit Value	Spot Price New York
1962	131	-	-	3.03	3.25
1963	145	116	29	3.69	4.39
1964	138	126	12	5.07	5.60
1965	155	106	49	3.85	4.90
1966	165	116	49	4.16	5.29
1967	157	127	30	4.34	5.29
1968	148	134	14	4.69	5.35

Sources: Statistical Abstracts and Annual Reports of the Coffee Marketing Board.

47. The exportable surplus of coffee has always been larger than the allocated quota, but in the past Uganda succeeded in selling considerable amounts on non-quota markets. 1/ Non-quota sales were especially high in 1965 and 1966. Since then the possibilities for non-quota sales have decreased, because of stricter supervision by the International Coffee Organization of re-exports of coffee from non-member to member countries. In 1968, however, low stocks towards the end of the year also seem to have been a cause of the decline in non-quota exports.

48. The unit value of coffee exports has fluctuated roughly in line with the spot price in New York. The difference between the Uganda unit value and the New York spot price, which was largest in years when the share of non-quota export was large, reflects the fact that prices in non-quota markets have been roughly half those that could be obtained in quota markets.

49. Exports of cotton increased from 59,000 tons in 1963 (1962 was an abnormally low year, due to a poor harvest) to 71,000 tons in 1967. In 1966 and 1967, however, the gains in quantity were offset by lower prices. In spite of more favorable prices in 1968, export earnings declined owing partly to drought, and partly to a reduction in the planted acreage in 1967/68 following the much lower prices paid to producers in 1966/67.

1/ Mainly Eastern European countries.

50. Reduced output was also an important cause of the steady decline in copper exports from 18,200 tons in 1964 to 15,400 tons in 1968. This is partly due to termination of marginally profitable output after the price decline in 1966, but also to the fact that the Kilembe mine has passed the peak of its productive capacity.

51. Tea exports have been rising fast from 5,400 tons in 1962 to 11,500 tons in 1968. Prices declined somewhat between 1962 and 1965, but showed some recovery in 1966 and 1967. After the devaluation of the British Pound in November 1967, however, prices dropped sharply by almost 15 percent. Lower prices in 1968 were, however, more than compensated by increased quantities.

52. Of the minor export products, animal feedstuffs and cotton fabrics have done well, reflecting the increased manufacturing capacity of these products. Exports of other minor products, such as oilseeds, sugar, cotton-seed oil, hides and skins, and tobacco did not show any significant growth.

53. The share in total exports of all products other than coffee, cotton and copper increased from 22 percent in 1964 to 27 percent in 1968. The Government recognizes the desirability of further diversification of exports in view of the limited growth prospects of the three main export products and, in 1968, established a Produce Marketing Board to stimulate exports of minor crops. Coordination with the production programs of the Ministry of Agriculture will be important for success of the new board.

54. While total export values showed little change since 1964, some marked differences are noticeable in the direction of trade. (Table 22 of the Statistical Annex). Exports to the other East African countries, especially to Kenya increased rapidly from Sh 193 million in 1964 to Sh 252 million in 1967, but decreased again to Sh 214 in 1968. The increase in exports to the United Kingdom from Sh 160 million in 1964 to Sh 302 million in 1968 is quite striking. Exports to the United States show large annual fluctuations but no clear trend.

55. After a rapid increase from 1962 to 1965, exports to the EEC countries decreased sharply, from Sh 235 million in 1965 to Sh 122 million in 1968. This may have been due to the coming into effect of the Yaounde Convention in mid-1964, whereby the European Economic Community established preferential tariffs with a group of 18 other African countries. Uganda's exports may have suffered, since many of the countries concerned offer the same range of products. In July 1968, however, an Agreement of Association between the countries of the East African Community and the EEC was signed, whereby, with some exceptions, the East African countries received the same preferential rights as the Yaounde Convention countries. This may make it possible to reverse the unfavorable trend in Uganda's exports to the EEC countries.

56. Until 1965, Uganda had a liberal import policy. Rapidly increasing incomes from export earnings, as well as growing public expenditure caused an increase in imports of 19 percent a year between 1962 and 1965 (Table 21 of the Statistical Annex). A continuous private capital outflow and the leveling off of export earnings after 1964, caused external reserves

to drop to an uncomfortably low level in 1966. This prompted the Government to take strong measures to limit imports of less essential goods. In 1966/67 new taxes on consumer goods were introduced, and government consumption was curtailed. In addition in 1966, a system of licenses for certain imports, mostly consumer goods and raw materials, was introduced. The licensing regulations have gradually become stricter, and the coverage wider. Moreover, in June 1967, import duties on a wide range of luxury goods were increased.

57. These measures have been successful; total imports have not increased since 1966. Imports of consumer goods other than food declined sharply, whereas imports of food, drink and tobacco as well as producers' materials showed no further increase. Only imports of capital goods rose considerably, indicating a higher level of investment.

58. The decline in imports of consumer goods was undoubtedly made easier by the growth of import substitution industries, especially in the field of textiles, clothing and footwear. Moreover, the present restrictive import policy has stimulated further development of industries based on import substitution.

III. KEY ISSUES FOR THE FUTURE

Highlights of the Sector Reviews

59. The problems and prospects of three sectors - agriculture, transport and tourism - are reviewed in separate annexes which form Part II of the report. Since each of the annexes in Part II also includes a summary, only the main highlights of the sector reviews are given below.

Agriculture

60. The annex on agriculture highlights the slow growth of this sector since the inception of the Plan. Although some progress has been achieved in increasing the output of tea and tobacco and in creating the basis for the future expansion of livestock and dairying, the overwhelming importance of coffee and cotton in output and exports has continued. The ambitious mechanization program has had little impact on output, while the Group Farms project has had only limited success. The weakness in the staffing of the extension services, resulting from a shortage in the number of agricultural assistants has not been remedied. Although the establishment of planning units in the Ministries concerned with agriculture and livestock was strongly recommended by the 1966 mission, no action has yet been taken.

61. On the other hand, the Government is concerned about the poor performance of the agricultural sector. Some remedial measures have already been taken, while others are under active consideration. Among measures already taken are (a) the reorganization of the Tractor Hire Services and the decision not to authorize further imports of tractors, unless the need was clearly demonstrated, (b) the establishment of a separate Ministry of Marketing

and Cooperatives, which is charged with the responsibility of investigating new markets and streamlining marketing procedures, (c) a reduction in the number of Group Farms to be started each year and (d) an effort to improve the flow of information from the research institutes to the technical services of the Ministry of Agriculture. The Government is considering restoring a more balanced composition in the extension services, and improving the exchange of information among research and extension personnel. The Government has also accepted most of the recommendations of the Committee of Enquiry into Cooperative Societies.

62. Perhaps the most pressing need at this time is to ensure that well-conceived and properly formulated projects are prepared expeditiously, so that not only is the basis created for an expansion of output but, more particularly, for ensuring that output becomes more diversified. Because of the shortage of local staff it is important that Uganda obtains as much assistance as possible for this purpose. More needs to be done to stimulate the output of cocoa, arabica coffee, rubber and horticultural products, and to ensure that research under farm conditions is undertaken on a number of new crops which could be grown profitably.

Transport

63. The review of the transport sector confirms the view of the 1966 mission that, with some exceptions, Uganda's internal transport system is adequate to meet present and immediately foreseeable needs. The capacity of the vital railway link to the port of Mombasa needs to be increased to cope with growing traffic and to avoid costly congestion and delay. Although Uganda continues to have one of the best road systems in tropical Africa, there has been some deterioration as a result of inadequate maintenance. The road maintenance budget has not kept pace with the growth of the system. In addition, a shortage of staff, particularly at the district level, has also hampered maintenance.

64. The Ministry of Works, Communications and Housing suffers from organizational and staff difficulties which have reduced the volume and efficiency of its operations. Perhaps the most urgent need is to establish some form of planning machinery in the Ministry to undertake an economic assessment of the numerous projects which compete for investment funds. There is also some tendency to emphasize new trunk road construction, when there may be a greater need for selective improvement of some trunk road sections, and the construction of secondary and feeder roads.

65. The execution of the road program in the current Plan is considerably behind schedule. In the meantime, costs have escalated to the point where there is likely to be a substantial shortfall from the original physical targets. The employment of foreign consultants and contractors has resulted in some improvement, but financial constraints are likely to appear, particularly in regard to meeting local costs.

66. With regard to airport development, the biggest investment will be the building of a new runway at Entebbe airport and the expansion of terminal facilities. The project is to be built under a contractor finance

arrangement. Although a new runway is needed to replace the existing one, its design and specifications seem likely to make it a unduly costly investment.

67. A number of steps are being considered to enable Uganda to overcome these problems. A technical assistance program is to be included in a forthcoming IDA credit to enable Uganda to overcome its staffing shortages through overseas recruitment, pending the availability of trained nationals. The program would provide the nucleus of a planning unit in the Ministry of Works, and provide other technical personnel. A road investment and maintenance study is also to be included in this project for the purpose of planning a long term road construction program.

Tourism

68. With tourism in East Africa expanding, there are good prospects for continued growth of this sector in Uganda. Rising incomes in Europe and North America and the possibility that airfares may be reduced with the commissioning of newer and bigger aircraft, point to the prospect that earnings from tourism may double over the next five years.

69. Although Uganda possesses the unique attraction of Murchison Falls and an abundance of wildlife in the National Parks, its share of tourists visiting East Africa is likely to be the smallest of the three countries. The principal reason for this is that its landlocked position rules out tourists who are interested mainly in beach vacations. Although Lake Victoria has some fine beaches and picturesque islands, the presence of bilharzia precludes their exploitation at this time; should a method be developed for eliminating bilharzia, prospects for Uganda's tourism would further improve. In relation to investment in tourism, apart from the amounts required to develop facilities at Entebbe Airport, other items require only modest outlays, and funds have already been committed for most of them.

70. The economic return on investments in tourist facilities - mainly hotels - has not been very satisfactory, particularly in the public sector. The main reason has been the high capital costs. In planning new hotels, it is important that capital costs be kept down with a view to ensuring the commercial viability of investments.

71. No major investment in hotel capacity in Kampala appears necessary at this time. The main projects would be the expansion of hotel capacity at Entebbe, new airport terminal buildings also at Entebbe and some additional lodge capacity in the National Parks.

