

Table 1. Uganda: Policy Matrix, 1999/2000–2001/02 1/

Policy Area	Objectives and Targets/Link to PEAP and to Poverty Status Report (LTP)	Strategies and Measures	Implementation	TA Requirements
A. Fiscal policies				
1. Revenue	Improve tax administration and taxpayers' compliance, enhance tax base, and reduce distortions in tax system <i>LTP: contribute to sustainability of higher social spending</i>	Complete installation of seals on, and on-site audits of, all petrol outlets. Strengthen Large-Taxpayer Department's audit and collection program. Establish an automatic duty drawback system for exporters. Introduce instant value-added tax (VAT) refunds on zero-rated taxpayers, claims below U Sh 5 million, and returns where input tax on imports is 75 percent or more of the refund. Strengthen enforcement of penalties for smuggling, misdeclaration, and false entries and documentation. Review an updated customs modernization plan. Implement the approved revised plan. Implement a new information technology strategy.	December 1999 1999/2000 1999/2000 1999/2000 1999/2000 1999/2000 2000/01– 2001/02 2000/01– 2001/02	World Bank DFID
2. Expenditure and budget control	Improve budget management <i>LTP: preserve fiscal discipline, promote private sector development, increase resources to, and effectiveness of, antipoverty programs</i>	Improve expenditure control and financial accounting mechanisms, including through harmonization of districts' budget process with central government's and accountability in use of all public funds. Cease issuing promissory notes. Provide to cabinet, the President and the parliament quarterly data on outstanding commitments and the treasury quarterly reports. Limit supplementary expenditures to no more than 3 percent of recurrent and domestically financed development expenditures. Increase outlays for Priority Program Areas (PPAs) and for development budget at least at the rate of growth of nominal GDP.	1999/2000–2001/02 Effective from July 1, 1999 onward 1999/2000–2001/02 1999/2000–2001/02 1999/2000–2001/02	IMF/World Bank/EU/DFID

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3. Monetary policy	Maintain low and stable inflation <i>LTP: encourage long-term domestic investment; preserve the real value of wages and assets.</i>	Strengthen the use of indirect instruments by promoting secondary markets in treasury bills.	1999/2000	IMF/World Bank
4. Institutional reforms	Promote efficiency and soundness of banking system <i>LTP: enhance mobilization of savings and promote investment</i>	Strengthen financial sector supervision including through annual on-site inspections of all commercial banks. Follow-up on-site examinations of banks reported in the March 1999 report as not in full compliance with capital requirements. Enact the new Financial Institutions Statute.	1999/2000–2001/02 1999/2000, before the enactment of the new Financial Institutions Statute 1999/2000	World Bank, DFID, USAID
	Promote rural finance <i>LTP: ensure smooth consumption flows; promote small scale enterprises; decrease vulnerability; and promote economic empowerment of women</i>	Enact a regulatory framework for microfinance.	1999/2000–2001/02	
B. External sector policies				
1. Exchange and trade liberalization	Promote liberalized foreign exchange and trade systems, and reduce antiexport bias and other tax-induced distortions <i>LTP: support the export-led growth strategy, thereby increasing employment and market opportunities for agriculture (the main activity of the majority of the poor) and manufactured products</i>	Submit new Foreign Exchange Bill to parliament. Phase out temporary additional tariffs and the discriminatory excise tax on selected imports.	June 2000 1999/2000–2000/01	
2. Debt strategy	Improve debt profile <i>LTP: Preserve macroeconomic stability</i>	Contract new concessional debt at least on IDA terms, and adhere to annual ceilings on nonconcessional debt (contracted or guaranteed).	1999/2000–2001/02	Austria
C. Structural and institutional reforms				
1. Private sector development	Enhance private sector's capacity to generate economic growth <i>LTP: increase household employment and incomes</i>	Advance commercial-related legislation and related judicial processes by <ul style="list-style-type: none"> • drafting new commercial laws and obtaining cabinet approval; • using Tax Appeal Tribunal to expedite tax-related disputes; and 	1999/2000 1999/2000–2001/02	World Bank

