BANK OF UGANDA

Annual Report

1981-1982

BOARD OF DIRECTORS

Mr. L. Kibirango, F.I.B.
Governor (Chairman).

Mr. J.R.O. Elangot,
Deputy Governor.

Mr. R. Ekinu,
Secretary to the Treasury.

Mr. J.M. Okae,
Member

Professor S. Tulya-Muhika,
Member

Mr. A. Patel,
Member

Mr. A. Sekalala,
Member

Mr.E.O. Ochieng,
Member

Mr. F.X. Tinkasimire,
Acting Secretary

BANK OF UGANDA

ANNUAL REPORT

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Bank of Uganda

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(as at end of December, 1982)

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Professor S. Tulya-Muhika, Director of the Institute of Statistics and Applied Economics, Makerere University.

Mr. A. Patel, Businessman and Industrialist.

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Mr.E.O. Ochieng, Head of the Department of Economics, Makerere University.

Mr. F.X. Tinkasimire, (Acting Secretary).

Bank of Uganda

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LETTER OF TRANSMITTAL

H.E. The President/Hon. Minister of Finance
P.O. BOX 8147
KAMPALA.

Your Excellency,

In accordance with Section 46 of the Bank of Uganda Act 1966, I am presenting to you the Bank's Annual Report 1981-1982. In compliance with the Act, the accounting part of the Report relates to the financial year 1981/1982, whereas the economic part covers the whole of calendar years 1981 and 1982. The overlap of the economic policies pursued and the general demand for economic information have justified such a coverage.

In conformity with the provision of Section 36 of the above mentioned Act, as amended by the Bank of Uganda Act (Amendment) Decree No. 22 of 1971, a statement of audited accounts for the year ending June, 1982, is also included.

I am, Your Excellency,
Yours sincerely,

LEO KIBIRANGO
Governor

PREFACE

This Annual Report 1981-82 is the first one that the Bank of Uganda is publishing since 1972. With regard to the statistical information presented in the report, three aspects are worth noting.

Firstly, the report, apart from reviewing the financial year 1981/82 as required by the Bank of Uganda Act, also briefly covers the period 1972-1980 plus the calendar years 1981 and 1982 for completeness. Following the break with the past in the economic policies pursued and given the overlap of the stabilization and recovery programmes introduced during the period, the two years 1981 and 1982 have been considered as a homogeneous period.

Secondly, given the fact that the rehabilitation of the statistical apparatus of the country and of the Bank of Uganda was augmented only recently, some of the data given in this Report is provisional.

Thirdly, the present Report does not link up with previous reports, nor does it try to follow up, the statistical record, since the last published Annual Report of 1971/72 in a systematic fashion. To do otherwise would have been for several reasons, impractical.

In order to provide a perspective of developments between the publication of the last report and the present one, a section on the period 1972-1980 has been included in chapter one. Relevant authorities intend, however, to fill this statistical gap with a special statistical issue as soon as information channels have been fully rehabilitated. The Bank of Uganda will, naturally, make an important contribution to this task.

In the meantime, with regard to the period 1972-1980, reference may be more fruitfully made to a number of recent publications on the Uganda economy. These include the report of the Commonwealth Team of Experts of June 1979, entitled ***The Rehabilitation of the Economy of Uganda,*** submitted by the Government to the Consultative Group meeting (in 1981) and a series of documents prepared as ***Background to the Budgets,*** especially the issue for the fiscal year 1982/83 published on behalf of the Government by the Ministry of Planning and Economic Development in June 1982.

Henceforth, the Bank intends to publish its Annual Reports on a regular basis in order to contribute to the provision of economic data and to aid analysis of developments within our economy.

Part 1: ECONOMIC AND FINANCIAL DEVELOPMENTS

1 OVERALL REVIEW

The last annual report that the Bank of Uganda published covered the financial year 1971/1972, a period which marked the first steps on the way to a prolonged period of economic mismanagement and deterioration. Economic and financial mismanagement combined with a general state of insecurity brought the country, which once was one of the most advanced economies south of the Sahara, to a virtual standstill and rendered the economy greatly fragile despite the support of the exceptionally high coffee prices in 1976 and 1977. The trend of deterioration was unavoidably aggravated by the 1979 Liberation War and despite much international goodwill, it continued until the implementation of the new economic measures introduced in 1981 by the Government (elected in December, 1980).

This chapter attempts to provide a synopsis of what transpired between the publication of the Bank's last annual report and 1982. For convenience the review in Chapter 1 is divided into two sections, covering the periods 1972-1980 and 1981-1982 respectively. Because of the dearth and unreliability of information concerning the period 1972-1980, it has been possible to provide only a very brief glimpse of developments. The period 1981-1982 is the major concern of this annual report and a detailed review is given in Chapters 2 to 8.

1.1 THE PERIOD 1972-1980

Gross Domestic Product

In the period 1972-1980 as a whole, Uganda experienced an overall decline in total production. GDP at factor cost (1966 constant prices) was still in 1977 at about the same level as in 1972, but a drastic decline set in between 1978 and 1980 with GDP falling by 19 per cent. A positive growth was achieved in 1976 and 1977 reflecting the boom in international coffee prices, which greatly increased export earnings and largely offset the slowdown in economic activity in 1974 following the first major increase in petroleum prices. However, the impact of the subsequent rise in petroleum prices in 1978 and 1979 aggravated the deteriorating performance of the economy. In none of these years (1972-1980) did the real growth in GDP match the rate of population increase, on average 3.1 per cent. per annum between 1972-1979 (Table 1).