Staffing of Planning Units

72. The 1966 mission had strongly emphasized the importance of establishing planning units in the Ministries responsible for substantial expenditure programs, particularly the Ministries of Agriculture, Animal Industry, Works and Education. At the end of 1968 - the midpoint of the present Plan - only a few units, each with a small staff had been established. The rationale of ministerial planning units is the preparation of projects

in sufficient economic and technical detail as to enable the Ministry of Planning to test the projects for consistency with overall objectives, and the Ministry of Finance to investigate possible sources of financing. There has been a tendency on the part of the spending Ministries to assume that the Ministry of Planning has primary responsibility for preparing projects, and for the Planning Ministry to assume, presumably in the absence of any alternative, that it must indeed direct some of its efforts in this direction. However, the present staff of the Ministry of Planning - despite additions during the past year or so - does not enable it to function as a substitute for ministerial planning units. About a year ago, the Ministry of Planning was exploring the possibility of establishing - within the framework of the Ministry - a National Project Preparation Unit. The mission considers, however, that the basic tasks of identifying projects consistent with the Plan, determining the technical requirements of the projects, and setting out their economic justification must be undertaken, in the first place, by units within individual Ministries, and only then reviewed at joint meetings including also the Ministries of Planning and Finance.

73. The setting up of ministerial planning units is hampered by the shortage of competent technical staff, finance and, occasionally by an insufficient understanding of the purpose of such units within individual Ministries. In the foreseeable future, it is likely that Uganda would have to depend to a large extent on expatriates for the staff of these units. It would be of great help to Uganda if the major proportion of the cost of hiring staff could be included in assistance to specific projects, or by treating technical assistance as a project in itself.

74. The shortfall in investment in the current Plan is attributable mainly to the delay in the preparation and execution of projects. The setting up of effective planning units in the key Ministries offers the best hope of resolving these problems. This matter merits renewed consideration.

Supplier Credits/Contractor Finance

75. Like many developing countries which are unable to mobilize adequate resources from conventional bilateral or multilateral sources to finance high priority investments, Uganda has been resorting to supplier credits/contractor finance. The 1966 mission expressed some concern in the matter and recommended that efforts be made by the Government to hold these to the minimum.

76. During the present Plan and, in particular, during the past six months, Uganda has continued to resort to such finance to ensure the implementation of projects. Some of the items for which credits were recently negotiated are - radio transmitters (Sh 13.8 million), Entebbe airport runway (Sh 77 million), rural hospitals (Sh 116 million), and construction of flats for the National Housing Corporation (Sh 54 million). In all these cases the main features are nominal interest rates of 5-6 percent, down payments ranging from 5-10 percent and repayment over 10-12 years. Although the interest rates are reasonable (provided that the costs of the project are reasonable), the short repayment periods will impose some strain on the balance of payments.

77. It is not that the projects for which such finance have been contracted were either unimportant or postponable. Indeed, some of them may have a clear economic justification. What is not clear, however, is whether conventional sources of finance were explored before resort was taken to such types of finance. It is important that the Government should not have recourse to supplier credits, except in cases where it is absolutely clear no conventional finance is available for important projects.

78. While information on supplier credits contracted or guaranteed by the Government is available, there is no accurate information about arrangements entered into by the private sector. The Bank of Uganda is proposing to remedy this situation. It is important that the Government should exercise control over supplier credits contracted by the private sector since, although individual enterprises may be quite capable of servicing their own debts, the demand for foreign exchange to meet service on the total of these credits could cause pressure on the balance of payments.

Review of Plan Priorities

79. Uganda's Second Five-Year Plan is directed to the achievement of three broad objectives; these are, increased production and wealth, diversification of production, and social and economic justice. The Plan rests on a strategy for development which emphasizes structural change to reduce dependence on cotton and coffee which dominate the economy. The Plan also emphasizes industrialization and the expansion of health and education.

80. While some progress has been achieved in these respects since the beginning of the Plan, gross domestic product at constant factor cost has grown only at about 3 percent and real income per capita has probably not increased at all. The factors which have led to this result should be taken into account when allocating resources - both financial and human - for the remainder of the Plan, and when guidelines are laid down for the next Plan, on which work will have to begin soon.

81. From evidence so far available, performance appears to be most disappointing in the agricultural sector. While the average annual growth of the agricultural sector in the period 1962-65 was 5.2 percent, growth in the following two years was only 2.6 percent. On the other hand, the manufacturing and electricity sectors have registered growth rates of 8.2 and 13.3 percent respectively; the growth of manufacturing has conformed closely to planned growth, while the growth of electricity has exceeded it. However, the importance of agriculture in total GDP means that the economy as a whole cannot grow very rapidly if agricultural growth is slow.

82. The 1966 mission recommended that a review be made of the organization, staffing and procedures of the Ministry of Agriculture, for the purpose of identifying problems and adopting measures to enable it to discharge its responsibilities effectively. Since the performance of agriculture is influenced by factors over which Uganda has no control, action must be concentrated in those areas - in particular, the diversification of output - where some local initiative is possible. The Ministry of Agriculture needs to be strengthened - through such allocations of manpower and finance as may be necessary - to enable it to play this vital role.

83. The Plan also emphasizes the importance of expanding social services. While some expansion of the social services is desirable and necessary in the long run, investment in some types of social services not only has little immediate and direct effect on production, but also has a high ratio of recurrent to capital expenditures. Hence, the rate of expansion must be kept in line with the growth of the economy, and specifically with the growth of governmental revenues.

IV. ECONOMIC PROSPECTS

Investment

84. During the first two years of the Plan, total investment amounted to about Sh 1,500 million. The Central Government accounted for Sh 270 million, while the parastatal organizations, Common Services, local government and the private sector accounted for the balance of Sh 1,230 million. Investment by non-governmental entities has been generally in accordance with the Plan targets. Although Central Government investment lagged in the first two years of the Plan, there is evidence of some improvement, and a higher level may be achieved in the rest of the Plan period. In the light of these factors, the mission considers that, in the three years 1968/69 to 1970/71, Uganda could reasonably expect to achieve an investment of about Sh 2,500 - 2,600 million.

85. For the purpose of projecting investment in the last three years of the Plan, the mission reviewed the programs of the agencies in the public sector - the Central Government, local authorities, the Common Services under the East African Community and parastatal bodies such as the Uganda Development Corporation and Uganda Electricity Board. The projection of Central Government investment - the largest item - is based on the assumption that the Government's ability to prepare and implement projects would undergo further improvement, enabling it to achieve an increase in investment of 10 percent a year. Figures for the Common Services and the parastatal bodies are based on their investment plans, with appropriate adjustments for the state of preparation of projects. The projection of local government investment is based mainly on past performance. On this basis, the mission estimates that investment in the public sector will amount to about Sh 1,100 million or about 40 percent of total investment during the rest of the Plan. The breakdown of this investment will be: Central Government - Sh 550 million, local government - Sh 50 million, Common Services (Uganda's probable share) - Sh 270 million, Uganda Electricity Board - Sh 70 million, and Uganda Development Corporation - Sh 180 million. The following table shows, in summary form, the mission's estimate of investment during 1968/69-1970/71 compared with the period 1966/68.

Table 12: ESTIMATES OF INVESTMENT
(Sh million)

	1966/67-1967/68	1968/69-1970/71
Total Investment	1,500	2,550
Central Government	270	550 a/
Other Public Sector	1,230	570
Private Sector		1,430
Investment as percent of monetary GNP at market prices	15.5	16.0

a/ Refers to fixed capital formation only. Total development expenditure during this period is estimated at Sh 995 million (vide Table 13).

86. According to the above projections, aggregate investment during the five years 1/ of the Second Plan would be about Sh 4,000-4,050 million. This is the same as the estimate made by the 1966 mission, and is some 13 percent below the Plan target of Sh 4,600 million. The shortfall would be entirely in Central Government investment since, despite some improvement in absorptive capacity, it is unlikely that the Plan target for the Central Government can be achieved in full.

Foreign Aid

87. In order to implement an investment program of this magnitude, Uganda would have to supplement its domestic resources by external assistance particularly for the program of the Government. During the first two years of the Plan, foreign aid amounted to Sh 174 million or about 34 percent of Central Government development expenditure of Sh 503 million. The proportion of foreign aid was much lower than was forecast in the Plan. It should be noted, however, that a lower than expected flow of capital from abroad did not reflect a shortage of aid, since aid already committed was adequate to finance projects ready for implementation. Rather, the low level of capital inflow was attributable mainly to limitations in Uganda's absorptive capacity. Foreign aid utilized for Uganda's development program decreased from Sh 98 million in 1966/67 to Sh 76 million in 1967/68, although total aid commitments probably increased at this time. Aid flows in 1968/69 may reach the 1966/67

1/ Published investment figures conform to a calendar year, but the financial year runs from July 1 to June 30. The above figures are adjusted to take account of this.

level, but an improvement in absorptive capacity should make possible significantly higher inflows during the last two years of the Plan. Given this improvement in its capacity to utilize aid, the Central Government should be able to use about Sh 380 million of foreign aid during the final three years of the Plan.

88. At the end of 1968, external aid commitments for Uganda's development program amounted to Sh 510 million. To this must be added about Sh 95 million which recently the United Kingdom has agreed to provide, making a total of Sh 605 million. The major proportion of foreign aid presently committed for Uganda's development program is tied to specific projects. Moreover, it does not cover the whole of the cost of projects it finances, thereby requiring Uganda to allocate a proportion of resources locally generated to ensure adequate financing of these projects.

89. Although existing commitments of foreign aid appear to be adequate in relation to the projected level of Central Government expenditure, it will not be easy to translate these commitments into disbursements. This is particularly true of aid from East European countries and China which have committed about Sh 280 million equivalent mainly in the form of "frame" agreements. These agreements provide for some local cost financing, but require Uganda to sell goods imported from these countries and use the sales proceeds for financing local costs of projects. The mission has assumed that disbursements from these loans would be about 10 percent of the committed aid or about Sh 30 million. If it is assumed that aid amounting to Sh 325 from "Western" countries and agencies could be disbursed within the Plan period, total disbursements of aid from existing commitments would amount to Sh 355 million.