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		<ul style="list-style-type: none"> expanding the legal infrastructure to reduce backlog of cases and enhance commercial court capacity. 	1999/2000–2001/02	
	Promote private equity and security markets <i>LTP: promote long-term finance</i>	Offer residual shares in partially privatized enterprises to public via the stock market.	1999/2000–2001/02	
2. Public service reform	Improve effectiveness and efficiency of the public service <i>LTP: establish a baseline for improved service delivery to the poor; improve access to, and quality of, service delivery to the poor, especially in marginalized communities</i>	Implement the remaining staff cuts arising from ministerial restructuring.	1999/2000	World/Bank/U. K. Department for International Development/ European Union/ Netherlands/ Austria
		Implement results-oriented management in government ministries.	1999/2000	
		Complete pay reform.	1999/2000	
		Implement National Service Delivery Survey (NSDS).	1999/2000	Norway
		Complete restructuring of other government institutions and delegated services.	1999/2000	
		Strengthen personnel and payroll management and control and increase real wages of civil servants.	1999/2000–2001/02	DFID
	Rationalize public service pensions and separation benefits	Approve a cabinet paper embodying necessary reforms in the public pension scheme.	December 1999	
		Complete study on long-term financial requirements of revised benefit schemes.	1999/2000	World Bank
3. Decentralization	Improve service delivery and accountability <i>LTP: promote participation of communities in planning; strengthen their participation in promoting accountability of local governments, creating a lower level of democracy, and redistributing resources toward poorer districts to enable them to respond to priority needs as expressed by the poor</i>	Pilot and continue (throughout the program) provision of development funds to local governments using local government BFPs.	1999/2000	IMF/World Bank/ DFID
		Implement equalization grant.	1999/2000	
		Define plans for restructuring staff of local governments.	1999/2000	
		Implement the plans.	2000/01–2001/02	
		Enhance financial oversight and management capacities at central and local levels.	1999/2000–2001/02	World Bank
4. Privatization and public enterprise reform	Further reduce the role of the government in commercial activities	Carry out privatization transactions according to agreed procedures.	1999/2000–2001/02	

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	<i>LTP: promote private sector-led economic growth and provide an improved quality and more efficient service to the poor</i>	Present to Parliament amendments to Public Enterprise Reform and Divestiture (PERD) statute.	September 1999	
	Enhance transparency of divestiture actions and use of divestiture proceeds	Enforce amended PERD Statute.	1999/2000–2001/02	
	Enhance operating efficiency of public enterprises	Regularize all Uganda Electricity Board (UEB) debt service to the central government.	December 2000	
	<i>LTP: reduce the fiscal burden of public enterprises and free resources for funding PPAs</i>	Liquidate all arrears of public enterprises.	1999/2000–2001/02	
		Set and monitor financial targets of the largest public enterprises.	1999/2000–2001/02	
		Extend on-lending to public enterprises at market interest rates.	2000/01–2001/02	World Bank
D. Sectoral policies				
1. Agriculture	Improve agricultural productivity	Complete the Plan for Modernization of Agriculture (PMA), with focus on increasing the participation of the poor in the national economy.	December 1999	Danish International Development Agency (DANIDA)
	<i>LTP: remove constraints on poor rural households to increasing productivity, without raising the burden on women</i>	Provide adequate budgetary funds for agricultural research, extension, services, and rural roads.	1999/2000–2001/02	
2. Environment	Build capacity for sustainable management of natural resources	Implement the National Environment Bill and follow-up on National Environmental Action Plan (NEAP).	1999/2000–2001/02	World Bank/EU/ Germany
		Strengthen capacity of environmental and resource management agencies.	1999/2000–2001/02	World Bank/EU
3. Infrastructure power	Improved supply of power on a least-cost basis	Implement cabinet-approved plan for power sector restructuring and private sector investment.	1999/2000–2001/02	World Bank
	<i>LTP: increase the potential for availability of electricity, including to remote and rural areas</i>	Establish a transparent process for evaluating the technical, financial, and environmental aspects of the independent power producer proposals, and for selecting the most economic order and timing of the proposed investments.	1999/2000	
	Improve UEB's operational and financial performance	Reduce accounts receivable to two months of sales.	By end–2001	World Bank/DFID

