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## **Uganda: Selected Issues and Statistical Appendix**

This Selected Issues and Statistical Appendix report on Uganda was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Uganda or the Executive Board of the IMF.

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## UGANDA

### Selected Issues and Statistical Appendix

Prepared by a Staff Team on Uganda

Approved by the African Department

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## I. POVERTY AND SOCIAL DEVELOPMENT IN UGANDA<sup>1</sup>

### A. Introduction

1. It is now widely recognized that poverty and income distribution affect the sustainability of economic adjustment and the rate and quality of economic growth. African countries, in general, are characterized by large segments of the population living in poverty. Nonetheless, evidence suggests that poverty can be significantly reduced through sound macroeconomic policies and structural reform, and the implementation of measures to increase household income and improve government services to the poor (see, among others International Monetary Fund (1998a); and Calamitsis, Basu, and Ghura (1999)).

2. In Uganda, the poverty debate has been taken a step further; it is now widely recognized that there are many dimensions to poverty, as clearly highlighted in recent surveys, namely, the Integrated Household Surveys (IHS) and the Uganda Poverty Participatory Assessment Project (UPPAP)(Box 1). Using this broader definition of poverty, the chapter reviews recent poverty and inequality trends in Uganda, examines how poor people are coping with risk and vulnerability, analyzes the relationship between economic growth, structural reform and poverty, and describes the government policies in these areas.

#### **Box 1: Redefining Poverty in Uganda**

Poverty analysis in Uganda is breaking new ground. Traditionally, poverty indicators of income, consumption, education levels, and health status are derived from household surveys. In Uganda, the government is using a broader set of indicators to define poverty, which include previously unconsidered dimensions, such as risk, vulnerability, physical and social isolation, powerlessness, and insecurity. These new indicators have emerged from direct consultation with the poor, undertaken by the government in the 1998/99 (July–June) Uganda Poverty Participatory Assessment Project (UPPAP). This assessment revealed to policymakers that the poor have the capacity to analyze poverty and appraise government policy to a greater extent than had been previously acknowledged. In addition, the project enabled poor people to voice their realities and express their priorities, which often differed from those assumed by policymakers. To better diagnose the problem of poverty, the government combined the data from the 1992/93 Integrated Household Survey (IHS) and four annual monitoring surveys conducted since then with the UPPAP (see Government of Uganda (1999a) and (1999b)). The next step is to use this integrated approach to assess the impacts of macroeconomic policy changes.

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<sup>1</sup> This chapter was prepared by Alejandro López-Mejía, Mwanza Nkusu, Caroline Robb, and Edgardo Ruggiero. It draws heavily on studies prepared by World Bank staff and the Ugandan authorities.

## **B. Recent Poverty and Inequality Trends**

3. GDP in real terms expanded at an annual rate of over 6 percent during the last decade. Macroeconomic stability has been restored, and Uganda has moved from a period of recovery to growth with real income levels returning to those of the early 1970s (Appleton, Emwanu, Kagugube, and Muwonge, 1999). Although overall real GDP growth slowed in the two years since the last poverty monitoring survey, agriculture grew at 5 percent, with both cash and food crop sectors performing well. Regarding inequality, the Gini coefficients<sup>2</sup> show that urban income inequality improved from 0.43 in 1992/93 (July–June) to 0.37 in 1996/97, whereas overall and rural income inequality remained almost unchanged between 1992/93 and 1995/96, and declined in 1996/97.

4. Data on private consumption from the five recent IHS show rising living standards in accordance with the macroeconomic data on growth (Appleton, Emwanu, Kagugube, and Muwonge, 1999). According to a poverty line approach,<sup>3</sup> the proportion of Ugandans in poverty fell from 55.5 percent in 1992/93 to 44.0 percent in 1996/97 (Table 1). Although impressive, these statistics need to be put in context. First, the significant and substantial reduction in poverty needs to be understood in terms of the low base from which Uganda's recovery started. As a post-conflict society, Uganda remains one of the poorest countries in the world in spite of substantial growth. Second, the distribution of welfare gains has varied by region, sector, and social/economic group, with income inequalities remaining high.

5. **Regional variances.** All regions had lower poverty in 1996 than in 1992. However, household data show that regional disparities were exacerbated, with poverty declining more rapidly in the central region, originally the richest region, than in any of the other three regions. Poverty remains most severe in the northern region. Regional disparities have been determined by insecurity (the north and parts of the west), climate (leading to drought in some regions), agriculture (central and western regions benefiting from the coffee boom), and access to markets through rural roads (the north being particularly isolated). The UPPAP highlighted the fact that, despite relatively high income levels in the western region, other indicators, such as diet, clothing, and affordability of health care, remain poor.

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<sup>2</sup> The Gini coefficient is a measure of inequality derived from the Lorenz curve. The closer the Gini coefficient is to zero, the more equal are incomes; the closer it is to one, the more unequal are incomes.

<sup>3</sup> The poverty line approach uses data on household consumption to estimate the proportion of people who are unable to meet the cost of basic needs. This approach does not capture important dimensions of poverty, such as access to education, civil liberties, freedom from discrimination, and people's ability to live long and healthy lives.

Table 1. Poverty in Uganda, 1992/93–1996/97 1/			
	1992/93	1994/95	1996/97
Rural and Urban Poverty (Percentage of the population living below the poverty line)			
Total	55.5	50.1	44.0
Urban	28.2	22.3	16.3
Rural	59.4	54.0	48.2
(Contribution to total poverty)			
Urban	6.3	5.5	4.9
Rural	93.7	94.5	95.1
Regional Poverty (Percentage of the population living below the poverty line)			
Northern	71.3	63.5	58.8
Eastern	59.2	64.9	54.3
Western	52.8	50.4	42.0
Central	45.5	30.5	27.7
(Contribution to total poverty)			
Northern	22.2	18.3	22.1
Eastern	29.7	36.9	35.2
Western	23.0	25.4	23.8
Central	25.1	19.4	18.9
Source: Appleton, Emwanu, Kagugube, and Muwonge (1999).			
1/ Fiscal year begins in July.			

6. **Sectoral variances.** Poverty reduction remains uneven across economic sectors, with those engaged in cash crop farming, manufacturing, public utilities, and transport/communications experiencing the largest improvements in living standards. In Uganda, the poor are concentrated in rural areas and are mainly subsistence farmers producing nontraded food crops. Up to 1995/96, half of the fall in poverty was attributed to coffee-growing households that benefited from liberalization of the coffee market, increased access to markets, and the increase in world coffee prices in 1993/94. However, food crop farmers, farmers in marginal areas, and those in conflict-affected areas have benefited less. For example, over the 1992/93–1996/97 period, real income growth in the cash crop sector averaged 13.8 percent a year, whereas the average growth in the food crop sector was only 2 percent a year. This difference is also reflected in the incidence of poverty, which fell by 27 percent for people engaged in cash crop production but was largely unchanged for those in food crop production (Appleton, Emwanu, Kagugube, and Muwonge, 1999). This is a concern since most poor households (and 44 percent of all households) are engaged in food crop production, and a majority of the workers are women.

7. Urban living standards have risen, with strong performance in nonagricultural sectors and growth in major towns. Although household survey data also show growth in rural areas, poverty reduction was more rapid in urban areas, and poverty remains more extensive and intensive in the rural areas.



8. **Variances among social/economic groups.** The IHS shows that in 1996/97 absolute poverty fell across all income cadres, but when the data are disaggregated a more complex picture emerges. The poorest 10 percent of Ugandans became poorer in some years (Table 2). Poverty also increased in households with nonworking heads, indicating weaknesses in, or the absence of, policies targeted to the unemployed. According to household and participatory data, emerging vulnerable groups include some female—particularly widow—headed households, child/orphan-headed households, some pastoralists, the disabled, those living with AIDS, displaced people, and refugees (Box 2). During the period of growth, women have probably gained proportionally less than men (Government of Uganda, 1999b).

### **Box 2: Nature of Poverty in Uganda<sup>1</sup>**

**A sample of priorities, as expressed by poor communities in recent surveys, are the following:**

- Improving security—persistent insecurity leads to helplessness, powerlessness, and marginalization.
- Improving access to clean water—use of contaminated water has a negative impact on health and decreases women's productivity and children's education, owing to increased time spent collecting water.
- Eliminating corruption, which undermines effective service-delivery.
- Overcoming lack of access to, and information on, markets; these problems can be exacerbated by existing economic inequalities.
- Improving inadequate road and transport systems.
- Addressing the lack of control over fertility, which leads to large family size.
- Addressing the lack of food and poor nutrition.

**Who are the poor? According to the survey, the poor are more likely to be**

- widows, orphans, those living with HIV/AIDS, disabled, and refugees;
- living in rural areas than urban areas;
- living in the north;
- dependent on smallholder farming and production of food crops;
- vulnerable to risks—the most common being bad harvest, drought, illness and death in family; and
- socially and politically excluded, leading to disempowerment.

**The most salient characteristics of poor households are the following:**

- Head of household is not employed.
- Many dependents make limited financial contributions.
- Social network of support is less developed or eroded.
- Households lack access to land and inputs for primary production.
- Households cannot afford basic services.
- Households dependent on remittances.

**The following traits characterize poor communities:**

- lack of adequate basic services within the community;
- lack of productive assets and livelihood opportunities;
- lack of social unity;
- Physical isolation; and
- Location in conflict or insecure areas.

<sup>1/</sup> This box integrates IHS and UPPAP data.

Table 2. Inequality in Uganda, 1992/93–1996/97 1/

	1992/93	1993/94	1994/95	1995/96	1996/97
Gini Coefficients					
National	0.38	0.36	0.38	0.39	0.36
Urban	0.43	0.39	0.42	0.40	0.37
Rural	0.33	0.30	0.33	0.34	0.32
Mean Consumption per Adult by Decile (1989 Uganda shillings per month)					
Deciles					
1	2,453	2,920	2,898	2,802	3,164
2	3,234	3,627	3,682	3,650	3,991
3	3,955	4,319	4,403	4,492	4,798
4	4,687	5,004	5,143	5,214	5,593
5	5,474	5,777	5,919	6,097	6,442
6	6,384	6,745	6,792	7,114	7,535
7	7,556	7,962	8,064	8,538	9,019
8	9,294	9,745	9,937	10,636	10,945
9	12,237	12,946	13,748	14,905	14,503

Source: Appleton, Emwanu, Kagugube, and Muwonge (1999).

1/ Fiscal year begins in July.

### C. Trends in Welfare Indicators

9. The rapid economic growth and the consequent fall in the incidence of poverty, as indicated by the household surveys, are impressive. Most welfare indicators show a slight improvement during the 1990s (Table 3), with the exception of life expectancy at birth.

Table 3. Nonmonetary Poverty Indicators		
Indicator	Late 1980/ Early 1990s	1995
Infant mortality rate (per 1,000)	101	97
Under-5 mortality (per 1,000)	180	147
Maternal mortality (per 100,000)		506
Life expectancy at birth (years)	48	42
Percentage of children 12-23 months fully immunized	31	47
Percentage of stunted children who are below 4 years	...	38
Total fertility rate (percent)	7.1	6.9
Literacy rate (percent)	54	62
Percentage of population with access to safe water	26	49
Percentage of the population with no access to toilet facilities	27	19
Percentage of orphans	12	13
Percentage of population in thatched houses	57	51
Source: Government of Uganda (1999b).		

10. Yet despite this growth and the increased expenditure on health and education, welfare indicators remain low. Uganda ranks lower on the 1998 Human Development Index (HDI) than all of its neighbors. Life expectancy dropped dramatically from 44.9 years in the 1995 HDI to 40.5 years in the 1998 HDI (owing mainly to the prevalence of HIV/AIDS); the number of orphaned children increased (those with both parents dead increased from 12 percent in the late 1980s/early 1990s to 13 percent in 1995); 38 percent of children under 4 years of age are stunted; there has been a deterioration in short-run nutrition (wasting) among the poorest quintiles; under-5 mortality (156 deaths for every 1,000 live births in the 1991-95 period) is roughly 75 percent higher than the average for low-income countries; and the maternal mortality rate is one of the highest in the world (Goetz and Jenkins, 1998).

11. Cost of health services, distance to health facilities, and quality of health care are reported in the 1999 UPPAP as barriers for poor people's access to health care. While private sector facilities are increasing, there are few new government health facilities, access is unevenly distributed across the country, and many informal charges are demanded (Ablo and Reinikka, 1998). Further, National Household Survey data on utilization rates show that

51 percent of Ugandans do not seek medical attention when they are ill (Government of Uganda, 1999b). Women and children are usually the most adversely affected by the cost of health treatment, and immunization rates have worsened, owing to initial difficulties encountered in the decentralization process. Just under 10 percent of the population is estimated to be infected with HIV/AIDS. In many urban areas, infection appears to have peaked, but in rural areas rates are still on the increase (Government of Uganda, 1999b). In the health sector, long-term institutional decline and a demoralized staff are major problems (World Bank, 1997).

12. Illiteracy rates in Uganda remain high: 38 percent for the overall population and 50 percent for women (World Bank, 1997). Private costs of primary education were as high as 13 percent of total expenditure for the bottom quintile prior to the introduction of the Universal Primary Education (UPE) program (World Bank, 1997). Ablo and Reinikka (1998) report that between 1991 and 1995, parents' contributions continued to increase in real terms despite higher government spending (less than 30 percent of intended nonsalary public spending reached the schools).<sup>4</sup> In 1997, the government introduced the UPE program, and net primary school enrollments have rapidly increased. However, concern over the declining quality and high costs of education is increasing.

#### **D. Risk, Vulnerability, and Coping Mechanisms**

13. Recent data from Uganda indicate that levels of poverty can increase sharply in the presence of shocks to income-earning capacity. When individuals, households, and communities experience shock, assets are sold, making them more vulnerable and putting them at higher risk to future shocks. For example, in Uganda, many people reported selling assets to pay for health treatment. Vulnerability is therefore closely linked to assets ownership and reflects the process whereby people move in and out of poverty in response to shocks. In Uganda, such shocks include changes in climate (e.g., droughts); economic shocks (e.g., increased unemployment in some sectors); social shocks (e.g., increased crime, domestic violence—leaving women vulnerable and disempowered—HIV/AIDS, and poor health in general); or, political (conflict) factors.

14. Women are a particularly vulnerable group. They carry out 70–80 per cent of the agricultural work in Uganda, but it is often the men who control the income from the sale of crops. A common complaint from the UPPAP was that men spent cash income on alcohol at the expense of household necessities (Government of Uganda, 1999b). A few reports indicate that increased coffee production may not have been the result of new planting or improved techniques, but of intensified use of domestic labor, usually that of women working on old coffee trees (Goetz and Jenkins, 1998). These reports have two possible implications: first,

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<sup>4</sup> A survey of 19 districts, covering 250 government-aided primary schools and close to 100 health clinics, was carried out in 1996, covering the period 1991–95.

family food security may be reduced where women are forced to spend less time growing food crops (where they control the cash); and second, by working longer hours in growing coffee, women's ability to respond to new opportunities, where they have control, may be more limited.

15. Where men's participation has increased, the selling of food crops has resulted in more food security. But it has also resulted in more food insecurity where women's labor has been withdrawn and their control over such crops taken over by men. For example, maize has shifted from a food crop to a cash crop, as men have taken control of production (and cash income) from women (Government of Uganda, 1999b). The UPPAP reported that some communities are experiencing a "hungry season," with yields falling because of supply-side constraints, crop diseases, declining soil fertility, and lack of extension services. During this time, households may again sell their assets.

16. The UPPAP reports that poor people throughout Uganda view the basic security of life and livelihood as a precondition to any progress, with different kinds of persistent insecurity (theft, cattle raiding, banditry, insurgency, and rebel activity) as the most important factor keeping people in extreme poverty. The government states that insecurity is now the most fundamental poverty issue in Uganda, and, in order to reduce vulnerability, security needs to be provided—through secure livelihoods for individuals and prevention of conflict at the national level (Government of Uganda, 1999b). The UPPAP further reports that poor people's vulnerability is also affected by corruption, which undermines the effective delivery of services; lack of access to clean water; lack of access to information on prices and alternative markets; inadequate roads and transportation systems; and lack of control over fertility, which leads to large family size.

17. In general, when coping with shock, households will often depend upon social capital (defined here as trust, reciprocity, and networks of support). The impact of a shock on households and communities can be both positive and negative. In some communities, a time of crisis may strengthen social cohesion and may even generate new relations that improve overall social capital, as poor communities find resourceful ways of overcoming their problems. However, in Uganda, the increasing prevalence of HIV/AIDS has weakened already strained networks of support by demanding more limited resources and time for care, and has contributed to worsening the conditions of the poor. Low incomes, limited access to social services, eroded networks of support and insecurity all contribute toward feelings of vulnerability and exclusion from the development process on the part of poor people.

#### **E. Macroeconomic Policies, Growth, Structural Reform, and Poverty**

18. Adjustment programs use a range of macroeconomic policies to correct domestic and external imbalances and to create conditions for growth in a stable macroeconomic environment. Structural reforms complement macroeconomic policies, improving the quality of macroeconomic adjustment and making it more durable. Consequently, poverty is likely to be reduced during adjustment programs in several ways. First, confidence in domestic policies

stimulates capital inflows (including the return of flight capital), thereby increasing investment and growth. Second, low inflation benefits the poor by reducing the erosion of the real value of their assets. Although subsistence agriculture buffers the poor from market forces, market prices matter because the poor still must buy some of the goods they consume. Third, maintaining a competitive exchange rate has a positive impact on the income of households producing tradable goods. Fourth, while generating a positive supply response, improvements in price incentives induce the better-off rural households to employ more poor workers and/or purchase their products (World Bank, 1993).

19. In the case of Uganda, the fall in poverty in the 1990s is explained mainly by broad-based growth, which increased the incomes of most sectors of the society (Appleton, Emwanu, Kagugube, and Muwonge, 1999). Several factors contributed to sustaining high real growth in the economy. First, following the end of the civil war in 1986, fast growth was facilitated by the return of peace and security in many agricultural regions. Second, the liberalization of prices and trade in the domestic market further enhanced growth by boosting domestic agriculture. Third, the liberalization of the foreign exchange, payments, and trade system led to the diversification of Uganda's exports and to higher competitiveness of nontraditional agricultural products in external markets. Fourth, monetary restraint led to price stability, contributing to the restoration of confidence and external competitiveness. In addition, price stability ensured positive real interest rates, which, in turn, provided incentives for higher savings rates and an efficient allocation of resources by the financial system (Sharer, De Zoysa, and McDonald, 1995).

20. The uneven reduction of poverty across economic sectors and segments of the society is partly explained by the sectoral growth pattern,<sup>5</sup> which has reflected the strategy to promote private sector exports and to enhance economic efficiency through the implementation of structural reforms. The promotion of private sector exports has relied on the maintenance of a competitive exchange rate, which required in the early stages a real depreciation. This adjustment tended to reduce the real incomes of some of the poorest Ugandans—those engaged in food crop production, which is generally nontraded and the activity in which most people work (Table 4)—and favored those involved in cash crop farming, manufacturing, and trade.

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<sup>5</sup> In the short term, the uneven reduction of poverty has also been determined by climatic factors because they influence growth in the agricultural sector—and most people work in the agricultural sector. Consequently, the rural sector and the poorer segments of the society were the most affected by El Niño in 1996/97 and 1997/98. Still, with the improvement of weather conditions in 1998/99, the poor benefited most because economic recovery was primarily due to food crops.

Table 4. Occupational Distribution of the Labor Force in Uganda (In percent of total)		
	1992/93	1995/96
Food crop	47.2	44.2
Cash crop	23.4	26.7
Noncrop agriculture	2.7	2.1
Mining	0.1	0.2
Manufacturing	3.7	3.3
Public utilities	0.1	0.1
Construction	1.3	1.1
Trade	6.7	6.9
Hotels	0.5	1.0
Transport/communications	1.5	1.9
Miscellaneous services	1.6	2.2
Government services	6.8	5.5
Not working	4.3	4.9
Source: Appleton, Emwanu, Kagugube, and Muwonge (1999).		

21. Economic efficiency has been promoted by the implementation of structural reforms, such as liberalization of the coffee market, civil service reform, and the restructuring and privatization of state enterprises. The liberalization of the coffee market contributed to reducing poverty among cash crop farmers, but the reform of the civil service and public enterprises reduced the real incomes of the retrenched staff. To mitigate these negative effects, the government has relied on promoting high, broad-based economic growth through policies to increase the incomes of, and opportunities for, the poor, improve basic social services, and increase participation in local and national decision making through decentralization and institutional reform.

## **F. Government Response**

### **National policies for poverty reduction**

22. The government's top priority is the alleviation of poverty, and its policies toward this end are laid out in the 1997 Poverty Eradication Action Plan (PEAP). The plan integrates poverty issues into the national development strategy instead of presenting a separate plan for the poor. The PEAP is designed to ensure that growth is sustained and that its benefits are more widely spread, thereby creating new opportunities for the poor. This plan was formulated through a wide process of consultation with donors and civil society groups. As a result, the level of national ownership is high, and poverty reduction is now a widely accepted priority for the government.

23. To highlight the poverty focus of the public expenditure program, and the dedication of the debt relief obtained under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) and other donor resources toward that end, the government established the Poverty Action Fund (PAF) in 1997. The PAF elevated the profile of the government's poverty-reduction program and demonstrated further its commitment to secure the funds for implementation. The PAF is a means of bringing greater transparency to Uganda's poverty-reduction programs and to the use of donor funds. Expenditure programs cover rural feeder roads, agricultural extension, primary education, primary health care, and water and sanitation. A total of U Sh 83 billion was mobilized and spent on programs in the PAF in year 1998/99. U Sh 45 billion came from the cash-flow savings resulting from the multilateral debt relief granted under the HIPC Initiative, and U Sh 38 billion was additional donor budget support.

24. Through the PAF, the government has made the information on its poverty program publicly available to enhance accountability and transparency. All PAF resources are published in the media. Lower levels of government (districts, schools, and health care centers) are supposed to display PAF allocations in public places. To enhance transparency, meetings comprising civil society groups, local and central government, and media are convened every quarter to provide independent assessments of PAF expenditures. Through this process, civil society has for the first time entered into a dialogue with government over budget decisions.

25. In the health and education services, public expenditures have risen substantially, more than doubling in real per capita terms over the period during which Uganda has had Enhanced Structural Adjustment Facility (ESAF) arrangements with the Fund (Table 5 and Figure 1). Measured in constant 1990/91 Uganda shillings, per capita expenditures on education rose from U Sh 1,475 in 1988/89—the year before the start of Uganda's first ESAF arrangement—to U Sh 3,694 in 1997/98. Meanwhile, per capita expenditures on health rose from U Sh 515 in 1988/89 to U Sh 1,215 in 1997/98.

26. The evolution of social spending can be analyzed in terms of the changes in real per capita expenditures on health and education, which can be attributed to four factors: (1) changes in the health and education shares of total expenditures; (2) changes in the ratio of total public expenditures to GDP; (3) real per capita GDP growth; and (4) changes in relative prices—that is, changes in the prices of health and education goods and services relative to the changes in the prices of all goods and services.<sup>6</sup> From 1988/89 to 1997/98, these factors evolved as follows: the share in total expenditures increased from 10.0 percent to 16.6 percent for education, and from 2.6 percent to 4.3 percent for health; the ratio of total expenditure to

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<sup>6</sup> This background paper uses the methodology presented in Section V of International Monetary Fund (1998b) to decompose the changes in per capita social spending. It also updates the earlier findings. As in the earlier background paper, data on health and education spending include only current spending.



Table 5. Uganda: Health and Education Expenditure Indicators, 1988/89–1997/98 1/

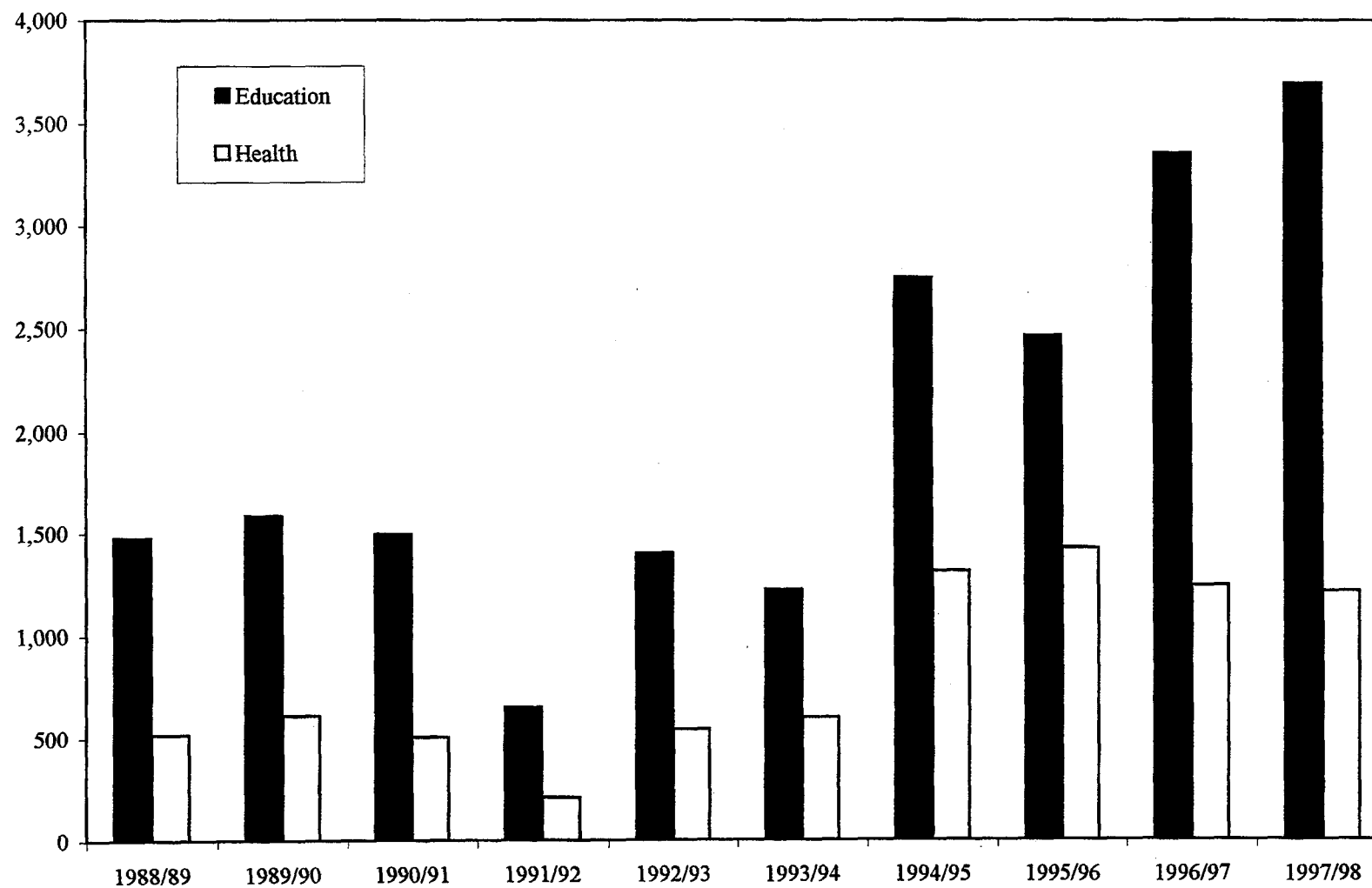
	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
(In constant 1990/91 Uganda shillings, unless otherwise indicated)										
Per capita expenditures, deflated by sector-specific deflators										
Education expenditures	1,475.2	1,584.2	1,492.9	650.4	1,400.2	1,224.3	2,743.4	2,460.6	3,350.9	3,693.8
Health expenditures	515.4	609.5	503.9	210.4	542.6	600.2	1,312.6	1,425.8	1,241.2	1,215.3
Real GDP, per capita (thousands of 1990/91 Uganda shillings)	116.0	119.3	122.0	122.2	127.7	130.4	139.8	148.5	156.5	150.0
	(In percent)									
Total expenditure-to-GDP ratio	10.7	13.5	15.6	22.5	19.8	20.1	18.9	17.8	19.0	17.5
Share of total expenditures										
Education expenditures	10.0	8.4	8.0	2.3	6.4	5.8	12.0	11.5	14.6	16.6
Health expenditures	2.6	2.6	2.6	0.8	2.3	2.3	4.7	5.7	4.2	4.3
Relative deflators										
Education/total GDP	84.5	85.0	102.6	95.5	115.1	123.3	115.3	124.0	130.0	117.4
Health/total GDP	63.6	68.0	97.7	102.9	107.0	101.1	94.2	106.5	101.4	92.2
Memorandum items:	(In constant 1990/91 Uganda shillings)									
Per capita, deflated by the average consumer price index										
Education expenditures	1,024.0	1,250.5	1,289.9	539.6	1,392.3	1,303.6	2,814.8	2,649.2	3,634.6	3,827.7
Health expenditures	269.4	384.6	414.6	188.1	501.8	524.0	1,100.1	1,318.7	1,049.9	988.7
	(In percent)									
Share of current expenditures										
Education expenditures	15.1	14.9	16.7	4.1	14.1	12.1	22.6	20.6	25.1	28.2
Health expenditures	4.0	4.6	5.4	1.4	5.1	4.8	8.8	10.3	7.3	7.3
Share of noninterest current expenditure										
Education expenditures	16.7	16.3	19.5	5.6	18.0	14.4	25.3	23.1	27.7	31.5
Health expenditures	4.4	5.0	6.3	2.0	6.5	5.8	9.9	11.5	8.0	8.1
	(In percent of GDP)									
Total expenditure	10.7	13.5	15.6	22.5	19.8	20.1	18.9	17.8	19.0	17.5
Current	7.1	7.6	7.5	12.5	8.9	9.6	10.0	10.0	11.1	10.3
Education	1.1	1.1	1.3	0.5	1.3	1.2	2.3	2.1	2.8	2.9
Health	0.3	0.3	0.4	0.2	0.5	0.5	0.9	1.0	0.8	0.7
Other social services	0.2	0.3	0.2	0.7	0.1	0.2	0.2	0.2	0.2	0.2
Other	5.5	5.8	5.7	11.1	7.1	7.8	6.7	6.7	7.3	6.5
Development	3.4	5.9	7.8	9.7	10.9	10.4	8.6	7.7	7.9	7.2
Net lending	0.2	0.0	0.3	0.3	0.0	0.1	0.2	0.1	0.0	0.0

Sources: Ugandan authorities; and Fund staff estimates.

1/ Fiscal year begins in July.

Figure 1: Uganda. Real, Per Capita Health and Education Expenditures, 1988/89–1997/98 1/

(In Uganda shillings)



1/ Fiscal year July–June.

GDP rose from 10.7 percent to 17.5 percent of GDP; real GDP per capita rose by 29.3 percent; and, relative to the overall GDP deflator, the health sector deflator rose by 45 percent, while the education sector deflator increased by 39 percent. Thus, all the factors identified above, except relative prices, moved in a way that would cause real per capita social expenditures to rise.

27. A decomposition of the changes in real per capita social expenditures into components shows that the overall increase in the level of social spending has resulted equally from two factors, namely, an improvement in the composition of expenditures toward social outlays and a broad increase in government expenditures as a share of GDP (Table 6). These results indicate that the increase in real per capita spending is eminently the result of policy choices. The positive effect of the increase in GDP per capita, however, is outweighed by the negative effect of the increase in the relative prices of the health and education sectors.

28. However, an increase in real per capita public resources devoted to health and education expenditures does not necessarily translate into improvements in the impact of social spending.<sup>7</sup> The latter depends on the effectiveness and efficiency of spending, including the share of resources devoted to primary education and basic health care. In this context, there is some evidence that, at least in the period 1990-95, public funding for social spending in Uganda did not reach the intended beneficiaries, and, hence, health and education outcomes did not increase as much as the increase in spending would have suggested (Ablo and Reinikka, 1998). However, since then the government has implemented the UPE Program, the PEAP, the PAF, and several initiatives to improve the effectiveness of its spending, including through decentralization and enhanced expenditure monitoring.

### **Promoting broad-based growth**

#### ***Increasing incomes of the poor***

29. The PEAP seeks to increase incomes of the poor. Because the poor are mostly concentrated in rural areas, the government seeks to facilitate the production of traded crops among subsistence farmers, ensure adequate access to land and rural credit, and enable durable empowerment of women—particularly those working in agriculture (Box 3). In addition, the economic program seeks to reduce inequality among regions.

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<sup>7</sup> Furthermore, a note of caution must be sounded about the reliability and comparability of the data series. For example, there are doubts about the sector deflators used for health and education. The data on education and health outlays are partly based on cash releases from the budget, and it is not always possible to track how they are spent, especially at the district level. Moreover, information is not available on the education and health components of externally funded development expenditures.

Table 6. Uganda: Changes in Per Capita Health and Education Expenditure, 1988/89–1996/97  
(In constant 1991 Uganda shillings)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1988/89 to 1997/98 Total
Change in per capita expenditure, deflated by sector-specific deflators										
Education	109.0	-91.3	-842.4	749.8	-175.9	1,519.1	-282.8	890.3	343.0	2,218.7
Health	94.2	-105.7	-293.5	332.2	57.6	712.3	113.2	-184.5	-26.0	699.9
Effect of changing composition of expenditures										
Education	-282.0	-61.2	-1,358.0	1,039.6	-130.7	1,373.9	-103.3	687.4	437.8	1,241.5
Health	-15.0	2.5	-416.5	379.5	5.4	638.9	277.7	-408.7	15.1	406.8
Effect of changing expenditure share of GDP										
Education	359.2	226.2	434.8	-137.1	17.1	-120.3	-149.0	189.5	-302.7	1,220.8
Health	131.2	82.5	140.5	-48.7	7.4	-58.0	-78.9	88.2	-105.4	414.5
Effect of changing GDP, per capita										
Education	42.7	34.3	2.3	47.9	28.0	135.2	157.9	151.2	-150.1	646.4
Health	15.6	12.5	0.7	17.0	12.2	65.2	83.6	70.4	-52.3	219.5
Effect of changing relative prices										
Education	-10.6	-290.8	87.5	-203.4	-90.4	131.6	-188.6	-137.3	358.7	-828.0
Health	-37.7	-203.0	-20.0	-15.3	32.6	66.9	-169.1	66.5	116.6	-316.1
Residuals										
Education	-0.3	0.2	-9.1	2.8	0.1	-1.4	0.3	-0.5	-0.7	-62.0
Health	0.0	-0.2	1.8	-0.2	0.0	-0.7	-0.1	-0.9	0.1	-24.7

Source: Derived from data provided by the Uganda authorities.

1/ Fiscal year June–July. Change in each fiscal year is measured as the change over the preceding fiscal year.

### **Box 3. Policies to Promote the Empowerment of Women**

The government is concerned about the empowerment of women, recognizing that women remain excluded from many development opportunities. Uganda is a regional leader on affirmative action to promote women's political participation (World Bank, 1997). In national and local elections, seats have been reserved for women, and the number of women in parliament has risen. The government has also incorporated gender equality into national legal frameworks. Through the Universal Primary Education (UPE) Program, the government aims to reduce female illiteracy.

Household surveys show that women-headed households are not necessarily the poorest. But the status of women is not just a function of headship of a household, and many women remain poor in male-headed households. Female-headed households may be better off in the respect that they have **control** over assets and decision making, but some may be worse off where they have less **access** to assets. The picture is diverse, and patterns of disadvantage for women and girls persist irrespective of the gender of the household head (Blackden and Bhanu, 1999). Therefore, for policymakers, the gender of a household head is not an effective criteria for poverty targeting.

Structural inequalities—economic, social, and political—mean that women continue to be disadvantaged in many ways, including with regard to control of resources (e.g., men control the income from the sale of cash crops); access to assets (e.g., labor, financial service, and land<sup>1</sup>); enrollment rates for girls; access to health care; control over fertility; and legal and customary status.

1/ Land is usually inherited by males, and the law does not provide for ownership rights for widows, abandoned wives, or women in common-law unions

30. Expecting that subsistence farmers producing nontraded food crops will start producing for the market, the poverty plan focuses on constructing and improving main and rural feeder roads, and modernizing agricultural methods. Furthermore, because the poorest people do not own land, the Land Act, enacted in 1998, aims to provide security of tenure to the majority of smallholders by converting usufruct rights to ownership or by regularizing tenancy rights.<sup>8</sup> Moreover, to ensure adequate provision of rural credit and financial services, the government is implementing measures to strengthen the financial sector, and a number of microfinance institutions are supporting local savings and credit associations or nongovernmental organizations undertaking credit activities. In this regard, the government is finalizing a policy framework for the development of micro- and rural financing, and drafting legislation on microfinancing. In addition, to reduce inequality among regions, the government is establishing in 1999/2000 an equalization grant to be distributed among the five poorest districts.