Agricultural Production

Agricultural production including forestry, fishing, and hunting, after remaining relatively steady between 1972 and 1977, declined in the succeeding three years. With the exception of coffee, all other major crops (cotton, tea and tobacco) showed a decline in production. Cotton, tea and unmanufactured tobacco declined due to lack of farm implements, insecticides, packing materials etc. Prices paid to the farmers were also not competitive enough to encourage farmers to increase acreage. Retained income for the farmers was thus too meagre to enable them to purchase bare necessities of life.

Industrial Production

The country's industrial sector is relatively small, consisting of production of import-substituting, light manufactured products and the processing of agricultural commodities. This sector, prior to 1972, used to produce a wide range of manufactured consumer and intermediate goods for domestic consumption, with a sizeable surplus for export to Kenya and Tanzania. The declaration of the "economic war" in August, 1972, by the Military Regime, adversely affected the manufacturing sector's performance and accelerated a steady decline in output over subsequent years.

Expulsion of non-citizens (mostly of Asian origin), which followed the declaration of the "economic war", nearly crippled this sector as the expellees had up to then provided an important part of the skilled management and technical manpower. The mismanagement of the country's meagre foreign exchange earnings made it impossible to import adequate spare parts and raw materials for various industrial concerns. This coupled with the steady decline in production of cash crops, heavily reduced the capacity of crop processing industries. Most industries experienced acute shortage of local working capital, as the controlled ex-factory prices set by Government for their products could no longer adequately cover their production costs in a situation of low capacity utilisation.

As a result of the above enumerated problems, most of the industries which used to operate in excess of 70 per cent of their installed capacity during the early 1970's, operated at only between 10 and 20 per cent towards the end of the decade and a good number had virtually closed down. This sector's contribution to GDP, which stood at an average of 8.4 per cent between 1970 and 1973, dropped to 6.0 per cent in 1978 (Table 2). By the end of the decade (1980), the sector's contribution had further drastically declined and stood at only 4.4 per cent. Thus, throughout the period 1972 to 1980, industrial production showed a persistent decline.

Prior to the Liberation War, however there were some few industries which despite the situation of economic mismanagement, had somewhat maintained reasonable levels of capacity utilisation. By 1978, some industries such as those producing beer, Uganda Waragi (spirits), cigarettes, paints, and textiles were still operating well above 30 per cent of their installed capacities. On the other hand, industries producing building materials, steel products, soft drinks, fertilizers, soap, animal feeds, and matches were producing at only between 10 and 20 per cent of capacity.

TABLE 1:

UGANDA: SELECTED ECONOMIC DATA, 1972 – 80

(In millions of shillings unless otherwise indicated)

	1972	1973	1974	1975	1976	1977	1978	1979	1980
OUTPUT AND PRICES									
GDP (at constant 1966 prices)	7,542	7,476	7,509	7,357	7,411	7,527	7,115	6,330	6,115
Agricultural Production[1]	3,825	4,018	3,978	3,966	3,922	4,097	4,077	3,497	3,277
Industrial Production[2]	740	670	654	564	534	501	387	254	267
Consumer Prices (Low Income Index, 1961 = 100)	164	204	341	410	601	1,133	1,546	4,894	5,474[3]
PUBLIC FINANCE[4]									
Total Revenue and Grants	1,538.3	1,240.6	1,175.3	2,090.7	2,457.6	5,720.8	5,856.6	2,715.0	5,128.3
Total Expenditure	2,436.5	2,102.2	2,805.3	3,209.4	3,775.2	4,716.8	5,953.2	6,085.2	6,790.9
Overall Deficit (−) or Surplus	−898.2	−861.6	−1,630.0	−1,118.7	−1,317.6	1,004.0	−96.6	−3,370.2	−1,662.6
MONEY AND CREDIT									
Net Foreign Assets	139.4[5]	83.1	−29.1	30.3	46.4	112.3	254.1	−129.7	−429.9
Domestic Credit	2,455.2	3,356.7	4,508.6	5,298.8	6,726.6	8,406.6	10,509.4	12,855.5	20,798.8
Claims on Government	1,439.4	2,148.1	2,907.7	3,603.8	4,789.6	5,521.6	7,288.2	9,484.5	14,847.8
Claims on Private Sector	1,015.8	1,208.6	1,600.9	1,695.0	1,937.0	2,885.0	3,221.2	3,371.0	5,951.0
Broad Money	2,147.4	2,911.1	3,865.0	4,677.7	6,234.5	7,400.3	9,584.7	13,166.0	17,435.7
Currency in Circulation	620.1	795.9	1,092.5	1,367.1	2,205.2	2,889.1	3,518.2	4,640.7	6,243.4
Demand Deposits	922.6	1,318.6	1,913.3	1,885.0	2,286.5	2,897.6	3,491.8	5,027.2	6,698.1
Time and Savings Deposits	604.7	796.6	859.2	1,425.6	1,742.8	1,613.6	2,574.7	3,498.1	4,494.2
BALANCE OF PAYMENTS				(In millions of U.S. dollars)					
Total Exports	263.8	280.0	294.1	213.0	325.7	568.9	334.9	412.2	335.7
Total Imports	197.6	205.2	271.6	235.6	239.2	437.6	365.1	335.1	564.4
Trade Balance	66.2	74.8	22.5	−22.6	86.5	131.3	−30.2	77.1	−228.7
Current Account Balance	16.3	44.0	−24.1	−50.4	47.6	71.0	−108.5	−2.8	−7.4
Private	−39.0	−38.6	−0.2	17.4	−42.1	−43.7	69.4	−184.2	−19.0
Official	20.7	8.4	13.8	7.8	−6.8	−5.9	−21.4	−21.1	−65.2
Capital Account Balance	−18.3	−30.2	13.6	25.2	−48.9	−49.6	48.0	−205.3	−84.2
Overall Balance (deficit (−)	+2.4	−3.0	−37.2	−25.2	−1.4	+21.3	−60.5	−128.1	−288.1
				(Annual percentage changes)					
GDP (at constant 1966 prices)	+0.4	−0.6	+0.2	−2.0	+0.7	+1.6	−4.6	−11.9	−3.4
Consumer Prices (Low Income Index 1961 = 100)	—	+24.4	+67.2	+20.2	+46.6	+88.5	+36.5	+216.6	+11.9
Total Revenue & Grants	—	−19.4	−5.3	+77.9	+17.5	+132.8	+2.4	−53.7	+88.9
Total Expenditure	—	−13.7	+33.4	+14.4	+17.6	+24.9	+26.2	+2.2	+11.6
Domestic Credit	+34.8	+36.7	+34.3	+17.5	+26.9	+25.0	+25.0	+22.3	+61.8
Broad Money	+30.7	+35.6	+32.8	+21.0	+33.3	+18.7	+29.5	+37.4	+32.4