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4. Transport	<i>LTP: improve private sector development through cost-effective supply of electricity</i>	Reduce energy losses from 30 percent to 20 percent.	December 2000	World Bank
		Reduce UEB's operating ratio to 36 percent.	2000	
	Improve maintenance and rehabilitation of main roads	Provide government funding for main roads in line with Road Sector Development Program.	1999/00–2001/02	World Bank/EU/DANIDA/Germany/African Development Fund (ADF)
	<i>LTP: increase rural households' incomes and reduce their physical and social isolation from markets, health centers and other services, and information</i>			
	Strengthen institutional capacity in roads sector	Establish autonomous road agency/ authority.	June 2002	World Bank
	Improve the accessibility of rural areas	Increase feeder road investment and maintenance and strengthen planning at district level.	1999/2000–2001/02	World Bank
5. Water		Complete prioritized rural feeder road investment plan.	June 2000	World Bank
	Increase commercial orientation of Uganda Railways Corporation (URC)	Introduce private sector participation in Uganda Railways Corporation.	2000/01	
	Improve provision of safe water and sanitation to urban and rural populations	Complete review of water sector policy.	December 1999 (rural); June 2000 (urban)	DANIDA/EU
	<i>LTP: improve health status of the poor and reduce time spent by women and children in the collection of water</i>	Take decision on increasing private participation in National Water Supply and Sewerage Corporation (NWSC) and meanwhile increase government funding of the water sector and allow NWSC to make tariff changes as needed to cover marginal costs.	1999/2000–2001/02	
E. Social and statistical issues				
1. Education	Achieve goals of Universal Primary Education (UPE) program	Implement the UPE dissemination strategy and the Education Management Information System and adopt policy guidelines to increase resource efficiency.	1999/2000	World Bank/EU/Netherlands/U.S. Agency for International Development (USAID)/Ireland
	<i>LTP: promote human development inclusive of poor children, particularly girls, through the provision of quality and affordable education; contribute toward the empowerment of women</i>	Maintain education's share of current expenditures at no less than 30 percent, of which at least 60 percent for primary education.	1999/2000–2001/02	

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Policy Area	Objectives and Targets/Link to PEAP and to Poverty Status Report (LTP)	Strategies and Measures	Implementation	TA Requirements
		Review staff establishment formula, integrate and adequately fund the Teacher Development Monitoring System, and develop strategy to increase textbook-pupil ratio in core subjects.	1999/2000	
		Implement monitoring system for accountability and transparency in use of public funds.	1999/2000–2001/02	
	Improve secondary education	Conduct surveys of costs, provision modalities, and quality.	1999/2000	World Bank/EU/Netherlands/USAID/Ireland
		Develop expansion strategy with the focus on reaching poorer children, particularly girls.	2000/01	
2. Health	Improve health indicators	Adopt Nation Health Policy and strategic development plan.	1999/2000	UN Population Fund/World Health Organization/ DFID
	<i>LTP: reduce discrimination against poor people as a result of informal charges and ensure that the poor benefit from quality service</i>	Carry out regular and systematic monitoring of key health and social indicators.	1999/2000–2001/02	DANIDA
	Improve nutritional situation <i>LTP: improve quality of life and reduce mortality</i>	Implement program of locally based interventions, supported by Nutrition and Early Childhood Development Project.	1999/2000–2001/02	World Bank
3. Statistics and poverty monitoring	Improve statistical base <i>LTP: improve economic planning and policymaking; enhance the monitoring capacity of the Poverty Monitoring Unit to ensure that the poor have a continued voice in the policymaking process</i>	Provide adequate funding for statistical development and improve collection and reporting of all economic and social data.	1999/2000–2001/02	IMF/World Bank/DFID/Swedish International Development Cooperation Agency (SIDA)/DANIDA

1/ July 1999 to June 2002.