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<sup>8</sup> However, the financial cost of implementing the Land Act appears to be unaffordable at present; the cost is close to the amount spent on health services (Government of Uganda, 1999a)

***Increasing access to, and quality of, social services***

31. The government seeks to improve the services provided to the poor by increasing public social expenditures, and promoting decentralization and good governance (see subsection below). The public social expenditure program is the key instrument used by the government to reduce poverty. Since 1995/96, government expenditures in the areas of education and health, and roads and agriculture have increased more rapidly than total expenditures or GDP (Table 7). This trend in social expenditures was boosted by the creation of the PAF.

Table 7. Social Expenditures, 1995/96–1998/99 1/				
	1995/96	1996/97	1997/98	1998/99
(In billions of Uganda shillings)				
Total expenditures	991.0	1,146.3	1,239.9	1,511.0
<i>Of which</i>				
Health and education	180.9	262.6	265.2	340.8
Roads and agriculture	36.9	70.7	49.2	70.4
Priority Program Areas 2/	87.4	96.4	115.2	184.8
(In percent of GDP)				
Total expenditures	17.8	19.0	17.5	19.2
<i>Of which</i>				
Health and education	3.3	4.4	3.7	4.3
Roads and agriculture	0.7	1.2	0.7	0.9
Priority Program Areas 2/	1.6	1.6	1.6	2.4
(In percent of total expenditures)				
Total expenditures	100.0	100.0	100.0	100.0
<i>Of which</i>				
Health and education	18.3	22.9	21.4	22.6
Roads and agriculture	3.7	6.2	4.0	4.7
Priority Program Areas 2/	8.8	8.4	9.3	12.6
1/ Fiscal year begins in July. Total expenditures include externally financed development expenditures; components do not.				
2/ Including nonwage outlays and also the Universal Primary Education component of domestic development expenditures.				

32. The economic program will continue to enhance the poor's access to education, clean water, and health care, including reproductive health services. The UPE remains the government's priority in the education sector; in 1999/2000, the authorities expect that the net primary education enrollment rate and the primary school completion rate will reach 97 percent and 50 percent, respectively. Regarding water and sanitation, the government will complete several piped water supply systems in rural areas and finish ongoing construction of boreholes, protected springs, shallow wells, and gravity flow schemes. As a result, the number

of people with access to safe drinking water—as a proportion of total population in rural areas—is expected to increase from 45 percent in 1998/99 to 50 percent in 1999/2000. Finally, the government is increasing primary health care resources to districts to reverse the decline in primary health care indicators, and local governments are expected to ensure adequate provisions in their budgets for hiring competent staff in health centers. The government is also committed to continuing education on the subjects of HIV and AIDS, a policy that has already been successful, as evidenced by the decrease in incidence of HIV/AIDS cases in recent years (Table 8).

Table 8. HIV Infection Rates in Antenatal Clinic Attendees, 1991–97				
(In percent)				
Site	1991	1993	1995	1997
Urban Centers				
Nsambya	27.8	26.6	16.8	14.6
Rubaga	27.4	24.4	20.2	14.8
Mbarara	24.3	18.1	16.6	14.5
Jinja	22.0	16.3	13.2	11.0
Tororo	12.8	11.3	12.5	9.5
Mbale	12.1	8.7	7.8	6.9
Rural Centers				
Kilembe		7.0	11.1	8.5
Pallisa		5.0		
Soroti		9.1	8.7	5.3
Matany		2.8		1.6
Hoima				9.0
Kagadi				10.3
Source: Government of Uganda (1999b).				

## Decentralization and governance

33. Decentralization is expected to improve the services provided to the poor by increasing transparency and accountability in the use of public funds, and the capacity of local communities to mobilize, plan, and manage their resources. Overall, decentralization has encouraged increased participation at the district level and a lower level of democracy is evolving. There are reports that key institutions, such as the police and civil service, are becoming more effective (United Kingdom Department for International Development, 1999). However, financial decentralization, which followed political and administrative decentralization, has encountered several problems, such as the inadequacy of locally generated revenues, the inexperience of local officials, an undeveloped system of public accounting, and a poorly informed citizenry. Because of these problems, financial decentralization has been implemented gradually. Districts receive both unconditional and conditional grants from the center. Conditional grants tend to lead to a pattern of local

expenditures that has a strong focus on poverty, but is inflexible in response to the specific problems and preferences of the different communities. Therefore, as decentralization progresses and budgeting procedures are strengthened, conditional grants are expected to be phased out, enabling local governments to tailor antipoverty expenditures to district priorities (Government of Uganda, 1999b).

34. The poor will benefit from the protection of human rights, administration of law and justice, transparency and accountability in delivery of services, and the promotion of good governance. A recent trend in Uganda had been the creation of a more open political environment at the national and district levels. This new environment increased transparency and, as a result, encouraged the participation of those who were previously excluded from the development process. For example, civil society involvement in civil, political, and women's rights is increasing; the media and parliament feel more free to comment on government policies; and civil society participation in assessing services delivery at the community level in relation to the PAF and the PEAP has been actively encouraged. Freedom of the press and of associations has increased the public debate and critique of government policies (Goetz and Jenkins, 1998).

35. Several steps have been taken during the 1990s to improve public awareness of human and civil rights,<sup>9</sup> but consciousness is still absent among the illiterate and the poor. There are few human rights nongovernmental organizations in rural Uganda, and there are no membership organizations or pressure groups in urban centers. Regarding the administration of law and justice, progress has been limited. Different levels of the judiciary system suffer from operational constraints, such as lack of staff, and a lack of access for the poor to legal advice and defense. In addition, many outdated laws need to be reformed to make them consistent with the Constitution (Government of Uganda, 1999b).

36. On the issue of transparency, the government is aware that corruption is undermining the effective delivery of services and, in December 1998, publicly announced its anticorruption action plan. Notable progress has been achieved in meeting the objectives of the short-term action plan (December 1998–June 1999), and progress is expected to continue in the medium term. Corruption is now discussed widely at the national level, where the impact of corruption on services delivery and the proportion of government expenditure reaching communities are debated. Furthermore, to increase transparency, the government recently strengthened the Office of the Inspectorate General and set up regional offices to enable the Inspectorate to identify the misuse of public funds. The findings of the Inspectorate's report in 1998 identified

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<sup>9</sup> Such as the creation of the Commission of Inquiry into Violations of Human Rights (1986–94), the consolidation of an independent mass communications media, the creation of the Uganda Human Rights Commission (1996), the ratification of the new Constitution, the holding of regular elections, and the enactment of the Children's Statute (1996), which promotes the protection of children's rights.



petty corruption, particularly in police, judiciary, and health services, as the main sources of misuse (Goetz and Jenkins, 1998). These findings were also reflected in the UPPAP, which identified corruption at the central level as a major factor affecting poverty; activities of the police and health workers were singled out as being the least transparent.

### **G. Conclusion**

37. Uganda's economic growth is impressive, and, during the 1990s, poverty has declined. The cornerstone of the government's poverty eradication strategy has been the maintenance of sound macroeconomic policies, complemented by structural reforms and a public expenditure program that is increasingly focused on poverty reduction. But this rapid growth should be put in context. First, Uganda is a post-conflict country, and its recovery started from a low base. Second, while economic growth is an important contributor to poverty reduction, growth alone will not ensure that all social groups will benefit. There are increasing concerns about how growth can now be sustained, where it will come from, who will benefit, and how it will be distributed. The extent to which the poor may derive income from future growing sectors and whether they enter such sectors remain unclear. Third, despite rapid growth and increased expenditure on health and education, welfare indicators remain low. Fourth, persistent insecurity and vulnerability continue to undermine rehabilitation and development.

38. Therefore, to help ensure that all segments of society are able to participate in Uganda's growth, the government has designed policies to increase incomes of the poor and to improve the services provided to them. In particular, expecting that subsistence farmers will start to produce traded crops, the poverty plan focuses on rural roads and the modernization of agricultural methods. Furthermore, the government is promoting good governance and decentralization, and is increasing the provision of basic social services, such as education, clean water, and health care. In recent years, the government has also focused on creating a more open political environment at the national and district levels, encouraging greater transparency and accountability.

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## **II. UGANDA'S FINANCIAL SECTOR<sup>10</sup>**

39. This chapter consists of three sections. The first provides a brief overview of major institutional developments in Uganda's financial sector since 1993 with regard to the legal, accounting, and general regulatory framework in which financial institutions operate. The second section describes the current situation of the financial sector, with a focus on the ongoing structural changes in the commercial banking sectors, the impact of recent supervisory actions by the Bank of Uganda, the insurance industry, the microfinance and cooperative savings institutions, and the capital markets. Conclusions are presented in the last section.

### **A. Overview of Institutional and Regulatory Changes**

40. Development of the financial sector has been one of the key objectives of the broad process of reform begun in Uganda in 1987/88 (July-June). In the period since 1992, the government has undertaken a series of measures intended to facilitate the development of financial and capital markets able to meet the needs of the growing Ugandan economy. Concurrently with liberalizing the financial sector, the government was also undertaking significant institutional and policy changes, including the following:

- privatizing the two largest domestic banks;
- restructuring a number of weak banks;
- attempting to transform a culture conducive to nonrepayment of loans;
- enhancing banking supervision;
- introducing the regulation of nonbank financial institutions; and
- establishing capital markets infrastructure.

41. Considerable progress has been made, particularly with the introduction of statutes that provide the legal framework for financial and capital markets. Given the magnitude of change undertaken in the financial sector, as well as concurrent reforms throughout government and the real economy, it is not surprising that there have been some setbacks, and considerable work remains on the agenda.

42. Prior to 1993, the financial sector in Uganda consisted principally of 15 commercial banks. The largest, the state-owned Uganda Commercial Bank (UCB) accounted for close to 50 percent of banking assets and deposits, with another 30 percent controlled by four major foreign-owned banks, Bank of Baroda, Barclays, Standard Chartered, and Grindlays (later

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<sup>10</sup> This chapter was prepared by Michael Andrews.

Stanbic). The policy of administered interest rates implemented by the Bank of Uganda in conjunction with the Ministry of Finance inhibited savings growth since highly negative real interest rates were maintained for most of the 1980s. Liberalization of interest rates began in 1992, and by June 1994 all interest rates were freely determined in the market. A lack of clear responsibility for banking supervision was addressed through the 1993 enactment of the Bank of Uganda Statute and the Financial Institutions Statute.

43. The domestically owned banks were generally poorly managed, with weak internal controls. Extensive insider lending, poor credit analysis, a culture of nonrepayment, and uncertain legal recourse contributed to significant loan losses. By 1995, the majority of the domestically owned banks were insolvent. Restructuring of the two state-owned banks, the UCB and the Cooperative Bank (Coop), was undertaken with international technical assistance in conjunction with privatization plans. The Cooperative Bank, with U.S. Agency for International Development (USAID) assistance, was converted into a privately owned bank controlled by USAID in trust, a number of Uganda cooperatives, and the employees of the bank through their pension fund. The initial effort to privatize UCB was not successful (Box 4), but the government has reaffirmed its commitment to privatization. A number of smaller banks were restructured between 1995 and 1998, several with financial assistance in the form of soft loans from the Bank of Uganda. While there are a number of nonbank competitors, the commercial banks remain the dominant players in the Uganda financial sector (Table 9).

#### **Box 4. Uganda: Privatization of the Uganda Commercial Bank**

Preparations for the privatization of the Uganda Commercial Bank began in 1994. An expatriate management team was retained, and some U Sh 72 billion of nonperforming assets were transferred to the specially created Non-Performing Asset Recovery Trust (NPART), with a corresponding amount of low-interest government bonds injected to shore up the balance sheet in preparation for privatization. In 1996, tenders for the UCB were sought internationally with the assistance of investment bankers Morgan Grenfell (now Deutsche-Morgan Grenfell). Of the short-listed interested bidders, only Westmont Land (Asia) of Malaysia submitted a formal bid, which was accepted. An agreement was signed on October 27, 1997 to sell a 49 percent interest in UCB to Westmont Land (Asia), with an option to purchase a further 2 percent. A management agreement was also executed, providing Westmont with management control while the government retained majority ownership.

After delays from the originally agreed 1997 closing date, the sale closed on April 30, 1998. It was subsequently discovered that this transaction had been financed by loans from Greenland Bank. In September 1998, a Bank of Uganda (BOU) on-site examination of the UCB revealed that, while operating under Westmont-appointed management, the bank had placed deposits with Greenland Bank in excess of the amount that had been advanced to Westmont to finance the purchase of shares of UCB. The examination also raised concerns about advances made to parties related to Greenland Bank, while the UCB was under Westmont management. The BOU placed one of its senior staff at the bank to oversee management, and the government referred the Westmont contracts to the Inspector General of Government and the Criminal Investigation Department. On April 8, 1999, the BOU appointed an Acting Managing Director and a new board of directors, and the government announced that it had initiated action to terminate all contracts with Westmont. It is the intention of the government to operate the bank under interim management while the bank is again prepared for privatization.

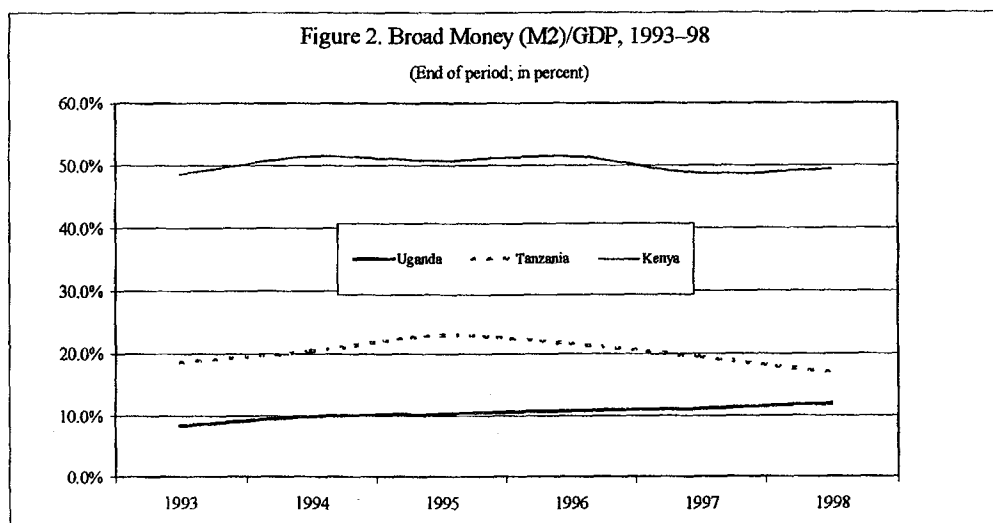
Table 9. Uganda: Financial Sector, end-December 1998

Major Players	Number	Total Assets (U Sh billions)
Commercial banks	20	1,220
Other licensed credit institutions	7	34
Development banks	3	n.a.
Post office savings banks	1	2
Building societies	1 1/	0
Cooperative savings and credit societies	450 2/	9
Microfinance institutions	35	n.a.
Insurance companies	27	n.a.
Securities brokers dealers	11	n.a.

Sources: Bank of Uganda; Uganda Insurance Commission; Capital Markets Authority; and Uganda Cooperative Savings and Credit Union, Limited.  
1/ The building society is inactive.  
2/ There are approximately 175 additional inactive cooperative savings and credit societies.

44. While increasing over time, Uganda's level of monetization is still the lowest in East Africa (Figure 2). The growth of commercial banking sector assets from 8.2 percent of GDP in 1990 to 16.9 percent at end-1998 and of total deposits (excluding interbank deposits) from 3.3 percent to 9.3 percent of GDP over the same period is indicative of the growing importance of financial intermediation in Uganda. However, by most measures the depth of Uganda's financial markets remains below the average of countries in sub-Saharan Africa.<sup>11</sup>

Legal and accounting framework



<sup>11</sup> Hassanali Mehran and others, *Financial Sector Development in Sub-Saharan African Countries*, IMF Occasional Paper No. 171 (Washington: International Monetary Fund, 1998).

45. An adequate framework of commercial law is a prerequisite for a well-functioning financial sector. Uganda has generally appropriate commercial laws, including adequate de jure provisions for both private and public enforcement of security interests, as well as legislation to deal with insolvency and restructuring. However, while progress has been made, there are still allegations of corruption and inefficiencies in the legal system. These difficulties are more pronounced in rural areas, with the result that bank credit is more difficult to obtain outside the Kampala region.

46. The Institute of Certified Public Accountants of Uganda (ICPAU) adopted International Accounting Standards with effect from January 1, 1999. General public awareness of accounting standards is low, and prior to 1999 accountants in Uganda were free to use their own discretion in determining what constituted generally accepted accounting standards. There is a shortage of qualified accountants both in the auditing profession and within the industry, which may contribute to the perception that the quality of audit standards varies significantly among different accounting firms. Also, obtaining financing is made more difficult for many Uganda firms because of a general concern that financial statements may not accurately depict the financial condition of an enterprise.

47. All of the Uganda financial sector statutes are quite recent, and collectively they provide an adequate legal framework for the sector (Table 10). Financial sector regulation has evolved rapidly in Uganda with the creation of the Insurance Commission and Capital Markets Authority (Table 11), and the strengthening of the off-site and on-site supervision capacity of the Bank of Uganda (BOU). The BOU has considerable legal autonomy arising from the legislation that provides its powers and mandate, the Bank of Uganda Statute and the Financial Institutions Statute (FIS).

Table 10. Uganda: Financial Sector Legislation	
Financial Sector Legislation	Authorities' Assessment
Bank of Uganda Statute, 1993	Adequate, no revisions planned
Financial Institutions Statute, 1993	Generally adequate, revisions expected 1999/2000
Non-Performing Asset Recovery Trust Statute, 1994	Expires September 1999, extension of mandate likely
Capital Markets Statute, 1995	Limited experience in practice, no revisions planned
Insurance Statute, 1996	Limited experience in practice, no revisions planned
Source: Bank of Uganda.	

Table 11. Uganda: Financial Sector Regulation		
Regulator/Supervisor	Responsibility	Professional Staff
Bank of Uganda	Commercial banks	23
	Building societies	... 1/
	Credit institutions	... 1/
Uganda Insurance Commission	Life and general insurance companies	4
	Insurance Agents and Brokers	
Capital Markets Authority	Broker-Dealers	2
	Investment advisors	
Ministry of Tourism, Trade, and Industry	Cooperative savings and credit societies	... 1/
Sources: Bank of Uganda, Uganda Insurance Commission, Capital Markets Authority, Uganda Cooperative Savings and Credit Union Limited.		
1/ There are no staff dedicated exclusively to the supervision of these financial institutions.		

48. The BOU has used its regulation-making authority pursuant to the FIS to issue several regulations, addressing such areas as liquidity, capital, and loan classification. However, some provisions in the current act could impinge on the autonomy of the banking supervisor. The BOU must consult with the Minister of Finance when revoking a bank license (Section 11) or closing a bank (Section 32). Also, the BOU does not have complete ability to reject an application for a banking license. Currently, under Section 6(4)(b) of the FIS, an aggrieved applicant may appeal to the Minister of Finance, "who shall deal with the appeal in consultation with Central Bank." These provisions increase the likelihood of political influence over prudential decision making.

49. The government has committed to introducing a new Financial Institutions Statute in parliament during 1999/2000. It is expected that the new act will provide the BOU with the legal ability to deal with bank licenses and closure without consultation with, or appeal to, the Minister of Finance. Other key provisions of the new act are expected to increase the minimum capital required to incorporate a financial institution, and to raise the minimum ongoing core and total capital requirements to 8 percent and 12 percent of risk-weighted assets from the current levels of 4 percent and 8 percent, respectively. The new act is also expected to expand the powers of the BOU to deal with unsound banks, although the current statute already provides wide powers of intervention under Part VI, including seizure, replacement of management and directors, and liquidation. A more serious issue has been the lack of decisive supervisory action to deal with some of the banks facing difficulties. This issue is to be addressed both through continued expansion of the capacity and capability of the supervision function within the BOU, and the expected inclusion in the new FIS of provisions for prompt corrective actions. These provisions would require supervisory action when capital levels fall below established trigger points.

50. The BOU has been increasing the frequency of on-site examinations, with the objective of examining every bank once each year. Resources have not yet permitted achievement of this goal, with half of the commercial banks having been examined in 1998/99. The quantity and quality of on-site inspections have shown recent improvement; however, there had been insufficient follow-up on the findings of inspections undertaken prior to 1998. Thus, the on-site examinations completed in 1998/99 revealed many of the same internal control and asset quality problems that had been previously identified. A significant challenge is to reduce the shortage of suitably qualified and trained professional staff. The BOU is in the process of doubling its roster of supervisors, but rapid expansion provides its own challenges of training and integrating new staff. The BOU and the government are aware of the issues and are committed to taking further action to strengthen banking supervision, including the use of technical assistance to increase the capacity of the BOU.

51. Bank subsidiaries and affiliates are active in all aspects of financial services in Uganda, and close cooperation among the supervisory bodies is required to ensure that significant prudential risks are not undertaken outside the purview of the regulators. At present, the ownership linkages among various financial institutions are not always clear to the regulators, and, even where there are known linkages, coordination among the various supervisors is not formalized. The importance of all of the financial sector regulators' working together to ensure the consolidated supervision of financial groups will increase as capital markets develop and the insurance business grows.

### **Deposit insurance**

52. The Deposit Insurance Fund, administered by the Supervision Function of the BOU, was established pursuant to the 1993 Financial Institutions Statute. It was initially capitalized by a contribution by the government, and the commercial banks pay an annual premium of 0.2 percent of total deposits. The Deposit Insurance Fund does not yet have resources of an adequate size to cover multiple bank failures (Table 12), but the BOU will when required advance sufficient funds to the Deposit Insurance Fund to permit it to pay all insured deposits. This advance will be repaid as the Deposit Insurance Fund recovers the proceeds of the liquidation of the failed banks. Given the priority position in law of the claims of the Deposit Insurance Fund, this fund is likely in many cases to ultimately recover the full amount of insured deposits paid. Any shortfall would be repaid over time from the assessments paid by the commercial banks.



Table 12. Uganda: Transactions of Deposit Insurance Fund, 1994–February 1999 (In billions of Uganda shillings)	
Transactions	U Sh billions
Government's initial capitalization	2.0
Banks' contributions 1994–99	4.2
Investment income	1.1
Payments to depositors of International Credit Bank	-1.2
Balance in February 1999	6.1
Source: Bank of Uganda.	

### Loan recovery

53. The Non-Performing Asset Recovery Trust (NPART) was established in 1996 to collect on bad loans transferred from UCB as part of the process of restructuring for privatization. NPART's mandate expires in September 1999, but it is likely to be extended as it continues to have some success in collecting outstanding loans. Cash recoveries to date have been about U Sh 20 billion of a face value of U Sh 71 billion. One side-benefit of the creation of NPART has been its contribution to the development of routine loan recovery procedures. There is still a shortage of commercial judges and lawyers, and allegations of corruption among the judiciary persist. However, NPART has initiated numerous seizures, sales, and other legal actions. These actions have the benefit of both underscoring the unacceptability of default and establishing routine methods for debt collection that ultimately may benefit all creditors.

## B. Current Situation of the Main Segments of the Financial Sector

### Commercial banks

54. The two-tier banking system in Uganda is composed of the central bank, the Bank of Uganda, and 20 commercial banks.<sup>12</sup> Recent closures of three commercial banks, including the second- and third-largest domestically owned banks, and the sharp declines in profitability and capitalization in late 1998 suggest that there has been a deterioration in the soundness of the banking sector. Information on these developments and a more accurate depiction of the

<sup>12</sup> Of these, three are no longer operating.

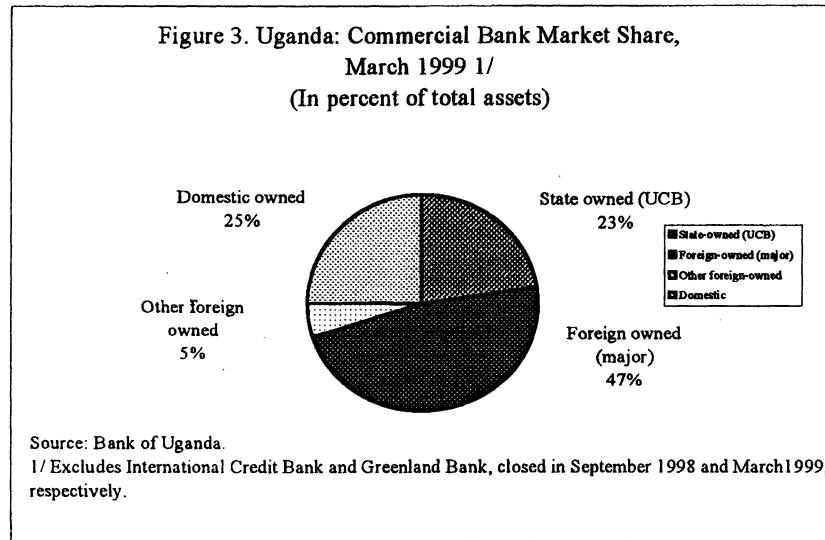
state of Uganda's banks (including their long-standing problems) have become available because of the enhanced on-site examination activities of the Bank of Uganda. More decisive supervisory action, coupled with the expected increase in capital requirements pursuant to the new FIS, should lead to the emergence of a smaller number of stronger banks in the longer term.

55. A contributing factor to the current weakness in the commercial banking sector is the rapid expansion in the number of banks since 1990. Five new banks were formed between 1990 and 1993, and five more were created in 1995. A number of these new banks were among those requiring restructuring in the 1995-98 period, and a moratorium on new bank licenses was introduced in 1997. Recent bank closures reflect in part the consequences of a too rapid expansion in commercial banking.

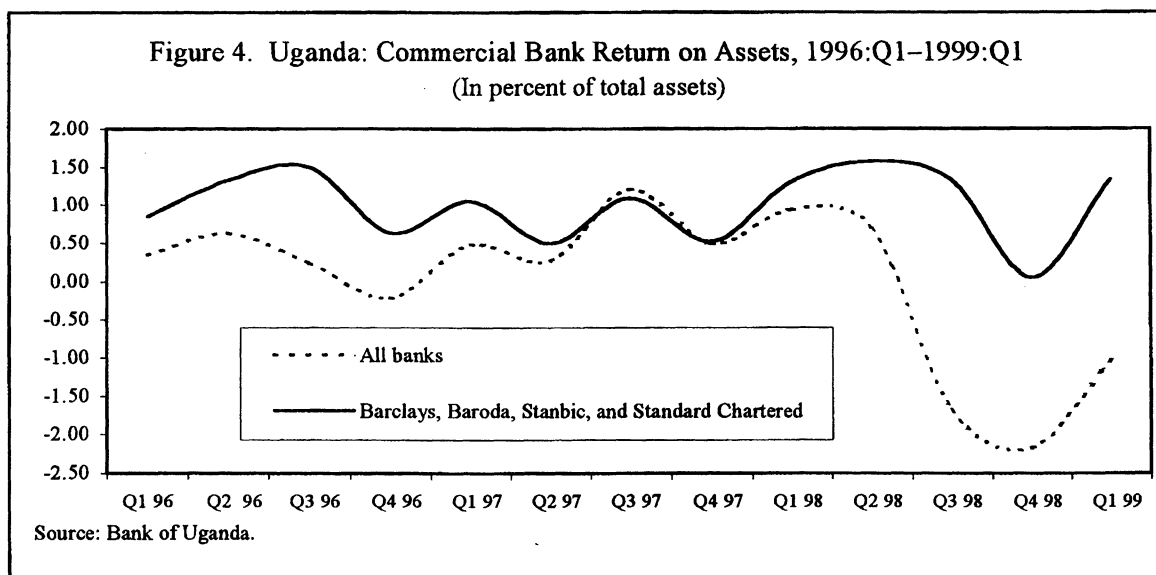
56. The former oligopolistic structure of two larger domestic banks (the Uganda Commercial Bank and the Cooperative Bank) and four major foreign-owned banks has given way to a more fragmented market and a reduction in concentration (Table 13).

Table 13. Uganda: Concentration of the Commercial Banking Sector, 1995-98				
	1995	1996	1997	1998
Commercial banks accounting for				
25 percent of banking assets	1	1	1	2
75 percent of banking assets	5	7	7	7
Source: Bank of Uganda.				

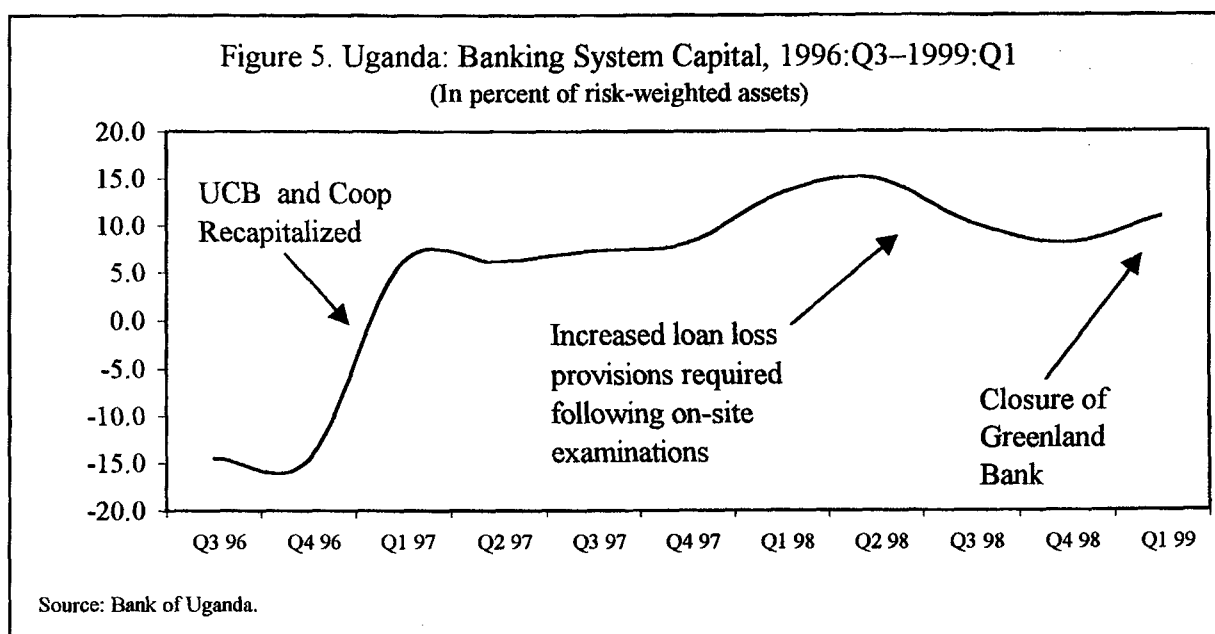
57. There are four distinct segments in the commercial banking market (Figure 3). The remaining state-owned bank, the Uganda Commercial Bank, has the largest branch network and largest share of both deposits and assets. The major foreign-owned banks comprise a second segment, with 4 smaller foreign-owned banks and 11 domestically owned banks constituting the balance of the commercial banking sector. Activity in the interbank market is almost exclusively limited to transactions among the largest foreign-owned banks, reflecting general uncertainty about the financial strength of the domestic and smaller foreign banks.



58. With some notable exceptions, the Uganda banking system suffers from a profitability problem (Figure 4). The sharp decline in profitability in 1998 is largely a result of the increased loan loss provisions required following on-site examinations. The majority of the commercial banks are small, with inadequate internal controls, and, as the on-site examinations have revealed, they have generally understated loan loss provisions and thus overstated profitability and capital. Many of the domestically owned banks are controlled by, or linked to, commercial or industrial groups, raising concerns regarding transparency and related-party lending.



59. While the BOU's off-site examination reports continue to indicate that the commercial banking system overall is adequately capitalized (Figure 5), as noted above, the results of the enhanced on-site examination program suggest that capital may be overstated. It is likely that a number of banks will require capital injections to meet prudential requirements when adequate provisions are made. Also, the new Financial Institution Statue is expected to increase the minimum capital adequacy requirement from the current 8 percent of risk-weighted assets to 12 percent. This increase will likely lead to consolidation among the smaller banks. All banks have their headquarters in Kampala, and most banking assets are also concentrated in the capital region—a situation that is consistent with the concentration of economic activity around Kampala. However, one consequence is that there are limited delivery points for financial services in rural areas.



### Supervisory interventions

60. In 1997, the BOU and the government published an explicit intervention policy with regard to distressed banks. Key elements of this policy stipulate that intervention will take place if a bank failing to meet prudential requirements does not reach agreement with the BOU on corrective measures to be taken within an agreed time period not to exceed six months. Failure to adhere to the agreed timetable for corrective measures, including meeting interim targets, would result in immediate intervention.

61. Unfortunately, there has been a divergence between the published policy of the BOU and its practice that has allowed some undercapitalized banks to operate for extended periods. The government announced in June 1999 that in future there would be prompt supervisory intervention in troubled banks. However, given the inconsistent application of the 1997 policy

statement, the BOU will have to demonstrate through its actions a firm commitment to the new policy before it gains credibility with consumers and the financial sector.

62. During 1998, the BOU intervened in four banks: the International Credit Bank (ICB), the Trust Bank, TransAfrica, and the Greenland Bank (Box 5). The first was closed in September 1998 owing to mounting insolvency, while the second and third were closed in November and reopened in December 1998 after having agreed with the BOU on remedial measures to be undertaken. The BOU intervened in the Greenland Bank in November 1998 upon learning of significant transactions that had not been reflected in the accounts of the bank. The BOU's ongoing involvement, following difficulties in the privatization of the Uganda Commercial Bank, led to the replacement of the Managing Director and board of directors in April 1999. In May 1999, the BOU intervened in a fifth bank, the Coop Bank (Box 6)

63. Greenland and Coop were the second-and third-largest domestically owned banks, ranked by assets, but only the fifth-and seventh-largest commercial banks in Uganda because of the significant market share held by major foreign owned banks (Table 14).<sup>13</sup> Greenland did not have a significant branch network, and its business was concentrated in the overbanked Kampala area. Coop had the second-largest branch network in the country; however, in almost all of Coop's locations there was also a branch of the UCB. Also, most of the branches of Coop were sold to Centenary or Standard Chartered Bank, and the business of those branches not sold will be assumed by the UCB, thus maintaining banking services in rural areas.

64. Some smaller banks experienced runs in the wake of each bank closure, however, by the end of May 1999, the situation appeared to have stabilized. The large market share of foreign-owned banks of undoubted solvency, the very low level of interbank activity, and the apparently adequate liquidity of the smaller banks—despite the runs in April and May—are all factors that have contributed to maintaining systemic stability despite the closure of the second-and third-largest domestically owned banks.

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<sup>13</sup> The ICB had only about 2 percent of deposits and ranked fifteenth in size by total assets at the time of its closure.

### **Box 5. Uganda: Interventions by the Bank of Uganda 1998**

#### **International Commercial Bank**

This privately owned bank was converted from a nonbank institution in 1992. The following events occurred in 1998-99:

- ICB closed in September 1998 by the BOU due to mounting losses;
- insured deposits of U Sh 1.2 billion paid by the BOU in its capacity as administrator of the Deposit Insurance Fund; and
- announcement by government in June 1998 that depositors not reimbursed by the Deposit Insurance Fund would be reimbursed by the Bank of Uganda.

#### **TransAfrica Bank**

This privately owned bank was established in 1995. In 1998, the bank

- experienced liquidity shortages following the closure of the ICB;
- was closed in November 1998 by the BOU; and
- reopened in December 1998 under the terms of an agreement that included the placement of a BOU supervisor on-site to monitor progress.

#### **Trust Bank Uganda Limited**

This subsidiary of Trust Bank Kenya was established in Uganda in 1996. Subsequently, this bank

- suffered a loss of confidence in late 1998 due to regulatory action taken by the Kenyan banking supervisor against its parent;
- was closed in November 1998 by the BOU; and
- Reopened in December 7, 1998 under the terms of an agreement with the BOU requiring the injection of new capital and the revocation of security agreements that pledged assets in support of Trust Bank Kenya.

#### **Greenland Bank**

This privately held domestic bank, established in 1991, was part of a group of related enterprises that included insurance and securities firms, as well as a number of commercial businesses. The following events have occurred within the past year:

- In August 1998, a special examination indicated a capital deficit of approximately U Sh 200 million.
- In September 1998, the BOU and Greenland Bank agreed on a recapitalization schedule leading to full regulatory compliance by June 1999.
- In November 1998, Greenland Bank disclosed, when applying to the BOU for a credit facility to regularize recurring overdrafts in its settlement account, that it had provided loans totaling U Sh 20 billion to Westmont Land (Asia) to finance the purchase of shares in the Uganda Commercial Bank. These advances had not been recorded in the financial statements of Greenland Bank.
- In November 1998, the BOU intervened in Greenland Bank.
- In December 1998, an examination of Greenland Bank following the replacement of the Managing Director with a BOU appointee revealed an additional U Sh 17 billion in "off-balances sheet" activity, consisting of both assets and liabilities that had not been recorded in the accounts of Greenland Bank.
- In April 1999, the BOU closed Greenland Bank and appointed a liquidator. The government announced that all depositors will be paid. Legal action was initiated against Greenland Bank's former Managing Director.