[1] Includes forestry, fishing and hunting

[2] Includes cotton ginning, coffee curing, sugar manufacturing, and mining and quarrying

[3] Data for October to December not available which makes 1980 Data incomplete. Thus, the rise in index, during 1980 is grossly understated

[4] Year ending June, 30

[5] Includes a counter entry by EACB of Shs. 4.4m

The Liberation War, which reached its zenith in early 1979, aggravated the already sad state of many of the industrial machineries. Severe damage was inflicted on capital infrastructure while a lot of raw materials, office equipment, vehicles and finished products were looted or destroyed.

Between 1979 and 1980, attempts were made by the immediate post-liberation government, to revive the industrial sector. These included invitation of the former owners of industrial establishments to come back and participate jointly with Government in their former establishments. A programme was also agreed with the World Bank for an IDA loan for a number of industries. Release of the funds was, however, stalled until adjustment measures had been taken by Government. However, part of the line of credit (U.S.$25 million) was released and was used mainly for importation of raw materials and spare-parts. By the end of 1980, some industries had already been allocated these funds and tenders had been made for supply of inputs and spares.

Prices

Consumer prices for the Low Income Group rose at alarming speed in the period 1972-1980. The consumer price index for this group increased by 47 per cent. on average between 1972 and 1978. The Low Income CPI rose by as much as 217 per cent in 1979 reflecting the effects of the Liberation War. Throughout the period under review, "Magendo" or speculative transactions were rife in the economy and fuelled the domestic inflation.

Public Finance

Government revenue for the period under review went through three major phases. There was a downward trend from Shs.1.5 billion in 1972 to Shs.1.1 billion in 1974 (Table 1). The main reason for the drop in revenue was the sudden expulsion of the Asian community in 1972 from the country, which led to a substantial decline in industrial and commercial sectors where the Asians had played a prominent role. The years 1975-1978 saw an upturn from Shs.2.1 billion in 1975 to a peak of Shs.5.9 billion in 1978. This was mainly due to increased export taxes arising out of the world coffee boom of 1976-1977. A sudden break came in 1979, due to the Liberation War. This paralysed all the sectors of the economy, leading to a drastic fall in Government revenue to Shs.2.7 billion in the 1978/79 fiscal year. Revenue improved to Shs.5.1 billion in 1979/80, reflecting recovery in the economy.

Within the same period, 1972 - 1980, Government expenditure continued to be on an upward trend. During 1972 - 1977, expenditure increased moderately from Shs.2.4 billion in 1972 to Shs.4.7 billion in 1977. However, Government expenditure registered a sharp rise to Shs.6.0 billion in 1978. This sharp rise was occasioned by a substantial increase in the volume and value of Government imports which was made possible by revenue accrued from the coffee boom of 1976-77. The upward trend in government expenditure has continued to date, as Government proceeds with rehabilitation and reconstruction of the shattered economy, but at a decreasing rate.

Between 1972 and 1976 Government deficits were on the increase, from the lowest amount of Shs.861.6 million in 1973 to Shs.1.3 billion in 1976. There was, however, a sudden change to a surplus of Shs.1004.0 million in 1977 resulting from the 1976-77 coffee boom. For the period 1972-80, the highest deficit was recorded in 1979 of Shs.3.4 billion and this was mainly a result of the Liberation War that resulted in very low government revenue but increasing expenditure. The bulk of these deficits was financed from the domestic banking sector.

Money and Banking

Net foreign assets of the banking system declined rapidly from a positive level of Shs.139.4 million at the end of December 1972 to a low level of Shs.−29.1 million at the end of December 1974 (Table 1). The decline was, however, reversed temporarily during the following four years when net foreign assets rose steadily from Shs.30.3 million in December 1975 to Shs.254.1 million in December 1978. The improvement in the reserve position was a result of very high coffee prices on the world markets during 1976 and 1977. Thereafter, the level of net foreign assets of the banking system continued to show a negative position, worsening from Shs.−129.7 million in December 1979 to Shs.−429.9 million in December 1980.

Total domestic credit extended to both the public and private sectors rose from Shs.2.4 billion in December 1972 to Shs.12.8 billion by the end of December 1979 representing an annual average increase of Shs.1.5 billion. In 1980 domestic credit rose by about Shs.8 billion to Shs.20.8 billion.

Net credit to Government by the banking system grew steadily from Shs.1.4 billion at the end of 1972 to Shs.9.5 billion at the end of December 1979. In 1980, however, net claims on government increased by Shs.5.3 billion. This continuous growth in Government borrowing from the banking system came as a result of the low economic activity that characterized the 1970's, especially after the declaration of the "economic war". Given this low economic activity, Government revenue, from different sources like export and import taxes, dropped. Considerable loss in government revenue, in the light of its increasing expenditure, resulted in the Government resorting to borrowing. This was done partly through selling of Treasury Bills and government stocks to commercial banks.