90. It is by no means certain, of course, that "Western" aid disbursements would amount Sh 325 million during the present Plan. The whole of this aid is earmarked for specific projects; some of these projects may not get off the ground, while others may take their place. Hence, the sum of Sh 325 million from "Western" sources and Sh 30 million from communist sources should be regarded as no more than providing an indication of the amount of aid which could effectively be disbursed. As compared with the amount of foreign capital which the economy could use of about Sh 380 million during the present Plan period, therefore, there would appear to be a 'gap' of about Sh 25 million, for which additional commitments would be required. In addition, further commitments need to be arranged during the next three years in order to provide some aid "in the pipeline" so that investment does not fall in the first years of the next Plan. Assuming that Central Government development expenditure in the first two years of the next Plan would amount to about Sh 800 million, and that about 55-60 percent would be financed from external sources, new aid commitments of about Sh 440-480 million would be required. Thus the existing gap, the requirements of the "pipeline" and a contingency provision of about Sh 20-25 million would indicate that total new commitments amounting to Sh 485-520 million 1/ or U.S.$ 70-75 million equivalent would be needed in the remaining years of the Plan.

1/ The actual amount would depend on disbursements from loan commitments which have been made by communist countries.

Domestic Resources

91. The two main sources of domestic funds for Uganda's development are domestic borrowing and recurrent budget surpluses. In the first year of the Plan, domestic borrowing amounted only to Sh 5 million but rose to Sh 33 million in the following year. In 1968/69 - the third year of the Plan - estimated domestic borrowing is Sh 90 million. This target will probably be achieved. Domestic borrowing in 1969/70 is likely to be significantly higher than in 1968/69 since, in addition to local funds which will become available, a substantial amount which a local institution had previously invested in Sterling securities will be available to augment the Government's borrowing program. The Social Security Fund, the commercial banks and pension funds are expected to be the principal sources of finance for the Government's borrowing program. The Social Security Fund, which is to be earmarked exclusively for subscription to government stock, may yield about Sh 25-30 a year. The commercial banks will probably invest about Sh 35-40 million and other sources may provide about Sh 25 -30 million. Hence internal borrowing of the order of about Sh 95 million a year should be feasible. Over the three year period 1968/69 - 1970/71, internal borrowing could then amount to about Sh 280 million; including the proceeds of the Sterling investment, the total could amount to Sh 315 million.

92. If internal borrowing on this scale is achieved, surpluses on the recurrent budget would be required to provide the major proportion of the balance, amounting to about Sh 305 million, required to finance development expenditure. Recurrent budget surpluses should provide about Sh 205 million and miscellaneous non-recurrent items would provide the balance of Sh 100 million.

93. The recurrent budget is the most important source of government savings in the past. Although the recurrent budgets of the last two years generated substantial surpluses, it has already become clear that it will be difficult to maintain this effort in the rest of the Plan. Without adequate surpluses, however, it will be difficult to step up the level of development expenditure. The following table shows the growth of development expenditure during the Plan and the means by which it is to be financed.

Table 13: DEVELOPMENT EXPENDITURE DURING THE PLAN AND SOURCES OF FINANCE
(Sh million)

	1966/67	1967/68	1968/69	1969/70	1970/71
Development Expenditure	230	273	300	330	365
External Aid					
Loans	88	68	100	120	135
Grants	10	8	7	10	10
Total	98	76	107	130	145
Balance	132	197	193	200	220
Internal Sources					
Borrowing	5	33	90	125	100
Other sources	29	46	28	35	35
Total	34	79	118	160	135
Recurrent Budget Surplus	104	103	78	40	85
Overall Balance	+6	-15	+3	-	-

Sources: For 1966/67 and 1967/68, Background to the Budget. Figures for later years are mission estimates.

94. The table shows that, in order to implement a capital expenditure program of about Sh 1,000 million over the period 1968/69 - 1970/71, it will be necessary for the Government to achieve budgetary surpluses totalling about Sh 205 million during this period. Any shortfall in these surpluses might cause development expenditure to decrease by an amount greater than the shortfall if it reduced local funds available for projects which are partly financed by foreign aid. As a corollary, an increase in absorptive capacity would have to be accompanied by an increase in the capacity to generate local resources on an adequate scale. Two policy implications emerge: the first is that an effort should be made to increase revenue and hold back recurrent expenditure so as to increase government savings; second, given the limitation of local resources, high priority must be given in the allocation of resources for those items of development expenditure which attract foreign aid - in particular projects of a productive nature. This might involve a postponement or even reduction of the allocation of local resources for projects which have to be supported entirely from local resources, or those which are not productive, although defensible or non-economic grounds.

Growth of GDP

95. Past data on investment and GDP suggest an incremental capital output ratio of 3-½:1 for the monetary economy. If this ratio remains valid in the near future, and if sufficient local savings - both public and private - can be generated, and project preparation and implementation improves so that investment goes up as projected, then monetary GDP may show an annual growth rate of 4.5 to 5 percent. Since in the past there has not been a very close relationship between investment and growth, this estimate is subject to a wide margin of error, and is intended only as an illustration.

Export Prospects

96. Generation of local savings, and therefore the increase in investment as well as GDP, is very much dependent on the growth of export earnings, particularly coffee, cotton and copper. As set forth in Appendix II - in which detailed export projects are given, coffee prices are expected to remain stable in the near future, but prices for cotton and copper are likely to fall. The volume of coffee exports will largely be determined by quotas under the International Coffee Agreement. The mission assumes an average annual increase of 2-3/4 percent in Uganda's quota. If cotton production recovers after the setback in 1967/68 and 1968/69, export volume could increase to the 1965-1966 level. Since copper production is not expected to increase, the exported tonnage is assumed to remain at the 1968 level.

97. Prospects for the three major export products are rather limited. Exports of other products, such as tea, tobacco, and various manufactured products, may grow faster. The most sizeable contribution to foreign exchange earnings, however, may come from tourism, for which the mission expects a doubling of earnings over the next five years.

Table 14: SUMMARY OF EXPORT PROJECTIONS, 1969-1971
(Sh million)

	Actual	Provisional	Projections		
	1967	1968	1969	1970	1971
Merchandise exports	1,518	1,487	1,500	1,575	1,640
Receipts from services	151	197	220	245	270
Total exports	1,669	1,687	1,720	1,820	1,910

Indicated Level of Imports

98. Since no reliable relationships could be established between imports and production, consumption, and investment in the past, the mission has not attempted to make a projection for imports. However, the projected level of exports, together with assumptions on capital flows and investment income obligations, provide a basis to indicate an allowable level of imports for the next three years.

Table 15: IMPORTS OF GOODS AND SERVICES, 1969-1971
(Sh million)

	1969-71 a/
Exports of goods and services	5,450
Investment income, net	-430
Transfers, net	10
Private long-term capital, net	200
Public long-term capital, gross	530
Repayments on public loans	-300
Changes in reserves	-160
Available for imports	5,300

a/ Three years total.

99. In addition to projected exports, amounting to Sh 5,450 million over the period 1969-1971, foreign exchange is expected to become available from private and public capital inflows, and to a small extent from transfers. Little can be said with certainty about private capital inflow. The assumed amount of Sh 200 million for net private capital, represents a 5 percent annual increase over the 1966-67 inflow level. The amount of Sh 530 million for gross public capital inflow consists of Sh 380 million 1/ external borrowing via the Central Government budgets, and Sh 150 million for parastatal entities (including Sh 70 million for reborrowing by the Uganda Electricity Board) and the East African Community. Net transfers, which were negligible in recent years, may become slightly positive, if technical assistance is increased.

100. As a result of growing private and public capital inflow, net international investment payments will continue to increase. The assumed net outflow of Sh 430 million includes, beside some increase in interest payments on public foreign debt, an assumed 5 percent annual increase in the sizeable private investment income payments. During 1969-71, amortization on public foreign debt will amount to Sh 300 million.

1/ Sh 380 million for Calendar 1969-71 compares with Sh 355 million mentioned for Budget 1968/69-1970/71.

101. The mission believes, furthermore, that Uganda should continue to strengthen its foreign exchange position. Convertible foreign assets amounted to nearly three months' imports by the end of 1968. In view of the country's vulnerability to export fluctuations, a further increase of reserves equivalent to about four months' imports is advisable. An increase of about Sh 160 million would then be necessary in 1969-71.

102. In sum, an amount of about Sh 5,300 million would therefore be available, in the period 1969-71, for imports of goods and non-factor services, or an average of some Sh 1,765 a year. This would imply an annual rate of increase over 1968 of 5-6 percent. If import substitution continues and if the Government maintains its policy of curbing imports of less essential goods, this rate of growth should allow a sufficient margin for necessary imports of capital equipment.

External Public Debt and Debt Service

103. At the end of 1968 Uganda's public debt (including undisbursed) amounted to $148.6 million equivalent. To this figure must be added Uganda's liability for the debt (on a notional one-third basis) of the East African Community (successor to East African Common Services Organization) amounting to $77.9 million, making a total of $215.5 million.

104. Estimated interest and amortization payments in 1968 on Uganda's own debt amounted to $8.1 million; the share of estimated debt service on account of the Community amounted to $10.9 million, adding up to a total of $19.0 million. Foreign exchange earnings in 1968 amounted to an estimated $248 million. Hence the debt service payments absorbed 7.7 percent of the foreign exchange earnings.

105. There will be a big peak in Uganda's own debt-service in 1969 1/ and a further peak in 1973. Service of the East African Community debt will be subject to peaks in 1969 and 1971, and a larger peak in 1975. However, on the basis of projected export earnings, no difficulty is likely to be encountered in meeting debt service payments in the peak periods so that debt rescheduling will not be required.

106. The average weighted terms of external debt incurred in the period 1963-68 is shown in the table below:

1/ This represents the repayment of a £ St 9.0 million loan raised in the London money market in 1951 to finance the Owen Falls power project. All but £ St 3.5 million was repaid from the savings of the Uganda Electricity Board. The sum of £ St 3.5 million has been reborrowed.

Table 16: AVERAGE WEIGHTED TERMS BY ORIGINAL AMOUNTS OF EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1968 a/

Period during which debt incurred	Original Amt. (U.S.$'000)	Interest Rate	Maturity b/ (years)	Grace Period (years)
1963	15,964	3.488	29.4	7.3
1964	4,236	0.888	26.4	7.3
1965	14,100	3.868	17.0	4.4
1966	19,824	1.678	24.8	3.1
1967	25,781	1.285	42.7	9.3
1968	81,124	1.544	42.8	10.4

a/ Excluding suppliers' credits with no nominal rate of interest (implying interest hidden in amount of loan) and debts where the terms of contract are not available.

b/ Term from date of contract to maturity.