**Box 6. Uganda: Bank of Uganda Intervention in the Cooperative Bank, 1998-99**

The Cooperative Bank was founded in 1962 by a group of Uganda cooperatives and subsequently nationalized. With technical and financial assistance from the USAID, it was converted into a private bank in 1996, jointly owned by the USAID in trust, a number of cooperatives, and the employees of the bank. The following events occurred within the past year:

- A December 1998 inspection by the BOU revealed underprovisioning for loan losses and ongoing losses to employee fraud.
- Additional loan loss provisions eliminated the capital base of the bank.
- The USAID commissions review of options with respect to Coop and on completion in May 1999 decided not to provide further support.
- The BOU intervened on May 20, 1999, closing the bank and offering its assets for sale.
- The Government and BOU announced that all depositors will be paid.
- On July 14 agreement was reached to sell most of the branches to Centenary Rural Development Bank and Standard Chartered, with the businesses of the remaining branches to be assumed by the UCB.

**Table 14. Uganda: Commercial Bank Market Share, end-December 1998**  
(In percent)

	Share of Assets	Share of Deposits
Uganda Commercial Bank	20.4	24.4
Standard Chartered	14.8	12.5
Stanbic	11.9	9.3
Barclays	9.4	6.8
Greenland Bank	7.6	6.5
Bank of Baroda	5.7	6.7
Cooperative Bank	5.2	8.1

**Nonbank financial institutions**

65. Although generally small in size, there is a large number of nonbank financial institutions in Uganda. Of these, the BOU has supervisory responsibility for the 7 credit institutions, the building society, and 57 foreign exchange bureaus, in addition to the commercial banks. The principal distinction between credit institutions and banks is that credit institutions are not permitted to accept demand deposits. Although the credit institutions are generally small in terms of assets, the Housing Finance Corporation of Uganda has total assets of over U Sh 17 billion, making it larger than some of the banks. The Alliance Building Society is dormant. Two merchant banks have received provisional license approval from the BOU but have not yet commenced operations. The government-owned Post Office Savings

Bank, which, despite its name, is not a bank, is being restructured. It currently has about 130 offices providing deposit and payments services, with deposits at end-December 1998 totaling approximately U Sh 2.4 billion. It is expected that as part of the restructuring/privatization of the Post Office Savings Banks, it will obtain a credit institution license.

### **The insurance industry**

66. The insurance industry consists of 15 licensed companies, of which 2 underwrite both life and nonlife insurance, while the other 13 are exclusively nonlife insurers. The industry was unregulated until the passage of the Insurance Statute, 1996, which established the Uganda Insurance Commission. The introduction of licensing requirements pursuant to the statute, which include minimum capital requirements and investment policies, has directly caused a reduction in the number of companies from 26 to the current level. There has been a similar reduction, for the same reason, in the number of insurance brokers, agents, and adjusters. Although no timetable has been established for legislative review, the Insurance Commission is working on revisions to address areas where practical experience with the current statute has identified weaknesses.

67. An issue for the Insurance Commission is the winding up of previously unlicensed insurance companies, or companies that were licensed in 1997 or 1998 but have not had their licenses renewed. The Insurance Commission is hampered by a lack of staff (only four professionals) and the difficulty in locating and supervising companies, agents, and brokers that previously were unregulated. Nevertheless, the commission is attempting to enforce the requirement that unlicensed companies cease to write new business and may not renew existing policies so that their business will be wound up over time. There have been a number of instances where these companies have been unable to meet claims because of poor management or outright fraud. Some unlicensed companies have clearly siphoned off policy premiums and have been able to meet claims only from the collection of new premiums. Policyholders have no recourse other than as general creditors in liquidation. There is no policyholder protection scheme or priority claim for policyholders under the Insurance Statute.

68. Short-term prospects for growth in the life insurance industry in Uganda are not particularly promising. Life insurance premiums declined by 20 percent to U Sh 2.7 billion between 1996 and 1997. Since demand for life insurance is generally a logarithmic function of economic growth, this is the opposite of what would be expected. Emergence of a middle class is the driving force behind life insurance growth in developing countries. However, the impact of inflation and currency reform in the 1980s has made Ugandans skeptical of long-term savings vehicles, such as whole life insurance, and the decline in life expectancy attributable to AIDS has made life underwriting extremely risky. The development of reliable actuarial tables in these conditions is difficult, with the result that, where life insurance is made available, it will be an extremely expensive product owing to the actuarial uncertainty. A further hurdle for the industry is a level of general public distrust arising from the failure of hitherto unregulated insurance companies to pay claims.



69. The nonlife insurance industry in Uganda would appear to be extremely lucrative. The primary product is automobile third party-liability insurance, which is required by law for all automobile owners. Nonlife insurers collectively earned an underwriting profit (premiums written less claims) of 74 percent in 1997. In developed countries, profitable nonlife insurers typically earn only a modest underwriting profit, or even incur underwriting losses, relying on investment income to achieve a satisfactory return.

### **Microfinance**

70. There are about 35 microfinance organizations in Uganda, many formed with assistance from international donors. These organizations focus on very small savings and lending activity, relying heavily on peer group involvement to ensure repayment. While they technically could be captured in the definition of banking or credit institution in the FIS, it is intended that the new FIS contain a provision for the BOU to exempt microfinance organizations from the regulatory requirements applicable to a financial institution. Given the very small scale of microfinance operations, their objective of being self-sustaining but "not for profit," and the social importance arising from their contribution to economic development in the most depressed areas, operation outside the mainstream of financial sector regulation is viewed as appropriate.

### **Cooperative savings institutions**

71. As of March 1999, there were 624 savings and credit cooperatives registered with the Ministry of Tourism, Trade, and Industry. Of these, about 175 were inactive. Approximately 100 of the 450 active cooperative savings institutions belong to Uganda Co-operative Savings and Credit Union Limited, a small credit union central organization that provides education and support services for its members. The 100 members of Uganda Co-operative Savings have an estimated 90 to 95 percent of the assets of all cooperative savings institutions, totaling some U Sh 9.4 billion at February 1999. Virtually all of the cooperative savings institutions are small, with only one or two of the largest having full-time staff. The balance is run entirely by volunteer boards. The largest number of cooperative savings institutions is found in the capital region, with most having an employee bond.<sup>14</sup> The largest credit union has 900 members, with most being much smaller.

72. Savings and credit cooperatives are regulated pursuant to the Cooperative Societies Act, 1991, and the Cooperative Societies Regulations, promulgated pursuant to the act in 1992. The current regulatory approach is unsatisfactory in two respects. First, the current legislation focuses primarily on nonfinancial cooperatives, and thus lacks such key provisions

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<sup>14</sup> Membership in cooperatives is open to people sharing a common "bond of association." The largest savings cooperatives are the employees of the Post Office and the Civil Aviation Authority.

as minimum capital and other prudential requirements. Second, although the cooperative savings institutions are supposed to be subject to yearly examinations by officials from the district commercial offices of the ministry, in practice these inspections are sporadic, and the staff of the ministry generally have insufficient knowledge of financial institutions. A new Savings and Cooperative Credit Associations Act, which would provide an appropriate legislative framework, has been drafted with technical assistance from the World Council of Credit Unions. The date for introducing this legislation has not yet been set.

### **Capital markets**

73. There are currently 11 licensed broker-dealers and 13 licensed investment advisors in Uganda, with about half of these being commercial banks or subsidiaries of banks. This number is expected to decline in 1999/2000 as the Capital Markets Authority will not renew licenses for firms that have not complied with the requirement to establish an operating entity for securities activities separate from parent or affiliated companies. Given the limited capital markets activity in Uganda and the slow pace of development, complying with even the minimum financial and operational requirements established for broker-dealers has not proved attractive. Few of the existing firms are profitable, and there is currently a moratorium on issuance of new licenses. As of April 1999, East Africa Development Bank (PTA) bonds were the only issue, other than treasury bills, trading on the Uganda Securities Exchange.

74. Both the Capital Markets Authority—the regulatory body for the securities industry—and the Uganda Securities Exchange became fully operational in 1998, some three years after the passage of the Capital Markets Statute. The government is attempting to encourage the growth of capital markets both by funding the development of the necessary infrastructure and by considering offerings through the Uganda Securities Exchange as one option in the privatization of state-owned enterprises. No privatization issues have yet been floated, but the option remains under consideration. Few private Uganda companies currently have the size, record of profitability, or financial statements prepared according to international standards that would make them attractive as issuers of securities. There are few potential domestic institutional buyers of securities. Although a Collective Investment Schemes Statute, which would facilitate the creation of mutual funds, is in preparation, it seems unlikely that individual investors in a population that has not fully embraced checks and bank deposits will rush to mutual funds.

### **C. Conclusions**

75. While much remains to be done, significant progress has been made toward the establishment of an effective financial services sector. The implementation since 1993 of statutes with accompanying regulations for the central bank, commercial banks, nonbank deposit-taking institutions, insurance companies, and securities broker-dealers and advisors has provided in a short span of time a generally appropriate legal framework for the sector. While new legislation and revisions to existing laws will continue to be required, the more immediate need is to continue with the implementation of policies contemplated under the

existing statutes. The insurance and capital markets regulators are newly established, and banking regulation, while established earlier, requires further enhancement.

76. The recent success of the BOU in introducing more effective on-site examinations, including following up on reported deficiencies, has had the effect of highlighting the weaknesses of the commercial banking sector. The sharp deterioration in profitability, asset quality, and capital reported in the second half of 1998 would appear to be indicative of underlying problems. The on-site examinations are revealing long-standing problems with asset quality and internal controls that had previously not been detected by the overly optimistic off-site reporting by the commercial banks.

77. There has not been consistently decisive supervisory action in the past, in response to the problems that have been uncovered. The program of follow-up compliance examinations at banks that have agreed to remedial memoranda of understanding with the BOU is a positive step toward ensuring that agreed recapitalization and other measures occur on schedule; similarly, the commitment by the government to prompt supervisory actions in the future is welcome. The ongoing development of expertise in performing the supervisory and regulatory functions of the BOU is laying the foundation for a sounder Ugandan banking system. Once all the commercial banks have been subjected to full-scope on-site examinations with appropriate follow-up (completion expected by the end of 1999/2000), the authorities will have a much more accurate picture of the health of the banking system. Continued development of regulatory capacity in the nonbank sectors is required, as is the ongoing review and refinement of financial sector legislation. The additional enhancements to the banking legislation contemplated during 1999/2000, coupled with decisive regulatory action as required, will go a long way toward establishing a sound financial sector better able to meet the intermediation needs of a developing economy.

### **III. NET SUBSIDIES TO PUBLIC ENTERPRISES IN UGANDA<sup>15</sup>**

78. The reform of public enterprises (PEs) affects financial transactions between the government and PEs. Moreover, since savings in net subsidies or financial support to PEs provide scope for increasing expenditures in priority areas within a sustainable fiscal deficit, successful public enterprise reform is important for Uganda. This chapter discusses the evolution of net subsidies to PEs in Uganda between 1992/93 (July–June) and 1997/98, and identifies their causes and main recipients, thus permitting a preliminary assessment of the possible financial savings from public enterprise reforms.

#### **A. Definition of Net Subsidies**

79. Net subsidies to PEs are subsidies from the government to PEs net of subsidies to the government from PEs. The subsidies from the government to PEs are of two types: direct and indirect. Direct subsidies include cash equity injections from the government, donor grants, and asset transfers. Indirect subsidies include equity support, favorable financing terms, favorable fiscal terms, and others. Equity support is used to absorb PEs' financial losses and is equivalent to bailouts, with the government assuming the bank debt of PEs or converting it to public enterprise equity (often carrying little prospect of paying dividends). Favorable financing terms to PEs involve loans from the government at below-market interest rates, exchange rate risk borne by the government, and loans guaranteed by the government charging preferential fees. Favorable fiscal terms are subsidies that arise from tax exemptions and tax arrears that may be forgiven subsequently. Finally, other subsidies include special privileges to bid on government contracts, concessions that enable PEs to charge higher prices than those offered by competitors, and the financing of operational losses incurred by PEs under the government's initiative. Offsetting government subsidies to PEs are subsidies from PEs to the government, that include interest arrears on unpaid services and services provided at below-market prices.

#### **B. Net Subsidies to PEs in Uganda**

80. As a percentage of GDP, net subsidies to PEs in Uganda remained quite stable during 1996/97–1997/98, after significantly decreasing to 2.6 percent of GDP in 1995/96 from 3.2 percent of GDP in 1994/95. In 1997/98, net subsidies were 2.3 percent of GDP, or U Sh 165.9 billion. Most of the subsidies from the government to PEs are indirect subsidies. In fact, with the exception of 1996/97, indirect subsidies have accounted for more than 70 percent of total subsidies to PEs, and usually have taken the form of equity support and favorable financing terms (Table 15).

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<sup>15</sup> This chapter was prepared by Alejandro Lopez-Mejía and Mwanza Nkusu.

Table 15. Net Subsidies to Public Enterprises (PEs), 1992/93-1997/98 1/

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
(In billions of Uganda shillings, unless otherwise indicated)						
Subsidies from the government to PEs	150.3	154.5	174.6	178.0	187.0	185.3
Direct subsidies	17.1	14.8	48.3	44.0	87.3	8.7
Cash equity injections	1.9	3.4	21.0	14.2	77.2	5.5
Donors' grants	13.1	11.4	18.9	29.8	4.5	2.7
Asset transfers	2.1		8.4	...	5.6	0.5
Indirect subsidies	133.2	139.7	126.3	134.0	99.7	176.6
Equity support	53.5	60.1	47.4	43.8	3.0	39.6
Financing terms	42.7	42.9	55.9	61.2	62.3	73.3
Fiscal terms	19.9	12.2	15.6	8.7	7.4	46.6
Other	17.1	24.5	7.4	20.3	27.0	17.1
Subsidies to the government from PEs	21.3	26.0	12.6	27.7	28.6	17.2
Subsidies among PEs 2/	3.5	3.8	3.0	6.3	6.1	2.2
Net underlying subsidies 3/	125.5	124.7	159.0	144.0	80.3	126.3
Net subsidies to PEs	125.5	124.7	159.0	144.0	152.3	165.9
Percentage of which						
Uganda Railways Corporation (URC)	17.0	19.3	18.6	18.6	18.1	17.9
Uganda Commercial Bank (UCB)	30.2	19.8	24.6	18.1	47.6	-0.2
Uganda Electricity Board (UEB)	13.6	23.2	10.7	4.9	0.2	12.5
Uganda Posts and Telecommunications Corporation (UPTC)	10.0	11.9	11.5	5.3	3.3	47.8
National Water and Sewerage Corporation (NWSC)	0.3	10.1	8.7	11.5	2.4	1.9
Other enterprises	28.9	15.7	25.9	41.6	28.4	20.1
GDP at market prices	3,870.4	4,400.3	5,377.5	6,122.0	6,663.2	7,791.4
Monetary	2,726.3	3,221.6	4,074.1	4,770.7	5,358.2	6,154.4
Nonmonetary	1,144.1	1,178.6	1,303.3	1,351.4	1,305.0	1,637.0
GDP at factor prices	3,625.9	4,069.4	4,922.4	5,565.3	6,023.0	7,104.3
(In percent of GDP)						
Subsidies from the government to PEs	4.1	3.8	3.5	3.2	3.1	2.6
Direct subsidies	0.5	0.4	1.0	0.8	1.4	0.1
Indirect subsidies	3.7	3.4	2.6	2.4	1.7	2.5
Subsidies to the government from PEs	0.6	0.6	0.3	0.5	0.5	0.2
Subsidies among PEs 2/	0.1	0.1	0.1	0.1	0.1	0.0
Net subsidies to PEs	3.5	3.1	3.2	2.6	2.5	2.3
Net underlying subsidies 3/	3.5	3.1	3.2	2.6	1.3	1.8
Net subsidies to largest enterprises	2.5	2.6	2.4	1.5	1.8	1.9
Uganda Railways Corporation (URC)	0.6	0.6	0.6	0.5	0.5	0.4
Uganda Commercial Bank (UCB)	1.0	0.6	0.8	0.5	1.2	0.0
Uganda Electricity Board (UEB)	0.5	0.7	0.3	0.1	0.0	0.3
Uganda Posts and Telecommunications Corporation (UPTC)	0.3	0.4	0.4	0.1	0.1	1.1
National Water and Sewerage Corporation (NWSC)	0.0	0.3	0.3	0.3	0.1	0.0

Source: Parastatal Monitoring Unit, Ministry of Finance, Planning and Economic Development, "Financial Flows Between Government and Public Enterprises in Uganda," various issues.

1/ Fiscal year begins in July.

2/ This is a statistical discrepancy that arises because of partial consolidation of subsidies among PEs.

3/ Net subsidies to PEs, excluding one-off subsidies required in the restructuring or recapitalization of the UCB and UPTC.

81. The government of Uganda recognizes that the amount of subsidies is substantial compared with the public expenditures allocated for poverty eradication programs.<sup>16</sup> During the period 1994/95–1997/98, net subsidies to public enterprises averaged 2.7 percent of GDP whereas expenditures on health and education averaged 3.5 percent of GDP (Table 16). Moreover, the Parastatal Monitoring Unit of the Ministry of Finance reported that in 1997, subsidies were close to three times the total amount spent by government and donors over the previous eight years on feeder roads. The amount spent on feeder roads during 1990–97 (U Sh 75 million) allowed the rehabilitation of 9,000 kilometers of roads, more than 40 percent of the network of feeder roads in Uganda. This example illustrates the potential positive impact of savings in net subsidies on the financing of priority programs and underscores the need to expedite the necessary reforms.

82. To understand the behavior of net subsidies, it is important to analyze the financial situation and reforms undertaken in the largest enterprises. Indeed, a sample of PEs during the period 1992/93–1997/98 shows that eight enterprises accounted for approximately 90 percent of total net subsidies.<sup>17</sup> The five largest enterprises accounted for more than 70 percent of total net subsidies (Table 15),<sup>18</sup> and three firms<sup>19</sup> included in “Other enterprises” represented between 15 percent and 22 percent of total net subsidies. The following analysis focuses on the five largest enterprises: the Uganda Railways Corporation (URC), Uganda Commercial Bank (UCB), Uganda Electricity Board (UEB), Uganda Posts and Telecommunications Corporation (UPTC), and National Water and Sewerage Corporation (NWSC).

### **Uganda Railways Corporation (URC)**

83. The fragile financial position of the URC during the 1990s has led to reduced service, less outlays on maintenance, and the accumulation of arrears. In 1997, the URC suspended

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<sup>16</sup> From data compiled by the Parastatal Monitoring Unit of the Ministry of Finance, Planning and Economic Development.

<sup>17</sup> The size of the sample has been expanded over time as the number of “Other enterprises” increased. In 1992/93, the sample covered 8 PEs; the size was increased to 14 in 1993/94, to 20 in 1994/95, to 40 in 1995/96 and 1996/97, and to 41 in 1997/98.

<sup>18</sup> The only exception was 1995/1996, when net subsidies to “Other enterprises” represented 41.6 percent of total net subsidies to PEs. This was largely attributed to a cash equity injection provided by the government to recapitalize the Uganda Development Bank (UDB) equal to 7 percent of total net subsidies to PEs.

<sup>19</sup> The Civil Aviation Authority (CAA), Kakira Sugar Works Ltd. (Kakira), and Kinyara Sugar Works Ltd. (Kinyara).

Table 16. Social Expenditures and Net Subsidies to Public Enterprises, 1994/95-1997/98 1/

	1994/95	1995/96	1996/97	1997/98
(In billions of Uganda shillings)				
Total expenditures	898.1	991.0	1,146.3	1,239.9
Total social expenditures	290.6	305.2	398.6	429.5
Health and education	164.4	180.9	231.5	265.2
Education	117.0	118.6	174.2	211.8
<i>Of which</i> : primary education	36.9	44.3	81.1	115.5
Health	47.4	62.3	57.3	53.4
Roads and agriculture	40.9	36.9	70.7	49.2
Roads and works	25.8	27.5	59.9	40.0
Agriculture	15.1	9.4	10.8	9.2
Priority Program Areas 2/	85.3	87.4	96.4	115.2
Net subsidies to public enterprises	159.0	144.0	152.3	165.9
(In percent of GDP)				
Total expenditures	18.2	17.8	19.0	17.5
Total social expenditures	5.9	5.5	6.6	6.0
Health and education	3.3	3.3	3.8	3.7
Education	2.4	2.1	2.9	3.0
<i>Of which</i> : primary education	0.7	0.8	1.3	1.6
Health	1.0	1.1	1.0	0.8
Roads and agriculture	0.8	0.7	1.2	0.7
Roads and works	0.5	0.5	1.0	0.6
Agriculture	0.3	0.2	0.2	0.1
Priority Program Areas 2/	1.7	1.6	1.6	1.6
Net subsidies to public enterprises	3.2	2.6	2.5	2.3

1/ Fiscal year begins in July. Total expenditures include externally financed development expenditures; components do not.

2/ Including the Universal Primary Education component of domestic development expenditures.

freight service on the Northern and Loop Lines and suspended all passenger service. As a consequence, the operating network declined from 1,225 kilometers to 633 kilometers. The reduction in outlays for maintenance led to the deterioration of the railway track, especially the 330 kilometers of the line from Kampala to Kasese, where the frequency of derailments is reportedly high (two per one-way trip, on average). Despite the reductions in service and maintenance outlays, operating losses of U Sh 1 billion a year are incurred on this line. The accumulation of arrears resulting from the URC's defaulting on its wage obligations has caused industrial strife and is the most important source of subsidies. In this regard, to avoid larger long-term liabilities, it is estimated that 50 percent of the URC's workers should be laid off, with a cost of approximately U Sh 2.4 billion (Nirinkindi, 1998).

84. Over the period 1992/93–1997/98, net subsidies to the URC decreased from 0.6 percent of GDP to 0.4 percent of GDP (Table 15). Because the URC is not making principal and interest payments on loans from the government or donors, the most important subsidy to the URC—representing 40 percent of the total—has taken the form of favorable financing terms (Table 17).

#### **Uganda Commercial Bank (UCB)**

85. The UCB, which dominates Uganda's financial sector, has had serious profitability problems associated with a large stock of nonperforming loans, during most of this decade. Nonperforming loans were linked to inadequate bank supervision and political interference in bank operations. As a result, the UCB was undercapitalized, contributing to periodic problems of liquidity and high intermediation costs (Sharer and others, 1996). The government provided substantial financial support to the UCB, with net subsidies representing between 0.5 percent and 1.2 percent of GDP during the period 1992/93–1996/97 (Table 15).

86. During 1992/93–1995/96 almost all the financial support of the government to the UCB was provided through indirect subsidies that took the form of equity support (Table 17). In an effort to recapitalize the UCB and to secure depositors' funds, these subsidies were part of a restructuring process whereby the nonperforming loan portfolio was transferred to the Non-Performing Assets Recovery Trust (NPART). However, as the UCB continued to make losses and nonperforming loans deteriorated even further, the government shifted from restructuring the bank to accelerating its privatization.<sup>20</sup> A major step was taken in this direction when the government recapitalized the bank by issuing bonds totaling U Sh 72 billion. The recapitalization was aimed at bringing the UCB's negative net worth up to zero—with new investors expected to provide additional capital to bring the bank's capital up to required prudential levels—and constituted a direct subsidy from the government to the UCB (Table 17) representing 1.2 percent of GDP in 1996/97 (Table 15).

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<sup>20</sup> In April 1998, the government sold 49 percent of its shares in the UCB. However, after revelations of malpractice, the government moved in early 1999 to repossess its UCB shares.



Table 17. Uganda: Net Subsidies to the Largest Public Enterprises (PEs), 1992/93-1997/98  
(In billions of Uganda shillings)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
<b>Uganda Railways Corporation (URC)</b>						
Subsidies from the government to URC	30.0	33.6	31.0	29.6	30.2	30.6
Direct subsidies	0.0	3.4	3.4	1.7	2.1	1.1
Cash equity injections	0.0	0.0	2.2	0.0	1.1	1.1
Donors' grants	0.0	3.4	1.2	1.7	1.0	0.0
Asset transfers	0.0	0.0	0.0	0.0	0.0	0.0
Indirect subsidies	30.0	30.2	27.6	27.9	28.1	29.5
Equity support	0.0	0.0	0.0	0.0	0.0	0.0
Financing terms	27.5	27.2	27.1	27.1	27.1	27.1
Fiscal terms	1.5	2.5	0.5	0.8	1.0	2.4
Other	1.0	0.5	0.0	0.0	0.0	0.0
Subsidies to the government from URC	8.2	9.1	1.0	2.3	2.2	0.9
Subsidies from other PEs	0.5	0.4	0.5	0.5	0.4	0.0
Net subsidies to URC	21.3	24.1	29.5	26.8	27.6	29.7
Of which: in the budget	0.0	0.0	0.0	0.0	0.0	1.1
<b>Uganda Commercial Bank (UCB)</b>						
Subsidies from the government to UCB	38.7	25.2	39.1	26.1	72.5	0.0
Direct subsidies	1.5	2.8	3.5	0.0	72.0	0.0
Cash equity injections	1.2	2.8	3.5	0.0	72.0	0.0
Donors' grants	0.3	0.0	0.0	0.0	0.0	0.0
Asset transfers	0.0	0.0	0.0	0.0	0.0	0.0
Indirect subsidies	37.2	22.4	35.6	26.1	0.5	0.0
Equity support	33.5	21.0	30.1	25.6	0.0	0.0
Financing terms	3.1	1.4	5.1	0.5	0.5	0.0
Fiscal terms	0.0	0.0	0.4	0.0	0.0	0.0
Other	0.6	0.0	0.0	0.0	0.0	0.0
Subsidies to the government from UCB	0.0	0.0	0.0	0.0	0.0	-0.3
Subsidies from other PEs	0.8	0.5	0.0	0.0	0.0	0.0
Net subsidies to UCB	37.9	24.7	39.1	26.1	72.5	-0.3
Of which: in the budget	0.0	0.0	0.0	0.0	0.0	0.0
<b>Uganda Electricity Board (UEB)</b>						
Subsidies from the government to UEB	21.4	32.6	20.3	14.6	8.0	22.5
Direct subsidies	0.0	0.5	0.5	1.3	0.0	0.3
Cash equity injections	0.0	0.5	0.0	0.0	0.0	0.0
Donors' grants	0.0	0.0	0.5	1.3	0.0	0.3
Asset transfers	0.0	0.0	0.0	0.0	0.0	0.0
Indirect subsidies	21.4	32.1	19.8	13.3	8.0	22.2
Equity support	10.4	27.3	8.5	6.3	0.0	0.0
Financing terms	0.8	2.9	3.9	4.5	5.5	11.4
Fiscal terms	10.2	1.9	7.4	2.5	2.5	10.8
Other	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies to the government from UEB	4.3	3.7	3.0	7.3	7.4	1.1
Subsidies from other PEs	0.0	0.0	0.3	0.3	0.3	0.6
Net subsidies to UEB	17.1	28.9	17.0	7.0	0.3	20.8
Of which: in the budget	0.0	0.0	0.0	0.0	0.0	10.0
<b>Uganda Posts and Telecommunications Corporation (UPTC)</b>						
Subsidies from the government to UPTC	18.5	23.9	20.1	8.7	6.3	80
Direct subsidies	2.1	4.3	14.7	0.0	0.0	0.3
Cash equity injections	0.0	0.0	6.4	0.0	0.0	0.3
Donors' grants	0.0	4.3	0.0	0.0	0.0	0.0
Asset transfers	2.1	0.0	8.3	0.0	0.0	0.0
Indirect subsidies	16.4	19.6	5.4	8.7	6.3	79.7
Equity support	0.0	0.0	0.0	0.0	0.0	38.4
Financing terms	3.8	4.4	3.3	7.8	5.3	1.3
Fiscal terms	3.0	2.8	2.1	0.9	1.0	40.0
Other	9.6	12.4	0.0	0.0	0.0	0.0
Subsidies to the government from UPTC	5.0	7.9	1.7	1.0	1.2	0.7
Subsidies from other PEs	1.0	1.2	0.2	0.0	0.0	0.0
Net subsidies to UPTC	12.5	14.8	18.3	7.7	5.1	79.3
Of which: in the budget	0.0	0.0	8.3	0.0	0.0	0.0
<b>National Water and Sewerage Corporation (NWSC)</b>						
Subsidies from the government to NWSC	4.5	16.1	17.4	20.8	8.6	7.6
Direct subsidies	3.8	14.6	16.5	20.1	7.5	1.9
Cash equity injections	0.0	0.0	0.0	0.0	1.9	1.9
Donors' grants	3.8	14.6	16.5	20.1	5.6	0.0
Asset transfers	0.0	0.0	0.0	0.0	0.0	0.0
Indirect subsidies	0.7	1.5	0.9	0.7	1.1	5.7
Equity support	0.0	0.0	0.0	0.0	0.0	0.0
Financing terms	0.0	0.0	0.0	0.0	0.2	4.6
Fiscal terms	0.7	1.5	0.9	0.7	0.9	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies to the government from NWSC	3.5	3.3	3.5	4.3	4.5	4.5
Subsidies from other PEs	0.6	0.2	0.0	0.0	0.5	0.0
Net subsidies to NWSC	0.4	12.6	13.9	16.5	3.6	3.1
Of which: in the budget	0.0	0.0	7.5	20.1	1.9	1.9

Source: Parastatal Monitoring Unit, Ministry of Finance, Planning and Economic Development, "Financial Flows Between Government and Public Enterprises in Uganda."

### **Uganda Electricity Board (UEB)**

87. In the 1990s, while Uganda was facing a crisis in its traditional source of energy (i.e., fuelwood), the UEB played a central role in finding alternative sources and in increasing the percentage of population with access to electricity, which is estimated to be about 5 percent. Priority was given to the optimum utilization of hydroelectric potential, the extension of the Owen Falls station project, and expansion of the national grid by constructing and/or rehabilitating transmission and distribution lines. To carry out these operations, the UEB received financial support from the government. As a result, with the exception of 1995/96 and 1996/97, net subsidies to the UEB represented between 0.3 and 0.7 percent of GDP during most of this decade (Table 15).

88. Most of the subsidies from the government to the UEB were implicit subsidies, taking the form of equity support, and favorable financing and fiscal terms (Table 17). Equity support was important between 1992/93 and 1995/96, and the practice of converting the UEB's debt into equity was not continued during 1996/97 and 1997/98. Still, in the last two years, favorable financing terms have become increasingly important because the government has not charged interest on the UEB's debt-service arrears and has not charged a guarantee fee on loans to the UEB. Finally, in 1997/98, the UEB benefited from more favorable fiscal terms because of tax exemptions on imported goods for the Power III Project (including the Owen Falls Power Station Extension Project);<sup>21</sup> the budgeted net subsidies to UEB were equivalent to U Sh 10 billion (Table 17).

### **Uganda Posts and Telecommunications Corporation (UPTC)**

89. Telecommunications were virtually nonexistent in the early 1980s, but in the 1990s the UPTC improved international and domestic links, and increased the availability of telecommunications equipment. The operation of the UPTC was facilitated by government subsidies, which represented 0.3 percent of GDP between 1992/93 and 1994/95. They declined subsequently in 1995/96 and 1996/97 to 0.1 percent of GDP, and later increased to 1.1 percent of GDP in 1997/98 (Table 15).

90. Subsidies from the government to the UPTC have taken several forms. In 1992/93 and 1993/94, the UPTC enjoyed monopoly pricing and the surcharge constituted an indirect subsidy that represented almost 50 percent of total subsidies received by the UPTC, equivalent to U Sh 9.6 billion and U Sh 12.4 billion in 1992/93 and 1993/94, respectively. In 1994/95, direct subsidies represented more than 70 percent of the financial support received

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<sup>21</sup> In 1995/96 and 1996/97, this subsidy was not present because the project was largely unimplemented.

by the UPTC, as the government contributed an equity injection of U Sh 6.4 billion and allocated U Sh 8.3 billion of unspent funds from a loan (from Spain) to rehabilitate the former UPTC building (Table 17).

91. The UPTC was restructured in 1998 and broken up into four companies: Uganda Telecommunications Ltd. (UTL), which will be privatized; Uganda Posts Ltd. (UPL), which will remain a public enterprise; Post Bank Uganda Ltd., and the Uganda Communications Commission (UCC), which will assume regulatory responsibility for the sector. Similar to the restructuring experience of the UCB in 1996/97, the restructuring of the UPTC led to substantial subsidies—in 1997/98, indirect subsidies attained their highest level in the 1990s. In particular, the UTL received a subsidy of U Sh 38.4 billion through a debt-equity conversion, and the government waived taxes worth U Sh 40 billion (Table 17).

### **National Water and Sewerage Corporation (NWSC)**

92. Urban water supply and wastewater services are under the responsibility of the NWSC. The NWSC's tariffs are high, but performance indicators are poor, with service level varying between 60 percent and 75 percent.<sup>22</sup> Moreover, because of low billing efficiency and poor recovery costs, the NWSC has received financial support. Net subsidies to the company represented 0.3 percent of GDP between 1993/94 and 1995/96 (Table 15), but declined to negligible levels in following years. With the exception of 1997/98, approximately 90 percent of the financial support was given through direct subsidies, most of which were included in the budget (Table 17). These subsidies are foreign loans and donor grants negotiated by the government, and have an equity and loan component. Because the NWSC was cash strapped and technically insolvent, the corporation did not service its debt in 1997/98, and favorable financing terms became the largest subsidy, reaching U Sh 4.6 billion.<sup>23</sup>

### **C. Conclusion**

93. Net subsidies to PEs have remained relatively stable in recent years. However, if the Government succeeds in reforming and privatizing the largest PEs, their reliance on budgetary support will decline. The stability of the financial support given to PEs during 1995/96–1997/98 largely reflected one-off subsidies required in the recapitalization and restructuring of the UCB and UPTC. Consequently, the underlying evolution of net subsidies—calculated excluding these one-off subsidies to the UCB and UPTC—shows a decline from 2.6 percent of GDP in 1995/96 to 1.8 percent in 1997/98 (Table 15). In the near future, if the URC, UEB,

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<sup>22</sup> In small towns, services are provided by the Directorate of Water Development. The service level has traditionally been below 50 percent, and sources of safe water range from protected springs, gravity flow schemes, wells, handpumps, and powered boreholes.

<sup>23</sup> Data from the Parastatal Monitoring Unit of the Ministry of Finance, Planning and Economic Development.

and NSWC are reformed, net subsidies to PEs should experience one-off increases as these enterprises are recapitalized or their debt converted into equity. In the medium term, a successful reform of these enterprises will lead to a reduction of net subsidies, increasing the scope for higher expenditures in priority areas.

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#### IV. TAX POLICY AND ADMINISTRATION REFORMS, 1994/95–1998/99<sup>24</sup>

94. One of the key objectives of the government's medium-term revenue strategy in the 1990s has been to increase the revenue-to-GDP ratio while reducing the antiexport bias of the tax system. This has been achieved by relying less on import-based taxes, mainly through a reduction in the average tariff, while increasing reliance on nontrade taxes, mainly through the expansion of the domestic tax base. To accomplish this, the authorities introduced a value-added tax (VAT) in July 1996—which replaced the sales tax and the commercial transaction levy (CTL)—and a new Income Tax Statute in July 1997, eliminated the existing ad hoc policy with regard to exemptions and tax incentives for investors, and enhanced the effectiveness of tax administration.<sup>25</sup>

95. An important aspect related to the adoption of the new VAT and income tax laws is that, for the first time in many years, actual copies of tax laws have become widely available. Up-to-date versions of the old sales tax, CTL, and income tax laws were simply not available, and only few privileged persons were able to say what the law was. The original laws had been amended so many times that, even for those few people who had all the amendments, it was often impossible to say what was required by the law. By publishing new laws that are generally easier to understand and interpret, huge strides were made to help compliance and improve transparency.

96. During the period 1993/94–1998/99 (July–June) tax revenue, including import commission, increased by 3 percent of GDP to 11.6 percent of GDP (Table 18).<sup>26</sup> With the exception of custom duties, all major tax headings increased over the period. In particular, VAT and income taxes combined increased by 1.9 percent of GDP to 5.9 percent of GDP, and now account for about 51 percent of tax revenue, compared with 46 percent in 1993/94 (Figure 6). Although custom duties declined over the period, combined receipts from all import-based taxes actually increased by 0.3 percent of GDP to 2.0 percent of GDP. This increase is the net result of a marked reduction in the effective duty rate and the noticeable increase in the import-to-GDP ratio, coupled with the introduction of excises on imports (see below). Import-based taxes now account for 15.6 percent of tax revenue, compared with 17.9 percent in 1993/94.