Table 2. Uganda: Selected Economic and Financial Indicators, 1995/96–2001/02 1/

	1995/96	1996/97	1997/98	1998/99		1999/2000	2000/01	2001/02
				Prog.	Prel.			
(Annual percentage changes, unless otherwise indicated)								
National income and prices								
GDP at constant prices	7.8	4.5	5.4	7.0	7.8	7.0	7.0	7.0
GDP deflator	4.9	3.5	11.9	5.0	3.0	5.0	5.0	5.0
GDP at factor cost (in billions of Uganda shillings)	5,565	6,023	7,104	7,824	7,887	8,861	9,956	11,185
Consumer prices								
End of period	5.4	10.4	-1.4	5.0	5.1	5.0	5.0	5.0
Nonfood	7.2	1.7	3.5	5.0	3.1	5.0	5.0	5.0
Annual average	7.5	7.8	5.8	5.0	-0.2	5.0	5.0	5.0
External sector (in U.S. dollars)								
Exports, f.o.b.	-0.8	13.6	-31.7	16.5	19.8	6.2	13.9	11.7
Imports, c.i.f.	12.2	2.3	13.2	8.1	-2.6	9.1	7.3	8.4
Terms of trade (deterioration -)	-29.3	-11.5	12.4	-1.8	-6.7	-3.2	2.3	1.6
Average exchange rate (Uganda shillings per U.S. dollar)	1,013	1,058	1,150	1,232	1,362	...	...	...
Nominal effective exchange rate (average; depreciation -)	-4.7	-0.7	0.0	...	-14.0	...	...	...
Real effective exchange rate (average; depreciation -)	-1.7	2.2	2.2	...	-13.0	...	...	...
Government budget								
Total revenue and grants	15.2	16.9	16.5	17.0	13.8	25.4	6.7	11.7
Revenue	19.1	16.6	8.8	19.1	19.5	16.6	16.6	16.7
Expenditure and net lending	10.3	15.7	8.2	18.7	18.0	24.8	8.9	11.6
(Annual changes in percent of beginning-of-period broad money, unless otherwise indicated)								
Money and credit								
Net foreign assets	20.2	29.4	32.4	15.0	13.3	13.0	10.8	11.5
Net domestic assets	-0.5	-11.1	-6.3	3.4	0.5	2.0	4.2	3.5
Domestic credit	18.7	4.7	2.2	3.4	13.7	2.0	4.2	3.5
Central government	5.3	2.4	-8.3	-8.6	-0.1	-5.0	-4.2	-5.1
Credit to the private sector	13.4	2.3	10.5	12.0	11.7	7.0	8.4	8.6
Money and quasi money (M3)	19.7	18.3	26.1	17.0	13.8	15.0	15.0	15.0
M2								
Velocity (GDP/M2) 2/	10.0	9.2	9.0	8.4	8.6	8.6	8.3	8.1
Interest rate (in percent) 3/	10.2	11.0	9.4	...	6.4	...	...	...
(In percent of GDP at factor cost)								
National income accounts								
Gross domestic investment	18.1	18.9	17.1	17.1	19.0	21.0	20.1	19.3
Public	6.3	6.4	5.8	...	6.0	7.3	6.8	6.7
Private	11.8	12.6	11.4	...	13.0	13.7	13.3	12.6
Gross national savings (including grants)	16.1	18.0	14.9	13.4	14.9	17.9	17.3	16.8
Public	4.2	4.3	5.1	...	4.7	5.9	5.1	5.0
Private	11.8	13.6	9.8	...	10.2	12.0	12.2	11.8
External sector								
Current account balance (including official grants)	-2.0	-0.9	-2.2	-3.7	-4.1	-3.1	-2.8	-2.5
(excluding official grants)	-7.0	-6.3	-8.4	-9.2	-8.9	-9.5	-7.9	-7.0
External debt (including Fund)	66.9	64.9	63.0	65.6	69.1	60.7	56.6	52.9
Government budget								
Revenue	11.3	12.1	11.2	12.1	12.1	12.5	13.0	13.5
Grants	4.5	4.9	5.6	5.7	5.2	6.7	5.3	4.7
Total expenditure and net lending	17.8	19.0	17.5	18.8	18.6	20.6	20.0	19.8
Government balance (excluding grants)	-6.5	-6.9	-6.3	-6.7	-6.5	-8.1	-7.0	-6.4
Government balance (including grants)	-2.1	-2.0	-0.7	-1.0	-1.3	-1.4	-1.7	-1.7
Net foreign financing	3.5	3.4	2.7	3.3	3.0	3.5	2.8	2.8
Domestic bank financing	-0.5	-0.9	-0.9	-0.9	0.0	-0.6	-0.6	-0.7
Domestic nonbank financing	-0.9	-0.5	-1.1	-1.4	-1.5	-1.5	-0.5	-0.4
(In percent of exports of goods and nonfactor services)								
Debt-service ratio 4/								
Including Fund obligations	21.8	17.9	26.4	15.6	18.4	13.5	12.5	11.7
Excluding Fund obligations	15.6	10.6	16.4	7.4	9.9	6.6	6.8	7.2
(In millions of U.S. dollars, unless otherwise indicated)								
Overall balance of payments	61.2	107.3	109.2	47.1	-36.9	47.2	34.9	59.9
External payments arrears (end of period)	255.0	314.2	275.6	0.0	241.5	0.0	0.0	0.0
Foreign exchange reserves	479.7	621.9	750.5	832.7	732.6	831.8	892.1	966.8
Gross foreign exchange reserves (in months of imports of goods and nonfactor services)	3.6	4.5	4.8	5.0	4.8	5.0	5.0	5.0