There was some deterioration in the average weighted terms of Uganda's debt between 1963 and 1965. There was a slight increase in the interest rate, and the grace and maturity periods on debt incurred in 1965 were shorter than in the two previous years. Since 1966, however, there has been a steady improvement in the terms. Although the interest rate in 1968 was slightly higher than in 1967, the grace and maturity periods have been most favorable.

Fifteen-year Projection of Debt Service

107. In view of the possibility that Uganda's dependence on foreign aid is likely to increase in the coming years, and also because of the uncertainty associated with its exports and hence the prospect that debt service payments may prove burdensome, the mission has made an attempt to project the country's debt service during the period 1970-1985, under various assumptions concerning the blends of external capital and the growth of exports. These assumptions and the resulting debt service ratios are shown in Table 25 of the Statistical Appendix.

108. For the sake of simplicity, the mission made three assumptions concerning the terms of lending: these are - soft blend (75 percent IDA terms - 25 percent IBRD terms), medium blend (50 percent IDA - 50 percent IBRD) and hard blend (25 percent IDA - 75 percent IBRD). It was assumed

that the average annual increase in exports would be 5.3 percent, 4.8 percent or 4.3 percent, and each of these growth rates was combined with the three blends. The growth of imports was held steady at 5.7 percent during this period.

109. Starting with the soft blend, the growth of exports both at 5.3 percent and 4.8 percent would bring about an actual reduction in Uganda's debt service ratio by 1985. With an export growth of only 4.3 percent, the debt service ratio in 1985 would be slightly higher than in 1970. With the medium blend, the debt service ratio in 1985 would be higher under all rates of export growth. However, if exports were to grow at 5.3 percent, the debt service ratio would only be fractionally higher in 1985 compared to 1970. But with growth rate for exports of 4.8 percent the debt service ratio would rise from 6.1 percent in 1970 to 9.1 percent in 1985, and with an export growth of only 4.3 percent a year, the debt service ratio in 1985 would rise as much as 12.2 percent. A hard blend would cause a noticeable deterioration in the debt service under all assumptions concerning the rate of growth of exports. At export growth rates of 5.3 percent, 4.8 percent and 4.3 percent, the debt service ratios in 1985 will be 9.1 percent, 13.2 percent and 17.8 percent respectively.

110. The foregoing exercise clearly shows that the debt service ratio is quite sensitive both to the terms of lending and to variations in export growth, even within a 15-year period. It demonstrates that even if exports grow as rapidly as can reasonably be expected, Uganda will require some aid on soft terms if the debt burden is not to increase in the long run.

Conclusion

111. Although the growth of Uganda's economy has slowed down during the last 2-3 years, this is mostly attributable to factors outside the country's control. There is evidence that the country is pursuing sound policies in the fiscal and monetary fields, and is attempting to raise local resources on an increasing scale to finance development.

112. The main problem which Uganda may encounter in the coming years is a shortage of domestic resources to finance development. This problem is likely to become particularly acute if a continued improvement occurs in the ability of the country to prepare and implement projects. Hence it would be desirable for aid-givers to make a provision for financing local costs of projects which they finance or, if this is already being done, to consider financing a higher proportion of local costs.

113. A factor which causes some concern is the number of supplier credits/contractor finance arrangements which the Government has entered into. A list of agreements recently concluded is given in the previous section. Although Uganda's Plan includes a statement that this type of financing arrangements be held to the minimum, there is some evidence that adherence to this precept has not been very strict. However, the debt projections show that even without supplier credits, Uganda's debt service is likely to rise. Resort to supplier credits can only make it rise faster.

APPENDIX 1

POPULATION

1. Uganda is the smallest of the three East African countries in area and population. It has an area of 91,076 sq. miles of which the land area is 74,712 sq. miles, and open water and swamp area is 16,364 sq. miles, including the territorial waters of Lake Victoria. Censuses of population were held in 1931, 1948 and 1959. The results of these Censuses and the estimates for later years are shown in the table below:

Table : POPULATION ESTIMATES

	Census Year a/				
Race	1931	1948	1959	1964	1968
African	3,536,267	4,917,555	6,449,558	7,270,000	8,025,000
Non-African					
of which:					
European	2,001	3,448	10,866	8,800	10,300
Indo-Pakistani	13,026	33,767	69,103	83,800)	94,000)
Goan	1,124	1,448	2,830	)	)
Arab	515	1,475	1,946	2,100	2,200
Other	601	827	2,313	2,200	1,800
Total	17,267	42,400	87,085	96,900	108,300
Grand Total	3,553,534	4,959,955	6,536,616	7,367,000	8,133,000

a/ A census was held in 1921 for the non-African population only.

2. Both the 1921 and 1931 Censuses were carried out by the Administration without any professional assistance and hence are not comparable with the 1948 Census. Although the 1948 and 1959 Censuses were carried out on a more systematic basis, there were deficiencies both in coverage and methods of enumeration.

3. Based on the results of the 1959 Census, annual adjustments have been made to Uganda's population estimates. These adjustments are based on a growth rate of 2.5 percent, as indicatec by the 1959 Census. It is widely believed that growth has since been higher, probably about 2.8 percent or more.

4. The next Census is scheduled to be held on August 18, 1969. A lot of time and effort has been devoted to preparations in order to ensure a high quality for the Census. The Government has appointed District Census Officers and given them appropriate training to oversee operations in their area. Enumerators have been trained in the required numbers. There is a complement of professional staff including demographers and statisticians who have been assigned to the Census. A successful pilot Census was organized sometime ago. One end result of these elaborate arrangements will be a substantially improved coverage. If the Census also indicates that the rate of population growth has been higher than the rate of 2.5 percent assumed hitherto, then Uganda's population figure would be significantly higher.

5. Since Uganda is a fertile country without any obvious symptoms of over-population, little attention has so far been given to the question of a population policy. The fact that no major effort is required to obtain the essentials of life perhaps lends plausibility to the view that the country is under-populated. According to the 1959 Census, the area of Buganda and the Eastern Province had densities of 114 and 171 respectively, while the Northern and the Western Provinces had densities of 39 and 85 respectively. Overall density has increased from 86 in 1959 to 109 in 1968, an increase of about 27 percent. Although the overall density is low relative to potential resources, there is undoubtedly some pressure on the land in certain districts such as Bugisu, Busoga, Bukedi and Kigezi.

6. A detailed analysis of the population situation in relation to fertility, age and sex ratios and regional distribution can only be undertaken after the August 1969 Census. What is already evident is that the Government is finding it necessary to allocate a steadily growing proportion of its budget for providing social services to a growing population. The following table illustrates the growth of government expenditure on some of these services.

Table : EXPENDITURE ON SELECTED SOCIAL AND COMMUNITY SERVICES a/
(Sh million)

	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68 b/
Education	78.5	98.7	138.5	128.7	133.1	146.0
Health	47.5	52.6	63.2	71.9	84.8	85.0
Labor	1.8	1.9	2.3	2.3	2.6	2.6
Community Development	5.9	3.3	6.2	6.5	9.9	5.9
Other Social	11.5	16.7	21.4	21.4	11.0	18.8
Fire Protection, Water Supply and Sanitation	4.2	5.3	5.7	5.6	9.5	7.7
Total	149.4	178.5	247.1	236.4	250.9	266.0

a/ Recurrent and development Expenditure.

b/ Approved estimates.

7. According to the table, expenditure on the social services has grown from Sh 149.4 million in 1962/63 to Sh 266.0 million in 1967/68, an increase of 12.5 percent a year. Expenditure on these services absorbed 25 percent of total revenue in 1962/63 and, according to budget estimates, 23 percent in 1967/68. In the latter year, however, a substantial additional allocation had to be made for the social services through a supplementary budget, and hence social services would have absorbed a much larger proportion of total revenues.

8. Although neither the allocations for the social services nor their share in total expenditure are high in relation to countries at a comparable stage of development, the prospects are that, in the longer-run, a much higher allocation will be needed if the growth of population does not slow down. To the extent that an increase in this expenditure implies a corresponding reduction in development expenditure, the overall growth of the economy will be held back. Moreover, the ratio of recurrent to capital expenditure in the social services - particularly education and health - tends to be very high. For these reasons, Uganda would be well-advised to consider the question of a population policy, even if the present population situation is not yet creating serious difficulties.

9. The Family Planning Association of Uganda which was established in 1957 had a modest beginning but, in recent years, its operations have been expanding. The Association's clinics are intended solely for the safeguarding of maternal and child welfare, and not for population control. To this extent the Association's objectives are supported by the Government. The Association is not allowed to advertise its services, and its facilities are not open to unmarried persons.

APPENDIX II

THE MISSION'S PROJECTIONS OF MERCHANDISE EXPORTS

1. The mission expects that, following the stagnation which occurred in the period 1964-68, merchandise exports will resume their upward trend in 1969. Because of the expected slow recovery of cotton exports, the increase will not be very marked until 1970, but could average about 4-1/4 percent a year thereafter. The increase in volume could be about 5 percent a year, but falling prices for cotton, copper and tea will have some negative effect. Merchandise exports may increase from Sh 1,487 million in 1968 to Sh 1,640 in 1971; details are given in Table 24 of the Statistical Annex, and are discussed below.

2. Coffee exports will largely be determined by quotas under the International Coffee Agreement. The mission has assumed an average annual increase of 2-3/4 percent in Uganda's quota, about the trend increase in world coffee consumption. In 1969, however, exports to quota markets may be below the trend, as a result of the lowering of Uganda's quota from 134,000 tons in 1967/68 to 120,000 tons in 1968/69. Quota sales may then amount to 125,000 tons in calendar 1969. In addition, Uganda will continue to sell coffee in non-quota markets. However, owing to stricter supervision by the International Coffee Organization, sales will be less than in 1965 and 1966, when Uganda exported almost 50,000 tons to the non-quota market. The mission expects about 25,000 tons of non-quota sales a year in the near future. Total coffee exports may then increase from about 150,000 tons in 1969 to 165,000 tons in 1971. World prices are expected to remain stable. The mission's projections are based on a New York spot price for Uganda coffee of US$34.00 per 100 lb, the same as in 1968. This would imply a unit value for Uganda's quota exports of Sh 4.90 per Kg. Prices for non-quota coffee, however, will not be much more than half the quota coffee price. Under these assumptions the export value of coffee could amount to Sh 695 million in 1969, increasing to Sh 765 million in 1971.