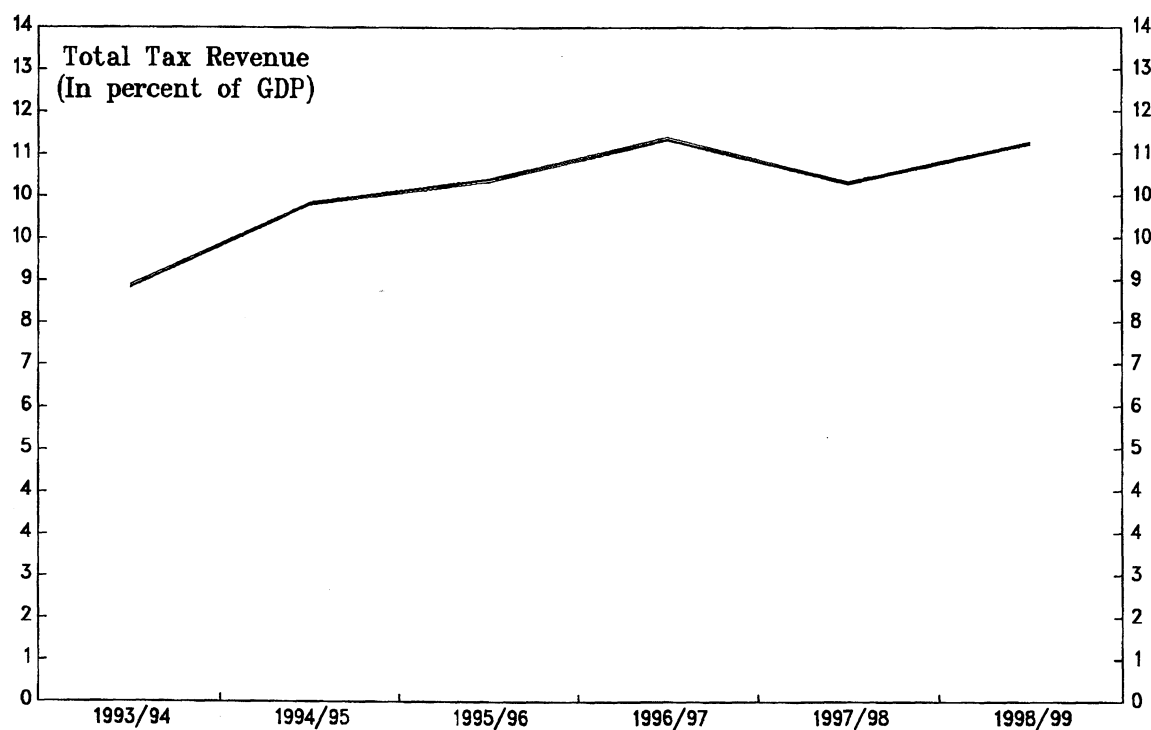
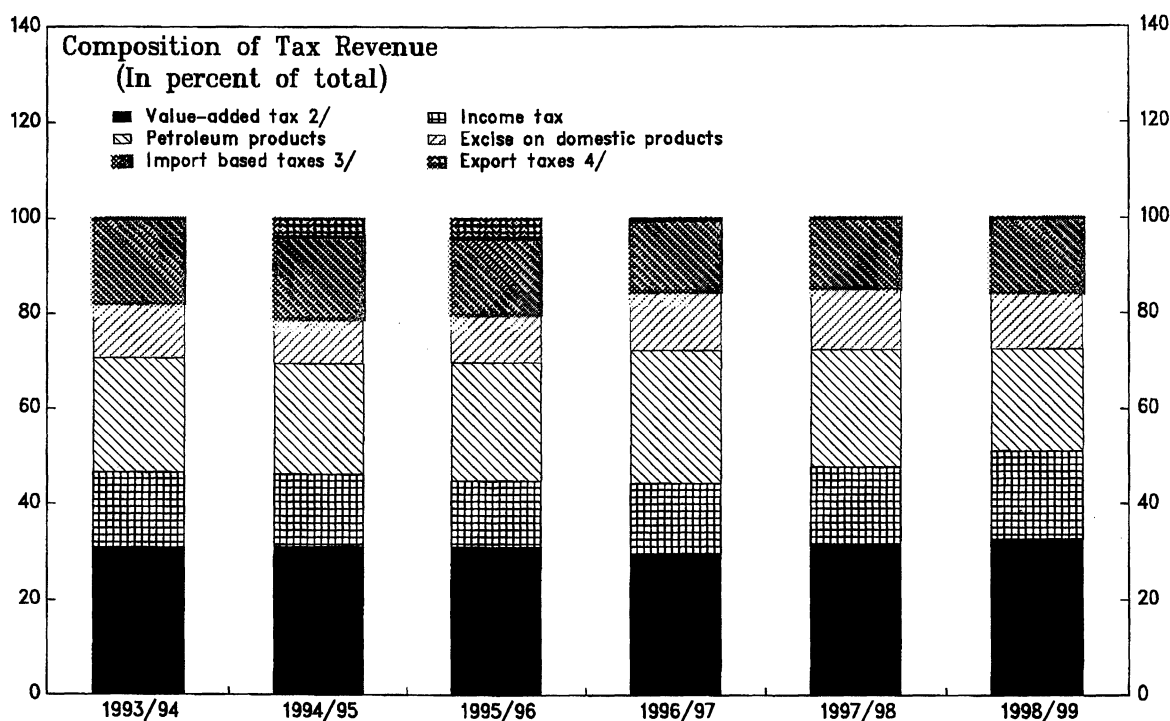
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<sup>24</sup> This chapter was prepared by Edgardo Ruggiero.

<sup>25</sup> An independent Uganda Revenue Authority (URA) had been established in 1991.

<sup>26</sup> The noticeable revenue increase in 1994/95 was due to the coffee boom. To cushion the impact of the unexpected rise in the world market price of coffee on macroeconomic aggregates, including domestic demand and the exchange rate, the authorities introduced a coffee stabilization tax, which remained in effect for two years.

Figure 6. Uganda: Tax Revenue, 1993/94-1998/99 1/



Source: Ugandan authorities.

1/ Includes Import commission.

2/ Sales tax plus commercial transaction levy (1993/94-1995/96); VAT (1996/97-1998/99).

3/ Includes custom duties, excises on imports, and import commission.

4/ Coffee stabilization tax.

Table 18. Uganda: Tax Revenue and Import Commission, 1993/94–1998/99 1/ (In percent of GDP)						
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Total	8.6	10.4	10.8	11.7	10.8	11.6
Tax revenue	8.4	10.1	10.6	11.4	10.5	11.3
Taxes on international trade	1.3	1.9	1.8	1.2	1.1	1.2
Export taxes (coffee)	0.0	0.4	0.4	0.0	0.0	0.0
Import taxes	1.3	1.5	1.4	1.2	1.1	1.2
Excise taxes	3.1	3.5	3.9	5.0	4.3	4.2
Petroleum products	2.1	2.4	2.7	3.3	2.7	2.5
Other	1.0	1.1	1.2	1.7	1.6	1.7
<i>Of which: on imports</i>	0.0	0.1	0.1	0.3	0.2	0.3
Income tax	1.3	1.6	1.5	1.7	1.8	2.1
Other	2.7	3.2	3.4	3.5	3.4	3.8
VAT	0.0	0.0	0.0	3.5	3.4	3.8
Sales tax	2.3	2.8	2.9	0.0	0.0	0.0
CTL	0.4	0.5	0.5	0.0	0.0	0.0
Import commission	0.2	0.2	0.3	0.3	0.2	0.3
Source: Ugandan authorities.						
1/ Fiscal year begins in July.						

97. The impact of the ongoing tariff reform and of the introduction of the VAT and the new income tax reflected changes in both tax administration and tax policy. The increase in the tax-to-GDP ratio and the structural changes in tax policy could have not been implemented without significant changes in organization and procedures in tax administration. In the following sections, the main changes in tax policy and administration in the areas of import, valued-added, and income taxation are examined.

### A. Tariff reform

98. The thrust of the tariff reform consisted in gradually reducing tariff barriers by lowering and simplifying the tariff structure and phasing out exemptions and import bans. The tariff structure was lowered and simplified by decreasing the number and range of rates and the maximum rates. The number of rates was reduced from about 20 for Common Market for Eastern and Southern Africa (COMESA) imports and from 5 for non-COMESA imports in 1993/94–1994/95 to two structures of 3 rates each, including zero, in 1998/99 (Table 19). The range of rates was considerably narrowed by lowering the maximum rate for COMESA imports from 118 percent in 1994/95—although most goods had rates at or below 15 percent—to 6 percent in 1998/99. Over the same period, the maximum rate on non-COMESA imports was reduced from 30 percent to 15 percent. As a result of these measures, Uganda now has a simpler and user-friendly rate structure (particularly for investment), whereby, by and large, plant and machinery items are zero rated, raw materials are imported at 7 percent,

Table 19. Uganda: Import Duty Rates, 1993/94–1998/99 1/  
(In percent unless specified otherwise)

	1993/94 2/				1994/95 2/				1995/96 3/		1996/97 4/ 5/		1997/98 6/ 7/		1998/99 8/ 7/		
	COMESA		Non-COMESA		COMESA		Non-COMESA		COMESA	Non-COMESA	COMESA	Non-COMESA	COMESA	Non-COMESA	COMESA	Non-COMESA	
Plant and machinery items	0-15	9/	0-30	9/	0-15	9/	0-30	9/	0	0	0	0	0-2	0	0	0	
Raw materials and intermediate goods	0-10	10/	10	10/	0-10		10	10/	0-5	5	10/	0-5	5	0-5	5	4	7
Final products	0-118		10, 20, 30		0-118		10, 20, 30		0-118	10, 20, 30		2, 4, 6, 12	10, 20, 30	2, 4, 6, 12	20	6	15
Nonexcised oils	n.a.		0-30		n.a.		0-30		0-22	0-30		0-5	5, 10, 20	2, 5	5, 10, 20	4, 6	7, 15

1/ Fiscal year begins in July; COMESA is Common Market of Eastern and Southern Africa.

2/ Non-COMESA: 4 ad valorem rates: 0, 10, 20, and 30 percent; COMESA: about 20 ad valorem rates from 0 to 118 percent—most at or below 15 percent

3/ Non-COMESA: 5 ad valorem rates: 0, 5, 10, 20, and 30 percent; COMESA: about 20 ad valorem rates from 0 to 118 percent—most at or below 15 percent

4/ Non-COMESA: 5 ad valorem rates: 0, 5, 10, 20, and 30 percent; COMESA: 6 ad valorem rates: 0, 2, 4, 5, 6 and 12 percent—most at or below 6 percent.

5/ Three ad valorem excises on imports—10, 20, and 25 percent—would also apply on selected imports

6/ Non-COMESA: 4 ad valorem rates: 0, 5, 10 and 20 percent; COMESA: 6 ad valorem rates: 0, 2, 4, 5, 6, and 12 percent—most at or below 6 percent.

7/ Two ad valorem excises on imports—10 and 20 percent—would also apply on selected imports.

8/ Non-COMESA: 3 ad valorem rates: 0, 7, and 15 percent; COMESA: 3 ad valorem rates: 0, 4, and 6 percent.

9/ While rates were specified in the tariff code, waivers were given on a discretionary basis to investors licensed by the Uganda Investment Authority under the 1991 Investment Code.

10/ Except for inputs into key industries whose raw materials were not likely to be produced soon.



and final products are imported at 15 percent;<sup>27</sup> if goods originate in COMESA countries, the applicable rates are 0 percent, 4 percent, and 6 percent, respectively. However, as import duty rates were being lowered, ad valorem excises were imposed on selected imports, with the dual objective of allowing some degree of protection for domestic producers and partly compensating for the revenue loss.<sup>28</sup> Although the excise on imports applies irrespective of the country of origin, it tends to be imposed on goods produced predominantly in COMESA countries. Nevertheless, the situation is better today than in 1994/95 and earlier, when discretion was used widely to supplement tariff duties with very high discriminatory excises.

99. At the same time, the government has made efforts to widen the base of import taxation and, in 1995/96, amended Section 22 of the 1991 Investment Code to abolish discretionary granting of exemptions for investors licensed with the Uganda Investment Authority (UIA).<sup>29</sup> The bans on imports of cigarettes, beer, sodas, and car batteries were removed between April 1998 and April 1999.

100. From the administrative point of view, however, the Customs and Excise Department (CED) suffered serious setbacks in 1995/96. In the run-up to the presidential and parliamentary elections in 1996, a political decision was taken to effectively suspend antismuggling operations, which was reversed only at the end of September 1996; in the interim period, a few members of the Anti-Smuggling Unit left. As taxes on highly taxed goods, particularly fuel and cigarettes, were evaded, there was a failure to meet revenue

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<sup>27</sup> This rate structure is indicative and has important exceptions, including zero-rated items such as farm inputs and health and educational goods.

<sup>28</sup> This temporary measure was allowed under COMESA agreements. "The COMESA Council of Ministers agreed that according to the Treaty, member states who may suffer revenue losses or whose industrialization program will greatly suffer as a result of effecting tariff reductions, may impose surtaxes for specified periods on commodities from another member state." (Government of Uganda, *1996/97 Budget Speech* (Kampala: Ministry of Finance, Planning and Economic Development, para. 67). In this context, beginning in July 1996, excises of 10 percent, 20 percent, and 25 percent were imposed on selected imports. In 1998/99, most goods were taxed at 10 percent, and only few goods at 20 percent. However, through statutory instruments, the valuation of some sensitive imports—i.e., textiles and sugar—was artificially raised to discourage importation.

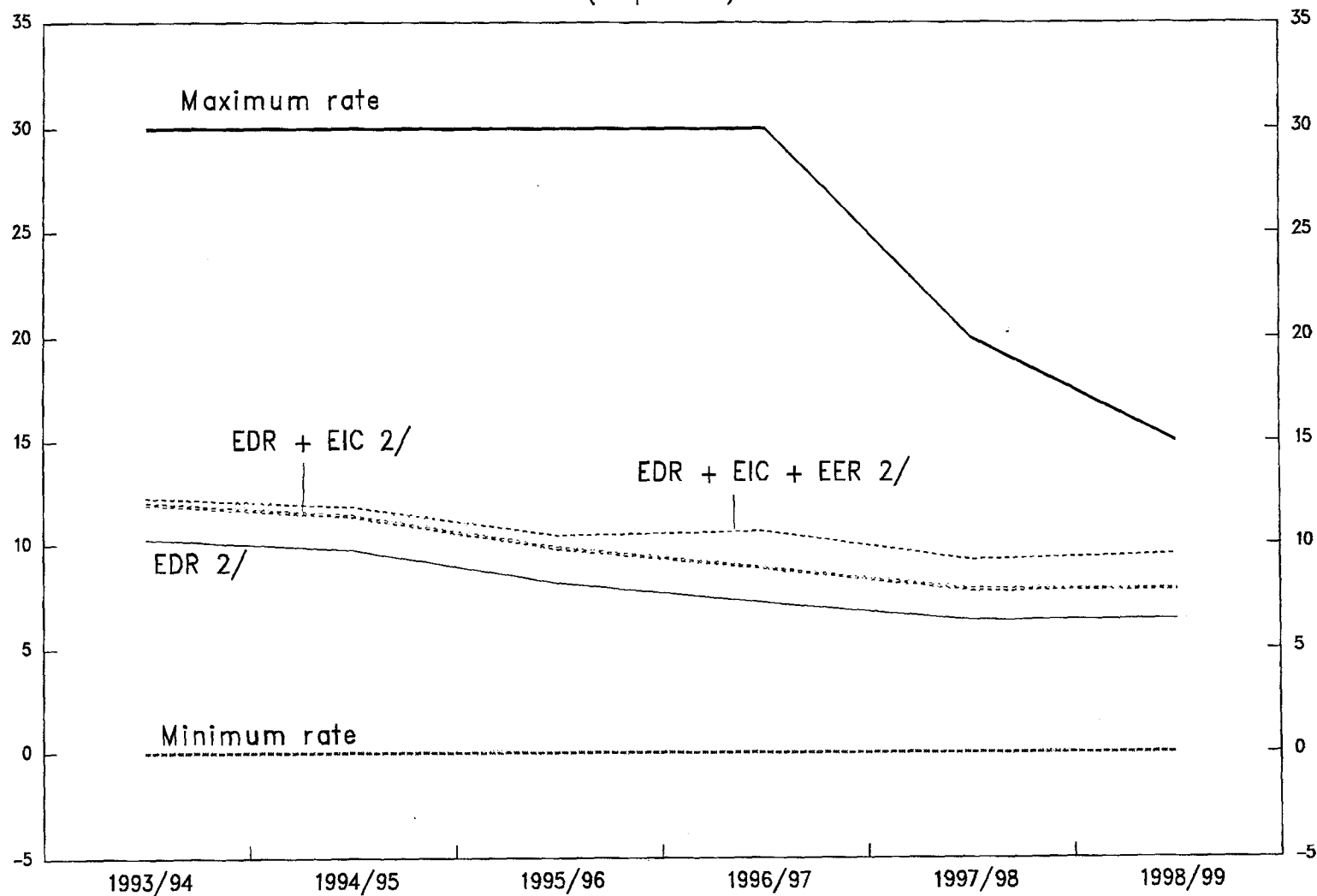
<sup>29</sup> The importance of tightening Section 22 goes beyond import duties, as it allowed any investor licensed by the UIA to import capital inputs free of sales tax, import duty, excise duty, import commission, and withholding tax. In fact, the termination of the discriminatory exemptions under Section 22 was impossible to implement until 1996/97, as most investors that had been promised or had received certificates of exemption were grandfathered for one year through transitional provisions.

targets in 1996/97 and again in 1997/98; this was also the reason for the slump in import duties in 1995/96–1996/97. In particular, by returning to ad valorem petroleum taxation on July 1, 1996—at a time when oil prices were rising sharply—the differential of petroleum prices between Uganda and neighboring countries was further increased, providing additional incentives for smuggling petroleum products.

101. In the second half of 1997, the government took two parallel sets of actions to address the situation. First, it overhauled the management of the CED and the Uganda Revenue Authority (URA). In August 1997, a new URA Board was appointed and its basic functions redefined, with a view to limiting its involvement in management and day-to-day operations of the URA. Several URA senior managers were replaced, including the Commissioner General and the Commissioner of Customs. Furthermore, the disclosure requirements of the Leadership Code became applicable for members of the URA Board and URA staff. Second, the government sought to implement for the CED a comprehensive modernization strategy that had been developed in 1996 with external technical assistance. The strategy was incorporated in the CED's yearly business plan in 1997/98, when the introduction of the automated system for customs data (ASYCUDA) allowed faster and more effective clearing procedures; better handling of transit goods was achieved through closer cooperation with Kenya and Tanzania; and a preshipment inspection company was hired to handle inspection and valuation. In 1998/99 period, a senior HMS customs official (from the United Kingdom) was appointed as Deputy Commissioner General to overview and implement the customs' modernization strategy. HMS customs experts were also appointed to establish procedures for postimport audits, special audits of the excise goods factories, the processing of airport passengers and cargo, risk analysis and selective verifications, and the training of staff in these areas. While the strategic modernization strategy was being implemented, smuggling was being more effectively fought through (i) the sealing of petrol stations; (ii) the introduction of chemical tracers in fuels; (iii) a program of physical inspections and audits of petrol stations; and (iv) the establishment of a new Anti-Smuggling Unit. Furthermore, a new satellite and shortwave radio communication network was established linking most customs stations.

102. As a result of the nominal tariff reductions discussed above, the average effective duty rate on imports—i.e., the ratio between import duty revenue and dutiable imports—almost halved from 10.3 percent in 1993/94 to a projected 6.4 percent in 1998/99 (Figure 7). In part to offset this revenue decline, the effective excise on imports was increased from 0.3 percent to 1.7 percent. Nevertheless, import duties did not decline as a percent of GDP, as the reduction in the effective rate would have suggested, as the shilling value of dutiable imports increased as a ratio to GDP from 12.6 percent in 1993/94 to 19.1 percent in 1998/99. As a result, import duties declined by only 0.1 percent of GDP to a projected 1.2 percent of GDP over the 1993/94–1998/99 period, while excises on imports actually increased from almost zero to 0.3 percent of GDP (Figure 8). The combined yield from the three import-based revenue sources—duties, excises, and import commission—increased over the 1993/94–1998/99 period by 0.3 percent of GDP to 1.8 percent. In this context, total import-based revenue in 1998/99 increased more rapidly than imports (Figure 8), suggesting that the administrative improvements that were started in 1997/98 are yielding results.

Figure 7. Uganda: Effective Duty Rates and non-COMESA Rate Spread,  
1993/94-1998/99 1/  
(In percent)

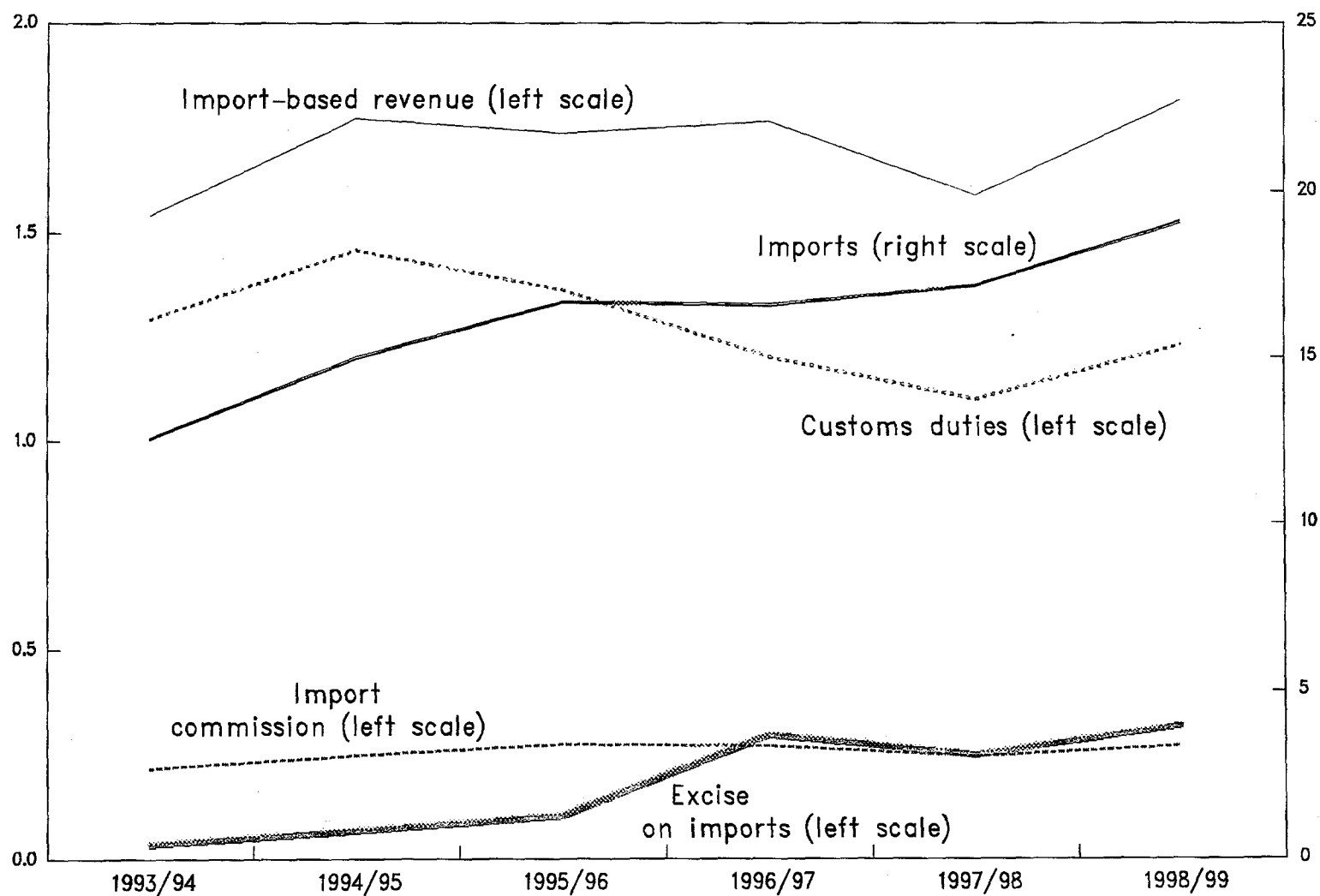


Source: Ugandan authorities.

1/ Fiscal year begins in July; COMESA is the Common Market of Eastern and Southern Africa.

2/ EDR is the effective duty rate; EIC is the effective import commission; and EER is the effective excise rate.

Figure 8. Uganda: Imports and Import-Based Revenue, 1993/94-1998/99 1/  
(In percent of GDP)



Source: Ugandan authorities.

1/ Fiscal year begins in July.

## **B. Impact of the Value-Added Tax**

103. Following two years of legal and administrative preparations, the VAT was introduced in July 1996, replacing the sales tax and the CTL. The main objective of the change was to significantly widen the domestic tax base while introducing an elastic, efficient, and neutral tax. Significantly, the VAT Statute, unlike the laws it replaced, did not include provisions allowing the Minister of Finance to grant exemptions.<sup>30</sup> A related objective was to use a modern tax such as the VAT as a stepping-stone toward the reorganization of the URA as an integrated tax administration.<sup>31</sup>

104. Although the VAT legislation was basically sound (with a broad coverage and a single, positive rate), some policy features and administrative and political steps complicated its administration and almost derailed the reform.<sup>32</sup> Owing to a low initial registration threshold and poor screening (initially, all taxpayers to whom registration forms were given were registered for VAT when the forms were not returned), the size of the register was much larger (13,514 registrants) than what was originally expected by the URA (about 7,000), as well as what the URA could effectively handle at the time (about 4,000). Popular resistance to the VAT, coupled with the imposition of prohibitive excises on selected imports, led to a strike by traders in September–October 1996. The registration threshold was then—barely four months after the introduction of the tax—raised from U Sh 20 million to U Sh 50 million.

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<sup>30</sup> However, the 1998/99 budget law introduced the possibility that the URA Commissioner General could notify the Minister of Finance of cases where the VAT could not be effectively recovered, by reason of the taxpayer's hardship or the impossibility, undue difficulty, or excessive cost of recovery. In such cases, the Minister may grant a full or partial tax write-off.

<sup>31</sup> Under the existing organization, the operational branch of URA is subdivided in departments for each main revenue head (VAT, Internal Revenue, and Customs and Excises), with little communication among them. This organization is a carryover from British practice and was appropriate when the main revenue sources were based on trade and relatively simple indirect taxes (i.e., excises and one-stage sales taxes) and no computerization and little automation existed. Furthermore, within each department, the lack of functional organization hampers specialization and efficiency. For example, tax auditors often double as tax collectors. Furthermore, there is no distinction between collection of current and overdue liabilities. The organization is changing with the establishment of the Large-Taxpayers Department (LTD) in November 1998 (see below).

<sup>32</sup> See Section I of International Monetary Fund, *Uganda—Selected Issues and Statistical Appendix*, IMF Staff Country Report No. 98/61 (Washington: International Monetary Fund, 1998) for further details on administrative changes in 1996/97. This section of the chapter updates the 1998 report to take account of subsequent events and additional findings.

At that point, VAT management mistakenly focused on deregistration and recovery of taxes from deregistered taxpayers at the expense of improving overall compliance. Furthermore, VAT officers were severely criticized by traders and publicly denounced by the government for their aggressive collection methods and for corruption, and they were forbidden to carry out on-site visits for a period of almost three-and-one-half months. Faced with these problems and with the need to demonstrate improved compliance, the VAT register was drastically reduced to 3,365 by end-June 1997—leaving out several businesses that should have been in the VAT system. These events significantly complicated the operational efficiency of the tax and, in its first year, the VAT yielded only 3.4 percent of GDP—that is, 0.1 percent of GDP less than the taxes it had replaced (Table 20).

Table 20. Uganda: Sales Tax, Commercial Transaction Levy, and VAT, 1995/96–1998/99 1/ (In percent of GDP)				
	1995/96	1996/97	1997/98	1998/99
Total	3.3	3.5	3.4	3.8
Sales tax	2.9			
Imports	1.4			
Domestic transaction	1.5			
Commercial transaction levy	0.4			
VAT				
Imports		2.1	2.0	2.3
Domestic transactions		1.5	1.6	1.8
Refunds		-0.1	-0.2	-0.3
Source: Ugandan authorities.				
1/ Fiscal year begins in July.				

105. In the following two years, the authorities introduced a few changes that improved the operations of the VAT. In June 1997, several zero-rated items were transferred to the exemption list. In 1997/98, the VAT Department started drawing up yearly business plans that included functional objectives—including for auditing and collection. The business plans included workload projections, which justified hiring more auditors, and training plans. As part of the Enhanced Structural Adjustment Facility ((ESAF)-supported program and consistent with the VAT Department's business plan, audit targets were set and met in 1997/98. A registration enforcement program was also developed. Key elements of this program included the cross-checking of registration information among the VAT, income tax, and customs administration departments, the stricter application of penalties for nonregistration, and the limitation of government contracts to VAT-registered enterprises. As

a result, the VAT register increased steadily to about 4,200 in January 1999. In July 1998, the penalties for failure to file and/or pay the VAT were strengthened.<sup>33</sup>

106. However, the authorities did not succeed in achieving their second objective, namely, to use the VAT to modernize tax administration. The VAT Department developed independently from other URA departments. For example, while a single taxpayer identification number (TIN) was being developed for all other revenue departments, the VAT Department introduced its own VAT number, which complicated the exchange of information on taxpayers. The VAT computer system (VENUS) was too rigid and was not adapted to changing procedures. As a result, it is now unable to provide crucial data for effective management of the tax,<sup>34</sup> and several operations and calculations have to be conducted manually. This limitation has contributed to a heavier workload for VAT officials.

107. Faced with the need to modernize tax administration, the authorities established the Large-Taxpayers Department (LTD) in November 1998.<sup>35</sup> The LTD manages the assessment, collection—including its enforcement—and auditing of income taxes, VAT, and domestic excises of the largest 100 taxpayers. Effectively, the authorities' strategy is to use the LTD as a model for modernizing the whole the URA. As new procedures and structures are successfully introduced by the LTD, they will be subsequently applied to other departments. The LTD is being organized along functional lines, including through a clear separation of collection and auditing functions. This has allowed the drawing up of detailed plans for comprehensive and refund audits and collection based on manpower, and of classroom and on-the-job training programs delivered by foreign experts. To facilitate compliance, procedures for faster VAT refunds and the simplification of filing and collection procedures through direct banking are also being introduced.<sup>36</sup> It is fair to say that the LTD has brought

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<sup>33</sup> Penalties and interest payments are not yet rigorously applied and are sometime used as a bargaining tool to negotiate collection of overdue taxes.

<sup>34</sup> For example, VENUS cannot provide reliable refund or estimated arrears positions of taxpayers, nor automatically calculate penalties.

<sup>35</sup> Although the relevance of the LTD goes well beyond the VAT, its implementation is discussed here because it forced the VAT Department to focus its collection and audit efforts on medium-sized enterprises. In the past, in order to achieve its collection objectives, the URA departments would concentrate excessively on a few large taxpayers—a strategy that often generated accusations of harassment by the few targeted taxpayers.

<sup>36</sup> Outside the LTD, the VAT taxpayer is currently required to (i) submit a return at the tax office; (ii) make its payment at the bank; and (iii) return to the tax office to pick up a receipt. With direct banking procedures, the bank will issue a tax payment receipt upon reception of the payment and tax return.

about a cultural change in URA; there is much more understanding of the importance of functional specialization in modern tax administration and of close coordination between different operational branches for effective enforcement.

108. As a result of administrative improvements, the VAT is now solidly contributing to the increase in the revenue-to-GDP ratio, as it accounts for 3.8 percent of GDP, compared with the revenue yield of 3.3 percent of GDP from the sales tax and CTL it replaced. More significantly, in the three years since its introduction, the revenue productivity of the VAT has increased by almost 0.02 percent of GDP per percentage point of the tax rate to 0.22 percent of GDP.<sup>37</sup> This level of productivity is still rather low by developing country standards, which is an indication of both the work that remains to be done and the potential of this revenue source.<sup>38</sup>

### **C. Reform of Income Taxation**

109. Another major structural improvement in tax policy was the adoption in July 1997 of a new Income Tax Act.<sup>39</sup> As the VAT Statute did in 1996, the Income Tax Act removed the Minister of Finance's power to grant discretionary exemptions. While retaining the existing 30 percent tax on companies' income and the 4 percent withholding tax on a wide range of business transactions, the act introduced several important modifications to the taxation of corporate and personal income. The most relevant are as follows:

- It provided a new incentive regime for business development, the essential elements of which included (i) establishing accelerated and streamlined depreciation allowances to give significant benefits for investments in new productive assets like plant, machinery, and equipment; and (ii) the termination of tax holidays granted under Section 25 of the Investment Code. The existing tax holidays for company profits were grandfathered but are not being renewed as they expire, while the existing tax holidays for withholding

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<sup>37</sup> The VAT productivity is calculated as the ratio of the VAT collection as a percentage of GDP to the VAT rate (17 percent in Uganda) and represents how many hundredths of a percentage point of GDP are collected for each point of the tax rate.

<sup>38</sup> Notwithstanding comparable levels of GDP per capita, Kenya has higher VAT productivity (0.35 percentage points of GDP). Zambia also has a higher VAT productivity (0.29 percentage points of GDP), although its GDP per capita is lower than Uganda's. VAT productivity in Uganda may be hindered by the relatively small formal manufacturing and trading sectors. If Uganda's VAT were at Zambia's level, VAT collection would be about 4.9 percent of GDP—i.e., 1.1 percent of GDP higher than currently.

<sup>39</sup> Owing to initial resistance by manufacturers and the need to clarify procedures, the Income Tax Act was enacted only in December 1997.



taxes on payments such as dividends, interest, royalties, and management fees were terminated with immediate effect.

- It introduced new tax arrangements for mining, exploration, and development that eliminated the scope for government or politicians to negotiate special tax arrangements for individual mining companies.
- It introduced presumptive taxation for small businesses (with turnover of less than U Sh 50 million per annum).
- It introduced a limited capital gains tax, providing for taxation of gains made in a business context (i.e., from disposal of business assets) but excluding gains from disposal of *personal* assets from the scope of the tax.<sup>40</sup>
- It introduced a more effective and easier-to-administer final withholding tax, at a uniform rate of 15 percent, on interest and dividend earnings of **resident individuals** and various payments, such as dividends, royalties and management fees, to **nonresident individuals**.
- It eliminated and/or tightened exemptions. For example, exemptions for the judiciary, and for persons working on donor-funded projects were terminated. The power of the Minister of Finance to grant discretionary exemptions was also removed, and, with the enactment of the new act, many previously granted income tax exemptions automatically expired.<sup>41</sup>
- It dramatically reduced the range of nontaxable allowances (especially in areas like housing) and introduced more effective provisions for taxing benefits in-kind, particularly by establishing clearer valuation rules.
- It adopted a residence-based definition of income for tax purposes, with allowable credits for taxes paid on income earned from sources outside Uganda.