Between 1972 and December 1980, credit extended to the private sector registered only a moderate annual rise of about Shs.625 million, increasing from Shs.1.0 billion in December 1972 to Shs.6.0 billion in December 1980 because of the persistent low economic activity in the wake of the so-called "economic war," which reduced production and investment. Moreover, there was more of speculative transactions (the so-called "Magendo") rather than genuine economic activity.

This slow expansion in credit contrasts with an increase of Shs 9.6 billion in the private sector deposits with commercial banks for the same period. General lack of tangible economic activity, together with a high rate of inflation, resulted in the private sector deposits with commercial banks registering a steady growth from Shs. 1.5 billion in December 1972 to Shs 11.1 billion in December 1980. Thus, commercial banks' lending ratio to the private sector was around 50 per cent.

Money supply, broadly defined to include currency in circulation, private demand deposits and quasi-money, registered a moderate annual increase of Shs 1050.6 million or about 29 per cent between December 1972 and December 1977. This trend accelerated between December 1977 and December 1980 when money supply increased at an annual rate of Shs 3.3 billion or 33 per cent.

Balance of Payments

In the period under review, Uganda's Balance of Payments performance was affected by three main events. These were: the declaration of the "economic war" in August 1972, a steep rise in the country's oil import bill (following the increase in the price of crude oil by OPEC after October 1973), and effects of the failure of the Brazilian coffee crop due to frost in in 1976. The latter led to a sharp rise in world coffee prices, a boom which considerably benefited Uganda.

Overall, during 1972-1978, the country's balance of payments performance was disappointing, except for surpluses of U.S.2.4 million in 1972 and U.S.$21.3 million in 1977 (Table 1). The problem of deficits deepened mainly after 1973, due to difficulties related to world-wide increase in oil prices followed by the world recession in 1974-1975. The overall deficit in 1978 amounted to U.S.$60.5 million, rising by 111.7 per cent to U.S.$128.1 million in 1979, and still further by 124.9 per cent to U.S.$288.1 million in 1980. Private and official arrears rose from U.S.$75.4 million in 1978 to U.S.$87.4 million in 1979.

Merchandise Trade

During the period 1972-80 Uganda's merchandise trade balance deteriorated. Although surpluses of U.S.$66.2 and U.S.$74.8 million were recorded in 1972 and 1973, the surplus position was reduced to U.S.$22.5 million in 1974 followed by a deficit of U.S.$22.6 million in 1975 (Table 1). The latter deficit reflected the increase of oil prices by OPEC in October 1973. Thus, imports rose by 32 per cent in 1974 over the level of U.S.$205.2 million recorded in 1973. Exports, on the other hand, rose slightly by 5.0 per cent in 1974 from a level of U.S.$280.0 million in 1973. In 1975, exports fell by 27.6 per cent, while imports fell by only 13.3 per cent.

The deteriorating trade balance was somewhat mitigated by the boom in world coffee prices resulting from the failure of the Brazilian coffee crop, starting in late 1976, and continuing in 1977. Due to added international demand for coffee during this period, Uganda sold a sizeable portion of its crop, which had the effect of raising the merchandise trade balance from a deficit of U.S.$22.6 million in 1975 to surpluses of U.S.$86.5 million and U.S.$131.3 million in 1976 and 1977 respectively. The value of exports rose by 74.7 per cent to a record U.S.$568.9 million in 1977, while the value of imports rose from U.S.$239.2 million in 1976 to U.S.$437.6 million in 1977.

The favourable international coffee prices fell after 1977. The trade surplus of U.S.$131.3 million achieved in 1977, degenerated into a deficit of U.S.$30.2 million in 1978. In 1979, international coffee prices improved somewhat and stocks which had been accumulated in 1978, were exported. A trade embargo, which had been imposed on Uganda during the military regime by U.S.A. (the principal market for Ugandan coffee), was also lifted in 1979. Consequently exports rose from U.S.$334.9 million in 1978 to U.S.$412.2 million in 1979 — an increase of 23.1 per cent. Imports, on the other hand, fell from U.S.$365.1 million in 1978 to U.S.$335.1 million in 1979. With the drastic fall in the prices of coffee, cotton, and tea on international markets in 1980, the country realised export proceeds worth only U.S.$335.7 million while imports rose to U.S.$564.4 million.

By 1979, the contribution of ***major export commodities other than coffee*** had declined drastically to about 3 per cent of total export proceeds. Cotton, tea, and tobacco continued to be plagued by scarcity of inputs such as pesticides, fungicides and fertilizers as well as a general shortage of a reliable labour market. Farmers resorted to growing non-seasonal food crops.

In addition to the above factors, the country was faced with an ever increasing import bill for ***petroleum and related products.*** In 1980, for the first time, the oil bill exceeded Shs 1.0 billion.

Service Account

Uganda's deficit in the service account of the balance of payments shot up to U.S.$27.2 million in 1972 from a surplus of U.S.$17.6 million in 1971. Large foreign exchange commitments were discharged to meet passenger fares and freight charges on personal effects of the departing non-citizens expelled by the military regine in 1972. Furthermore, net deficit on the other services account items rose considerably from U.S.$14.9 million in 1973 to U.S.$101.1 million in 1978, but fell to U.S.$54.8 million in 1979. This large increase resulted from servicing accumulated arrears for Uganda Railways, Uganda Airlines, and private foreign-owned enterprises. Up to 1972, Uganda earned a healthy income from ***tourism,*** which kept deficits on the service account to a low level.

These earnings, at a level of U.S.$18.3 million in 1970 and U.S.$18.5 million in 1971, had made tourism the third largest foreign exchange earner after coffee and cotton. These earnings plummeted to U.S.$2.4 million in 1974 and to U.S.$0.9 million in 1977. However, in 1980, earnings from this sector amounted to U.S.$3.9 million.