3. Cotton exports will be affected by trends in domestic production and consumption, as well as by falling prices. After a sharp drop in output in 1967/68 due both to poor weather and reduced acreage, production in 1968/69 was higher at 73,000 tons. Given normal weather and Government action to stimulate production, it should be possible to restore by 1969/70 the level of 80,000 tons attained in 1965/66, and to achieve some increase thereafter. Domestic consumption, which increased from virtually nil in 1955 to more than 10,000 tons in 1967, may rise further to 15,000 tons in 1971. The exportable surplus of cotton, which fell from 71,000 tons in 1967 to 60,000 tons in 1968, may increase to about 68,000 in 1971. Prices are expected to resume their long-term downward trend after the temporary upswing in 1968. The mission expects that the 1971 price level for Uganda cotton will about 13 percent below the 1968 level. Export values would then be about Sh 225 million in 1969, rising to Sh 272 million in 1971.

4. Copper production is not expected to increase, and exports in the next three years will approximately remain at the 1968 level of 15,000 tons. Prices were high in 1966 and 1967, due to sluggish output in Zambia and the Congo, and the copper strike in the United States. Prices are now ex-

pected to return to a normal level, and may be some 15 percent lower in 1971 than in 1968. As a result, the export value of copper is expected to decline from Sh 110 million in 1968 to Sh 93 million in 1971.

5. Tea exports have been growing fast in recent years, and this trend can be expected to continue. Although prices may fall by about 10 percent over the next five years, increased quantities will more than offset the price fall. The export value may increase from Sh 75 million in 1968 to Sh 105 million in 1971.

6. Exports of various other products, mainly sugar, tobacco, some industrial items, and minor crops, amounted to Sh 341 million in 1968. Roughly two-thirds of it went to Kenya and Tanzania. Exports to these countries had been rising fast up to 1967, but declined somewhat in 1968. The mission expects an upward trend after 1968 but, because of saturation of the market and the expansion of output in Kenya and Tanzania, exports to the Common Market are expected to grow at a lower rate than before - 5 percent as compared with the rate of 10 percent prevailing in the period immediately prior to 1968. For the projection of minor exports outside the Community the mission extrapolated the past growth rate of 11 percent.

7. Re-exports lost their importance for Uganda, since, after the opening of an oil refinery in Kenya, oil products passing through Uganda to her Western neighbor countries are no longer included in Uganda's trade figures. The mission assumes the same level of re-exports in the next three years as in 1968, namely Sh 17 million.

8. For balance of payments purposes, adjustments need to be made on export figures to correct for freight charges between Tororo and Mombasa. In the past this adjustment amounted to 4 percent of the value of overseas exports, which figure the mission applied to the projections.

APPENDIX III

PROJECTS SUITABLE FOR EXTERNAL FINANCING

1. At the 1968 meeting of the Consultative Group, it was agreed that Uganda would prepare a list of projects which were considered to be of high priority and which had been prepared in sufficient detail to enable them to be considered by potential aid-giving agencies. It was also agreed that the Bank would collate these projects and distribute project lists for consideration at periodic meetings of local representatives of the Consultative Group countries in East Africa.

2. Accordingly, two such meetings have so far been held. Participants at the first meeting included representatives only of the donor countries and agencies, while the second meeting was also attended by representatives of the Uganda Government. Prior to each meeting a list of projects was distributed to the participants and included, essential information in summary form on many of the projects. On this basis, some donors have held subsequent discussions with the Government. In some cases, they have already agreed to finance specific projects, while in others they have expressed an interest and requested additional information.

3. In view of these regular consultations among the donors and, more recently, among the donors and the Ugandans, the present mission did not consider it necessary to review each project and comment on its priority or suitability. Hence the projects shown in the two attached tables should not be regarded either as specifically endorsed by the Bank or as being ready for financing by donors. Further information on any specific project or on its present status as regards financing could be obtained from the Government. Table A-I shows projects which have already been submitted to donors but for which finance has not necessarily been secured, while Table A-II includes projects which have already been prepared or those on which work already done indicates the possibility that they will be prepared within the Plan period, but for which no finance is as yet in sight.

4. Towards the end of 1968, the Uganda Government finalized a Project Supplement which was originally intended to be issued concurrently with the Second Five-Year Plan document, "Work for Progress". Tables A-I and A-II do not, of course, include all projects listed in the Project Supplement, but only those which could either be implemented or commenced during the present Plan. Only those types of projects which are likely to attract external financing are included. Projects for which external financing has already been obtained, but is only awaiting a formal agreement, have not been included.

TABLE A-I: PROJECTS SUBMITTED TO DONORS

Sector and Project Description	Estimated Total Cost (Sh million)	Submitted to	Remarks
Agriculture and Cooperatives			
Produce Marketing Board Storage and Produce Quality UNIT	16.5	UNDP(SF)	Project prepared with FAO assistance
Animal Industry			
Dairy Cattle Breeding Farms	20.5	USAID	Partly financed by USAID
Transport and Communication			
Soroti-Lira-Kamdini Road	46.0	U.K.	Engineering studies completed
Education			
Student Accommodation at Makerere University College	12.9	USAID/UK	Several small projects grouped under this item
Primary Teacher Training Colleges	28.0	USAID	
Various facilities for Uganda Commercial College, National Teachers College, Trade Testing Centre etc.	13.5	U.K.	U.K. has offered to finance some items and indicated willingness to consider others

Note: Individual projects estimated to cost less than Sh 5 million are grouped together where possible, or otherwise not included.

TABLE A-II: PROJECTS FULLY OR PARTLY PREPARED, BUT NOT YET SUBMITTED TO DONORS

Sector and Project Description	Estimated Total Cost (Sh million)	Remarks
Agriculture and Cooperatives		
Produce Marketing Board District Storage Centres	40.0	Feasibility study undertaken
Primary Buying Centres	15.0	Project written up
Agricultural Credit	Not known	Original application to IDA has been modified. To be appraised.
Softwood Development	12.5	Fully written up. Several donors have expressed interest.
Animal Industry		
Dairy Farmers' Loan Scheme	14.6	Draft project under study. Implementation not likely for about 2 years because of ongoing USAID scheme.
Education		
Student/staff Accommodation at related facilities at Makerere University College	20.0	Partly written up. USAID, U.K. and Norway have shown interest.
Expansion of Secondary Education	60.0	Project under preparation with IBRD/UNESCO assistance.
Health		
Health Training, Hospital Improvements and Rural Health Centres	40.5	Included under this item are several small projects fully or partly written up. Denmark and France have indicated some interest.
Power		
Murchison Falls Power Station and Transmission lines to Kampala	430.0	Feasibility study done. Further investigations are under way. The Bank has been approached for financing.

Note: As for Table A-I.

APPENDIX IV

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Table 1: UGANDA - EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1968 /1

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

Source	Debt Outstanding December 31, 1968	
	Disbursed only	Including undisbursed
TOTAL EXTERNAL PUBLIC DEBT	101,191	148,568
Privately-held debt /2	23,542	24,598
Publicly-issued bonds /2	19,529	19,529
Financial institutions - United Kingdom	3,984	5,040
Privately placed bonds	29	29
Loans from international organizations	8,388	28,341
African Development Bank	-	163
IBRD /3	6,778	6,778
IDA	1,610	21,400
Loans from governments	69,261	95,629
Germany	7,047	9,967
United Kingdom	54,883	57,892
United States	6,259	11,355
U.S.S.R.	1,072	16,415

/1 Debt with an original or extended maturity of one year or more.
/2 Net of accumulated sinking fund of $11,870,000.
/3 Guaranteed by U. K. Government.

Statistical Services Division
Economics Department
June 2, 1969

Table 2: UGANDA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

YEAR	DEBT OUTST (BEGIN OF PERIOD) INCLUDING UNDISBURSED	PAYMENTS DURING PERIOD AMORTI-ZATION	INTEREST	TOTAL
	TOTAL EXTERNAL PUBLIC DEBT			
1969	148,445	15,812	4,182	19,995
1970	132,355	5,010	3,766	8,776
1971	127,225	5,350	3,632	8,982
1972	121,746	5,660	3,473	9,133
1973	115,946	12,255	3,282	15,536
1974	103,540	6,120	2,624	8,745
1975	97,420	6,435	2,532	8,966
1976	90,985	5,779	2,329	8,108
1977	85,206	5,929	2,132	8,060
1978	79,276	6,079	1,934	8,013
1979	73,196	6,391	1,767	8,158
1980	66,805	5,117	1,586	6,703
1981	61,689	4,879	1,396	6,275
1982	56,810	4,614	1,230	5,844
1983	52,195	4,731	1,068	5,798

Note: Includes service on all debt listed in Table 1 prepared June 2, 1969 with the exception of the following, for which repayment terms are not available:

United Kingdom $123,000

Table 3: POPULATION

A. Distribution by Race

(Thousands)

Race	Census Years 1921	1931	1948	1959	Estimate 1968
African	..	3,536.3	4,917.6	6,449.6	8,025.0
Non-African					
European	1.3	2.0	3.4	10.9	10.3
Indo-Pakistani and Goan)		14.2	35.2	71.9	94.0
Arabs)	5.6	0.5	1.5	1.9	2.2
Other)		0.6	0.8	2.3	1.8
Total	..	3,553.5	4,958.5	6,536.6	8,133.0

B. Population Density by Region, 1959

Region	Land Area (Sq. miles)	Population (thousands)	Density (Persons per sq.miles)
Buganda	16,138	1,881.1	117
Eastern	10,935	1,902.7	174
Northern	31,939	1,249.3	39
Western	17,298	1,503.4	87
Total	76,310	6,536.6	86

Source: 1968 Statistical Abstract.
Uganda Quarterly Digest of Statistics, September 1968.