110. As a result of these policy changes, income tax revenue increased steadily from 1.6 percent of GDP in 1996/97 to 2.1 percent of GDP in 1998/99. The two main tax headings behind this growth have been the personal income tax (PIT) and the corporate income tax (CIT) (Figure 9). The PIT increase reflects both the monetization of in-kind benefits implemented in 1996/97<sup>42</sup> and the expansion in the definition of taxable income achieved

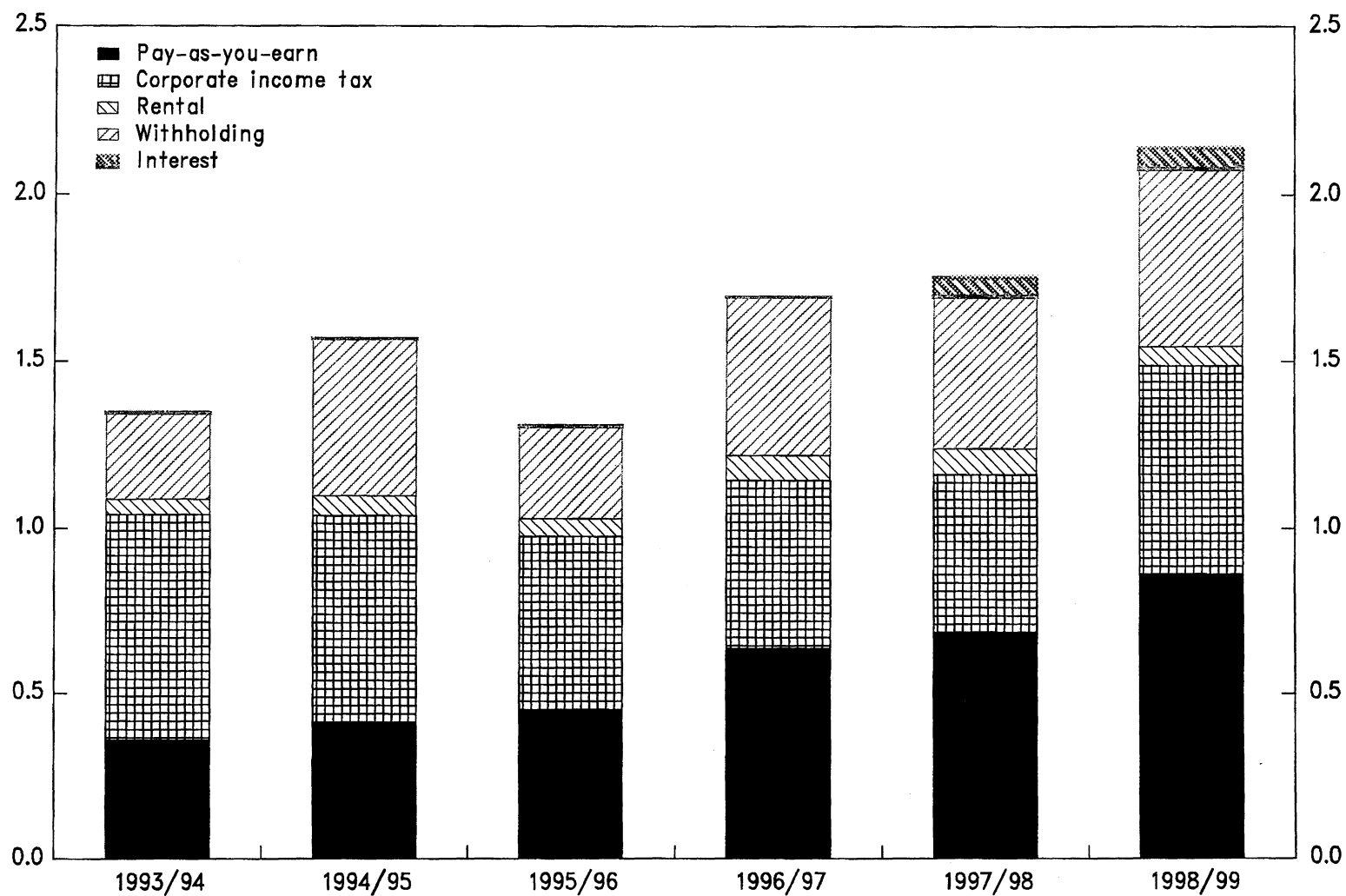
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<sup>40</sup> The old law did not include any provision for taxing capital gains.

<sup>41</sup> Exempt institutions are only those identified in Schedule 1 of the Income Tax Act—essentially UN and donor agencies—and any other entity exempted in writing by the Minister of Finance before the enactment of the act on December 31, 1997.

<sup>42</sup> For a review of civil service and salary reform see Section II of International Monetary Fund, *Selected Issues and Statistical Appendix*.

Figure 9. Uganda: Income Taxes, 1993/94-1998/99 1/  
(In percent of GDP)



Source: Ugandan authorities.

1/ Fiscal year begins in July.

2/ Includes presumptive tax on small businesses.

through the Income Tax Act. The CIT increase mainly reflects the expiration of tax holidays. In 1997, about 300 companies were benefiting from tax holidays granted under Section 25 of the Investment Code. Figure 9 shows how CIT revenue recovered after the slump in the mid-1990s generated by the erosion in the tax base due to tax holidays and exemptions.

#### **D. Other Changes in Tax Regulations**

111. In addition to the reforms outline above, the arrangements for exempting procurements related to government-funded and donor-funded projects have been much improved. These improvements have expanded the tax base and limited the scope for tax evasion through collusion between contractors and government officials, which typically occurred under the system of paying import taxes by issuing treasury credit notes (TCNs).

112. The TCNs were introduced in 1992/93 as a means for the government to—only formally—pay taxes on imports for donor-funded projects and government contractors. The payment of tax by the government to the URA through TCNs was essentially a paper transaction, which allowed the government contractor to clear goods tax free. Contractors entitled to exempt inputs had to get a sponsoring ministry to issue a TCN to account for the taxes assessed on the goods. The TCNs applied almost exclusively to imports for large construction projects that would have been part of the development budget. However, the TCN system was prone to abuse and provided scope for corruption. Since the TCNs accommodated the exemptions with pieces of paper, they did not provide any incentive on the part of ministries to control the amount of exemptions granted. While a bona fide TCN could take months to issue, others could be issued very quickly by interested government officials. In fact, TCNs were also easily abused to clear imports that bore no relation to government contracts. In some cases, the TCNs were issued long after the goods were cleared.

113. In 1996/97, TCNs were replaced by a new system whereby budget allocations would include funds to pay taxes on goods and services qualifying for exemptions. Although this system has not always worked efficiently, the transition from an outright exemption regime to a system of budgeting for payment of taxes has reduced exemptions, and the scope for abuse has greatly narrowed. In 1996/97, procedures for applying exemptions on the activities of nongovernmental organizations (NGOs) have also changed. NGOs implementing projects under the auspices of a specific ministry must now get this ministry to pay the taxes due—which requires that the relevant line ministry must accept that the NGO project activity is worthy of support.

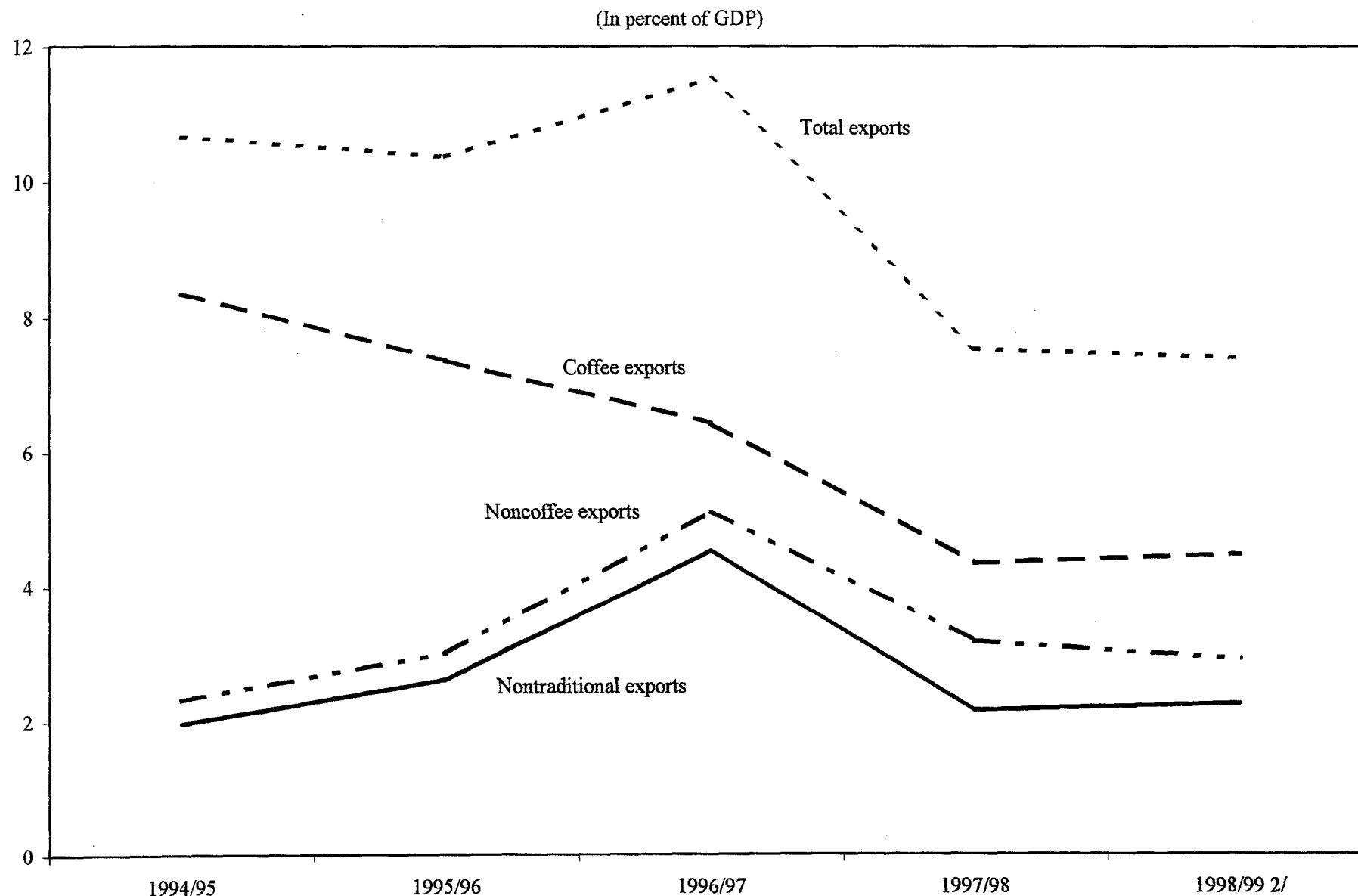
## V. DEVELOPMENTS IN UGANDA'S EXPORT SECTOR<sup>43</sup>

114. In 1998/99 (July–June) Uganda's exports are estimated to have amounted to about 9.5 percent of GDP, which is broadly in line with their performance during the previous four years, when they averaged annually about 10 percent of GDP (Figure 10 and Table 21). This performance, however, masks the impact on exports of exogenous factors, such as sharp variations in commodity prices and severe fluctuations in weather conditions, as well as sound economic policies, which have led to a low inflation rate, stable macroeconomic conditions, and a significant depreciation of the Uganda shilling in the context of trade and market liberalization efforts. Uganda's strategy of export-led economic growth appears to have been relatively successful, since in volume terms exports increased annually by an average of almost 15.5 percent during the five years ended 1998/99; the annual increase in noncoffee exports averaged over 27 percent; and real GDP growth annually averaged about 7.2 percent (Figure 11).

Table 21. Uganda: Export Indicators, 1994/95–1998/99 1/ (In percent)					
	1994/95	1995/96	1996/97	1997/98	1998/99 2/
Total exports-to-GDP	10.7	10.4	11.5	7.5	7.4
Coffee exports-to-GDP	8.4	7.4	6.4	4.3	4.5
Noncoffee exports-to-GDP	2.3	3.0	5.1	3.2	2.9
Nontraditional exports-to-GDP 3/	2.0	2.6	4.5	2.2	2.3
Agricultural exports/total exports 4/	89.6	80.6	65.7	76.0	81.7
Nontraditional exports/total exports 3/	18.4	25.2	39.3	28.7	30.5
Sources: Bank of Uganda; and Fund staff estimates.					
1/ Fiscal year begins in July.					
2/ July–March export data.					
3/ Exports other than coffee, tea, tobacco, and cotton.					
4/ Agricultural commodity exports exclude cigarettes, fish and fish products, hides and skins, gold, base metals and products, electricity, petroleum products, plastic products, soap, and other undefined exports.					

<sup>43</sup> This chapter was prepared by Nur Calika.

Figure 10. Uganda: Ratio of Exports to GDP, 1994/95-1998/99



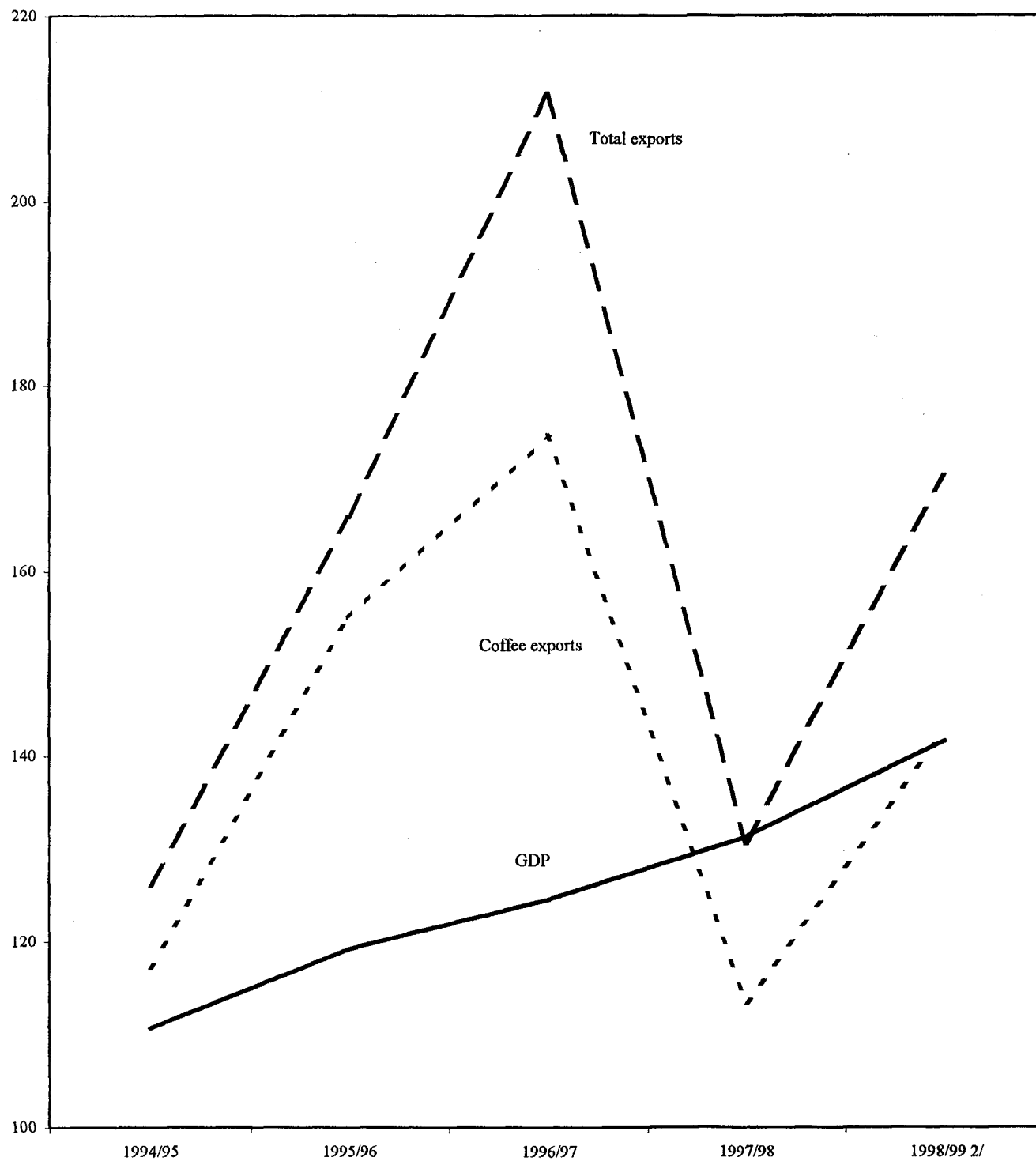
Sources: Bank of Uganda; and Fund staff estimates.

1/ Fiscal years (July-June).

2/ Export data through March 1999.

Figure 11. Uganda: Real Growth of Exports and GDP, 1994/95-1998/99 1/

(1993/94 = 100)



Sources: Bank of Uganda; and Fund staff estimates.

1/ Fiscal years (July-June).

2/ Export data through March 1999.

### A. Composition of Exports

115. The bulk of Uganda's exports is from the agricultural sector. Indeed, during the period 1994/95–1998/99, agricultural products accounted on average for almost four-fifths of Uganda's total annual exports (Figure 12).<sup>44</sup> This factor indicates the vulnerability of Uganda's exports to weather conditions and agricultural commodity prices. Indeed, over the period under review, the only year in which there was a sharp decline in export volumes was 1997/98, when adverse weather conditions—particularly during the first half of the year—affected the agricultural sector. In addition, given the importance of coffee exports, which over the period in question amounted to almost 65 percent of Uganda's total export receipts, Uganda has been particularly vulnerable to changes in international coffee prices, as well as vagaries of weather (Table 22). However, it should also be noted that, during the period 1994/95–1998/99, noncoffee exports steadily increased from about 22 percent of exports in 1994/95 to about 40 percent in 1998/99, while agricultural exports declined from almost 90 percent of exports in 1994/95 to about 76 percent in 1997/98, and to about 82 percent during the first nine months of 1998/99. At the same time, noncoffee exports were recording significant volume increases.

116. Coffee exports, consisting roughly of 90 percent robusta coffee and the remainder arabica coffee, increased in volume annually by about 10.5 percent during 1994/95–1998/99. Exports grew from 3.0 million (60-kilogram) bags in 1994/95 to 4.4 million bags in 1996/97, before declining to 2.9 million bags in 1997/98 owing to adverse weather developments. In 1998/99, coffee exports are estimated to have recovered to about 3.6 million bags. Simultaneously, during the period under review, coffee prices fluctuated extensively, falling from a peak of US\$2.57 per kilogram in 1994/95 to a trough of US\$1.38 per kilogram in 1996/97; in 1998/99, they are estimated to have been about US\$1.40 per kilogram. In 1994/95, there was an unprecedented increase in coffee export receipts, reflecting to a large extent the average rise in coffee prices of 125 percent from previous year—which represented a gain of 213 percent from the prices in 1992/93. Uganda's second major foreign exchange earner during this period was a nontraditional export commodity—gold—which varied sharply and unpredictably in magnitude, peaking at US\$109 million in 1996/97 (Figure 13).<sup>45</sup> Gold is smuggled into Uganda; Uganda does not produce gold. After gold, the third major export item during 1994/95–1998/99 was fish and fish products, accounting for less than

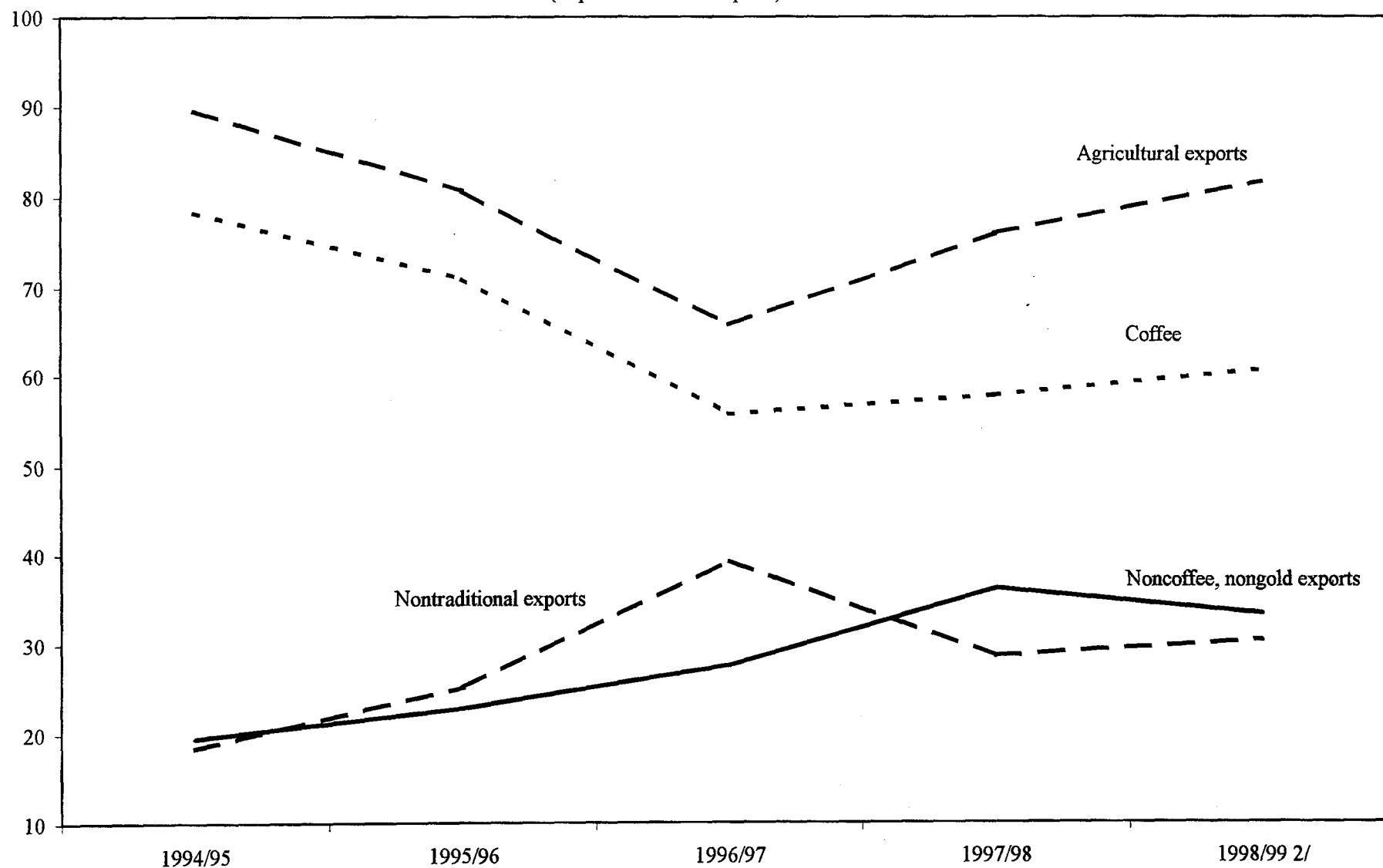
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<sup>44</sup> In this chapter, the export data for 1998/99 are for July–March, unless reference is made to projections for 1998/99.

<sup>45</sup> Traditional exports are coffee, tea, tobacco, and cotton.

Figure 12. Uganda: Composition of Exports, 1994/95-1998/99 1/

(In percent of total exports)



Source: Bank of Uganda.

1/ Fiscal years (July-June).

2/ Export data through March 1999.



Table 22. Uganda: Exports, 1994/95–1998/99 1/  
(In percent of total exports)

	1994/95	1995/96	1996/97	1997/98	1998/99 2/
Coffee	78.27	70.99	55.72	57.80	60.61
Gold 2/	0.00	6.17	16.65	5.95	5.94
Fish and fish products	2.53	6.59	5.28	6.12	3.47
Tea	1.46	1.43	1.83	7.53	2.29
Tobacco	1.33	1.39	1.31	3.55	5.00
Maize	3.61	1.66	2.51	1.74	0.45
Fruits and vegetables	0.06	0.14	0.21	0.34	7.14
Cotton	0.54	0.95	1.88	2.45	1.57
Hides and skins	1.75	1.59	1.19	1.68	0.76
Electricity	0.38	0.44	1.30	2.57	1.04
Petroleum products	0.17	0.00	1.52	2.06	1.78
Beans	2.16	1.32	0.91	0.47	0.57
Flowers	0.22	0.39	0.80	1.47	1.88
Base metals and products 3/	2.26	0.01	0.37	0.58	1.31
Simsim	1.00	1.71	0.15	0.01	0.25
Plastic products	0.12	0.09	0.46	0.42	1.38
Soap	0.50	0.43	0.31	0.42	0.29
Sorghum	0.21	0.01	0.05	0.03	0.93
Cocoa beans	0.10	0.18	0.20	0.29	0.34
Vanilla	0.15	0.15	0.11	0.25	0.23
Soybeans	0.33	0.32	0.04	0.01	0.01
Groundnuts	0.11	0.00	0.00	0.01	0.44
Cigarettes	0.15	0.03	0.02	0.00	0.00
Others 4/	2.59	4.00	7.20	4.24	2.33
Total	100.00	100.00	100.00	100.00	100.00

Source: Bank of Uganda.

1/ Fiscal year begins in July.

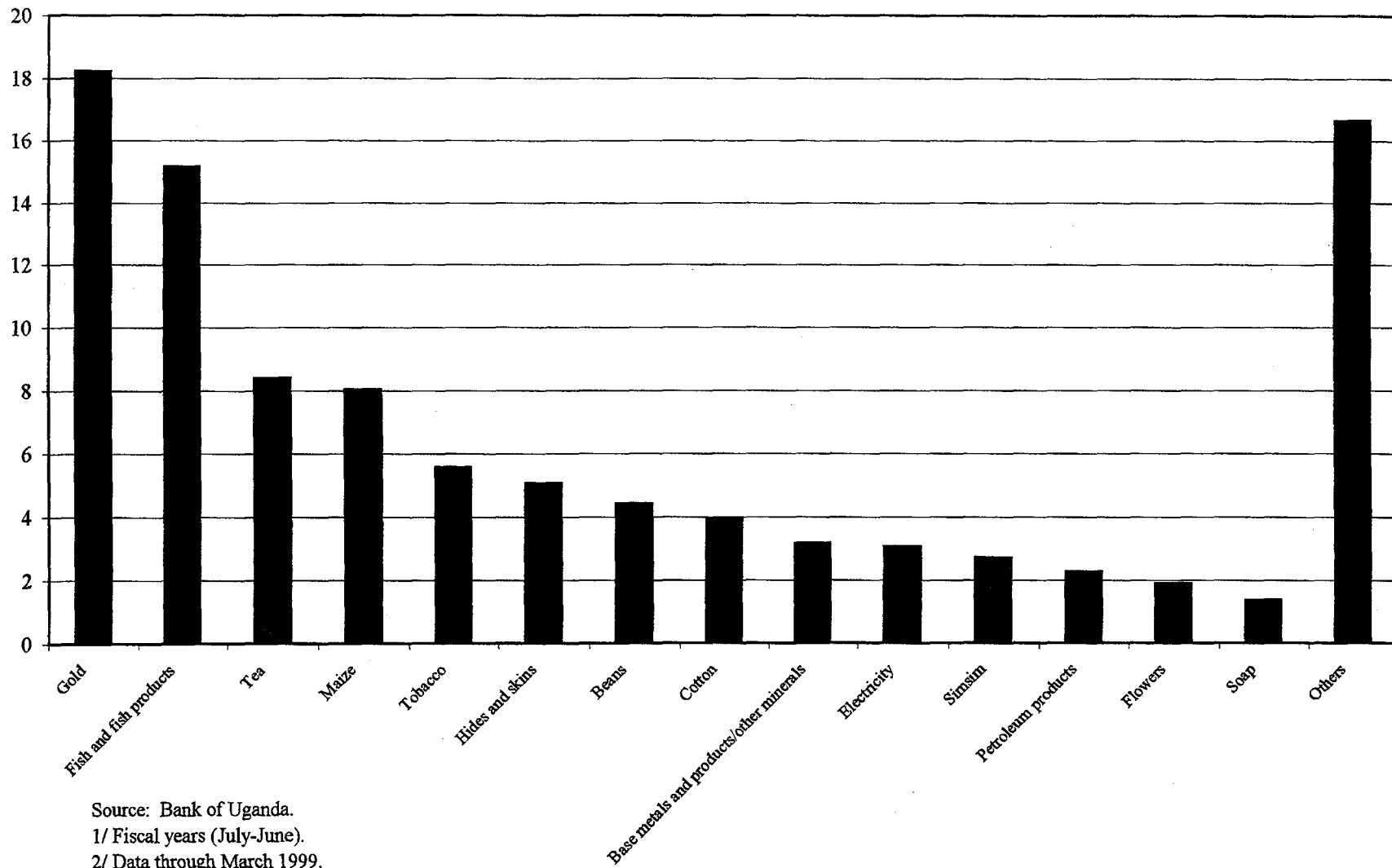
2/ July–March.

3/ For 1994/95 gold exports are included in base metals and products.

4/ Others include basins, cooking oil, cattle gallstones, waragi, motor vehicles, day-old chicks, eggs, jerricans, pints, building materials, hoes, etc.

Figure 13. Uganda: Noncoffee Exports, 1994/95-1998/99 1/

(In percent of total)



5 percent of total export earnings during the period under review. This export product, which has significant potential, has been adversely affected in recent years by restrictions imposed at its major import market for health reasons and, more recently, by a ban on such exports by the Uganda National Bureau of Standards<sup>46</sup> owing to the fishermen's use of poison to catch fish. The other important export products during 1994/95–1998/99 (the latter for the first nine months) were in descending order, tea (2.9 percent of total exports), tobacco (2.5 percent), maize (2.0 percent), fruits and vegetables (1.6 percent), cotton (1.5 percent), hides and skin (1.4 percent), and electricity, petroleum products, and beans (the latter three at about 1.1 percent each of total exports). Uganda's traditional exports accounted for about 72 percent of total exports during the period under review.

117. As noted above, only in 1997/98 did the volume of noncoffee exports fall sharply (on average by about 43 percent), owing primarily to adverse weather conditions.<sup>47</sup> Noncoffee export prices averaged an annual increase of about 4.4 percent over 1994/95–1998/99, with annual increases varying between 12.7 percent and 2.4 percent and a decline of about 5.7 percent in 1998/99, when commodity prices throughout the world fell sharply.

118. The vulnerability and the variability of Uganda's exports during the last five years are also reflected in their impact on Uganda's external debt indicators. For example, in early 1998 when Uganda reached its completion point under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative), its net present value of debt-to-exports ratio (based on a three-year average of exports of goods and nonfactor services) after HIPC Initiative assistance was calculated as 201.8 percent for 1997/98 and 207.3 percent for 1998/99. (See Box 7 for recent external debt developments.) The ratios for 1997/98 and 1998/99, using the same net present value of external debt as before, are at present 207.5 percent and 218.6 percent, respectively. The earlier projected export receipts had incorporated neither the unfavorable weather conditions of 1997/98, nor the sharp drop in gold exports.

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<sup>46</sup> The Uganda National Bureau of Standards formulates, registers, and enforces standards; carries out testing and inspection; and tries to ensure international and regional harmonization of standards.

<sup>47</sup> There was a sharp fall in gold exports in 1997/98 from the peak export level in 1996/97, but, even the volume of exports excluding gold and coffee fell drastically.

### **Box 7. External Debt Developments**

Uganda's external debt-to-GDP ratio has been declining steadily over time, reflecting not only debt relief from its creditors but also the pursuit of a prudent external debt strategy. From June 1994 to June 1998, Uganda's outstanding stock of external debt increased from about US\$3.0 billion to US\$3.6 billion, with the debt-to-GDP ratio declining from 71.5 percent to 63.0 percent (Table 23). Meanwhile, the debt-service ratio declined from 49 percent of exports of goods and nonfactor services in 1993/94 to 23.5 percent in 1994/95, and to about 14.7 percent in 1998/99.

Uganda's outstanding stock of debt reflects to a large extent a prudent external debt-management strategy based on limiting access to donor support to grants or highly concessional loans. Indeed, the composition of Uganda's outstanding stock of external debt shows a marked increase in liabilities to multilateral institutions and a steady decline in debt to bilateral creditors. In particular, Uganda's liabilities to multilateral creditors amounted at end-June 1994 to about 72 percent of total outstanding liabilities; by end-June 1998, this ratio had steadily increased to almost 78 percent. The International Development Association (IDA), which accounted for 66 percent of multilateral loans to Uganda at end-June 1994, increased its share of lending (all on concessional terms) to almost 71 percent by end-June 1998. Over the same period, Uganda's outstanding stock of external debt to its bilateral creditors declined from 24 percent of outstanding stock of debt to less than 21 percent. This latter outcome reflected reschedulings and restructuring of Uganda's bilateral debt with its Paris Club creditors, as well as attempts to apply comparable terms of rescheduling to its non-Paris Club creditors.

Uganda's liabilities to Paris Club creditors fell from 11 percent of outstanding stock of debt at end-June 1994 to about 9 percent at end-June 1998. Outstanding loans to non-Paris Club creditors declined over the same period from over 13 percent to less than 12 percent. This outcome with non-Paris Club creditors incorporates significant amounts of outstanding external payments arrears (Table 24). Indeed, over the five-year period, such arrears accounted on average annually for about 43 percent of the outstanding stock of debt to non-Paris Club creditors, increasing from 35 percent at end-June 1994 to 54 percent at end-June 1998. Despite considerable efforts to eliminate these arrears through rescheduling or restructuring agreements on terms at least comparable to those with Uganda's Paris Club creditors, there has been little success thus far. Uganda's outstanding stock of debt to other creditors (commercial banks, commercial nonbanks, and others), which also includes arrears, has declined over time to account for less than 2 percent of Uganda's outstanding stock of debt from almost 4 percent at end-June 1994.

1/ In February 1995, Uganda was the first country to receive from the Paris Club a stock-of-debt operation under Naples terms, with a 67 percent net present value reduction of all eligible debt. Earlier, Uganda had benefited from various reschedulings from the Paris Club, including in 1989 under Toronto terms. In April 1998, after reaching its completion point under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative), Paris Club creditors agreed to provide Uganda with an 80 percent net present value stock-of-debt reduction under the HIPC Initiative. The data through end-June 1998 do not reflect the impact of this Paris Club restructuring at Lyon terms nor generally other debt relief under the HIPC Initiative.

2/ One tangible success was a debt-buyback agreement with Tanzania, which came into effect in late September 1998.

### **B. Growth of Exports**

120. Over the period 1994/95–1998/99, Uganda's exports performed admirably, growing on an average annual basis in volume terms by about 15.5 percent, with noncoffee exports growing by over 27 percent. Leaving aside the impact of variations in weather and international commodity prices, this favorable export performance may be attributed to Uganda's market-oriented production and marketing base, liberal trade regime, and macroeconomic stability.

Table 23. Uganda: External Debt Outstanding, 1994-98

	1994	1995	1996	1997	1998
	June				
	(In millions of U.S. dollars)				
Total	2,999	3,387	3,516	3,660	3,631
Multilateral institutions 1/ 2/	2,156	2,488	2,655	2,763	2,827
AfDB	28	26	36	33	32
AfDF	197	202	236	253	268
BADEA	15	15	16	16	15
EIB	21	26	33	37	36
IBRD	18	0	0	0	0
IDA	1,419	1,715	1,816	1,916	1,997
IDB	16	15	13	11	7
IFAD	44	52	56	55	53
IMF	377	409	414	396	393
Other	22	29	37	46	25
Bilateral Paris Club	332	380	351	339	324
Bilateral non-Paris Club	398	408	405	457	424
China	65	62	56	58	39
India	51	54	58	61	64
Libya	98	103	106	108	110
Tanzania	68	68	68	117	121
Korea, Democratic People's Republic of	35	34	33	28	16
Other	82	88	84	85	72
Commercial banks	1	8	3	1	3
Commercial nonbanks	38	27	26	29	31
Other loans	73	76	76	71	23
	(In percent of total debt stock, unless otherwise indicated)				
Total	100.0	100.0	100.0	100.0	100.0
Multilateral institutions	71.9	73.5	75.5	75.5	77.8
Bilateral Paris Club	11.1	11.2	10.0	9.3	8.9
Bilateral non-Paris Club	13.3	12.0	11.5	12.5	11.7
Commercial banks	0.0	0.2	0.1	0.0	0.1
Commercial nonbanks	1.3	0.8	0.7	0.8	0.9
Other loans	2.4	2.2	2.2	1.9	0.6
Memorandum item:					
Debt-to-GDP ratio (including IMF; in percent)	71.5	66.5	66.9	64.9	63.0

Sources: Ugandan authorities; and Fund staff estimates.

1/ AfDB, African Development Bank; AfDF, African Development Fund; BADEA, Arab Bank for Economic Development in Africa; EIB, European Investment Bank; IBRD, International Bank for Reconstruction and Development; IDA, International Development Association; IDB, Islamic Development Bank; IFAD, International Fund for Agricultural Development; IMF, International Monetary Fund.

2/ Bank of Uganda estimate of disbursements from multilateral institutions is understated for 1993/94 (July-June).

Table 24. Uganda: External Payments Arrears, 1994-99  
(In millions of U.S. dollars)

	1994	1995	1996 June	1997	1998	1999 Prov. June
Total	220.4	234.6	255.0	314.2	275.6	206.4
Multilateral institutions	0.0	0.0	6.8	14.6	0.0	0.0
Islamic Development Bank	0.0	0.0	0.2	1.8	0.0	0.0
European Investment Bank	0.0	0.0	0.0	0.0	0.0	0.0
East African Development Bank	0.0	0.0	0.0	0.0	0.0	0.0
Other 1/	0.0	0.0	6.6	12.8	0.0	0.0
Bilateral Paris Club	0.0	0.0	0.0	0.0	4.6	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0
Italy 2/	0.0	0.0	0.0	0.0	4.6	0.0
United Kingdom	0.0	0.0	0.0	0.0	0.0	0.0
Germany	0.0	0.0	0.0	0.0	0.0	0.0
United States	0.0	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral non-Paris Club	141.0	156.1	164.1	219.8	229.9	163.8
Abu Dhabi	3.8	4.1	4.4	4.4	4.4	4.4
China	3.3	4.3	0.9	0.6	0.6	0.0
India	0.0	0.0	3.7	7.2	14.9	14.9
Kuwait	0.0	0.0	0.0	0.0	0.0	0.0
Iraq	2.9	2.9	2.9	2.9	2.9	2.9
Cuba	0.0	0.0	0.0	0.0	0.0	0.0
Former USSR	0.0	0.0	0.0	0.0	0.0	0.0
Yugoslavia	29.0	32.0	20.1	17.0	0.0	0.0
Libya	25.3	32.8	44.6	55.8	66.7	66.7
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0
Pakistan	3.4	3.7	4.4	4.6	4.8	5.0
Burundi	3.4	3.4	5.8	6.0	9.5	7.2
Korea, Democratic People's Republic of	0.0	0.3	1.0	0.0	0.0	0.0
Tanzania 3/	67.5	67.5	67.5	117.3	120.8	57.4
Nigeria	0.9	1.1	2.5	4.0	5.4	5.4
Other	1.5	4.0	6.3	0.0	0.0	0.0
Suppliers and banks/private 4/	79.4	78.5	84.1	79.8	41.1	42.6

Sources: Ugandan authorities; and Fund staff estimates.