Deficits on the services account have also been magnified by disbursements to Uganda ***diplomatic missions abroad***. Expenditure on Uganda's foreign missions, which was only U.S.$1.2 million in 1970, rose steadily from U.S.$3.9 million in 1974 to U.S.$10.6 million in 1978, mainly due to excessive openings of foreign missions abroad over the period. As a policy of retrenchment, some missions have been closed since the Liberation War of 1979.

Unrequited Transfers

Uganda's image abroad was tarnished by the military dictatorship. One of the effects of this was that inflows of external assistance virtually dried up between 1972 and 1978. Many countries, mainly those of the OECD, downgraded their foreign missions. The UK closed its High Commission. The U.S.A. eventually severed trading relations with Uganda. Thus, the net surpluses of U.S.$11.3 million and U.S.$2.1 million realized on this account in 1975 and 1976 respectively, were a result of aid from OPEC countries only. Deficits of U.S.$1.3 million and U.S.$1.2 million were exhibited in 1973 and 1974, respectively. The sizeable surpluses of U.S.$12.7 million and U.S.$80.2 million registered in 1979 and 1980, were an outcome of increased disbursements of tied grants from the European Economic Community, United Kingdom and the United States of America, following the re-opening of many diplomatic missions after the Liberation War of 1979. Under the auspices of the United Nations Development Programme, the country also received substantial aid in form of technical assistance.

Private Capital Account

Except for 1975, continuous deficits were recorded on the private capital account between 1972 and 1980. Contributing to these deficits was capital flight, triggered by the expulsion of non-citizens in August 1972 together with expropriation of foreign-owned enterprises by the military government.

There was little inflow of capital for private investments in the period 1972-1979, which can be described as direct investment. Many of the transactions were in the form of inter-company transfers of capital and remittances of parastatal bodies to meet operational expenses for their offices in foreign countries. Real direct investment was virtually non-existent between 1972 and 1980.

The declaration of the so-called "economic war" severed many of Uganda's traditional major markets with the result that overseas co-operation and trade contacts were cut and Uganda's international credit rating plummeted as a consequence. Between 1973 and 1980, Uganda had to pre-pay for its imports, an arrangement which tied the country's foreign exchange and adversely accelerated outflows on the private capital account.

Official Capital Account

Up to the year 1972, the official capital account registered net surpluses because of substantial inflows of aid from traditional external sources which averaged some U.S.$20 million a year in 1970-72. From 1974 to 1978, external assistance was mainly from Arab countries, but was inadequate to make up for the drying up of funds from traditional OECD country donors. As a result, the official capital account registered deficits of U.S.$6.8 million in 1976, U.S.$5.9 million in 1977, U.S.$21.4 million in 1978 and U.S.$21.1 million in 1979 (Table 1). Nonetheless, there were repayments of principal to external creditors and, since 1974, the accumulation of public debt arrears. Sizeable inflows of aid from traditional external sources were resumed in 1979, mainly from the United Kingdom and India.

1.2 THE PERIOD 1981-1982

By early 1981, Uganda, with its economy utterly in ruins, had become one of the world's poorest countries in terms of per capita income. It is estimated that in 1980, Gross Domestic Product at constant prices, was only four fifths of what it was in 1970. A large part of the monetary sector of the economy had virtually collapsed. Foreign exchange earnings depended almost exclusively on coffee, official exports of which had declined appreciably. The relatively small but once flourishing manufacturing sector contributed very little to overall output. Physical assets had been damaged severely, institutions were run down and human resources scarce and demoralised.

Thus, at the beginning of 1981, the Government was confronted with an enormous task of designing and formulating policies directed at rebuilding a shattered economy as quickly as possible. This, initially, entailed halting deterioration in the economic and financial spheres by tackling the problem of an overvalued exchange rate, considerable price distortions, decline in output, an unbalanced budget, and chronic foreign exchange shortages. It also implied the need to restore and expand the productive base of the economy through increased investment in agriculture, industry, and transportation.

Rehabilitation Programme

Consequently, the Government embarked on a far-reaching, but realistic rehabilitation programme, comprising two complementary phases. The first phase was directed at the most pressing macro-economic needs of the country. This first phase, announced in H.E. The President's Communication from the Chair of the 17th March, 1981, covered the thirteen-month period from June 1981 to June 1982. The second phase covered the twelve-month period July 1982 to June 1983. The prime objective of both phases was to bring the economy into balance, to eliminate distortions and to restore conditions conducive to a sustained growth of the economy.

Among the measures taken, special mention should be made of the huge depreciation of the external value of the shilling under a system of managed float, followed by minor downward adjustments, important export price policy, leading to a series of reasonably large increases in the producer prices of export cash crops; adjustments in the prices of a few important consumer goods, and the freezing of the prices of all other goods and services. Simultaneously, fiscal policy was made more restrictive and streamlined, to exploit the new earning opportunities, provided by the change in the external value of the currency. The rate of credit expansion was restrained and the major share of credit was directed to financing needs created by the recovery in productive activities. Interest rates were raised on several occasions. In the external sector, besides the changes in the official exchange rate, management of limited foreign exchange resources was progressively improved. A system of pre-shipment inspection of imports was introduced, and a dual exchange market was introduced involving the application of a relatively more depreciated exchange rate for non-essential transactions. Furthermore, a number of steps were taken to lessen the burden of the external debt and arrears through rescheduling and cancellation. Together with this, other steps were taken to increase external financial resources through export promotion and external resource mobilization.

External funds were of particular importance for the second part of the rehabilitation effort as outlined in the two-year Recovery Programme. This programme, whose implementation started in fiscal year 1982/83, gives priority to the rehabilitation and utilization of idle capacity in all sectors of the economy. Emphasis was placed on increasing agricultural production, especially for export, expanding manufacturing output, particularly in the import substitution industries, and improving facilities related to transportation. As part of the rehabilitation effort, the Government took firm steps to improve security.