Table 4: INDUSTRIAL DISTRIBUTION OF EMPLOYEES, 1962-1967

(*Thousands*)

Industry	1962	1963	1964	1965	1966	1967
African						
Agriculture	47.9	47.0	47.8	46.8	49.3	49.8
Cotton ginning	2.5	3.2	3.5	4.4	5.1	3.4
Coffee curing	3.0	3.0	3.2	3.3	4.6	4.9
Forestry, fishing & hunting	3.6	3.0	3.5	3.6	2.9	4.2
Mining & quarrying	5.1	4.9	4.8	6.1	6.2	6.5
Manufacture of food products	7.6	7.4	9.4	8.2	8.7	9.1
Other manufacturing	17.1	17.2	16.5	18.6	20.9	23.1
Construction	28.6	25.8	24.1	31.6	28.3	31.4
Commerce	10.5	9.7	9.7	9.2	10.5	10.4
Transport & communications	9.0	9.6	9.0	9.7	9.3	10.1
Government	15.6	13.4	15.4	13.9	14.9	15.5
African local government	28.5	26.1	29.0	24.9	20.2	17.4
Education & medical services	24.9	25.4	24.8	37.8	38.3	43.3
Miscellaneous	13.0	12.8	11.6	10.3	12.8	12.7
Total	216.8	208.4	212.3	228.2	231.9	241.9
Non-African						
(All sectors)	14.0	13.2	12.6	13.5	14.1	14.9
GRAND TOTAL	230.8	221.6	224.9	241.7	246.0	256.8

Source: 1968 Statistical Abstract.

Table 5: ESTIMATES OF GROSS DOMESTIC PRODUCT BY INDUSTRY, 1962-1967 FACTOR COST AT CURRENT PRICES

(Sh million)

	1962	1963	1964	1965	1966	1967
Monetary Economy						
Agriculture (excluding crop processing)	1,122	1,464	1,543	1,450	1,707	1,807
Crop processing	71	114	115	108	100	110
Total Agriculture	1,193	1,578	1,658	1.558	1,807	1,917
Forestry, Fishing and Hunting	63	62	62	63	68	74
Mining and Quarrying	52	56	106	145	129	126
Manufacturing	174	189	222	294	299	329
Electricity	49	54	58	66	76	84
Construction	87	78	78	102	102	114
Commerce	510	650	690	741	858	881
Transport and Communications	116	123	123	131	146	156
Services	519	529	620	731	795	858
Total Monetary Economy	2,763	3,319	3,617	3,831	4,280	4,539
Non-Monetary Economy						
Agriculture	948	907	1,052	1,419	1,228	1,347
Forestry and Fishing	133	142	152	205	216	193
Total Non-Monetary Economy	1,081	1,049	1,204	1,624	1,444	1,540
Total GDP	3,844	4,368	4,821	5,455	5,724	6,079

a/ Based on official figures, but adjusted to reflect probable changes in forthcoming revision of national accounts.

Sources: Background to the Budget 1968-69.
Survey of Industrial Production 1965-1966.
Statistical Abstracts.

Table 6: ESTIMATES OF GROSS DOMESTIC PRODUCT BY INDUSTRY[a/] 1962-1968
FACTOR COST AT 1964 PRICES

(Sh million)

	1962	1963	1964	1965	1966	1967	Estimate 1968
Monetary Economy							
Agriculture (excluding crop processing)	1,195	1,444	1.543	1,572	1,639	1,657	
Crop processing	75	110	115	113	115	116	
Total Agriculture	1,270	1,554	1.658	1,685	1,754	1,773	
Forestry, Fishing and Hunting	63	60	62	61	69	77	
Mining and Quarrying	91	96	106	101	99	100	
Manufacturing	212	211	222	251	255	294	
Electricity	53	58	58	67	82	86	
Construction	91	81	78	100	91	99	
Commerce	552	652	690	752	796	766	
Transport and Communications	107	117	123	132	144	152	
Services	572	565	620	686	721	764	
Total Monetary Economy	3,011	3.394	3,617	3,835	4,011	4.111	4,234
Non-Monetary Economy							
Agriculture	1 004	1,015	1,052	1.075	1,111	1,146	
Forestry and Fishing	144	148	152	156	161	164	
Total Non-Monetary Economy	1,148	1,163	1,204	1,231	1,272	1,310	1,350
Total GDP	4 159	4,557	4,821	5.066	5,283	5,421	5,584

a/ Based on official figures, but adjusted to reflect probable changes in forthcoming revision of national accounts.

Sources: Background to the Budget 1968-69.
Survey of Industrial Production 1965 and 1966.
Statistical Abstracts.

Table 7: ESTIMATES OF GNP, INVESTMENT, AND SAVING, 1962-1967
(Monetary economy only; current prices)

(Sh million)

	1962	1963	1964	1965	1966	1967
GDP at factor cost	2,763	3,319	3,617	3,831	4,280	4,539
Indirect taxes less subsidies	186	222	267	330	382	407
Factor income from abroad, net	-60	-50	-100	-104	-124	-135
GNP at market prices	2,889	3,491	3,784	4,057	4,538	4,811
Balance of goods and services	96	218	368	70	8	66
Capital formation, gross	354	400	484	646	640	798
National saving	390	568	752	612	524	729
Capital formation as % of GNP	12.2	11.4	12.8	15.9	14.1	16.6
National saving as % of GNP	13.5	16.3	19.9	15.1	11.5	15.2

Sources: Statistical Abstracts.

Background to the Budget, 1968-69.

Mission estimates.

Table 8: INDUSTRIAL PRODUCTION, 1965 AND 1966

(Value added; Sh million)

	1965	1966
Crop processing	74.6	66.8
Sugar milling, jaggery, and tobacco	38.1	38.0
Other foodstuffs	15.2	17.3
Beverages	19.1	20.4
Spinning, weaving, textile finishing, wearing apparel	44.1	62.9
Footwear and rubber	4.1	4.7
Sawmills, furniture, other wood products	15.7	19.2
Paper and printing	9.9	11.3
Chemicals, oils and fats	19.7	19.0
Non-metallic mineral products	26.9	24.1
Base metal industries and metal manufactures	119.2	97.3
Miscellaneous	14.6	18.6
Total manufacturing	401.2	399.6
Quarrying	2.3	2.0
Electricity	59.8	68.3
Total industry	463.3	469.9

Source: Survey of Industrial Production 1965 and 1966.

Table 9: DISTRIBUTION OF ACREAGE UNDER CROPS, AFRICAN GROWERS, 1955 AND 1962-1967

(Thousand Acres)

	1955	1962	1963	1964	1965	1966	1967
Arabica Coffee	25	41	42	43	40	52)	816
						)	
Robusta Coffee	291	561	588	594	648	780)	
Cotton	1,586	1,804	2,014	2,138	2,241	2,174	2,149
Tobacco	7	10	14	11	19	12	15
Plantains	1,415	1,603	1,743	1,844	1,147	1,287	
Maize	379	422	394	478	703	756	
Millet	1,716	2,034	2,038	2,082	2,029	2,205	
Groundnuts	425	616	589	627	621	691	
Beans	641	677	681	789	1,023	1,045	
Sweet Potatoes	580	627	586	709	783	1,068	
Cassava	556	653	706	593	888	1,342	

Source: Statistical Abstracts.

Table 10: VALUE OF MAIN CASH CROPS TO AFRICAN GROWERS 1955 AND 1962-1967

(Sh million)

	Bigisu Arabica	Robusta Coffee	Cotton	Tobacco
1955	40.3	281.1	231.7	3.6
1962	39.2	235.9a/	122.1	5.8
1963	21.3	285.0a/	248.6	6.8
1964	47.5b/	381.5a/	202.1	11.7
1965	28.9b/	395.9a/	294.2	13.1
1966	67.9b/	338.8	317.4	11.5
1967	49.6	256.4	203.4	15.9

a/ Covers all coffee.

b/ Includes arabica not grown under the Bigisu Coffee scheme.

Source: Statistical Abstracts.

Table 11: NUMBER OF LIVESTOCK ON AFRICAN FARMS, 1955 AND 1962-1967

(Thousands)

	Cattle	Goats	Sheep	Pigs	Donkeys
1955	3,094	2,514	1,093	12	..
1962	3,465	2,340	760	15	..
1963	3,464	1,991	861	19	16
1964	3,497	2,014	755	32	17
1965	3,627	1,998	791	37	17
1966	3,682	1,900	784	37	17
1967	3,971	1,710	775	43	16

Source: Statistical Abstracts.

Table 12: RECORDED PRODUCTION OF TIMBER, 1955 AND 1960/61 - 1966/67

(Thousand cu. ft.)

	Softwood	Hardwood				
	Conifers	Mvule	Mahogany	Muhimbi	Others	Total
1955	158	406	793	147	1,735	3,239
1960/61	30	520	829	36	2,407	3,822
1961/62	91	437	862	45	2,262	3,697
1962/63	91	350	712	39	2,343	3,535
1963/64	240	189	659	101	2,413	3,602
1964/65	187	522	841	1	2,565	4,116
1965/66	230	451	1,128	17	2,727	4,553
1966/67	280	431	1,654	17	2,757	5,147

Source: Statistical Abstracts.

Table 13: VOLUME AND VALUE OF FISH CAUGHT, 1960-1967

	Volume Thousand ton	Value Sh million
1960	62.1	50.0
1961	62.3	49.7
1962	65.4	52.5
1963	68.8	49.5
1964	69.6	51.8
1965	75.1	55.6
1966	83.8	59.8
1967 (Provisional)	87.0	60.8

Source: Statistical Abstracts.