1/ Includes the International Fund for Agricultural Development, the European Development Fund, the Arab Bank for Economic Development in Africa, the OPEC Fund, the Shelter Afrique, and the Nordic Development Fund.

2/ Arrears to Italy stemming from breakdown in communication with respect to payments will be included in the April 1998 Paris Club Lyon terms debt restructuring.

3/ Following debt reconciliation in 1997/98 (July-June), arrears to Tanzania were increased as at end-June 1997. In September 1998 a debt-buyback agreement was reached, settling the arrears at a significant discount.

4/ Following debt reconciliation, arrears on public enterprise debt reassigned or swapped to private entities following privatization/restitution have been taken off the stock of arrears.

120. There is no state intervention in production or marketing of goods in Uganda. An open trade regime is maintained with the rest of the world, contributing to the competitiveness of exports.<sup>48</sup> A simple duty drawback system has been used to reimburse exporters for import duties paid on their inputs. Exports are promoted by the Uganda Export Promotion Board (UEPB) and the Uganda Investment Authority; the latter has encouraged investors to undertake export-related activities. The UEPB, established by parliament in 1996, promotes diversification of Uganda's exports, particularly into high-value-added products and away from raw materials. It develops and advocates export policies, gathers trade information, tries to help develop export skills (for example, through seminars), and attempts to assist exporters by disseminating information to ensure exporters' products are in compliance with importers' requirements. In addition, the Bank of Uganda has for the assistance of exporters established an Export Finance Scheme, Export Guarantee Facility, and an Export Promotion Fund; these facilities, however, have not been extensively utilized.

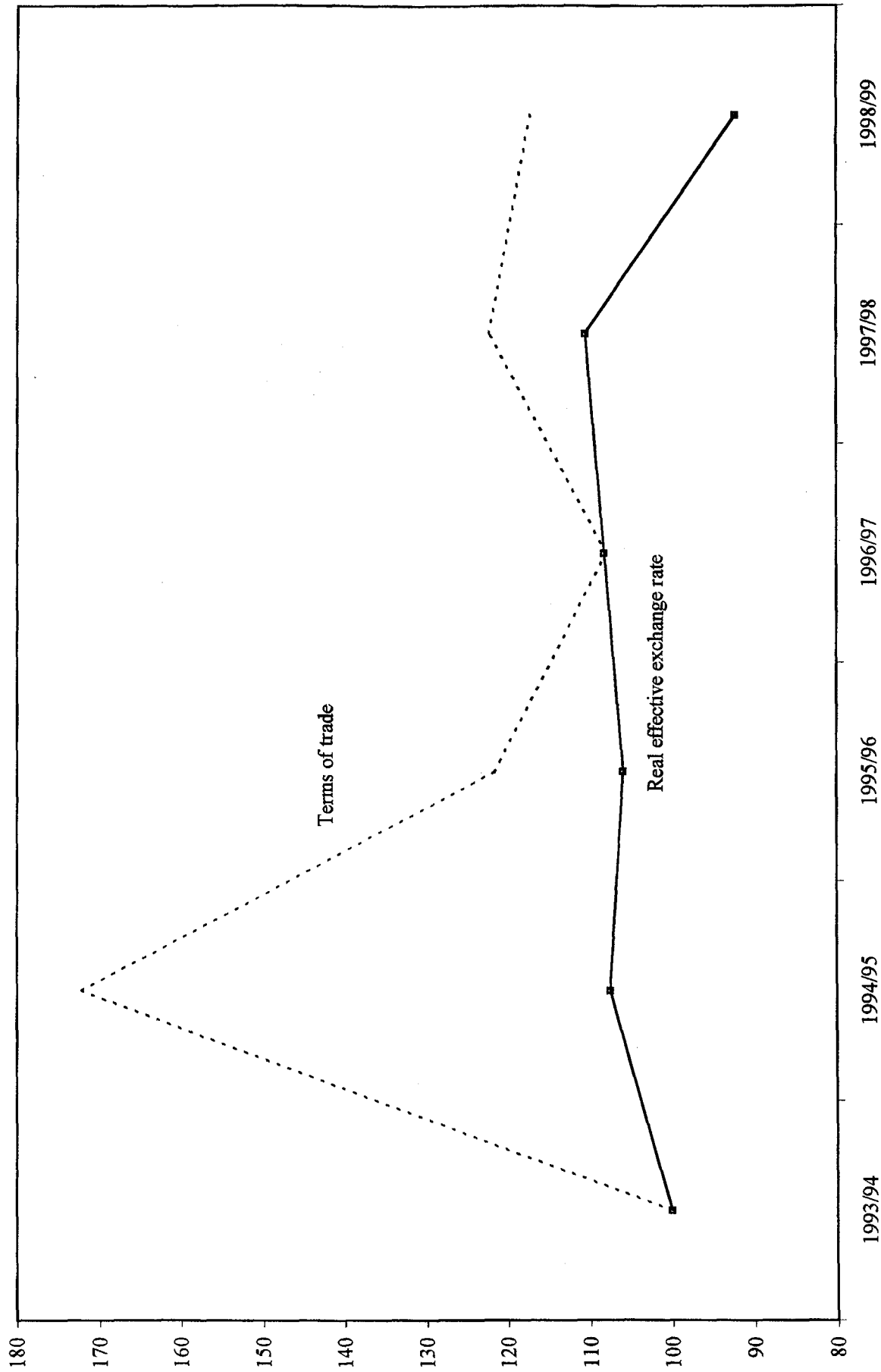
121. The Uganda shilling, which is market determined, has depreciated over the 1994/95–1998/99 period by about 19.4 percent in terms of the U.S. dollar. After appreciating sharply by 18.3 percent in 1994/95 with the coffee boom, it steadily depreciated until 1998/99; in that year, the depreciation accelerated to almost 16 percent, owing to the banking crisis and to an insufficiently tight monetary policy. Since more than half of Uganda's exports are to Europe and almost a third to African countries, Uganda's exports appear to have maintained their competitiveness. Indeed, Uganda's consumer price index (CPI)-based real effective exchange rate (REER) vis-à-vis its major trading partners, after appreciating slightly after the coffee boom, remained relatively stable during 1994/95–1997/98; however, since 1997/98 there has been a marked depreciation (Figure 14).<sup>49</sup> This suggests that Uganda's competitiveness remained relatively stable during 1994/95–1997/98. The depreciation during the first 11 months of 1998/99 seems to explain the sharp increase in some of Uganda's nontraditional exports (see below) and the improved competitiveness of Uganda's exports. This conclusion is further strengthened when Uganda's competitiveness is compared with some of its neighboring countries, such as Kenya, Tanzania, and Rwanda (Figure 15).

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<sup>48</sup> According to the Fund's 10-point index of overall trade restrictiveness, at present Uganda has a rating of 2. This overall trade restrictiveness index reflects a simple average tariff rate of 10.4 percent (incorporating the discriminatory excise tax; without the latter, the average tariff rate is 9.2 percent) and a nontariff trade barrier rating of 1 (out of a 3-point index of ratings, with a rating of 1 indicating absence of or minor nontariff barriers). In 1994/95, Uganda had a simple average tariff rate of 17.1 percent. There are no export restrictions in Uganda.

<sup>49</sup> The trading patterns and their relative weights for the calculation of the REER are those used by the IMF's Information Notice System. Since the CPI-based real exchange rates are easily available and cover a large range of products that are fairly comparable across countries, they are used here as a measure of competitiveness.

Figure 14. Uganda: Terms of Trade and Real Effective Exchange Rate, 1993/94-1998/99 1/  
(1993/94 = 100)

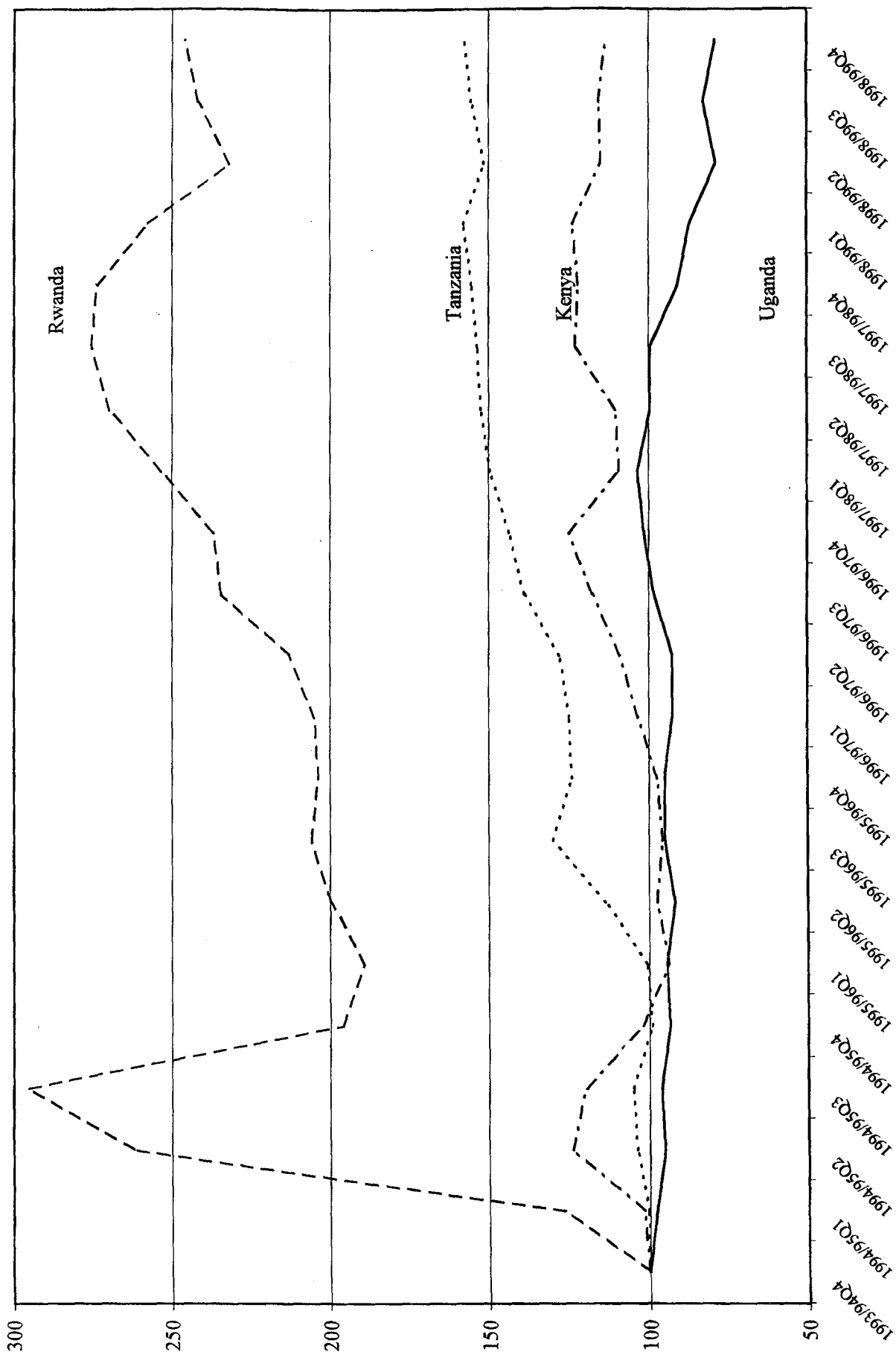


Sources: Bank of Uganda, IMF, Information Notice System; and Fund staff estimates.  
1/ Fiscal years (July-June).



Figure 15. Uganda and Neighboring Countries: Real Effective Exchange Rates, 1993/94-1998/99 1/

(1993/94:Q4 = 100)



Source: IMF, Information Notice System.

1/ Fiscal years (July-June).

122. The impact of all these factors is evident in the growth of export receipts, as well as in the shifting composition of exports. Thus, for example, exports of fruits and vegetables, which accounted during 1994/95–1997/98 for less than 1 percent of noncoffee exports and increased from US\$0.4 million in 1994/95 to US\$1.6 million in 1997/98, came to account for 18 percent of noncoffee export receipts (US\$30.6 million) during the first nine months of 1998/99. Other export items, such as tea, tobacco, electricity, flowers, base metals and metal products, and plastic products, have also increased steadily throughout the period, with the sharpest increases registered again during the first nine months of 1998/99. Nonagricultural exports increased from 10.4 percent of total exports in 1994/95 to 34.3 percent in 1996/97 and 24 percent in 1997/98. With respect to the latter ratios, even when gold exports are taken out of the calculation of total exports, the ratios are, respectively, 8.4 percent, 21.1 percent, and 19.2 percent. Uganda's nontraditional exports have retained their share of GDP, at about 2 percent. In terms of total exports, nontraditional exports increased from 18 percent in 1994/95 to about 30 percent in both 1997/98 and 1998/99.<sup>50</sup>

### C. Prospects

123. Export developments in Uganda will continue to depend on the evolution of international commodity prices (particularly coffee prices) and maintenance of an appropriate policy environment, including macroeconomic stability, a well-functioning banking system, development of an export-friendly financial system, removal of infrastructure constraints (such as the lack of roads, power supply, airport facilities, and storage and container facilities), and transparent rules for trade and investment. Such an approach would help contribute to diversifying exports. Assuming normal weather conditions, coffee export volumes are projected by the Uganda Coffee Development Authority<sup>51</sup> to rise from 3.6 million bags in 1998/99 to 5.1 million in 2007/08, based on the continuation of current replacement/replanting rates through 2005, increased acreage under arabica coffee (which fetches a higher price in the world market than robusta coffee) and clonal coffee (which is disease resistant), and continued improvements in crop husbandry. Noncoffee exports are also likely to grow rapidly as a result of the efforts cited above to encourage exports, the envisaged improvements in the business environment stemming from macroeconomic stability, continuing structural reforms and infrastructure improvements, increased private sector investment in various sectors, and the hoped-for end of regional tensions (which, for example, are limiting cotton production and exports).

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<sup>50</sup> Nontraditional exports excluding gold show a similar trend, remaining relatively constant in terms of GDP and increasing from about 17 percent of total exports in 1994/95 to about 25 percent in the last two fiscal years.

<sup>51</sup> The Uganda Coffee Development Authority is responsible for the development of the production and export of coffee through quality control, technical and financial assistance, and dissemination of information.

Table 25. Uganda: Gross Domestic Product by Industry at Current Prices, 1992/93–1998/99  
(In billions of Uganda shillings, unless otherwise indicated)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
GDP at market prices	3,870	4,400	5,377	6,122	6,663	7,791	8,665
Indirect taxes	244	331	455	557	640	687	778
GDP at factor cost	3,626	4,069	4,922	5,565	6,023	7,104	7,887
Agriculture	1,869	2,032	2,431	2,512	2,529	3,170	3,489
Monetary	851	996	1,298	1,384	1,475	1,811	2,046
Nonmonetary	1,018	1,036	1,133	1,129	1,054	1,359	1,443
Cash crops	87	150	302	299	319	368	455
Food crops	1,352	1,388	1,533	1,531	1,400	1,919	2,101
Monetary	468	504	584	602	580	818	937
Nonmonetary	883	884	950	929	819	1,101	1,164
Livestock	279	320	388	429	517	578	620
Monetary	189	219	262	297	359	398	422
Nonmonetary	91	101	126	133	159	180	198
Forestry	67	77	88	98	110	117	124
Monetary	33	37	44	48	55	60	63
Nonmonetary	35	40	44	50	55	57	60
Fishing	83	96	121	155	183	189	190
Monetary	74	85	107	138	162	167	169
Nonmonetary	9	11	14	17	20	21	21
Industry	475	564	703	901	1,057	1,251	1,412
Mining and quarrying	12	13	14	21	33	45	49
Manufacturing	217	265	334	438	517	629	690
Coffee, cotton, sugar	21	28	52	78	81	80	84
Food products	29	35	47	63	78	90	93
Miscellaneous	166	203	236	297	358	458	513
Public utilities (electricity/water)	34	46	62	71	86	100	108
Construction	212	240	293	370	422	478	565
Monetary	186	211	261	334	383	437	522
Nonmonetary	26	29	32	37	39	41	43
Services	689	768	978	1,193	1,338	1,498	1,707
Wholesale and retail trade	403	428	570	685	763	843	960
Hotel and restaurants	50	66	84	101	116	122	131
Transport and communication	136	160	187	220	248	296	335
Road	104	122	141	164	181	219	244
Rail	6	8	9	9	9	8	8
Air and support services	13	16	20	27	34	43	54
Communications	12	15	17	20	23	26	30
Owner-occupied dwellings (nonmonetary)	101	114	138	186	212	237	281
Community services	593	706	810	960	1,099	1,185	1,279
General government	143	181	212	240	273	295	309
Education	148	175	188	228	264	282	296
Health	56	59	63	78	82	86	90
Rents	113	133	165	224	254	280	328
Miscellaneous	132	158	181	191	227	242	256
Memorandum items:							
Monetary GDP at factor cost	2,482	2,891	3,619	4,214	4,718	5,467	6,120
Nonmonetary GDP at factor cost	1,144	1,179	1,303	1,351	1,305	1,637	1,768
Per capita GDP at factor cost 2/	204	222	260	290	316	339	368
Population (in millions) 3/	18	18	19	19	19	21	21

Source: Ministry of Finance, Planning and Economic Development, *Background to the Budget, 1999/2000*

1/ Fiscal year begins in July.

2/ In thousands of Uganda shillings.

3/ Based on the 1991 census.

Table 26. Uganda: Gross Domestic Product by Industry at Constant 1991 Prices, 1992/93–1997/98 1/  
(In billions of Uganda shillings)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
GDP at market prices	2,423	2,587	2,892	3,138	3,299	3,477
Indirect taxes	153	195	245	285	317	334
GDP at factor cost	2,270	2,393	2,647	2,853	2,982	3,143
Agriculture	1,160	1,181	1,250	1,304	1,318	1,343
Monetary	558	584	624	676	702	720
Nonmonetary	602	597	627	627	615	623
Cash crops	71	79	85	104	119	115
Food crops	793	799	861	872	855	868
Monetary	279	294	328	343	342	352
Nonmonetary	514	506	533	530	513	516
Livestock	193	199	194	213	225	234
Monetary	133	137	130	146	154	160
Nonmonetary	60	62	64	67	71	74
Forestry	46	48	51	53	55	57
Monetary	24	26	27	29	31	32
Nonmonetary	22	23	23	24	24	25
Fishing	57	55	60	61	64	67
Monetary	51	49	53	55	57	60
Nonmonetary	6	6	7	7	7	8
Industry	302	342	411	479	533	595
Mining and quarrying	7	8	8	11	17	22
Manufacturing	140	161	189	226	256	293
Coffee, cotton, sugar	15	18	17	27	32	29
Food products	19	21	25	30	34	36
Miscellaneous	106	122	147	169	190	229
Public utilities (electricity/water)	20	22	24	27	30	32
Construction	135	151	189	214	230	247
Monetary	118	134	171	196	211	228
Nonmonetary	17	17	18	18	19	19
Services	450	490	578	638	671	719
Wholesale and retail trade	255	276	336	373	381	405
Hotel and restaurants	32	39	46	50	55	57
Transport and communication	96	106	121	134	148	163
Road	72	78	86	95	106	118
Rail	6	7	9	9	7	6
Air and support services	8	10	13	17	20	22
Communications	10	11	12	14	15	17
Owner-occupied dwellings (nonmoneta	67	70	74	80	87	93
Community services	358	381	408	433	460	487
General government	83	87	92	96	100	105
Education	80	83	88	94	100	106
Health	33	34	36	37	40	41
Rents	75	81	89	97	104	111
Miscellaneous	87	95	103	108	115	123
Memorandum items:						
Monetary GDP at factor cost	1,585	1,709	1,928	2,127	2,261	2,408
Nonmonetary GDP at factor cost	685	683	719	726	721	735

Source: Ministry of Finance, Planning and Economic Development, *Background to the Budget, 1999/2000*

1/ Fiscal year begins in July.

Table 27. Uganda: Gross Domestic Product by Expenditure at Current Prices, 1992/93–1998/99 1/  
(In billions of Uganda shillings)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
GDP at factor cost	3,626	4,069	4,922	5,565	6,023	7,104	7,887
Indirect taxes	244	331	455	557	640	687	778
GDP at market prices	3,870	4,400	5,377	6,122	6,663	7,791	8,665
Resource balance	-547	-560	-668	-887	-874	-1,422	-1,447
Exports of goods and nonfactor services	286	367	622	735	873	729	1,021
Imports of goods and nonfactor services	833	927	1,290	1,621	1,747	2,151	2,468
Consumption	3,574	3,986	4,676	5,446	5,758	7,308	7,805
Private	3,211	3,552	4,113	4,818	5,016	6,507	6,825
Public	363	434	563	628	741	801	980
Gross domestic investment	599	643	914	1,006	1,140	1,218	1,529
Private 2/	331	407	590	656	757	809	1,023
Public	268	236	324	350	383	410	506
Gross domestic savings	52	83	246	119	265	-204	82
Private	147	158	296	110	282	-181	109
Public	-95	-74	-50	10	-17	-22	-27
Net factor service income	-49	-61	-58	-46	-16	-9	-10
Private transfers	108	304	330	535	482	729	550
Official transfers	277	228	303	277	307	380	280
GNP	3,821	4,339	5,319	6,076	6,647	7,783	8,655
Gross national savings 3/	455	602	782	895	1,083	1,061	1,199
Private	282	485	595	659	822	699	844
Public	174	118	187	235	261	363	355

Sources: Ugandan authorities; and Fund staff estimates.

1/ Fiscal year begins in July.

2/ Includes change in stocks.

3/ Includes transfers.

Table 28. Uganda: Gross Domestic Product by Expenditure Shares at Current Prices,  
1992/93-1998/99 1/  
(As a percentage of GDP at market prices)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
GDP at factor cost	93.7	92.5	91.5	90.9	90.4	91.2	91.0
Indirect taxes	6.3	7.5	8.5	9.1	9.6	8.8	9.0
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Resource balance	-14.1	-12.7	-12.4	-14.5	-13.1	-18.3	-16.7
Exports of goods and nonfactor services	7.4	8.3	11.6	12.0	13.1	9.4	11.8
Imports of goods and nonfactor services	21.5	21.1	24.0	26.5	26.2	27.6	28.5
Consumption	92.3	90.6	87.0	89.0	86.4	93.8	90.1
Private	83.0	80.7	76.5	78.7	75.3	83.5	78.8
Public	9.4	9.9	10.5	10.3	11.1	10.3	11.3
Gross domestic investment	15.5	14.6	17.0	16.4	17.1	15.6	17.6
Private 2/	8.5	9.2	11.0	10.7	11.4	10.4	11.8
Public	6.9	5.4	6.0	5.7	5.7	5.3	5.8
Gross domestic savings	1.3	1.9	4.6	2.0	4.0	-2.6	0.9
Private	3.8	3.6	5.5	1.8	4.2	-2.3	1.3
Public	-2.5	-1.7	-0.9	0.2	-0.3	-0.3	-0.3
Net factor service income	-1.3	-1.4	-1.1	-0.7	-0.2	-0.1	-0.1
Private transfers	2.8	6.9	6.1	8.7	7.2	9.4	6.3
Official transfers	7.2	5.2	5.6	4.5	4.6	4.9	3.2
GNP	98.7	98.6	98.9	99.3	99.8	99.9	99.9
Gross national savings 3/	11.8	13.7	14.5	14.6	16.3	13.6	13.8
Private	7.3	11.0	11.1	10.8	12.3	9.0	9.7
Public	4.5	2.7	3.5	3.8	3.9	4.7	4.1

Sources: Ugandan authorities; and Fund staff estimates.

1/ Fiscal year begins in July.

2/ Includes change in stocks.

3/ Includes transfers.

Table 29. Uganda: Growth of Gross Domestic Product by Sector at Constant 1991 Prices,  
1992/93–1998/99  
(Annual growth rates, in percent)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
GDP at market prices	9.1	6.8	11.8	8.5	5.1	5.4	7.8
Indirect taxes	20.7	27.1	25.8	16.6	11.1	5.4	7.8
GDP at factor cost	8.4	5.4	10.6	7.8	4.5	5.4	7.8
Agriculture	9.3	1.8	5.9	4.3	1.1	1.9	8.1
Monetary	9.8	4.6	6.8	8.4	3.8	2.5	8.9
Nonmonetary	8.8	-0.8	5.0	0.1	-1.9	1.2	7.1
Cash crops	0.3	10.5	8.0	22.6	13.9	-2.8	14.3
Food crops	12.3	0.9	7.7	1.3	-2.0	1.6	9.6
Monetary	17.3	5.3	11.7	4.4	-0.2	3.0	12.1
Nonmonetary	9.8	-1.5	5.4	-0.6	-3.2	0.7	7.9
Livestock	3.7	3.2	-2.6	9.8	5.7	4.1	3.3
Monetary	3.5	2.8	-4.9	12.2	5.5	4.0	3.2
Nonmonetary	3.9	4.1	2.6	5.1	6.1	4.4	3.6
Forestry	5.8	4.4	4.4	4.4	4.4	4.0	4.9
Monetary	8.7	6.2	6.1	6.0	6.0	5.2	6.7
Nonmonetary	2.8	2.5	2.5	2.5	2.6	2.5	2.5
Fishing	4.1	-3.5	8.8	2.5	4.5	5.0	-3.2
Monetary	4.1	-3.5	8.8	2.5	4.5	5.0	-4.0
Nonmonetary	4.1	-3.5	8.8	2.5	4.5	5.0	3.0
Industry	8.4	13.0	20.3	16.6	11.4	11.5	9.3
Mining and quarrying	10.4	3.7	9.1	35.7	50.2	27.7	6.9
Manufacturing	7.1	15.1	17.3	19.7	13.4	14.4	11.1
Coffee, cotton, sugar	-11.8	23.8	-8.5	60.9	18.7	-11.2	29.0
Food products	9.1	9.2	22.5	20.2	11.2	6.9	-0.5
Miscellaneous	10.1	14.9	20.4	14.9	13.0	20.1	10.7
Public utilities (electricity/water)	5.6	7.3	11.4	10.5	10.1	7.0	5.5
Construction	10.1	12.2	25.2	13.4	7.2	7.6	7.7
Monetary	11.2	13.5	28.1	14.4	7.7	8.0	8.2
Nonmonetary	3.1	3.2	3.1	2.9	2.8	2.7	2.6
Services	6.5	8.9	17.9	10.4	5.3	7.0	8.0
Wholesale and retail trade	6.0	8.1	22.0	10.9	2.3	6.3	9.4
Hotel and restaurants	14.9	19.5	18.9	9.4	9.1	4.4	3.9
Transport and communication	7.2	10.6	14.3	11.0	10.6	10.0	7.2
Road	7.6	8.1	10.7	10.1	12.0	11.1	6.8
Rail	-3.5	28.1	30.6	-5.9	-22.6	-12.6	8.1
Air and support services	9.9	20.3	32.5	26.7	18.8	10.5	4.9
Communications	9.1	10.5	12.0	12.7	11.7	11.5	13.0
Owner-occupied dwellings (nonmonetary)	3.7	4.3	6.9	8.0	8.0	7.0	6.0
Community services	7.9	6.4	7.2	6.0	6.3	6.0	5.1
General government	5.9	4.3	6.5	4.5	4.3	5.0	5.0
Education	4.1	3.7	5.3	7.2	6.7	5.8	5.0
Health	5.2	4.0	4.8	4.0	6.7	3.1	5.0
Rents	10.7	8.9	9.1	8.7	7.7	6.6	6.4
Miscellaneous	12.3	9.7	8.7	4.7	6.3	7.3	4.2
Memorandum items:							
Monetary GDP at factor cost	8.5	7.8	12.8	10.3	6.3	6.5	8.1
Nonmonetary GDP at factor cost	8.2	-0.3	5.2	1.0	-0.7	2.0	6.9

Source: Ministry of Finance, Planning and Economic Development, *Background to the Budget, 1999/2000*.

1/ Fiscal year begins in July.

Table 30. Uganda: Composite Consumer Price Index, January 1993–June 1999  
(September 1989 = 100)

		Food			Index (weight = .499)	Nonfood			Index (weight = 1.000)	All Items			
		Index (weight = .501)	Percent change			Index (weight = .499)	Percent change			Index (weight = 1.000)	Percent change		
			Monthly	12-month			Average 1/ year	Monthly			12-month	Average 1/ year	Monthly
1993	Jan.	224.4	-3.9	40.3	65.7	280.9	0.1	29.7	45.2	252.6	-1.7	34.2	54.1
	Feb.	210.7	-6.1	25.0	63.7	285.6	1.7	24.8	43.5	248.1	-1.8	24.9	52.2
	Mar.	207.6	-1.5	6.0	58.2	282.3	-1.2	18.7	40.8	244.9	-1.3	13.0	48.3
	Apr.	213.3	2.7	-8.2	49.3	281.8	-0.2	14.1	37.3	247.5	1.1	3.3	42.5
	May	215.8	1.2	-12.5	39.5	282.3	0.2	10.3	33.4	249.0	0.6	-0.9	36.1
	June	209.2	-3.1	-16.8	29.7	288.0	2.0	11.7	30.2	248.5	-0.2	-2.4	30.0
	July	207.3	-0.9	-15.5	21.4	301.9	4.8	10.7	26.7	254.5	2.4	-1.7	24.3
	Aug.	200.1	-3.5	-16.2	14.1	302.3	0.1	10.3	23.7	251.1	-1.3	-2.0	19.3
	Sep.	210.9	5.4	-10.1	8.3	305.7	1.1	9.9	20.8	258.2	2.8	0.7	15.1
	Oct.	218.5	3.6	-8.7	3.1	304.1	-0.5	8.0	18.0	261.2	1.2	0.3	11.1
	Nov.	223.8	2.4	-5.8	-1.1	303.6	-0.2	7.8	15.4	263.6	0.9	1.5	7.8
	Dec.	235.8	5.4	1.0	-4.0	299.5	-1.3	6.7	13.0	267.6	1.5	4.1	5.1
1994	Jan.	237.8	0.8	6.0	1,054.5	306.5	2.3	9.1	1,161.5	272.1	1.7	7.7	1,113.9
	Feb.	240.4	1.1	14.1	502.3	305.7	-0.3	7.0	529.0	273.0	0.3	10.0	517.4
	Mar.	245.3	2.0	18.2	313.6	304.4	-0.4	7.8	322.4	274.8	0.7	12.2	318.6
	Apr.	259.5	5.8	21.7	215.9	308.4	1.3	9.4	219.5	283.9	3.3	14.7	217.9
	May	267.3	3.0	23.9	157.1	311.6	1.0	10.4	157.7	289.4	1.9	16.2	157.5
	June	263.6	-1.4	26.0	119.4	313.3	0.5	8.8	115.6	288.4	-0.3	16.1	117.2
	July	251.3	-4.7	21.2	91.8	309.4	-1.2	2.5	83.5	280.3	-2.8	10.1	87.0
	Aug.	240.0	-4.5	19.9	71.4	307.9	-0.5	1.9	59.6	273.9	-2.3	9.1	64.6
	Sep.	234.3	-2.4	11.1	53.6	310.1	0.7	1.4	41.1	272.1	-0.7	5.4	46.4
	Oct.	240.4	2.6	10.0	38.8	312.5	0.8	2.8	26.7	276.4	1.6	5.8	31.8
	Nov.	249.9	4.0	11.7	26.6	314.8	0.7	3.7	15.1	282.3	2.1	7.1	20.0
	Dec.	257.2	2.9	9.1	15.9	314.9	0.0	5.1	5.7	286.0	1.3	6.9	10.0
1995	Jan.	252.1	-2.0	6.0	15.8	319.6	1.5	4.3	5.3	285.8	-0.1	5.0	9.8
	Feb.	256.8	1.9	6.8	15.2	328.3	2.7	7.4	5.4	292.5	2.3	7.1	9.5
	Mar.	260.0	1.2	6.0	14.1	327.3	-0.3	7.5	5.4	293.6	0.4	6.8	9.1
	Apr.	264.4	1.7	1.9	12.3	328.9	0.5	6.7	5.2	296.6	1.0	4.5	8.2
	May	267.5	1.2	0.1	10.2	328.2	-0.2	5.3	4.8	297.8	0.4	2.9	7.1
	June	263.8	-1.4	0.1	8.1	332.7	1.4	6.2	4.6	298.2	0.1	3.4	6.1
	July	247.9	-6.0	-1.4	6.3	334.5	0.5	8.1	5.0	291.1	-2.4	3.9	5.6
	Aug.	248.2	0.1	3.4	5.1	337.6	0.9	9.6	5.7	292.8	0.6	6.9	5.4
	Sep.	252.7	1.8	7.9	4.9	343.9	1.9	10.9	6.5	298.2	1.8	9.6	5.8
	Oct.	260.1	2.9	8.2	4.8	347.1	0.9	11.0	7.2	303.5	1.8	9.8	6.1
	Nov.	274.2	5.4	9.7	4.7	348.7	0.5	10.8	7.8	311.4	2.6	10.3	6.4
	Dec.	274.8	0.2	6.8	4.5	351.4	0.7	11.6	8.3	313.0	0.5	9.4	6.6
1996	Jan.	268.2	-2.4	6.4	4.6	353.6	0.6	10.6	8.8	310.8	-0.7	8.7	6.9
	Feb.	267.0	-0.4	4.0	4.3	361.0	2.1	9.9	9.0	313.9	1.0	7.3	6.9
	Mar.	264.2	-1.0	1.6	4.0	359.8	-0.3	9.9	9.2	311.9	-0.6	6.2	6.9
	Apr.	272.8	3.3	3.2	4.1	358.6	-0.3	9.0	9.4	315.6	1.2	6.4	7.0
	May	275.9	1.1	3.1	4.4	356.7	-0.5	8.7	9.7	316.2	0.2	6.2	7.3
	June	272.2	-1.3	3.2	4.6	356.8	0.0	7.2	9.8	314.4	-0.6	5.4	7.5
	July	270.1	-0.8	9.0	5.5	358.3	0.4	7.1	9.7	314.1	-0.1	7.9	7.8
	Aug.	269.6	-0.2	8.6	5.9	359.6	0.4	6.5	9.4	314.5	0.1	7.4	7.9
	Sep.	287.4	6.6	13.7	6.4	364.8	1.4	6.1	9.0	326.0	3.7	9.3	7.8
	Oct.	295.7	2.9	13.7	6.9	368.6	1.1	6.2	8.6	332.1	1.9	9.4	7.8
	Nov.	293.6	-0.7	7.1	6.7	367.3	-0.4	5.3	8.1	330.4	-0.5	6.1	7.5
	Dec.	291.1	-0.9	5.9	6.6	367.5	0.0	4.6	7.5	329.2	-0.4	5.2	7.1
1997	Jan.	288.9	-0.8	7.7	6.7	367.7	0.1	4.0	7.0	328.2	-0.3	5.6	6.9
	Feb.	290.2	0.4	8.7	7.1	357.7	-2.7	-0.9	6.1	323.9	-1.3	3.2	6.5
	Mar.	306.2	5.5	15.9	8.3	359.5	0.5	-0.1	5.2	332.8	2.7	6.7	6.5
	Apr.	334.6	9.3	22.7	9.9	359.9	0.1	0.4	4.5	347.2	4.3	10.0	6.9
	May	348.2	4.1	26.2	11.9	358.8	-0.3	0.6	3.8	353.5	1.8	11.8	7.3
	June	331.7	-4.7	21.9	13.5	362.8	1.1	1.7	3.4	347.2	-1.8	10.4	7.8
	July	328.0	-1.1	21.4	14.5	362.5	-0.1	1.2	2.9	345.2	-0.6	9.9	7.9
	Aug.	323.7	-1.3	20.1	15.4	363.4	0.3	1.1	2.5	343.5	-0.5	9.2	8.1
	Sep.	325.2	0.5	13.2	15.4	368.3	1.4	1.0	2.1	346.7	0.9	6.4	7.8
	Oct.	341.7	5.1	15.6	15.5	362.3	-1.6	-1.7	1.4	352.0	1.5	6.0	7.5
	Nov.	359.0	5.1	22.3	16.8	360.4	-0.5	-1.9	0.8	359.7	2.2	8.9	7.8
	Dec.	360.2	0.3	23.7	18.3	363.8	0.9	-1.0	0.3	362.0	0.6	10.0	8.2
1998	Jan.	360.2	0.0	24.7	19.7	365.8	0.6	-0.5	0.0	363.0	0.3	10.6	8.6
	Feb.	341.6	-5.2	17.7	20.4	369.3	0.9	3.2	0.3	355.4	-2.1	9.7	9.1
	Mar.	329.2	-3.6	7.5	19.6	368.9	-0.1	2.6	0.5	349.0	-1.8	4.9	8.9
	Apr.	323.1	-1.9	-3.4	17.2	370.6	0.5	3.0	0.8	346.8	-0.6	-0.1	8.1
	May	317.0	-1.9	-9.0	13.9	373.9	0.9	4.2	1.0	345.4	-0.4	-2.3	6.8
	June	309.6	-2.3	-6.7	11.4	375.1	0.3	3.4	1.2	342.3	-0.9	-1.4	5.8
	July	297.4	-3.9	-9.3	8.8	373.6	-0.4	3.1	1.3	335.4	-2.0	-2.8	4.8
	Aug.	298.4	0.3	-7.8	6.5	372.3	-0.3	2.5	1.5	335.3	0.0	-2.4	3.8
	Sep.	304.1	1.9	-6.5	4.9	372.4	0.0	1.1	1.5	338.2	0.9	-2.5	3.1
	Oct.	309.7	1.8	-9.4	2.8	376.0	1.0	3.8	1.9	342.8	1.4	-2.6	2.3
	Nov.	307.9	-0.6	-14.2	-0.3	375.2	-0.2	4.1	2.4	341.5	-0.4	-5.1	1.2
	Dec.	320.5	4.1	-11.0	-3.0	378.8	1.0	4.1	2.9	349.6	2.4	-3.4	0.1
1999	Jan.	325.8	1.7	-9.6	-5.6	380.7	0.5	4.1	3.3	353.2	1.0	-2.7	-1.0
	Feb.	327.4	0.5	-4.2	-7.1	388.1	1.9	5.1	3.4	357.7	1.3	0.6	-1.7
	Mar.	334.7	2.2	1.7	-7.5	384.0	-1.1	4.1	3.5	359.3	0.4	3.0	-1.8
	Apr.	346.6	3.6	7.3	-6.7	384.3	0.1	3.7	3.6	365.4	1.7	5.4	-1.4
	May	339.6	-2.0	7.1	-5.4	386.1	0.5	3.3	3.5	362.8	-0.7	5.0	-0.8
	June	332.8	-2.0	7.5	-4.3	386.7	0.2	3.1	3.5	359.7	-0.9	5.1	-0.2

Source: Uganda Bureau of Statistics.