International Developments

The international economic situation was unfortunately not favourable to the rehabilitation of the economy. During 1981 and 1982 most of the economic and financial developments abroad were to a considerable extent adverse to raw material exporting economies like Uganda. For most of the period under review, the terms of trade of the countries producing primary commodities other than petroleum deteriorated, with only a slight recovery being noticed in the second half of 1982. Likewise, the prevailing high interest rates constituted a heavy additional burden on external obligations for the non-oil producing economies. Moreover, generalised budgetary problems in industrialised countries adversely affected financial flows to capital importing economies.

Within such a context, the support and advice of multilateral organisations, from which the Government benefited, proved all the more valuable. In particular, the International Monetary Fund provided substantial financial support in the form of two stand-by arrangements — SDR 155.7 million for 1981/1982, and SDR 112.5 million for 1982/83.

The World Bank, primarily through the International Development Association, stepped up its technical and financial assistance significantly, amounting to U.S.$105 million in 1981/82. In addition, in May 1982, the World Bank chaired a Consultative Group Meeting in Paris where the two-year Recovery Programme presented by Uganda was considered and endorsed by participating donor countries and institutions. Mention should also be made of the two meetings of the Paris Club in November 1981 and December 1982, where Uganda was accorded some debt relief.

Gross Domestic Product

Although it is still in its early implementation stage, the new economic policy has already had noticeable effects. A substantial recovery in real output has been witnessed, both in agriculture and in industry. Gross Domestic Product is estimated to have grown by 3.8 and 6.1 per cent in 1981 and 1982 respectively, whereas it had declined drastically in the three preceding years. As an indicator of positive change in the growth of GDP, it might be noted that Uganda practically achieved near self-sufficiency in food supply and, consequently, the Emergency Food Programme which had been adopted in 1979, was suspended. The country also fulfilled its quota for the coffee year ended September 1982 which was 40 per cent larger than in 1980/81, and cotton and tea exports were resumed. The manufacturing sector started to recover slowly contributing 4.2 per cent to total GDP in 1982 when it increased by 0.2 per cent over the 1981 level. At the same time, capacity utilisation rose from 11.6 per cent to 18.2 per cent in 1981 and 1982 respectively. The revival of this sector is attributed to the aid from the International Development Association. Better transportation facilities and a relatively steady supply of petroleum products also speeded up the recovery efforts.

Domestic Prices

Domestic price levels increased only moderately during the period June 1981 – June 1982, after an initial upsurge in June 1981 induced by the sharp devaluation of the shilling and upward adjustments in prices of petroleum products. The latter was done to adjust to the devalued shilling and constrain smuggling of products. Statistics available indicate that the inflation rate accelerated in the second half of 1982 as a result partly of cost-push influences and some imbalances between demand and supply. However, a slowing down of the rate of inflation was discernible towards the beginning of 1983.

Public Finance

The budget deficit of Government was reduced from 74.8 per cent of overall Government expenditure in fiscal year 1980/81 to 35.1 per cent in fiscal year 1981/82. This was achieved despite the uncertain grounds upon which the budget was formulated. The uncertainties included the then unknown impact of the June 1981 float and the 1981/82 low world prices for coffee. In fiscal year 1982/83, it is planned to bring the overall deficit down further to 25 per cent, a development which was actually confirmed during the year. Simultaneously, the proportion of the budgetary deficit financed by the banking system has declined drastically.

External transactions

Concerning external transactions, the current account deficit was reduced markedly in 1982, as compared to 1981, as a result of the boost in export receipts coupled with a moderate increase in imports. The management of the external debt was the subject of continuous efforts and, as mentioned above, the country succeeded in obtaining a debt relief within as well as outside the framework of the Paris Club, while it reduced its external arrears significantly. Rescheduling of external obligations combined with a lower current account deficit explain the smaller overall balance of payments deficit in 1982 compared with 1981.

Monetary Developments

Monetary developments became gradually restrictive. The nominal and real adjustment of the economy after the float and the other measures of May-June 1981 brought about a considerable (77 per cent) expansion in broad money from end December 1980 to end December 1981. This expansion slowed down markedly in the following twelve months to 24.6 per cent. There was a sharp reduction in the expansionary impact of budgetary operations. Claims of the banking system on the private sector rose slightly faster in 1982 than in 1981.

The two years under review are in contrast not only from the point of view of the explanatory factors of the growth in broad money but also in respect of the composition of internal liquidity. With regard to the financial assets held by the non-banking sectors, the share of money supply declined in favour of the share of Treasury Bills. This movement is related to the several upward adjustments made in the interest rate structure and to the exemption of the Treasury Bills earnings from taxation.

Summary

In summary, the reduction of the internal and external imbalances is reflected in the fact that the country was able, throughout the whole of the period from June 1981 to December 1982, to meet the performance criteria agreed upon with the International Monetary Fund under the standby arrangements mentioned above. The measures implemented allowed the economy to deal successfully with existing problems. Conditions were also created to enable a sustained economic growth in future. From this point of view, 1981 and 1982 appear to be a transitory period.

The relatively successful implementation of the first part of the rehabilitation programme, namely the macro-economic stabilization and normalization mesures, and the positive response of the economic agents, should not lead to a relaxation of the economic programmes. The results achieved so far cannot conceal a number of serious difficulties, the solution of which will need even more concerted and persistent efforts.