Table 14: SUMMARY OF CENTRAL GOVERNMENT REVENUES EXPENDITURES AND BALANCES, 1961/62-1968/69

(Sh million)

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68 d/	1968/69 d/
Recurrent Revenue a/	448	560	666	830	790	965	973	1,005
Recurrent Expenditure a/	502	553	590	735	812	861	870	925
Recurrent Surplus/Deficit	-54	7	76	95	-22	104	103	80
Non-recurrent Revenue b/	31	61	12	12	37	29	46	29
Balance	-23	68	88	107	15	133	149	109
Capital Expenditure	96	86	118	216	233	230	273	320
(Fixed Capital Formation)	(75)	(51)	(73)	(141)	(122)	(127)		
Overall Surplus/Deficit	-119	-18	-30	-109	-218	-97	-124	-211
Financed by:								
External	48	8	48	38	59	98	76	124
Loans	(48)	(8)	(22)	(28)	(44)	(88)	(68)	(116)
Other (mainly grants)	(-) c/	(-) c/	(26)	(10)	(15)	(10)	(8)	(8)
Internal								
Loans	-	-	-	2	25	5	33	90
Overall Balance e/	-71	-10	18	-69	-134	6	-15	3

a/ Including appropriations-in-aid
b/ Excluding external grants
c/ Included in non-recurrent revenue
d/ Revised estimate
e/ Mainly short-term borrowing and/or changes in reserves and cash balances

Table 15: CENTRAL GOVERNMENT RECURRENT REVENUE, 1963/64 to 1968/69 (Economic Analysis) a/

(Sh million)

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69 b/
			Actual		Estimates	
Direct Taxation						
Income Tax	74.8	85.1	91.1	158.4	201.9	180.0
Export Taxes	157.3	193.2	99.4	162.0	176.8	165.2
Other Direct Taxes	0.7	0.8	0.6	0.6	...	...
Total	232.8	279.1	191.1	321.0	378.8	345.2 b/
Indirect Taxation						
Import Duties	178.9	230.9	255.8	259.6	254.9	277.1
Excise	76.2	98.6	126.9	163.4	168.0	174.7
Licenses	12.4	17.9	17.5	18.4	19.2	34.0
Other	5.7	8.9	8.1	15.9	12.2	118.3
Total	273.3	356.3	408.3	457.3	454.3	604.1 b/
Interest, Dividends and Profits	17.9	20.9	23.6	9.1	23.3	7.5
Transfers From:						
Households	1.2	2.8	3.9	3.9	4.5	
Central Government Funds	-	17.5	...	...	18.0	
EACSO	16.8	19.4	18.8	24.0	-	
Abroad	36.5	39.4	39.4	41.2	17.3	
Total	54.5	79.1	62.1	69.2	39.8	
Sales of Goods and Services	64.0	74.4	81.3	90.1	73.9	
Financial Transactions	23.1	19.8	22.4	17.4	1.7	
Sales of Fixed Capital	0.2	...	1.0	1.1	1.0	
TOTAL REVENUE	665.8	830.1	790.1	965.4	972.7	1235.2

a/ Including appropriations-in-aid.
b/ Budget estimate. Amounts shown against individual items are indicative and are subject to small changes.

Source: Figures derived from Background to the Budget 1968/69

Table 16: CENTRAL GOVERNMENT RECURRENT EXPENDITURE 1963/64 to 1968/69 (Economic Analysis) a/

(Sh million)

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
	Actual				Estimates	
Government Consumption						
Wages and Salaries	194.7	234.8	265.5	294.3		
Goods and Services	124.3	161.4	203.4	210.6		
Total	319.0	396.2	468.9	504.9		
Subsidies	35.9	42.5	41.2	40.8		
Interest	6.7	8.5	16.8	21.4		
Transfers						
To Households	84.3	94.5	98.7	98.9		
To Local Governments	100.8	122.7	128.8	124.4		
To Others	36.9	45.8	49.7	65.2		
Total	222.0	263.0	277.2	288.5		
Financial Transactions	0.9	17.9	2.7	1.2		
Other	5.8	6.4	5.3	4.4		
TOTAL	590.6	734.7	812.4	861.3	870.3 b/	1158.0

a/ 1963/64 to 1966/67 figures are based on an economic analysis. Such an analysis is not yet available for 1967/68. The 1968/69 figure is a budget estimate only.

b/ Revised estimate.

Source: Figures derived from Background to the Budget 1968/69

Table 17: ASSETS AND LIABILITIES OF THE BANK OF UGANDA, AS AT 31ST MARCH, 1969

(Sh million)

Liabilities		Assets	
Paid-up Capital	13.3	External Assets	306.8
General Reserve Fund	4.0	Government Securities	131.0
Notes in Circulation	477.9	Other Investments	60.0
Coin in Circulation	27.6	Discounts and Advances:-	
Deposits:-		Government	
Internal:		Other	55.4
Government	5.8	Other Assets	51.9
Bankers	32.4		
Other	8.4		
External	7.9		
Other Liabilities	27.7		
Total	605.1	Total	605.1

Source: Bank of Uganda

Table 18: ASSETS AND LIABILITIES OF THE COMMERCIAL BANKS AS AT DECEMBER 31, 1962-1968

(Sh million)

	1962	1963	1964	1965	1966	1967	1968
Total liabilities or assets	489.3	605.6	794.1	1,064.0	974.0	1,066.7	1,062.2
Liabilities							
Deposits							
Demand	..	..	..	488.5	337.4	389.7	307.0
Time	..	..	..	91.6	147.2	155.9	95.1
Saving	..	..	..	160.4	188.9	208.8	240.1
Sterling or foreign exchange	..	..	..	0.5	0.1	0.1	-
	357.5	394.3	556.5	741.1	673.6	754.5	642.2
Balances due to:							
Banks in Uganda	-	-	-	25.2	97.2	151.4	35.4
Banks in East Africa	73.9	102.0	193.3	64.8	12.0	18.3	19.8
Banks abroad	15.3	75.5	-	170.0	104.7	54.4	32.0
Other liabilities	42.7	33.7	44.3	62.9	86.4	88.1	332.8
Assets							
Cash	44.6	42.7	45.0	44.1	49.6	42.5	36.0
Balances due from:							
Banks in Uganda	1.0	8.6	9.7	35.7	166.3	232.0	106.3
Banks in East Africa	-	-	-	69.3	4.2	30.9	-
Banks abroad	-	-	15.2	41.7	33.5	43.2	16.4
Loans, advances, and bills discounted	352.7	462.3	638.6	765.4	585.4	583.4	662.8
Investments in East Africa	9.0	16.9	15.3	42.6	60.7	59.7	153.3
Other assets	82.0	75.2	70.3	65.1	74.3	75.0	87.3

Note: The sign ".." indicates not available

Source: 1968 Statistical Abstract
Quarterly Digest of Statistics, December 1968

Table 19: COST OF LIVING INDEX (EXCLUDING RENT), KAMPALA, AND INDEX OF RETAIL PRICES IN AFRICAN MARKETS, KAMPALA, 1962-1968

		Cost of Living Index (excluding Rent), Kampala[a]	Retail Prices in African Markets Kampala[b]
1962	June	148	93
	December	150	94
1963	June	153	95
	December	155	103
1964	June	157	102
	December	159	107
1965	June	163	125
	December	166	127
1966	June	169	116
	December	170	116
1967	June	173	127
	December	174	118
1968	June	178	119
	December	188	122

a/ December 1951 = 100

b/ January 1957 = 100

Source: 1968 Statistical Abstract.

Table 20: MERCHANDISE EXPORTS, 1962-1968

(Unless otherwise stated, value=millions of Shillings, quantity=thousands of long tons, unit value=Shillings per kilogram)

	1962	1963	1964	1965	1966	1967	Provisional 1968
Coffee							
Value	404.1	544.1	708.1	608.5	695.8	692.0	702.0
Quantity	131.3	145.2	137.6	155.4	164.7	157.0	147.5
Unit value	3.03	3.69	5.07	3.85	4.16	4.34	4.69
Cotton, raw							
Value	165.2	288.6	317.1	335.3	306.9	303.2	295.0
Quantity	32.2	58.8	63.5	68.0	68.7	70.8	61.0
Unit value	5.05	4.83	4.92	4.85	4.40	4.21	4.70
Copper							
Value	72.3	72.3	123.8	159.9	115.1	109.3	110.0
Quantity	15.5	15.3	18.3	17.3	15.6	14.2	15.5
Unit value	4.58	4.65	6.69	9.11	7.28	7.23	7.20
Tea							
Value	41.8	42.1	45.6	48.4	63.7	70.9	75.0
Quantity	5.4	5.6	6.1	6.8	8.8	9.5	11.5
Unit value	7.56	7.39	7.23	7.02	7.12	7.37	6.50
Animal feedstuffs							
Value	18.6	33.1	34.2	41.5	47.4	48.4	
Quantity	40.2	65.4	70.0	84.3	93.0	95.7	
Unit value	0.45	0.50	0.48	0.48	0.50	0.50	
Oilseeds, nuts and kernels							
Value	32.6	42.6	43.5	17.8	4.7	28.4	
Quantity	35.9	45.3	46.4	19.1	4.9	32.6	
Unit value	0.89	0.93	0.92	0.92	0.95	0.86	
Cottonseed oil							
Value	12.4	16.8	20.0	23.3	14.8	18.7	
Quantity	4.7	7.9	9.2	8.6	5.5	7.6	
Unit value	2.61	2.08	2.14	2.67	2.67	2.42	
Hides and skins							
Value	23.6	21.4	22.4	25.5	35.9	26.1	
Quantity	4.6	3.9	4.1	4.2	4.0	3.3	
Unit value	5.10	5.44	5.42	5.99	8.85	7.74	
Tobacco, unmanufactured							
Value	7.3	9.0	14.2	21.9	13.9	24.3	
Quantity	1.2	1.3	2.1	3.0	2.4	2.8	
Unit value	6.20	6.77	6.59	7.17	5.63	8.40	
Cotton fabrics of standard type							
Value	34.1	37.8	45.2	48.1	69.6	62.8	
Quantity (million of sq. yds.)	13.5	14.5	15.7	15.6	23.3	24.2	
Unit value (Shs. per sq. yd.)	2.54	2.61	2.87	3.09	2.99	2.59	
Electricity							
Value	6.4	7.0	8.1	8.4	8.8	11.1	
Quantity (millions of Kwh)	184	190	183	190	203	242	
Unit value (Shs. per Kwh)	33.65	36.74	44.37	44.00	43.34	45.70	
All other commodities, value	64.3	72.1	91.3	106.2	136.8	137.9	
Total domestic exports	893.8	1,194.3	1,481.5	1,448.8	1,527.5	1,544.7	1,523.0
Re-exports	66.3	60.5	40.3	24.8	23.6	18.1	17.0
Total exports (f.o.b. Mombasa)	960.1	1,254.8	1,521.8	1,473.6	1,551.1	1,562.8	1,544.0
Adjustment a/	-44	-69	-72	-98	-57	-45	-53
Total exports (National Accounts Definition)	916	1,186	1,450	1,376	1,494	1,518	1,487

a/ Adjustments for freight charges Tororo-Mombasa, and for coverage and timing.