1/ Percentage change in 12-month moving average.



Table 31. Uganda: Cultivated Areas and Production of  
Selected Food Crops, 1993-98  
(Areas in thousands of hectares; and production in thousands of metric tons)

	1993	1994	1995	1996	1997	1998 Prov.
<b>Banana (matooke)</b>						
Area	1,488	1,500	1,512	1,524	1,538	1,553
Production	8,222	8,500	9,012	9,144	9,303	9,318
<b>Cassava</b>						
Area	369	320	332	335	342	351
Production	3,139	2,080	2,224	2,245	2,291	2,457
<b>Sweet potatoes</b>						
Area	460	473	494	516	529	544
Production	1,958	2,129	2,223	1,548	1,894	2,448
<b>Irish potatoes</b>						
Area	40	44	50	53	56	60
Production	320	368	402	318	360	384
<b>Maize</b>						
Area	503	563	571	584	598	614
Production	804	850	913	759	740	860
<b>Finger millet</b>						
Area	404	412	395	400	395	401
Production	610	610	632	440	502	642
<b>Wheat</b>						
Area	5	5	5	5	5	5
Production	9	9	9	9	9	9
<b>Pulses 1/</b>						
Area	694	722	752	771	790	810
Production	540	495	509	356	346	581
<b>Oil seeds 2/</b>						
Area	402	415	430	443	445	459
Production	295	287	294	285	248	319
<b>Total</b>						
Area	4,365	4,454	4,532	4,639	4,697	4,797
Production	15,897	15,328	16,180	16,674	16,051	17,018

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

1/ Consists of beans, field peas, cowpeas, and pigeon peas.

2/ Consists of groundnuts, soya beans, and sim-sim.

Table 32. Uganda: Average Producer Prices for Principal Cash Crops, 1993-98  
(In Uganda shillings per kilogram)

	1993	1994	1995	1996	1997	1998
	December					
Coffee						
Robusta	270	925	600	500	600	757
Arabica						
(Bagisu, grade P)	770	1,650	950	1,200	1,300	1,625
Cotton						
AR (SAFI)	300	285	350	350	320	320
BR (Fifi)	150	135	200	180	160	160
Tea (green leaf)	100	100	100	100	100	100
Tobacco						
Flue cured	1,100	850	712	903	975	975
Fire cured	960	814	1,027	936	930	930
Cocoa (wet beans)	540	400	550	600	500	500

Sources: Ministry of Finance, Planning and Economic Development; and Bank of Uganda.

Table 33. Uganda: Estimates of Livestock Population and  
Milk Production, 1992-97

	1992	1993	1994	1995	1996	1997
Livestock	(In thousands of heads)					
Cattle 1/	5,209	5,370	5,106	5,233	5,301	5,460
Sheep	845	871	897	924	951	980
Goats	5,070	5,227	5,383	5,545	5,684	5,825
Pigs	1,228	1,226	1,304	1,343	1,383	1,425
Poultry 2/	20,576	21,214	21,404	21,832	22,050	22,271
	(In thousands of liters)					
Milk production	244	253	262	422	450	500.0

Source: Ministry of Finance, Planning and Economic Development.

1/ Dairy and beef cattle.

2/ Total number of birds, including chickens, geese, turkeys, and ducks.

**Table 34. Uganda: Fish Production by Region, 1992-98**  
(Quantity in thousands of metric tons; value in billions of  
Uganda shillings; and unit value in Uganda shillings per kilogram)

	1993	1994	1995	1996	1997	1998
<b>Lake Victoria</b>						
Quantity	134.9	103.0	103.0	106.4	106.6	105.2
Value	...	38.4	39.5	39.3	38.8	38.6
<b>Lake Albert</b>						
Quantity	21.8	16.4	16.4	21.9	19.1	19.0
Value	...	2.9	4.9	5.2	3.6	3.8
<b>Albert Nile</b>						
Quantity	1.6	4.8	4.7	4.6	3.4	3.5
Value	...	0.5	0.5	0.5	0.5	0.4
<b>Lake Kyoga</b>						
Quantity	106.7	80.2	80.2	80.6	80.1	80.0
Value	...	32.8	22.4	22.3	29.0	28.1
<b>Lakes Edward and George and Kazinga Channel</b>						
Quantity	6.4	5.2	5.2	4.8	6.4	5.6
Value	...	2.5	2.2	2.3	3.0	2.6
<b>Other waters</b>						
Quantity	4.6	3.7	3.7	3.7	3.7	3.5
Value	...	0.6	0.6	0.6	0.6	0.5
<b>Total</b>						
Quantity	276.0	213.2	213.2	222.0	219.3	216.8
Value	165.8	77.7	70.1	70.8	75.5	74.0
<b>Average unit value</b>	600.9	364.4	315.8	305.7	344.3	341.3

Sources: Ministry of Finance, Planning, and Economic Development; and Fund staff estimates.

Table 35. Uganda: Total Production of Roundwood Timber and Charcoal, 1993-98 1/  
(In thousands of metric tons)

	1993	1994	1995	1996	1997	1998
Sawn logs	398	434	467	503	541	584
Poles	497	516	536	557	581	604
Fuelwood	15,351	15,802	16,267	16,747	17,242	17,759
Household	12,740	13,089	13,447	13,816	14,194	14,619
Commercial	1,789	1,847	1,907	1,969	2,034	2,095
Industrial	822	866	913	962	1,014	1,064
Charcoal	2,803	2,971	3,150	3,305	3,536	3,784
Total wood production	19,049	19,723	20,420	21,112	21,900	22,731
Charcoal manufactured	351	372	394	418	447	478

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

1/ Data are for total production from forest reserves and elsewhere.

Table 36. Uganda: Metered Rates for the National Water and Sewerage Corporation, 1993-98  
(In Uganda shillings per cubic meter)

	1993	1994	1995	1996	1997	1998
Public standpipes	250	400	400	400	400	400
Residential buildings	385	616	616	616	616	616
Institutions and government	475	760	760	760	760	760
Major industrial and commercial users	660	1,056	1,056	1,056	1,056	1,056

Source: National Water and Sewerage Corporation.

Table 37. Uganda: Electricity Capacity and Generation, 1993-98

	1993	1994	1995	1996	1997	1998
(In megawatts)						
Installed capacity						
Owen Falls	168.0	171.0	177.0	180.0	180.0	180.0
Other stations	3.0	3.4	3.4	3.0	3.0	3.0
Total	171.0	174.4	180.4	183.0	183.0	183.0
(In gigawatt-hours, unless otherwise specified)						
Units generated						
Hydroelectric	976.5	1,016.8	1,056.3	1,129.0	1,217.3	1,282.8
Diesel	1.4	1.1	1.1	1.1	1.2	1.2
Total	977.9	1,017.9	1,057.4	1,130.1	1,218.5	1,284.0
Transit and distribution losses 1/	238.4	278.2	340.3	302.1	344.5	412.0
Units accounted for by consumption	739.5	739.7	717.1	828.0	874.0	872.0
Maximum demand (megawatts)	157.2	161.4	173.6	177.0	178.6	178.6
Annual load factor (percent) 2/	71.0	72.0	70.0	71.0	77.9	82.0

Source: Ministry of Finance, Planning and Economic Development.

1/ Including units unaccounted for by consumption.

2/ The load factor is the ratio of kilowatt-hours produced to the maximum demand during the period.

Table 38. Uganda: Electricity Sales by Uganda Electricity Board, 1993-98

Category of Consumer	1993	1994	1995	1996	1997	1998
(Number of consumers)						
Domestic tariff	109,576	100,462	101,179	115,050	126,298	137,916
Commercial (security lighting)	7,139	6,914	7,208	7,736	15,846	17,490
Street lighting	135	195	185	208	129	159
Industrial	33	47	41	50	51	44
Kenya bulk supply	1	1	1	1	1	1
Tanzania bulk supply	1	1	1	1	1	1
Rwanda bulk supply	0	1	1	1	1	1
Total	116,885	107,621	108,616	123,047	142,327	155,612
(Number of units sold, in millions of kilowatt-hours)						
Domestic tariff	273	286	265	367	349	317
Commercial (security lighting)	101	116	140	164	194	241
Street lighting	6	5	2	2	2	1
Industrial	97	82	115	144	160	154
Kenya bulk supply	262	237	176	131	148	136
Tanzania bulk supply	1	15	19	19	20	21
Rwanda bulk supply	0	0	0	1	1	1
Total	740	740	717	828	874	871
(Revenue collected, in millions of Uganda shillings)						
Domestic tariff	17,966	24,014	2,451	30,204	34,199	31,083
Commercial (security lighting)	9,361	12,045	14,349	14,347	28,235	33,651
Street lighting	571	598	318	239	232	199
Industrial	7,117	9,656	8,856	10,164	19,168	17,452
Kenya bulk supply	885	658	541	2,228	9,972	11,708
Tanzania bulk supply	96	1,533	1,840	1,729	2,149	2,759
Rwanda bulk supply	0	0	0	81	133	132
Total	35,996	48,503	28,355	58,992	94,088	96,983

Source: Ministry of Finance, Planning and Economic Development.



Table 39. Uganda: Transport and Communications, 1992-98

	1992	1993	1994	1995	1996	1997	1998
<b>Railway transport</b>							
Passenger traffic 1/	62,696	59,506	34,869	27,600	27,000	...	...
Goods traffic 2/	119,134	130,430	207,999	178,300	184,877	147,741	...
<b>Road transport</b>							
Stock of private motor vehicle	54,267	60,000	74,047	96,212	126,214	150,495	...
<b>Air transport</b>							
Passengers 3/	172	205	259	314	378	387	...
Cargo 4/	13,074	41,729	22,101	19,744	27,010	26,926	...
<b>Telephone services</b>							
Telephone connections	17,098	24,051	34,949	43,039	47,927	51,678	98,900

Source: Ministry of Finance, Planning and Economic Development.

1/ In thousands of passenger-kilometers.

2/ In thousands of ton-kilometers.

3/ In thousands of landed plus embarked passengers.

4/ Loaded and unloaded tons.

Table 40. Uganda: Pump Prices for Petroleum Products, March 1991–January 98 1/  
(Kampala pump prices; in Uganda shillings per liter)

	Year and Effective Month of Increase	Motor Spirit Premium (PMS)	Diesel (AGO)	Kerosene (BIK)
1991	March	500	400	350
	June	500	400	350
	July	650	500	460
	October	680	530	500
1992	January	740	600	570
	March	820	660	630
	June	850	680	630
	July	940	760	680
	August	950	770	680
1993	January	920	770	700
	March	850	750	680
	May	910	780	690
	June	910	810	690
	September	910	810	690
	October	950	830	710
	December	890	820	710
1994	January	890	820	710
	March	870	800	690
	May	920	830	710
	June	915	830	710
	August	918	830	693
	September	920	820	690
	October	910	780	670
1995	June	915	785	700
	July	950	820	700
	November	1,000	900	700
1996	January	980	870	700
	July	1,110	960	780
	October	1,120	990	820
	November	1,160	1,030	850
	December	1,180	1,070	870
1997	January	1,160	1,070	860
	February	1,160	1,090	890
	March	1,160	1,070	880
	April	1,150	1,040	860
	May	1,150	1,030	840
	June	1,140	960	780
	December	1,200	1,120	820
1998	January	1,170	1,000	810
	July	1,100	980	760
	October	1,130	960	740
	December	1,180	940	820
1999	January	1,150	920	780

Source: Ministry of Energy.

1/ Prices quoted following the liberalization of fuel prices in January 1994 are average pump prices.

Table 41. Uganda: Index of Industrial Production,  
Annual Summary for Groups and Subgroups, 1992-98  
(1987 = 100)

Group/Subgroup	Number of establishments	Weight	1992	1993	1994	1995	1996	1997	1998
Food processing 1/	57	20.7	245.6	245.8	309.7	361.8	450.4	449.5	479.7
Meat, fish, and dairy	14	1.7	201.0	245.9	286.3	577.6	681.6	524.8	618.6
Grain milling	13	4.3	104.7	106.9	146.7	157.9	127.5	88.7	134.4
Bakeries	10	1.4	325.2	322.8	345.9	349.5	375.0	437.0	421.0
Sugar and jaggery 2/	4	1.8	1,501.3	1,325.6	1,677.1	1,982.6	2,656.2	2,941.3	2,956.1
Coffee roasting	3	0.2	107.3	46.0	19.4	15.8	20.9	33.8	31.3
Coffee processing 1/	0	8.6	70.4	90.2	127.1	100.0	168.4	138.9	155.4
Tea processing 1/	1	1.4	245.4	312.1	342.1	319.5	423.4	525.3	658.6
Other food processing	4	0.3	69.5	73.6	83.4	63.4	63.5	56.4	58.3
Animal feed	8	1.0	142.2	130.6	196.3	444.6	248.3	172.8	112.9
Tobacco and beverages	13	26.1	155.2	170.9	227.6	308.6	370.7	398.5	450.9
Beer and spirits	5	6.6	124.5	155.6	208.0	332.5	412.4	563.6	662.8
Soft drinks	7	5.4	311.4	378.4	580.2	797.9	977.5	907.3	1,043.7
Cigarettes	1	14.1	109.8	98.4	101.7	109.8	118.4	126.2	124.4
Textiles and clothing	13	16.3	111.9	92.7	68.1	62.7	47.7	115.4	117.7
Textiles	4	12.0	88.7	67.1	36.7	22.4	20.7	108.7	103.8
Textile products	4	3.1	52.9	77.1	123.2	156.8	119.1	148.7	203.6
Garments	5	1.2	494.7	387.6	239.3	221.6	133.2	70.9	34.8
Leather and footwear	8	2.3	79.5	68.4	97.1	164.4	287.9	158.9	234.4
Timber, paper, etc. 3/	27	9.0	223.4	251.1	299.8	383.1	554.1	526.0	554.1
Sawmilling and timber 3/	4	3.2	62.7	102.2	107.0	111.8	120.8	130.0	140.4
Furniture and foam products	8	2.9	175.9	149.3	119.6	210.9	363.5	402.5	481.1
Paper and printing	15	2.9	448.4	517.4	693.0	855.1	1,223.7	1,087.2	1,250.3
Chemicals, paint, and soap	25	12.3	250.2	339.5	383.0	512.7	509.8	776.4	929.4
Chemicals	3	0.3	137.7	189.7	214.6	505.1	544.8	494.5	856.1
Paint	5	0.5	438.6	614.2	708.1	997.4	1,030.0	1,244.8	1,266.4
Medicines	6	0.5	296.8	461.0	762.8	822.7	650.5	1,536.4	2,617.4
Soap	11	11.0	242.7	325.5	355.4	476.1	479.0	732.1	838.5
Bricks and cement	14	4.3	203.1	261.1	248.6	369.8	664.1	1,052.8	1,147.0
Bricks, tiles, etc. 4/	12	2.2	195.3	236.2	248.6	249.5	315.9	352.5	351.2
Cement	2	2.1	211.6	288.0	248.6	499.1	1,038.3	1,804.4	2,002.2
Steel/steel products	19	5.3	190.7	259.0	389.9	490.5	480.7	522.0	518.1
Iron and steel	6	1.5	254.3	526.0	885.3	1,136.1	1,111.6	1,259.4	1,379.9
Structural steel	4	2.3	141.6	105.6	100.7	129.1	101.1	115.3	82.1
Steel products	9	1.5	201.3	224.5	332.6	383.9	425.0	403.2	317.9
Miscellaneous	25	3.7	271.7	381.0	487.3	598.6	628.0	564.2	550.9
Vehicle parts/accessory	5	0.9	329.3	423.9	453.6	423.9	571.0	543.9	617.3
Plastic products	9	0.6	254.9	434.4	666.1	1,145.8	1,242.8	1,523.5	1,489.2
Electrical products	3	1.2	120.0	353.6	418.3	443.4	539.2	481.0	333.8
Miscellaneous products	8	1.0	402.9	340.3	485.0	592.1	388.6	172.2	154.1
Index, all items	201	100.0	191.2	215.6	260.3	331.0	394.2	456.1	502.9
Annual percentage change			7.3	12.8	20.7	27.2	19.1	15.7	10.3

Source: Ministry of Finance, Planning and Economic Development.

1/ In addition to the individual establishments covered in the index, production data for coffee and tea processing, as advised by the respective marketing boards, are included.

2/ Data on sugar include Kinyara Sugar Works (new establishment) from March 1996.

3/ Data on timber include estimates from Forestry Department from July 1996.

4/ Data on bricks include Butema Brick Factory from March 1996.

Table 42. Uganda: Production of Selected Manufactured Commodities, 1992-98

Commodity Units		1992	1993	1994	1995	1996	1997	1998 1/ Prov.
Beer	Million liters	18.7	23.9	30.8	51.2	64.2	89.6	55.2
Uganda waragi	Thousand liters	331.0	280.0	459.0	535.0	560.0	606.0	
Soft drinks	Million liters	21.8	26.9	41.0	56.5	70.2	65.4	50.3
Cigarettes	Million sticks	1,575.0	1,412.5	1,458.9	1,575.8	1,699.0	1,810.0	1,061.4
Cotton and rayon	Million square meters	9.6	7.5	4.3	2.6	2.4	11.9	7.5
Hoes	Thousand units	813.0	150.0	881.0	1,026.0	284.0	764.0	
Blankets	Thousand units	50.0	81.0	118.0	177.0	0.0	28.0	128.0
Foam products	Tons	719.0	640.0	726.0	1,625.0	2,928.0	1,718.0	3,210.0
Sugar	Thousand tons	53.5	49.3	59.2	70.1	96.6	103.3	93.0
Soap	Thousand tons	38.6	47.6	48.5	55.4	58.3	66.6	36.1
Matches	Thousand cartons	...	2.0	4.6	4.1	0.0	0.0	0.0
Plywood	Thousand square meters	0.6	0.0	0.0	0.0	0.0	...	...
Corrugated iron sheets	Thousand tons	5.8	14.3	25.1	31.8	29.9	25.9	22.4
Cement	Thousand tons	37.9	52.0	45.2	88.8	175.0	162.7	278.8
Paints	Thousand litres	923.0	1,221.0	1,502.0	2,008.0	1,932.0	2,355.0	2,081.7
Edible oil and fat	Tons	628.0	1,654.0	6,265.0	12,821.0	10,204.0	27,532.0	15,671.3
Animal feeds	Thousand tons	20.0	18.2	35.4	60.1	49.2	47.2	2.8
Footwear	Thousand pairs	418.0	326.0	660.0	1,240.0	1,830.0	1,274.0	995.0
Fish nets	Thousand units	63.0	106.0	145.0	158.0	199.0	239.0	241.0
Bicycle tires/tubes	Thousand units	...	0.0	0.0	0.0	0.0	0.0	
Motor batteries	Thousand units	33.1	43.9	47.4	44.6	61.2	56.4	60.0
Meat	Tons	212.0	144.0	19.0	0.0	0.0	0.0	3,706.0
Processed milk	Million liters	22.7	25.9	27.7	23.6	26.9	27.5	15.6
Wheat flour	Thousand tons	12.2	10.1	8.3	7.4	5.9	0.8	11.7
Electricity	Million kilowatt-hours	994.3	977.9	1,017.9	1,057.4	1,130.1	1,218.5	1,232.4

Source: Ministry of Finance, Planning and Economic Development.

1/ Data extend only through September for some commodities.

Table 43. Uganda: Average Market Prices for Selected Consumer Goods, 1993-98  
(In Uganda shillings)

	Unit	1993	1994	1995	1996	1997	1998
Banana (matooke)	1 kilogram	144.8	176.9	133.0	134.8	156.3	142.2
Maize meal	1 kilogram	398.7	520.0	456.7	514.3	777.8	744.4
Groundnuts	1 kilogram	562.1	1,178.3	1,246.7	938.0	1,788.9	1,505.6
Sugar	1 kilogram	900.0	859.7	986.7	1,000.0	1,033.3	1,066.7
Dry fish	1 kilogram	1,054.4	1,418.8	1,786.2	2,051.4	2,252.3	2,211.5
Sweet potatoes	1 kilogram	115.0	236.7	136.3	111.1	277.8	135.1
Dry beans	1 kilogram	346.1	762.8	791.7	606.7	1,215.0	972.2
Dry cassava flour	1 kilogram	313.3	296.7	306.7	297.3	427.8	533.3
Green vegetables	1 kilogram	439.0	528.9	363.0	298.1	406.2	407.8
Bread	1 kilogram	1,246.7	1,366.7	1,320.0	1,377.3	1,400.0	1,422.2
Tea	1 kilogram	5,055.6	5,333.3	4,875.0	5,666.0	5,500.0	8,277.8
Salt	1 kilogram	357.3	353.3	400.0	417.3	366.7	461.1
Cooking oil	300 milliliters	610.0	553.3	540.0	530.0	538.7	530.6
Milk	1 liter	450.0	503.3	653.3	647.7	716.7	733.3
Rice	1 kilogram	820.0	843.3	810.0	987.7	950.0	966.7
Tomatoes	1 kilogram	356.7	514.1	594.0	676.8	892.5	582.9
Onions	1 kilogram	528.5	1,032.7	1,050.6	748.8	1,069.0	2,007.4
Meat	1 kilogram	1,166.7	1,543.3	1,973.3	2,324.3	2,366.7	2,255.6
Native beer	1 beer bottle	210.0	206.7	159.0	230.0	190.0	252.1
Bottled beer	1 beer bottle	1,000.0	1,200.0	1,113.4	1,177.8	1,044.4	1,016.7
Cigarettes	1 packet	663.9	955.6	943.4	983.3	994.4	988.9
Charcoal	1 kilogram	151.3	156.7	160.4	182.0	194.7	184.8
Paraffin	1 liter	940.0	811.1	866.7	935.0	1,022.2	1,026.7
Soap	1 kilogram	866.7	792.2	825.2	914.0	940.7	985.2
Sheet (American)	1 meter	1,108.3	1,158.3	...	...	...	...
Cotton blankets	One	6,653.3	5,280.0	5,493.4	5,793.3	5,313.3	5,166.7
Nytil material	1 meter	1,200.0	1,225.0	1,238.4	1,585.0	1,426.7	1,265.6

Source: Ministry of Finance, Planning and Economic Development.

Table 44. Uganda: Central Government Budgetary Operations, 1993/94-1997/98 1/  
(In billions of Uganda shillings)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Prov.
Total revenue and grants	549.4	560.8	760.6	876.6	1,024.3	1,193.1
Revenue	281.4	363.9	526.6	627.2	731.4	795.5
Grants	268.0	196.9	234.0	249.4	292.9	397.7
Import support	133.8	83.2	89.3	87.4	125.7	193.4
Project grants	134.2	113.7	144.7	162.0	167.2	204.3
Expenditures and lending	643.7	679.3	898.1	991.0	1,146.3	1,239.9
Recurrent expenditure	308.6	384.1	493.1	554.0	667.6	728.0
Wages and salaries	62.7	84.4	135.5	167.4	227.0	255.8
Interest payments	54.5	57.2	53.2	59.0	62.9	74.8
Domestic	12.8	8.8	10.8	13.6	22.0	29.1
External	41.7	48.4	42.4	45.4	40.9	45.7
Transfers to the Uganda Revenue Authority	11.7	14.5	17.3	19.7	26.4	25.4
Other	179.7	228.0	287.0	307.9	351.3	372.1
Defense	64.2	74.8	70.9	88.3	92.0	75.1
Priority program areas	0.0	...	85.3	87.4	96.4	110.4
Statutory	12.1	29.3	16.1	34.7	22.4	61.5
Other recurrent	103.4	...	114.7	97.5	140.5	125.1
Development expenditures	333.9	292.4	393.7	429.8	476.7	508.9
External	298.1	252.6	321.7	360.0	371.5	419.2
Domestic	35.8	39.8	72.0	69.9	105.1	89.7
Net lending and investment 2/	1.2	2.8	11.3	7.2	2.0	3.0
Overall balance						
Including grants	-94.3	-118.6	-137.4	-114.4	-122.0	-46.8
Excluding grants	-362.3	-315.5	-371.4	-363.8	-414.9	-444.4
Financing	94.3	118.6	137.4	114.4	122.0	48.8
External financing (net)	173.1	133.2	234.5	195.4	207.4	194.8
Disbursement	264.9	270.4	292.9	248.5	253.0	254.8
Project loans	100.9	131.4	116.0	50.5	48.6	50.5
Import support	164.0	138.9	176.9	198.0	204.3	204.3
Amortization (-)	-125.1	-118.8	-77.6	-66.8	-68.7	-77.9
Payment of external arrears	-11.2	-70.6	-7.5	-11.1	-7.1	-16.3
Exceptional financing	44.5	52.2	26.7	24.8	30.2	34.2
Domestic financing (net)	-78.8	-14.6	-97.1	-81.0	-85.4	-146.1
Bank financing 2/	-17.1	-52.5	-95.6	-29.6	-55.6	-67.1
Bank of Uganda	-17.7	-48.9	-60.8	-67.2	-147.3	-103.3
Commercial banks	0.5	-3.6	-34.8	37.6	91.6	36.2
Nonbank financing						
Check float	-61.6	37.9	-1.5	-51.4	-29.7	-78.9
Domestic arrears repayment	3.2	0.1	11.3	-28.8	0.8	-18.4
Promissory notes (net)	-34.7	-24.7	-10.6	-23.1	-28.1	-47.4
Other (including errors and omissions)	...	...	...	...	...	-25.7
Of which: treasury bills	-30.1	62.5	-2.2	0.5	-2.4	12.6

Source: Ministry of Finance, Planning and Economic Development.

1/ Fiscal year begins in July.

2/ Excludes face value of recapitalization bonds issued to the Bank of Uganda and to the Uganda Commercial Bank. However full provision is made for the interest costs and amortization associated with these bond issues.

Table 45. Uganda: Government Revenue, 1992/93-1997/98 1/

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
(In billions of Uganda shillings)						
Total revenue	281.4	363.9	526.6	627.2	731.4	795.5
Tax revenue	259.0	338.8	486.2	588.8	688.1	748.4
Taxes on international trade	124.2	152.6	205.5	100.5	74.8	78.4
Export taxes 2/	0.0	0.0	28.8	24.6	2.5	0.4
Import taxes 3/	124.2	152.6	176.7	75.9	72.3	78.1
Excise taxes	18.8	40.5	50.6	217.0	301.5	304.1
Petroleum products 3/	0.0	0.0	0.0	149.9	197.5	188.3
Other	18.8	40.5	50.6	67.1	104.0	115.8
Income tax	40.9	53.0	77.2	82.6	102.2	124.8
Other	75.1	92.8	152.9	188.7	209.6	241.2
Value-added tax 4/	0.0	0.0	0.0	0.0	209.6	241.2
Sales tax	62.9	75.3	128.7	162.3	0.0	0.0
Commercial transactions levy	9.6	15.3	22.3	25.6	0.0	0.0
Other	2.6	2.2	2.0	0.8	0.0	0.0
Nontax revenue	22.4	25.1	40.4	38.4	43.3	47.1
(In percent of GDP at factor cost)						
Total revenue	7.8	8.9	10.7	11.3	12.1	11.2
Tax revenue	7.1	8.3	9.9	10.6	11.4	10.5
Taxes on international trade	3.4	3.7	4.2	1.8	1.2	1.1
Export taxes 2/	0.0	0.0	0.6	0.4	0.0	0.0
Import taxes 3/	3.4	3.7	3.6	1.4	1.2	1.1
Excise taxes	0.5	1.0	1.0	3.9	5.0	4.3
Petroleum products 3/	0.0	0.0	0.0	2.7	3.3	2.7
Other	0.5	1.0	1.0	1.2	1.7	1.6
Income tax	1.1	1.3	1.6	1.5	1.7	1.8
Other	2.1	2.3	3.1	3.4	3.5	3.4
Value-added tax 4/	0.0	0.0	0.0	0.0	3.5	3.4
Sales tax	1.7	1.9	2.6	2.9	0.0	0.0
Commercial transactions levy	0.3	0.4	0.5	0.5	0.0	0.0
Other	0.1	0.1	0.0	0.0	0.0	0.0
Nontax revenue	0.6	0.6	0.8	0.7	0.7	0.7
(In percent of total revenue)						
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Tax revenue	92.0	93.1	92.3	93.9	94.1	94.1
Taxes on international trade	44.1	41.9	39.0	16.0	10.2	9.9
Export taxes 2/	0.0	0.0	5.5	3.9	0.3	0.0
Import taxes 3/	44.1	41.9	33.6	12.1	9.9	9.8
Excise taxes	6.7	11.1	9.6	34.6	41.2	38.2
Petroleum products 3/	0.0	0.0	0.0	23.9	27.0	23.7
Other	6.7	11.1	9.6	10.7	14.2	14.6
Income tax	14.5	14.6	14.7	13.2	14.0	15.7
Other	26.7	25.5	29.0	30.1	28.7	30.3
Value-added tax 4/	0.0	0.0	0.0	0.0	28.7	30.3
Sales tax	22.4	20.7	24.4	25.9	0.0	0.0
Commercial transactions levy	3.4	4.2	4.2	4.1	0.0	0.0
Other	0.9	0.6	0.4	0.1	0.0	0.0
Nontax revenue	8.0	6.9	7.7	6.1	5.9	5.9

Source: Ministry of Finance, Planning and Economic Development.

1/ Fiscal year begins in July.

2/ Includes windfall coffee tax.

3/ The import duty on petroleum products was converted to an ad valorem excise duty in July 1995, and to a specific excise tax on March 31, 1998.

4/ The value-added tax was introduced on July 1, 1996 and replaced the sales tax and commercial transactions levy.

Table 46. Uganda: Government Recurrent Expenditure, 1994/95–1997/98 1/  
(In billions of Uganda shillings)

	1994/95	1995/96	1996/97	1997/98 Prov.
Current expenditure	493.1	554.0	667.6	728.0
Security	112.2	115.9	137.9	136.4
<i>Of which: defense</i>	98.0	101.1	123.1	116.9
Roads and works 2/	10.5	8.5	13.1	12.1
Agriculture 3/	10.8	5.6	6.0	5.7
Education 4/	111.4	114.3	167.7	205.5
<i>Of which: primary education</i>	36.9	44.3	81.1	115.5
Health 5/	43.5	56.9	48.4	53.1
Law and order 6/	49.7	58.7	65.3	74.4
Economic functions and social 7/	21.6	11.4	14.2	13.7
Public administration 8/	120.5	143.8	166.8	220.1
Other	12.9	38.8	48.2	7.1

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

1/ Fiscal year begins in July.

2/ Comprises works, housing, and communications; local government roads; and district road maintenance.

3/ Comprises agriculture, animal industry and fisheries; the National Research Organization; and district agricultural extension conditional grants.

4/ Comprises Ministry of Education; Uganda Management Institute; Makerere University; Mbarara University; Institute of Teachership Education, Kyambogo; education teachers' pension; primary education, including school facility grant; secondary education; and tertiary institutions.

5/ Comprises Ministry of Health; Mulago hospital; Butabika hospital; NGO hospital/primary health care; district medical services; district health training schools; district referral hospitals; and district lunch allowances.

6/ Comprises Ministry of Internal Affairs; Uganda police; Uganda prisons; DPP; Justice Court Awards (Statutory); Justice Attorney General; the judiciary; and the Law Reform Commission.

7/ Comprises Ministry of Energy and Minerals; Ministry of Tourism, Trade, and Industry; Ministry of Water, Lands, and Environment; Ministry of Labor and Social Welfare; Ministry of Gender, Labor, and Social Development; Office of Prime Minister; Ministry of Finance Planning and Economic Development; District Water Conditions; District Equalisation Grant; and District Development Grant.

8/ Comprises President's Office; State House; Vice President; Prime Minister; Ministries of Public Service, Foreign Affairs, and Finance, Planning and Economic Development; Inspectorate of Government; Audit; local government; Public Service Pension; Health Service Commission; Judicial Service Commission; cabinet secretariat; parliament; Mass Mobilisation; specified officers; Karamoja Development; Parliamentary Commission; Local Government Finance Act; Uganda Human Rights Commission; Electoral Commission; urban authorities; other districts; and unconditional grants.



Table 47. Uganda: Government Securities Outstanding by Holders, June 1993–December 1998 1/  
(In millions of Uganda shillings; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Government stocks	16	7	8	8	7	7	7	7	6	6	6	6
Bank of Uganda	7	0	0	0	0	0	0	0	0	0	0	0
Commercial banks	4	4	4	4	4	4	4	4	4	4	4	4
Insurance companies 2/	0	0	0	0	0	0	0	0	0	0	0	0
Social Security Fund	0	0	0	0	0	0	0	0	0	0	0	0
Others 3/	6	3	4	4	4	4	4	4	2	2	2	2
Treasury bills	20,083	23,492	45,801	48,061	62,795	71,057	93,831	95,931	95,014	141,051	144,763	139,844
Bank of Uganda	2,953	703	54	229	775	10,822	2,464	10,091	1,146	3,318	5,961	6,743
Commercial banks	10,689	16,612	32,712	35,479	42,943	44,219	70,364	66,035	73,248	113,825	113,936	110,010
Insurance companies 2/	1,226	1,682	3,354	4,371	4,589	4,732	4,705	7,381	897	2,054	1,350	2,512
Others 3/	5,216	4,495	9,682	7,981	14,488	11,283	16,297	12,424	19,724	21,854	23,516	20,580
Total	20,100	23,499	45,809	48,069	62,803	71,064	93,839	95,938	95,020	141,056	144,769	139,931
Banks	13,652	17,318	32,770	35,712	43,722	55,045	72,832	76,130	74,397	117,146	119,901	116,837
Nonbanks	6,448	6,181	13,040	12,357	19,081	16,019	21,007	19,808	20,622	23,910	24,868	23,094

Source: Bank of Uganda.

1/ Face value. Excludes recapitalization bonds.

2/ Includes credit institutions.

3/ Includes institutional and individual investors, oil companies, up-country sales, and others.