One of the difficulties is certainly the persistence of the foreign exchange constraints. Admittedly, export performance is expected to improve further through diversification but a great effort is required if foreign exchange earnings are to grow rapidly enough to match increased needs, brought about by economic revival. In contrast, inflows of borrowed cash resources particularly from the International Monetary Fund, are not likely to increase substantially on a net basis, since most of these resources are for short periods and the repayments will soon be very substantial and absorb a large part of the new inflows. Foreign exchange management, in its various aspects, therefore remains one of the priorities of the Monetary Authorities in the country.

Another area where efforts have been and continue to be intensified is management of public finances. Government has taken measures to increase revenue and to control expenditure, in order to narrow the budgetary deficit as a percentage of overall expenditure and to reduce heavy reliance on the banking system for financing of Government deficits. The structure of budgetary expenditure is also being scrutinised in detail so as to devote a greater proportion to productive outlays. For a sustained recovery of the economy, improvements in economic management are imperative.

2 DEVELOPMENTS ABROAD

The years 1981 and 1982 exhibited world-wide depresssed economic conditions with weak overall demand for all goods and services, deepening recession and rising unemployment in industrialised countries. Real economic growth rate in industrialised countries declined further in 1981 and 1982. This development was partly a result of restrictive fiscal and monetary policies, adopted in OECD countries, to counter inflationary pressures. These measures began to pay off towards the end of 1982 as evidenced by a deceleration in the growth rate of inflation in those countries.

Against this background, major changes took place in the pattern of global payments. Industrialised countries registered a huge deficit on their combined current account in 1980. This was significantly reduced in 1981 and 1982. A simultaneous development was that the surplus of the high income oil exporting countries fell steeply necessitating external borrowing in some cases. The current account deficit of oil importing developing countries continued to widen in 1981. Although this combined deficit was reduced in 1982, it remained as high as U.S.$87 billion of which the non-oil developing countries in Africa accounted for over U.S.$13 billion. Financing of this deficit necessitated greater recourse to external resources. In particular, total borrowing from the International Monetary Fund expanded considerably despite the fact that a number of programmes agreed upon between various countries and the International Monetary Fund were suspended during the period under review.

Oil-importing developing countries, to which Uganda belongs, endured adverse effects on their economies occasioned by a combination of factors, including a steep and prolonged decline in the prices of primary commodities other than petroleum, coupled with considerably high interest rates on borrowed external resources. The latter also adversely affected the service part of the current accounts of developing countries.

The afore-mentioned fall in demand in developed economies had a depressing impact on commodity prices. The volume of world trade virtually stagnated, even after excluding the transactions in petroleum, which dropped sharply in the period under review. Declines in prices were much more pronounced for the primary products exported by developing countries than for the goods exported by the industrialised countries. With the exception of the official selling prices for oil, which increased further in 1981 and remained virtually unchanged during most of 1982, the fall in world commodity prices was substantial. The overall commodity price index calculated by the International Monetary Fund, which excludes petroleum, declined on average by almost 15 per cent in 1981 and by an additional 12.1 per cent in 1982.

As all prices taken into account are expressed in U.S. dollars, the appreciation of the dollar in 1982 accentuated a fundamental declining trend which was common to all four major categories of production, i.e. Food, Beverages, Agricultural Raw Materials and Metals. Good harvests and over-planting of perennial crops in recent years were the main determining factors that led to the fall in the world prices of food and beverages. The price of sugar declined more appreciably than the rest, its steep decline influenced global indexes noticeably. Very low industrial production in industrial countries was the major determinant in the decline in the prices of non-food agricultural raw materials and metals, in particular the price for copper, which Uganda used to export, was markedly affected. Moreover, the rundown of inventories, induced by high interest rates, contributed to the sluggish demand for most commodities.

Only the index for the category "Beverages" did not decline any further on average in 1982 compared to 1981 as a result of steadier prices for coffee, its principal component. Coffee prices eventually began to pick up in comparision with prices of other commodities, partly due to the International Coffee Agreements which have proved to be successful in the field of commodity price stabilisation schemes. These agreements were successfully re-negotiated for the crop years (October to September) 1980/81, 1981/82 and 1982/83.

Coffee prices bottomed at the end of the third quarter of 1981. The Brazilian frost, which in 1981 came unexpectedly, and the quotas agreed upon within the International Coffee Organisation (ICO), transformed the supply outlook. Over-supply gave way to a certain tightness, especially in Robustas of which Uganda is an important producer. Prices firmed subsequently and this even triggered a rise in the ICO export quotas. However, coffee prices were again weaker during a large part of 1982, triggering cuts in the export quotas. From August 1982, coffee prices resumed their moderate upward trend.

The decline in prices of commodities in 1981 and 1982 was the main reason for the substantial deterioration in the terms of trade of countries exporting primary commodities. Prices of a large part of their imports, measured by the export unit values of industrialised countries, have declined far less than prices of their exports while the price of oil, another major component of their imports, increased as mentioned earlier. This impairment of the international purchasing power of primary producing countries has added to world wide sluggishness of economic activity. In addition, net flows of official development assistance from members of the Development Assistance Committee of the Organisation for Economic Cooperation and Development decreased in 1981 and 1982, a movement which most probably was not compensated for by net flows from other groups of countries such as the Organisation of Petroleum Exporting Countries and the Eastern block.

Further developments in industrialised countries deepened the economic plight of primary producers. Unemployment, slow growth, imbalance in trade,inflation and an over-valued dollar led a number of industrialised countries to resort to the harmful practice of protectionism.

Although interest rates declined noticeably around the end of 1982, they still remained prohibitively high by previous standards. This is noticeable even more when allowance is made for the deceleration in the inflation rate. Furthermore, lower interest rates by themselves do not guarantee an economic recovery if earning prospects remain poor. In this respect, the shocks which the international credit system underwent in the last months of 1982 were not conducive to a turnaround in business climate. An important factor likely to quickly modify the environment of depressed economic activities is the lowering of oil prices. Albeit risky for the international credit system and potentially dangerous in the medium term, such a move combined with a cheaper dollar and lower interest rates could trigger a recovery of the world economy. Rising commodity prices and better export opportunities, emanating from such a development, would help in providing some leverage for economic policy in countries such as Uganda and would substantially ease the burden of their external commitments, in particular the oil bill and the external debt service.