Sources: Statistical Abstracts, Bank of Uganda and EACSO.
Annual Trade Report 1968

Table 21: IMPORT OF GOODS, CLASSIFIED BY END USE /a, 1962-1968

	1962	1963	1964	1965	1966	1967	Provisional 1968	1962	1965	1967
	----------------	Sh	million	----------------				% of total dom. imports		
Food, drink and tobacco	72	80	102	118	119	108		11.7	10.5	9.7
Consumer goods, other than food	190	241	265	313	294	238		31.0	27.8	21.3
Producers' materials	154	178	202	282	289	289		25.2	25.0	25.8
Producers' capital goods	100	139	183	239	248	299		16.3	21.2	26.7
Spares and accessories	24	32	30	45	54	48		3.9	4.0	4.3
Miscellaneous items	73	87	106	129	156	137		11.9	11.5	12.2
Domestic imports	613	757	888	1,126	1,164	1,119	1,141	100.0	100.0	100.0
Re-exported imports	66	60	40	25	24	18	17			
Adjustments /a	87	87	108	99	173	200	157			
Total imports (National Accounts definition)	766	904	1,036	1,250	1,361	1,337	1,315			

/a Includes adjustments for freight charges Mombasa-Tororo, for coverage for Uganda's share of imports for EACSO as well as for timing.

Source: 1968 Statistical Abstract
Annual Trade Report 1968

Table 22: **MERCHANDISE EXPORTS AND IMPORTS BY REGION, 1962-1968**

(Sh million)

	1962	1963	1964	1965	1966	1967	Provisional 1968
Exports to							
Outside East Africa	753	1,030	1,289	1,254	1,319	1,293	1,309
of which United Kingdom	149	200	160	214	245	306	302
Rest British Commonwealth	141	150	219	194	204	218	214
EEC - Countries	103	163	228	235	164	146	122
United States	201	276	365	282	341	282	328
Other Countries	159	240	317	329	365	341	343
East Africa	141	165	193	195	209	252	214
of which Kenya	108	125	145	143	146	203	173
Tanzania	33	40	48	52	62	49	41
Re-exports	66	60	40	25	24	18	17
Total exports f.o.b. Mombasa	960	1,255	1,522	1,474	1,551	1,563	1,540
Imports from:							
Outside East Africa	524	618	656	817	859	827	876
East Africa	155	199	272	334	329	311	282
of which Kenya	146	189	252	307	312	296	265
Tanzania	9	10	20	27	17	15	17
Total imports c.i.f. Mombasa	679	817	928	1,151	1,188	1,137	1,158

Note: Details may not add up due to rounding.

Sources: 1968 Statistical Abstract.
Annual Trade Report 1968.

Table 23: BALANCE OF PAYMENTS /a, 1962-1968

(Sh million)

	1962	1963	1964	1965	1966	1967	Provisional 1968
Exports of goods and services	1,002	1,272	1,552	1,496	1,607	1,669	1,684
Merchandise	916	1,186	1,450	1,376	1,494	1,518	1,487
Non-factor services	86	86	102	120	113	151	197
Imports of goods and services	906	1,054	1,184	1,426	1,599	1,603	1,574
Merchandise	766	904	1,036	1,250	1,361	1,337	1,315
Non-factor services	140	150	148	176	238	266	259
Balance of goods and services	96	218	368	70	8	66	110
Trade balance	150	282	414	126	133	181	172
Balance of services	-54	-64	-46	-56	-125	-115	-62
Factor income, net	-60	-50	-100	-104	-124	-135	-125
Transfers, net	-30	-26	-30	6	8	-	4
Balance after factor income and transfers	6	142	238	-28	-108	-69	-5
Long-term private capital, net	-294	-210	-302	-46	64	34)	
Long-term public capital	92	48	52	6	294	136)	
Loans, drawings					138	172)	
Repayments on loans					-29	-21)	
Other assets /b					185	-15)	99
Short-term capital, net	134	50	-6	-46	-73	6)	
Private					14	-15)	
Public					-87	21)	
Over-all balance	-62	30	-18	-114	177		94
Changes in reserves (-=increase) /c	104	8	56	174	-149		-80
Errors and omissions, net	-42	-38	-38	-60	-28		-14

/a 1962-1965 figures are EACSO estimates, 1966-1968 figures are from the Bank of Uganda. The comparability of the figures for 1962-1965 and those for later years is limited.
/b Consists mainly of changes in holdings of foreign securities.
/c 1962-1965: official foreign reserves only; after 1965: total foreign reserves, including those held by commercial banks.

Table 24: PROJECTIONS OF MERCHANDISE EXPORTS, 1969-1971
(Value = Sh million; quantity = thousands of long tons; unit value = Sh per kg)

	Actual	Provisional	Projections		
	1967	1968	1969	1970	1971
Coffee, value	692	702	724	742	765
quantity	157	148	157	161	166
unit value	4.34	4.69	4.53	4.53	4.53
Cotton, value	303	295	270	272	284
quantity	71	60	60	64	68
unit value	4.21	4.70	4.43	4.18	4.11
Copper, value	109	110	104	97	93
quantity	14	15	15	15	15
unit value	7.23	7.20	6.81	6.39	6.10
Tea, value	71	75	89	97	105
quantity	9.5	11.5	13.5	15.0	16.7
unit value	7.37	6.50	6.50	6.40	6.30
Total Coffee, Cotton Copper, and Tea	1,175	1,182	1,187	1,208	1,247
All other exports	369	341	379	406	436
of which to Kenya and Tanzania	252	214	240	252	265
Rest world	117	127	139	154	171
Total domestic exports	1,545	1,523	1,566	1,614	1,683
Re-exports	18	17	17	17	17
Adjustments	-45	-53	-54	-56	-59
Total exports (national accounts definition)	1,518	1,487	1,529	1,575	1,641

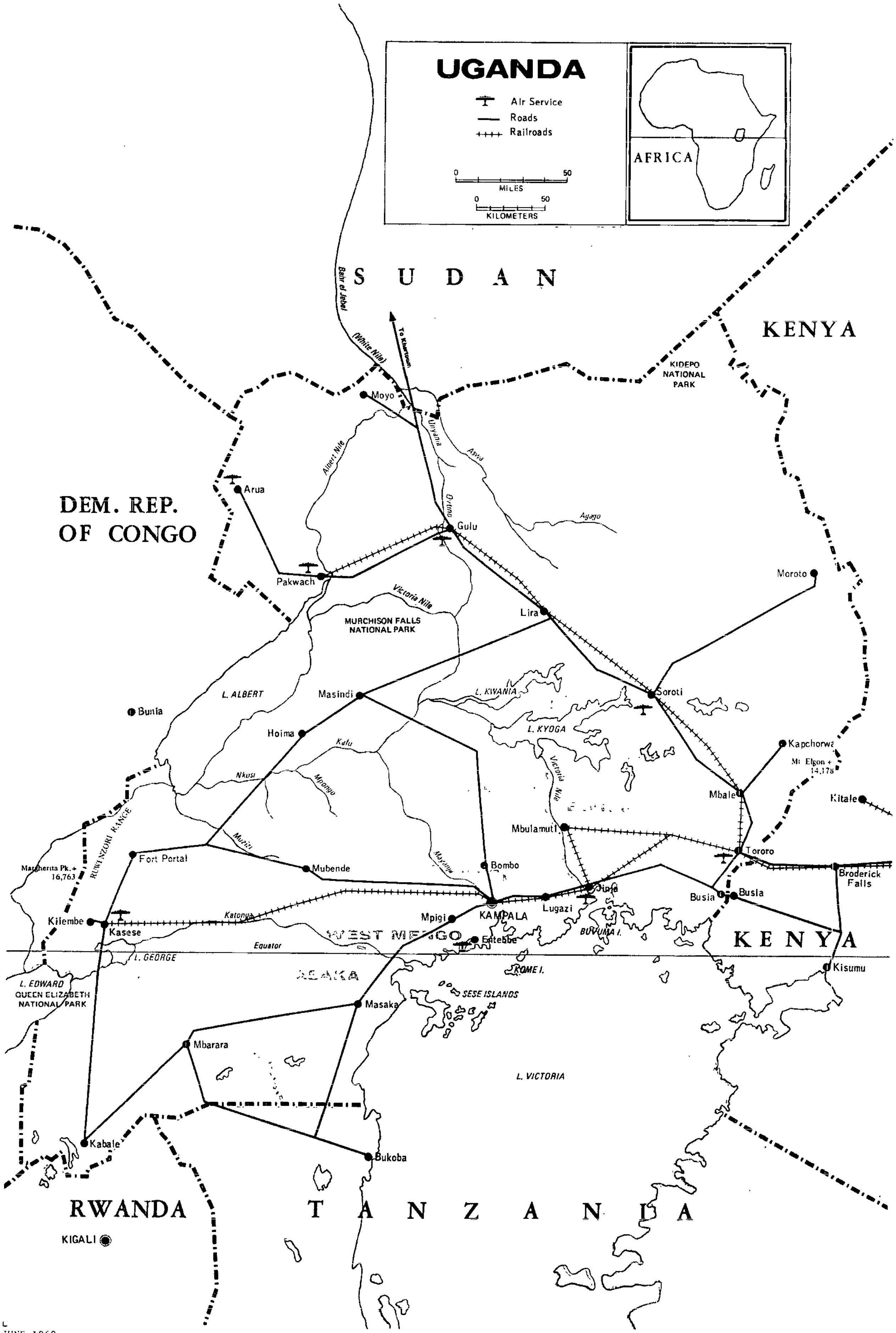
Note: Details may not add up due to rounding.

Table 25: PROJECTIONS OF DEBT SERVICE RATIOS UNDER VARIOUS ASSUMPTIONS, 1970-1985

Assumptions				Debt Service Ratios a/			
Terms of Lending b/		Annual Growth Rate 1970-1985					
IDA	IBRD	Exports	Imports	1970	1975	1980	1985
Soft blend							
75	25	5.3	5.7	6.0	6.3	4.4	4.0
75	25	4.8	5.7	6.0	6.7	5.1	5.6
75	25	4.3	5.7	6.0	7.0	6.0	7.4
Medium blend							
50	50	5.3	5.7	6.1	7.1	5.9	6.3
50	50	4.8	5.7	6.1	7.5	7.2	9.1
50	50	4.3	5.7	6.2	8.0	8.6	12.2
Hard blend							
25	75	5.3	5.7	6.3	7.9	7.6	9.1
25	75	4.8	5.7	6.3	8.5	9.5	13.2
25	75	4.3	5.7	6.3	9.1	11.5	17.8

a/ Servicing of public debt as percentage of exports of goods and non-factor services.

b/ The figure under 'terms of lending' indicates the percentage of public loans received on IDA terms (no interest, 10 years grace, 50 years maturity), and on IBRD terms (6.5% interest, 5 years grace, 25 years maturity).



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