Table 48. Uganda: Monetary Survey at Current Exchange Rates, June 1993–December 1998  
(In billions of Uganda shillings; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Net foreign assets	-205.3	-132.5	-76.2	26.1	60.2	154.2	175.7	233.8	377.0	425.4	639.2	641.3
Bank of Uganda	-277.4	-205.2	-148.5	-67.4	-43.0	38.1	69.0	111.5	231.7	268.3	452.0	438.6
Commercial banks	72.1	72.7	72.4	93.5	103.2	116.1	106.7	122.2	145.3	157.1	187.2	202.7
Net domestic assets	543.3	523.7	524.9	520.9	511.3	477.8	508.3	519.9	432.1	478.7	380.7	449.1
Domestic credit	208.7	194.3	200.5	192.6	150.8	170.1	257.9	288.1	290.3	374.8	307.9	460.8
Claims on the government (net)	40.0	-1.0	-12.5	-48.6	-108.1	-121.8	-77.7	-88.5	-61.4	-10.3	-128.5	-24.9
Claims on the private sector	168.7	195.3	213.0	241.2	258.9	291.9	335.6	376.6	351.7	385.1	436.4	485.7
Crop finance	48.0	43.8	53.6	64.8	64.8	71.1	71.5	80.2	77.2	80.4	73.1	78.2
Other private sector	120.7	151.5	159.4	176.4	194.1	220.9	263.8	296.4	274.5	304.7	363.3	407.5
Other items (net)	334.6	329.4	324.4	328.3	360.5	307.7	250.4	231.7	141.8	103.9	72.8	-11.7
Broad money (M2)	301.9	353.9	402.5	483.9	504.4	556.9	609.0	655.4	705.6	783.3	873.0	944.5
Currency and demand deposits	221.9	257.7	292.5	354.0	375.8	408.7	431.0	450.8	484.8	512.5	564.4	612.4
Time and savings deposits	80.0	96.2	110.0	129.9	128.6	148.1	178.0	204.6	220.8	270.7	308.6	332.1
Other deposits 1/	36.1	37.2	46.2	63.2	67.1	75.2	75.0	98.2	103.5	120.9	146.9	145.9

Source: Bank of Uganda.

1/ Foreign exchange deposits of residents.

Table 49. Uganda: Summary Accounts of the Bank of Uganda, June 1993–December 1998  
(In billions of Uganda shillings; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Net foreign assets	-277.4	-205.2	-148.5	-67.4	-43.0	38.1	69.0	111.5	231.7	268.3	452.0	438.6
External assets	140.7	173.9	216.0	299.3	378.0	465.8	513.3	547.1	666.9	719.1	927.6	991.3
Of which: foreign reserves	134.2	170.2	212.6	295.0	375.0	462.8	507.9	542.9	663.9	716.1	924.6	981.7
Foreign liabilities	418.1	379.0	364.5	366.7	421.0	427.7	444.3	435.5	435.2	450.8	475.6	552.7
Net domestic credit	61.6	35.6	17.1	-15.3	-40.3	-88.6	-50.3	-52.0	-125.8	-112.7	-233.2	-149.7
Claims on the government (net)	46.5	15.6	-2.4	-36.5	-63.2	-109.5	-70.5	-73.0	-145.7	-132.8	-249.1	-167.0
Claims on the private sector (net)	15.1	19.9	19.5	21.2	22.9	20.9	20.2	20.9	19.9	20.0	15.9	17.3
Crop finance	12.2	11.2	12.7	13.6	14.7	14.4	14.4	14.4	14.6	14.6	14.6	14.6
Other	3.0	8.7	6.8	7.6	8.3	6.5	5.8	6.6	5.3	5.4	1.3	2.7
Claims on commercial banks	3.0	5.9	3.3	2.0	1.9	-0.4	-0.8	3.9	6.1	7.4	7.9	18.6
Other items (net)	358.0	337.6	335.4	335.7	361.5	341.0	262.6	257.9	219.7	194.7	151.9	122.5
Other assets	55.5	57.5	61.5	65.3	64.9	68.0	69.5	76.5	55.7	66.0	61.5	83.9
Other liabilities	-302.5	-277.2	-274.0	-268.5	-296.7	-270.7	-193.0	-181.4	-166.9	-131.6	-90.4	-38.6
Of which												
Revaluation	7.8	-4.2	-29.5	-34.9	-17.2	-9.0	11.6	3.9	23.3	62.9	125.5	212.8
Currency revaluation 1/	-387.4	-351.4	-307.2	-294.0	-345.9	-340.5	-348.6	-329.2	-333.0	-352.7	-381.4	-452.3
Residual	0.0	2.9	0.0	1.9	0.0	2.3	0.0	0.0	-2.9	-2.9	0.0	0.0
Monetary authorities' liabilities	145.3	171.0	207.4	253.1	280.2	287.9	280.5	321.4	331.7	350.6	373.1	423.3
Currency outside Bank of Uganda	108.9	143.2	147.8	195.7	187.0	228.3	229.2	246.2	245.9	269.0	269.8	318.8
Commercial banks deposits	36.4	27.8	59.6	57.5	93.2	59.6	51.3	75.2	85.8	81.6	103.3	104.5

Source: Bank of Uganda.

1/ Reflects exchange losses on foreign liabilities resulting from the depreciation of the Uganda shilling over the past several years.

Table 50. Uganda: Summary Accounts of the Commercial Banks, June 1993-December 1998  
(In billions of Uganda shillings; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Net foreign assets	72.1	72.7	72.4	93.5	103.2	116.1	106.7	122.2	145.3	157.1	187.2	202.7
External assets	100.4	103.3	108.5	134.5	122.5	133.8	134.8	146.8	165.7	183.3	254.1	259.2
Foreign liabilities	28.3	30.6	36.1	41.1	19.3	17.7	28.0	24.6	20.4	26.2	66.9	56.5
<i>Of which:</i> external accounts	10.3	18.5	14.9	16.3	9.2	10.0	12.9	12.5	11.0	10.8	15.8	34.6
Net domestic assets	156.1	172.1	195.8	229.0	208.6	282.5	327.1	365.3	441.2	516.1	571.4	643.5
Claims on government (net)	-6.6	-16.6	-10.1	-12.1	-44.9	-12.3	-7.3	-15.5	84.4	122.4	120.6	142.1
Advances	1.5	0.0	0.0	0.0	0.3	1.7	0.8	1.7	1.1	0.4	2.4	0.0
Government securities	12.3	14.3	31.7	34.7	39.6	40.1	66.3	63.8	150.6	182.2	185.7	199.2
Government deposits	20.4	30.9	41.8	46.8	84.7	54.1	74.4	81.0	67.3	60.2	67.5	57.1
Claims on private sector (net)	153.6	178.2	193.5	221.9	236.0	271.0	315.5	355.7	331.7	365.1	420.5	468.4
Crop finance	35.8	32.5	40.9	51.2	50.1	56.6	57.1	65.9	62.6	65.8	58.5	63.6
Other	117.8	145.6	152.6	170.7	185.9	214.4	258.4	289.8	269.2	299.3	362.0	404.8
Cash in vaults	9.0	10.5	12.4	19.1	17.5	23.8	18.9	25.1	25.1	28.5	30.3	33.0
Net claims on Bank of Uganda	37.2	20.0	54.3	53.5	91.0	52.2	51.3	88.2	88.2	80.1	111.2	85.0
Balances with Bank of Uganda	45.6	30.5	60.4	60.3	98.9	60.6	59.0	88.4	93.2	80.4	116.2	101.7
Borrowing at Bank of Uganda	8.5	10.5	6.1	6.7	7.9	8.5	7.7	0.2	4.9	7.2	10.5	23.4
Investment in Bank of Uganda instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	5.5	6.7
Other items (net)	-27.3	-6.3	-9.1	-5.5	-0.7	-23.2	-11.3	-43.2	-86.5	-89.6	-89.3	-126.6
Other assets	124.8	135.2	157.7	156.0	157.4	143.5	156.6	126.8	131.5	141.7	165.3	172.4
Other liabilities	152.2	141.5	166.8	161.5	158.1	166.8	167.8	169.9	217.9	231.3	254.6	299.0
<i>Of which:</i> interbank claims (net)	3.7	0.9	1.9	-1.9	-3.9	-4.9	-10.6	-5.3	-16.1	-12.4	-24.0	-11.6
revaluation	9.8	8.6	4.7	4.0	4.7	5.0	5.8	4.9	5.8	7.6	9.7	12.3
Residual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit liabilities to the nonbank public	238.1	258.6	313.4	370.6	402.0	427.5	473.8	532.6	588.3	663.7	780.5	804.6
Foreign exchange accounts	36.1	37.2	46.2	63.2	67.1	75.2	75.0	98.2	103.5	120.9	146.9	145.9
Shilling deposits	202.0	221.3	267.3	307.4	334.9	352.3	398.8	434.3	484.7	542.8	633.6	658.7
Demand deposits	122.0	125.1	157.2	177.5	206.3	204.2	220.7	229.7	263.9	272.1	324.9	326.6
Time and savings deposits	80.0	96.2	110.0	129.9	128.6	148.1	178.0	204.6	220.8	270.7	308.7	332.1

Source: Bank of Uganda.

Table 51. Uganda: Structure of Interest Rates, 1993-98  
(In percent per annum; period averages)

	1993	1994	1995	1996	1997	1998											
						Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Bank of Uganda																	
Ways and means	17.80	6.86	9.41	12.12	10.34	9.36	9.37	9.64	8.68	7.61	6.95	6.68	6.17	8.33	7.31	5.07	5.73
Rediscount rate	23.00	14.00	12.00	14.84	12.24	11.49	11.59	11.88	10.82	9.76	10.07	9.78	9.26	12.02	10.45	8.14	8.62
Bank rate to commercial banks	24.00	15.00	13.30	15.85	14.08	15.07	12.00	14.78	15.00	16.55	14.58	15.58	15.61	12.97	12.70	12.70	9.10
Treasury bills																	
91 days	17.80	6.86	9.41	12.12	10.34	9.27	9.37	9.56	8.03	6.98	6.94	6.68	6.17	8.33	7.31	5.07	5.73
182 days	19.90	11.77	11.73	14.28	11.37	11.12	10.86	10.71	10.48	9.97	9.34	8.70	7.54	7.72	6.90	5.99	4.85
273 days	21.80	12.65	13.26	14.62	12.37	12.33	12.00	11.70	11.40	9.91	9.43	9.11	8.31	8.22	7.86	7.22	6.66
364 days	...	14.82	14.00	15.34	12.69	12.73	12.48	12.19	11.75	11.07	10.53	10.29	8.68	9.34	8.34	7.93	9.41
Commercial banks																	
Deposit rates (weighted average)																	
Demand deposits 1/	...	...	...	1.29	1.86	1.74	1.78	1.74	1.81	1.76	1.62	1.32	2.77	2.42	3.42	3.70	3.17
Savings deposits 2/	8.33	2.67	2.85	3.40	4.26	2.33	4.22	4.27	4.22	4.22	4.22	4.18	4.15	3.85	4.10	4.10	4.10
Time deposits 3/	12.00	7.03	8.31	11.25	12.30	12.42	12.33	12.10	12.03	11.56	12.31	12.34	10.86	9.95	9.87	10.35	10.37
Lending rates (weighted average)	20.30	22.25	18.90	21.17	21.17	21.36	21.33	21.26	21.51	21.41	21.48	21.31	20.02	19.33	20.00	20.74	20.24

Source: Bank of Uganda.

1/ Rate of interest payable on demand deposits optional to banks since December 1992.

2/ Indicative interest rates in force until June 1994. Thereafter, weighted average used.

3/ Interest rate on 7- to 12-month deposits.

Table 52. Uganda: Commercial Banks' Advances to the Private Sector by Economic Activity, June 1993–December 1998 1/  
(In billions of Uganda shillings; end of period)

	1993		1994		1995		1996			1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	June Adjusted 2/	Dec.	June	Dec.	June	Dec.
Agriculture	36.4	42.2	46.9	52.0	53.9	60.0	60.9	54.9	70.1	67.0	70.6	68.4	77.2
Production	0.5	6.7	6.0	3.6	3.8	6.3	3.8	3.8	4.2	4.4	4.7	9.9	13.6
Crop finance	35.8	35.5	40.9	48.4	50.1	53.7	57.1	51.1	65.9	62.6	65.8	58.5	63.6
Manufacturing	24.6	27.0	40.2	45.7	54.0	59.3	104.0	66.7	96.1	80.8	79.8	102.4	124.5
Foods, beverages, and tobacco	4.8	5.2	11.2	14.9	22.6	22.7	37.1	37.1	46.2	52.5	46.6	66.8	82.7
Leather/textiles	1.7	0.8	2.0	2.2	2.5	1.7	1.7	1.7	1.5	2.5	2.3	2.5	1.9
Furniture and household	2.3	1.4	1.7	2.0	2.2	3.1	4.1	3.1	4.4	3.7	5.3	5.7	6.3
Chemical, pharmacy, and													
rubber products	0.5	0.2	0.7	0.7	1.7	2.6	2.5	2.5	4.5	3.4	3.2	4.4	5.6
Metal products and machinery	3.1	2.6	3.3	4.1	4.0	5.4	5.8	1.8	8.4	5.1	6.6	7.0	5.8
Building and construction materials	3.3	3.1	5.4	5.3	6.4	8.5	10.9	5.9	9.0	3.5	4.9	6.6	6.7
Others	8.9	13.7	15.8	16.4	14.6	15.3	41.9	14.6	22.1	10.1	10.8	9.5	15.4
Trade and other services	73.7	70.6	85.4	93.1	107.3	126.1	133.2	128.2	163.7	170.6	185.6	201.2	203.5
Wholesale	28.1	17.5	26.0	34.6	44.5	54.6	66.6	61.6	51.4	76.8	80.1	96.9	79.4
Imports	...	...	23.4	31.2	42.5	51.9	62.8	57.8	47.7	73.2	76.1	88.9	75.5
Exports	...	...	2.6	3.4	2.0	2.7	3.8	3.8	3.7	3.6	4.0	8.0	3.9
Retail	20.0	22.7	25.7	28.7	34.8	37.3	24.8	24.8	58.5	32.1	39.1	31.6	43.9
Others	25.6	30.5	33.7	29.8	28.0	34.2	41.8	41.8	53.9	61.7	66.3	72.7	80.3
Transport, electricity, and water	7.8	9.5	9.1	9.2	8.3	8.8	11.3	8.3	10.9	9.6	11.5	12.9	21.4
Transport	7.8	9.3	8.9	8.2	8.1	8.8	10.8	7.8	10.3	9.0	10.8	12.2	20.9
Electricity and water	0.0	0.2	0.2	1.0	0.1	0.0	0.5	0.5	0.6	0.6	0.7	0.6	0.6
Building and construction	11.5	11.5	12.7	18.1	15.5	17.6	19.1	15.6	18.5	16.7	19.6	18.3	24.2
Mining and quarrying	0.6	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.3
Total	154.7	161.1	194.6	218.4	239.3	271.9	328.8	274.0	359.5	344.9	367.3	403.5	451.1

Source: Bank of Uganda.

1/ Totals differ from "claims on private sector" in Table 26, owing to classification differences.

2/ Adjusted to exclude those nonperforming assets of Uganda Commercial Bank that were taken over by the Non-Performing Assets Trust (NPART). This adjustment carries on in subsequent months.

Table 53. Uganda: Balance of Payments, 1992/93-1997/98 1/  
(In millions of U.S. dollars)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Prov.
Current account	-119.4	-36.7	-141.6	-110.0	-53.4	-136.6
Trade balance	-365.4	-417.7	-490.2	-627.9	-575.4	-952.7
Exports, f.o.b.	157.1	253.9	595.3	590.3	670.9	458.4
Coffee	99.1	172.3	456.6	404.4	365.6	268.9
Noncoffee	57.9	81.5	138.7	185.9	305.2	189.5
Imports, c.i.f.	522.5	671.6	1,085.5	1,218.3	1,246.3	1,411.1
Project related	165.4	152.7	230.0	211.4	209.5	217.9
Other imports	357.1	518.9	855.5	1,006.8	1,036.8	1,193.2
Nonfactor services (net)	-89.7	-89.8	-226.0	-247.3	-251.0	-284.4
Factor services (net)	-48.9	-61.1	-58.1	-45.8	-16.5	-8.6
Transfers	384.6	531.9	632.6	811.1	789.5	1,109.0
Private transfers	107.9	303.7	329.9	534.5	482.1	729.2
Official transfers	276.7	228.2	302.7	276.6	307.4	379.8
Project support	165.4	152.7	207.0	190.3	188.6	217.9
Import support	111.4	75.5	95.7	86.3	118.8	162.0
Capital account	124.4	140.2	266.8	169.6	164.6	246.0
Official (net)	145.2	156.6	281.8	210.2	209.5	194.8
Disbursements	249.3	271.9	377.4	282.4	276.4	262.8
Project support	165.4	152.7	252.9	232.6	230.5	217.9
Balance of payments support	83.9	119.2	124.4	49.9	45.9	45.0
Amortization due	104.1	115.4	95.6	72.3	66.9	68.0
Private capital (net) 2/	-20.8	-16.3	-15.0	-40.5	-44.9	51.1
Overall balance	5.0	103.5	125.2	59.6	111.2	109.4
Financing	-5.0	-103.5	-125.2	-59.6	-111.2	-109.4
Central bank reserves (- = increase)	-32.7	-86.8	-145.8	-73.2	-133.0	-133.4
Gross reserve change	-38.7	-107.4	-168.9	-91.5	-142.2	-128.6
IMF (net)	9.7	17.7	22.5	18.5	10.0	-5.0
Other	-3.8	2.8	0.6	-0.2	-0.8	0.1
Change in arrears (net)	-329.7	-59.3	5.2	-4.4	1.8	-43.1
Exceptional financing 3/	357.4	42.6	15.4	17.9	20.0	67.2
Toward arrears reduction	331.5	26.1	0.0	8.9	0.0	62.0
Current maturities	25.9	16.5	15.4	9.0	20.0	5.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:						
Gross international reserves of						
Bank of Uganda 4/	1.9	3.1	3.4	3.6	4.5	4.8
Net international reserves 4/	-4.0	-2.2	-0.4	0.5	1.6	2.4

Sources: Ugandan authorities; and Fund staff estimates.

1/ Fiscal year begins in July.

2/ Includes private short-term capital flows, foreign direct investment, and errors and omissions.

3/ For 1998/99, incorporates the effects of the HIPC Initiative, including the April 1998 Paris Club stock-of-debt operation and the rescheduling with Tanzania. For subsequent years, includes all these, as well as rescheduling with non-Paris Club bilateral and commercial creditors on terms at least comparable to those provided by Paris Club creditors.

4/ In months of import of goods and nonfactor services.

5/ In percent of exports of goods and nonfactor services.

Table 54. Uganda: Merchandise Exports and Imports, 1992/93-1997/98 1/  
(Value in millions of U.S. dollars; volume in thousands of metric tons; and  
unit value in U.S. dollars per kilogram)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Prov.
Total exports	157.1	253.9	595.3	590.3	670.9	458.4
Coffee 2/	99.1	172.3	456.6	404.4	365.6	268.9
Unit value	0.8	1.1	2.6	1.7	1.4	1.6
Volume (millions of bags)	2.0	2.5	3.0	3.9	4.4	2.9
Cotton	5.3	4.3	3.3	13.2	25.5	11.4
Unit value	1.1	1.1	1.2	1.6	1.5	1.5
Volume	4.9	4.0	2.7	8.3	16.9	7.4
Tea	6.5	8.9	11.8	12.5	12.0	35.0
Unit value	0.8	0.9	1.0	1.0	0.8	1.6
Volume	8.4	10.4	12.2	12.6	15.4	22.2
Fish products	4.4	11.1	17.0	37.5	34.6	28.0
Unit value	1.8	1.9	2.1	2.8	3.0	2.8
Volume	2.4	5.8	8.0	13.7	11.6	9.9
Cereal	7.7	14.0	20.2	9.4	16.3	8.1
Unit value	0.1	0.2	0.2	0.2	0.2	0.2
Volume	64.5	64.9	106.1	59.1	70.8	33.5
Beans	7.5	10.5	11.7	7.4	5.9	2.2
Unit value	0.3	0.3	0.4	0.4	0.4	0.5
Volume	28.9	36.9	31.6	20.5	14.8	4.5
Other products	26.4	32.7	74.8	105.9	210.9	104.9
Total imports	522.5	671.6	1,085.5	1,218.3	1,246.3	1,411.1
Project support	165.4	152.7	230.0	211.4	209.5	217.9
Nonproject related	357.1	518.9	855.5	1,006.8	1,036.8	1,193.2
Oil	57.7	55.1	64.4	90.0	91.9	84.2
Other	299.3	463.8	791.1	916.9	944.8	1,109.1

Source: Bank of Uganda.

1/ Fiscal year begins in July.

2/ Cash-flow data as reported in the balance of payments, which may differ from shipment data from the Uganda Coffee Development Authority (UCDA).



Table 55. Uganda: External Trade Indices, 1992/93–1997/98 1/  
(1992/93 = 100)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Prov.
<b>Exports</b>						
Value	100.0	161.6	379.0	375.8	427.1	291.8
Unit value index	100.0	130.1	233.9	177.7	151.1	170.1
Volume index	100.0	124.2	162.1	211.5	282.7	171.6
<b>Imports</b>						
Value	100.0	128.5	207.8	233.2	238.5	270.1
Unit value index	100.0	97.9	106.1	112.9	113.5	110.8
Volume index	100.0	131.2	195.7	206.6	210.2	243.7
Terms of trade	100.0	132.9	220.3	157.4	133.2	153.5

Sources: Bank of Uganda; and Fund staff estimates.

1/ Fiscal year begins in July.

Table 56. Uganda: Bank of Uganda and Bureau Exchange Rates, 1993-98 1/  
(In Uganda shillings per U.S. dollar, monthly average)

	1993		1994		1995		1996		1997		1998	
	Bank of Uganda 2/	Foreign exchange bureaus	Bank of Uganda	Foreign exchange bureaus	Interbank mid-rate	Foreign exchange bureaus	Interbank mid-rate	Foreign exchange bureaus	Interbank mid-rate	Foreign exchange bureaus	Interbank mid-rate	Foreign exchange bureaus
January	1,039	1,218	1,113	1,160	925	930	1,026	1,034	1,045	1,041	1,148	1,151
February	1,041	1,215	1,047	1,082	926	931	1,022	1,034	1,033	1,036	1,153	1,152
March	1,042	1,212	1,079	1,107	927	932	1,017	1,029	1,025	1,032	1,152	1,153
April	1,044	1,216	1,007	1,066	929	935	1,014	1,030	1,046	1,047	1,175	1,163
May	1,046	1,211	966	1,011	940	950	1,018	1,027	1,065	1,064	1,223	1,219
June	1,048	1,197	963	973	965	972	1,041	1,045	1,068	1,067	1,231	1,225
July	1,049	1,191	967	976	969	976	1,055	1,059	1,068	1,069	1,235	1,236
August	1,050	1,190	921	944	970	981	1,067	1,068	1,098	1,101	1,244	1,234
September	1,053	1,183	921	937	978	984	1,075	1,080	1,117	1,120	1,285	1,279
October	1,130	1,167	920	928	1,043	1,041	1,105	1,105	1,140	1,142	1,314	1,313
November	1,165	1,185	920	925	1,033	1,042	1,081	1,099	1,147	1,245	1,354	1,355
December	1,146	1,186	930	932	1,023	1,037	1,030	1,040	1,143	1,215	1,368	1,375

Source: Bank of Uganda.

1/ Bank of Uganda or auction rates are middle rates as at end of period. Interbank mid-rate and foreign exchange bureau rates are period averages.

2/ As of November 1, 1993, the interbank mid-rate became the Bank of Uganda's official exchange rate.

Table 57. Uganda: Coffee Export Price, Volume, and Value, 1993-98  
(Quantity in 60-kilogram bags; price in U.S. dollars per kilogram; and value in U.S. dollars)

	1993			1994			1995			1996			1997			1998		
	Quantity	Price	Value	Quantity	Price	Value	Quantity	Price	Value	Quantity	Price	Value	Quantity	Price	Value	Quantity	Price	Value
January	132,689	0.91	7,224,546	209,778	1.18	14,909,645	272,004	2.52	41,146,402	552,532	1.51	50,182,562	551,688	1.16	38,555,079	299,742	1.53	27,460,418
February	145,768	0.92	8,111,247	311,123	1.10	20,465,608	276,720	2.58	42,776,529	522,381	1.51	47,228,459	496,378	1.34	39,790,176	327,056	1.66	32,481,496
March	245,122	0.89	13,251,916	362,380	1.17	25,346,854	324,918	2.60	50,716,763	438,112	1.54	40,610,530	336,291	1.51	30,518,570	234,824	1.72	24,269,880
Q1	523,579	0.91	28,587,709	883,281	1.15	60,722,107	873,642	2.57	134,639,694	1,513,025	1.52	138,021,551	1,384,357	1.31	108,863,825	861,622	1.63	84,211,794
April	247,190	0.87	12,834,668	366,859	1.19	26,129,409	210,207	2.68	33,772,141	394,980	1.55	36,698,503	268,825	1.61	25,941,328	138,473	1.72	14,323,573
May	201,190	0.88	10,665,705	338,252	1.27	25,836,389	143,023	2.77	23,735,243	281,247	1.57	26,442,510	193,280	1.86	21,575,736	152,833	1.69	15,497,981
June	156,917	0.87	8,146,925	234,464	1.47	20,748,282	90,216	2.63	14,245,183	184,121	1.57	17,366,031	291,140	1.81	31,651,022	356,541	1.56	33,468,465
Q2	605,297	0.87	31,647,298	939,575	1.29	72,714,080	443,446	2.70	71,752,567	860,348	1.56	80,507,044	753,245	1.75	79,168,086	647,897	1.63	63,290,019
July	105,462	0.83	5,269,110	349,194	2.13	44,539,176	120,292	2.27	16,354,846	269,990	1.49	24,206,758	336,651	1.56	31,533,338	407,727	1.38	33,794,857
August	188,819	0.88	9,913,789	216,972	2.19	28,529,735	249,129	1.90	28,430,475	338,614	1.35	27,502,245	251,803	1.44	21,792,803	351,247	1.33	28,051,753
September	211,926	1.02	12,921,730	348,453	2.33	48,719,214	277,753	2.20	36,625,846	371,324	1.37	30,627,491	220,072	1.40	18,541,633	207,931	1.35	16,689,554
Q3	506,207	0.93	28,104,629	914,619	2.22	121,788,125	647,174	2.10	81,411,167	979,928	1.40	82,336,494	808,526	1.48	71,867,774	966,905	1.35	78,536,164
October	70,047	1.15	4,819,486	161,408	3.13	30,341,036	171,787	2.01	20,710,142	340,341	1.31	26,809,811	130,829	1.55	12,139,601	99,123	1.42	8,457,976
November	84,971	1.11	5,638,666	165,016	3.11	30,799,918	228,386	1.97	26,931,256	436,251	1.24	32,569,982	179,604	1.49	16,065,529	242,062	1.42	20,661,039
December	112,712	1.18	7,976,387	237,135	2.85	40,547,253	395,329	1.70	40,406,670	514,394	1.16	35,847,162	245,481	1.49	21,608,036	468,403	1.44	40,510,249
Q4	267,730	1.15	18,434,539	563,559	3.01	101,688,207	795,502	1.84	88,048,068	1,290,986	1.23	95,226,955	555,914	1.51	49,813,166	809,588	1.43	69,629,264
Total	1,902,813	0.94	106,774,175	3,301,034	1.80	356,912,519	2,759,764	2.27	375,851,496	4,644,287	1.42	396,092,044	3,502,042	1.48	309,712,851	3,286,012	1.50	295,667,241

Source: Uganda Coffee Development Authority.

1/ Data for 1998 are provisional.

Table 58. Uganda: External Debt Outstanding, 1993-98  
(At end-June)

	1993	1994	1995	1996	1997	1998 Prov.
(In millions of U.S. dollars)						
Total	2,637.5	2,999.4	3,387.0	3,516.6	3,660.2	3,631.1
Multilateral institutions 1/ 2/	1,816.0	2,156.1	2,487.9	2,655.9	2,763.0	2,826.8
AfDB	48.0	28.0	26.3	35.7	32.7	32.0
AfDF	136.0	197.0	201.8	235.8	253.2	267.9
BADEA	18.0	15.0	14.8	15.6	16.0	15.1
EIB	16.0	21.0	25.7	32.7	36.8	36.4
EDF	8.4	7.6	8.6	7.9	6.9	6.3
IBRD	22.0	18.0	0.0	0.0	0.0	0.0
IDA	1,152.0	1,418.0	1,714.5	1,815.6	1,915.5	1,997.2
IDB	16.0	16.0	15.0	13.2	11.2	7.3
IFAD	38.0	44.0	51.9	55.5	55.1	52.6
IMF	333.2	376.5	408.5	414.1	396.3	393.3
OPEC Fund	11.5	9.8	9.0	11.1	9.9	8.5
Other	16.9	5.2	11.8	18.7	29.4	10.2
Bilateral Paris Club	282.0	332.0	380.1	350.6	339.1	324.4
Pre-cutoff-date	171.0	176.0	180.1	155.8	147.8	...
Post-cutoff-date	111.0	156.0	200.0	194.8	191.3	...
Bilateral non-Paris Club	415.6	398.4	407.9	404.5	456.9	423.6
China	56.6	65.1	61.5	56.4	58.3	39.4
India	68.5	51.3	53.8	57.5	61.0	64.4
Libya	90.3	98.0	102.8	105.9	108.3	110.4
Tanzania	68.8	67.5	67.5	67.5	117.3	120.8
Korea, D.P.R. of	34.1	34.5	34.3	33.7	27.5	16.3
Other	97.3	82.0	88.0	83.5	84.5	72.3
Commercial banks	17.1	1.3	7.7	3.0	1.1	2.5
Commercial nonbanks	62.0	38.2	27.2	26.2	29.1	30.9
Other loan	44.8	73.4	76.2	76.4	71.0	22.9
(In percent of total debt, unless otherwise indicated)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral institutions	68.9	71.9	73.5	75.5	75.5	77.8
Bilateral Paris Club	10.7	11.1	11.2	10.0	9.3	8.9
Pre-cutoff-date	6.5	5.9	5.3	4.4	4.0	...
Post-cutoff-date	4.2	5.2	5.9	5.5	5.2	...
Bilateral non-Paris Club	15.8	13.3	12.0	11.5	12.5	11.7
Commercial banks	0.6	0.0	0.2	0.1	0.0	0.1
Commercial nonbanks	2.4	1.3	0.8	0.7	0.8	0.9
Other loan	1.7	2.4	2.2	2.2	1.9	0.6
Memorandum item:						
Debt-to-GDP ratio						
(in percent; including IMF)	87.2	71.5	66.5	66.9	64.9	63.0

Sources: Ugandan authorities; and Fund staff estimates.

1/ AfDB, African Development Bank; AfDF, African Development Fund; BADEA, Arab Bank for Economic Development in Africa; EIB, European Investment Bank; IBRD, International Bank for Reconstruction and Development; IDA, International Development Association; IDB, Islamic Development Bank; IFAD, International Fund for Agricultural Development; and IMF, International Monetary Fund.

2/ Bank of Uganda estimate of disbursements from multilateral institutions is understated for 1993-94.

Table 59. Uganda: Summary of the Tax System as of June 1, 1999  
(All amounts in Uganda shillings)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on companies, or enterprises			
1.1 Income Tax Act, 1997	Tax payable by companies that are incorporated under the laws of Uganda, or where management and control of their affairs are exercised in Uganda. Resident companies' tax is levied on income and profit accrued or derived from Uganda. Losses can be carried forward. Capital gains on business assets are taxed.	<p>The following amounts are exempt from tax:</p> <ul style="list-style-type: none"> <li>the income of a listed institution;</li> <li>the income of any organization or person entitled to privileges under the Diplomatic Privileges Act to the extent provided in the regulations and orders made under that act;</li> <li>the official employment income derived by a person in the public service of the government of a foreign country provided (i) the person is either a nonresident or is a resident individual solely by reason of performing such service; (ii) the income is payable from the public funds of that country; and (iii) the income is subject to tax in the country;</li> <li>any allowance payable outside Uganda to a person working in a Ugandan foreign mission;</li> <li>the income of any local authority;</li> <li>income of an exempt organization other than (i) property income, except rent received by an exempt organization; or (ii) business income that is not related to the function constituting the basis for the organization's existence;</li> </ul>	

Table 59. Uganda: Summary of the Tax System as of June 1, 1999  
(All amounts in Uganda shillings)

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<ul style="list-style-type: none"> <li>any education grant that the Commissioner is satisfied has been made bona fide to enable or assist the recipient to study at a recognized educational or research institution;</li> <li>any amount derived by way of alimony or allowance under any judicial order or written agreement of separation;</li> <li>interest payable on treasury bills or Bank of Uganda bills;</li> <li>the value of any property acquired by gift, bequest, devise, or inheritance that is not included in business, employment, or property income;</li> <li>any capital gain that is not included in business, employment, or property income;</li> <li>employment income derived by an individual to the extent provided for in a technical assistance agreement where (i) the individual is a nonresident or a resident solely for the purpose of performing duties under the agreement; (ii) the Minister has concurred in writing with the tax provisions in the agreement; and (iii) the name of each individual to benefit from the exemption provision in the agreement is included in a notice published in the Gazette;</li> </ul>	

Table 59. Uganda: Summary of the Tax System as of June 1, 1999  
(All amounts in Uganda shillings)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.2 Taxes on individuals		<ul style="list-style-type: none"> <li>• a pension;</li> <li>• a lump-sum payment made by a resident retirement fund to a member of the fund or a dependent of a member of the fund;</li> <li>• the proceeds of a life insurance policy paid by a person carrying a life insurance business; or</li> <li>• the official employment income of a person employed in the armed forces of Uganda, the Uganda police force, or the Uganda Prisons Service, other than a person employed in a civil capacity.</li> </ul>	Taxable income (U Sh)	Tax payable (U Sh)
	Tax is assessed on worldwide comprehensive concept of income, including nonsalary benefits, but credits are allowed for tax paid on foreign-sourced income. A pay-as-you-earn system operates for employees. Refunds or additional taxes are paid when actual tax liability is determined.	In ascertaining income, all expenditure incurred in the production of that income is deductible. Interest and dividend earnings by individuals are subject to a 15 percent final tax deductible at source. Pension income and interest on treasury and Bank of Uganda bills are exempt.	Below 1,560,000 Between 1,560,000 and 2,830,000	Nil 10% of the amount by which total income exceeds 1,560,000
	For rental income a special regime applies for individuals whereby the threshold of U Sh 1,580,000 and 20 percent of the gross income are allowed as deductions, with a tax rate of 20 percent applying to the balance.		Between 2,820,000 and 4,920,000	126,000 plus 20% of the amount by which total income exceeds 2,820,000

Table 59. Uganda: Summary of the Tax System as of June 1, 1999  
(All amounts in Uganda shillings)

Tax	Nature of Tax	Exemptions and Deductions	Rates
			Over 4,920,000 546,000 plus 30% of the amount by which total income exceeds 4,920,000
1.3 Withholding taxes on domestic and foreign payments	Levied on payments to nonresi- dents of interest, dividends, royalties, management and professional fees, and Uganda- sourced service contracts.		15%
	Levied on payments of interest and dividends to residents.	Interest paid by a natural person, or paid to a financial institution, or paid by a company to an associated company.	15%
	Levied on payments for certain imports and domestic transactions.	Exempt transactions include purchases of petroleum products, plant, and machinery, drugs, and education materials.  For domestic transactions, only payments by government, local authorities, and parastatals are subject to the 4% withholding tax. Up-to-date taxpayers, as published by the Uganda Reve- nue Authority, are also exempt from the 4% withholding tax.	4%
2. Taxes on goods and services			
2.1 Value-added tax	Levied on imported and local supplies of goods and services	Zero-rated supplies include exports, international transport of goods or passengers, medi- cal supplies and equipment, education materials, and farm inputs.  Exempt supplies include finan- cial, medical, and education services, unprocessed food- stuffs, passenger transport services, excisable petroleum products, and unimproved land.	17 %



Table 59. Uganda: Summary of the Tax System as of June 1, 1999  
(All amounts in Uganda shillings)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
2.2 Excise duties	Levied on selected imports and locally produced goods and payable by the importer or manufacturer.		Main excisable goods	Rates
			Petrol (per lit.)	U Sh 580
			Diesel (per lit.)	U Sh 370
			Paraffin (per lit.)	U Sh 250
			Beer	65%
			Cigarettes	122%
			Spirits	65%
			Wine	65%
			Soft drinks	20%
			Soap	10%
			Sugar	10%
2.3 Business and professional licenses	All firms must have a license for all kinds of businesses in which they are engaged.	Charitable religious and other welfare organizations are exempt.	Fees vary according to type and location of businesses.	
3. Taxes on international trade				
3.1. Imports under Harmonized System	Uganda maintains a single-column tariff schedule based on the Harmonized System	Imports for President's use, imports by diplomats, imports of personal effects, and duty-free allowances are exempt.	Goods	Rates
			Plant and machinery	0%
			Raw materials	7%
			Consumer goods	15%
			Manufactured tobacco products	30%
3.2 Foreign vehicles	Levied on heavy goods vehicles	None	Goods vehicles with three or more axles	US\$27 per vehicle
4. Other taxes				
4.1 Stamp duty	Levied on a range of specific instruments, including agreements, bills of exchange, deeds, mortgages, lease agreements, etc.	Government transactions and at the discretion of the Minister of Finance.	Mortgages 0.5% and others 1%; where a value is not known, a rate of US\$1,000 applies	
4.2 Airport tax	Levied on all departing passengers.	None.	US\$20 or equivalent	