Sources: Ugandan authorities; and Fund staff estimates and projections.

1/ Fiscal year begins in July.

2/ Nominal GDP divided by average of current-year and previous-year end-period money stocks.

3/ Weighted annual average rate on 91-day treasury bills.

4/ The debt-service ratio incorporates estimates of the effects of the April 1998 Paris Club stock-of-debt operation and assumes rescheduling with non-Paris Club bilateral and commercial creditors on comparable terms.

Table 3. Uganda: External Financing Requirements, 1999/2000–2001/02
(In millions of U.S. dollars)

	<u>1999/00</u>	<u>2000/01</u> Proj.	<u>2001/02</u>	<u>1999/00-</u> <u>2001/02</u> Total
Total financing requirements	-1,046.8	-726.1	-743.9	-2,516.8
Current account 1/ Amortization (public sector)	-578.5	-538.5	-542.0	-1,659.0
Change in gross official reserves of the Bank of Uganda (increase = -)	-77.2	-79.5	-84.3	-241.0
Change in arrears (decrease = -)	-99.2	-60.3	-74.7	-234.2
IMF repayments	-241.5	0.0	0.0	-241.5
	-50.4	-47.8	-42.9	-141.1
Sources of financing	1,046.8	726.1	743.9	2,516.8
Official grants	389.8	343.4	346.7	1,079.9
Import support	158.9	117.1	109.1	385.1
Project support	230.9	226.3	237.6	694.8
Official loans	300.3	267.3	296.8	864.4
Import support	140.5	110.6	132.3	383.4
Project support	159.8	156.7	164.5	481.0
IMF disbursements	47.1	12.2	0.0	59.3
Exceptional financing	296.8	61.1	57.6	415.5
Current maturities	22.0	20.9	21.2	64.1
Arrears	232.9	0.0	0.0	232.9
HIPC Initiative	41.9	40.2	36.4	118.5
Other capital (net)	12.8	42.1	42.8	97.7

Sources: Ugandan authorities; and Fund staff projections.

1/ Excludes official grants.

Table 4. Uganda: Selected Social and Demographic Indicators

Indicator	Unit of Measure	Latest Observation in Period		Most Recent	Sub-
		1970–75	1980–85	Estimate	Saharan
				1990–99	Africa
Population					
Total	Thousands	11,228	14,134	20,317	612,409
Annual growth rate	Percent	2.6	2.0	2.9	2.8
Urban population	Percent of total	8.3	9.9	13.2	32.3
Annual growth rate	Percent	3.3	4.2	5.5	4.7
Life expectancy at birth	Years	51	48	42	51
Labor force					
Total	Thousands	5,838	7,208	10,159	268,267
Employment in agriculture	In percent of total	88.6	85.9	84.5	67.5
Education					
Primary school pupil-teacher ratio	Pupils per teacher	34	36	35	41
Adult illiteracy rate	In percent of population ages 15 and older	60	49	36	42
Female	In percent of population ages 15 and older	74	63	47	50
Health and nutrition					
Infant mortality	Per thousand live births	104	116	99	91
Immunization					
DPT	Percentage of children 0–5 years old	...	14	46	53
Measles	Percentage of children 0–5 years old	...	17	49	58

Source: World Bank.