GRAPH 1: GLOBAL ECONOMIC AND FINANCIAL INDICATORS RELEVANT TO THE UGANDA ECONOMY

Source: International Monetary Fund, ***International Financial Statistics.***

(1) All Coffee (New York) (2) Saudi Arabia (Ras Tanura)

3 REVIEW OF ECONOMIC POLICY

During the period under review economic policy in Uganda was dominated by the two programmes, alluded to earlier, aimed at the rehabilitation of the Ugandan economy.

3.1 THE 1981/82 PROGRAMME

The 1981/82 financial programme was launched in May/June 1981 and covered the 13 months' period June 1981 – June 1982. It had as its main objectives restoration of confidence in the currency, reduction in price distortions, discouragement of unofficial marketing of products, and re-allocation of resources from speculative to productive activities. The shilling was allowed to float under the management of a Money Market Committee, with the result that it lost 90 per cent of its external value in June 1981. Its value dropped from U.S. dollar 0.1209336 (or shillings 8.269 per U.S. dollar) to U.S. dollar 0.0128617 (or shillings 77.75 per U.S. dollar) or an almost tenfold depreciation. This depreciation, and the subsequent small downward adjustments, permitted substantial phased increases in the producer prices for export crops. Thus, during May 1981 – June 1982 period, the producer price of coffee was increased seven-fold. Simultaneously, with the aim of putting greater reliance on market forces, the prices of most other commodities, in particular food crops, were freed. The prices of a few goods, though still administered, were markedly increased. For example, there was an initial eleven-fold rise in the price of premium petrol from Shs. 7.44 to Shs. 81.0 per litre followed by further adjustments in December 1981 and June 1982.

A policy of budgetary restraint was introduced in combination with measures aimed at taking full advantage of the new revenue-earning opportunities provided by the depreciation of the exchange rate for the shilling. Thus, increases in wages and salaries of civil servants were limited to a maximum of 25 per cent with the permitted adjustments being more important for the lower than for the higher income groups. The tax system underwent various changes with a view to exploiting the full benefit of the nominal and real adjustments of the economy. For import duties and excise duties specific rates were replaced with ***ad valorem*** rates. Several taxes were merged and a number of rates were increased. A new formula for the calculation of export duties on coffee was introduced and procedures were set up to ensure prompt collection. More generally, collection of the current taxes as well as tax arrears was improved.

In the field of monetary policy, all interest rates were raised sharply in October 1981, partly to mobilise resources for development and partly to encourage banking habits. Overall expansion in domestic credit was contained within strict limits, which themselves were part of the understanding reached with the International Monetary Fund (IMF).

Accordingly, the programme benefited from substantial financial support by the IMF. In the thirteen month period from June 1981 to June 1982, the gross financial facilities granted by the IMF amounted to SDR's 157.5 million. The conditionality attached to the use of these resources comprised of a ceiling on total domestic credit, net credit to Government, a limit on new external debts, and a reduction in the external debt arrears.

In addition, the programme was supported by the International Development Association (IDA) of the World Bank Group. The IDA provided a Reconstruction Credit of U.S.$55.0 million, which was supplemented by grants from the EEC (U.S.$20 million), the Netherlands Government (U.S.$17.5 million), the Canadian Government (U.S.$2.5 million), and by a soft loan from the OPEC Fund (U.S.$5 million).

Although the programme had quick beneficial effects, its implementation brought to light some difficulties. The programme was introduced in the face of great uncertainties regarding the ultimate effects of the floating of the shilling, the state of the domestic economy, and the international economic situation. Thus, low world prices for coffee had a depressing effect on revenue from export duties which fell short of original projections. On the other hand, Government expenditure proved higher than originally projected, primarily because of the foreign exchange losses on the payment of external arrears. Consequently, improvement in the bugetary situation was less marked than had originally been anticipated.

In the external sector, it was not possible to allow the exchange rate for the shilling to float freely, as originally intended, because of inadequacy of foreign exchange. The backlog of unsatisfied demand for imports as well as external arrears and debt servicing turned out higher than anticipated. However, a number of steps aimed at improving management of foreign exchange were taken in order to reduce undue pressure on the available resources. For example, in order to ensure continued supply of petroleum products, while containing the magnitude of the oil bill, formal agreements were reached with oil companies whereby the settlement of the national oil bill was made partly on a cash basis and partly on a line of credit. Despite these efforts, demand for foreign exchange by the private sector remained largely under-satisfied. As a partial consequence of this, the unofficial foreign exchange market was not completely eliminated although the ratio between the unofficial and the official rates fell markedly.

Thus, the results of the 1981/82 programme revealed a need to consolidate gains made, to deal more thoroughly with major issues such as the Government deficit and scarcity of foreign exchange, and to accelerate momentum of the rehabilitation process. It also became apparent that there was a need to expand the scope of economic policy from a stabilisation programme to a genuine recovery plan.

3.2 THE 1982/83 PROGRAMME

The 1982/83 programme was announced by H.E. The President in his Budget Speech of the 24th June 1982. It had been conceived within the framework of the two-year rehabilitation and investment plan (Recovery Programme, 1982-1984), which was presented to a Consultative Group Meeting, chaired by the World Bank, in Paris on May 18-19, 1982.

The **Recovery Programme, 1982-1984,** was designed to channel financial resources into selected fields likely to produce quick returns with a minimum of resources. The strategy was to revive and fully utilise the existing productive capacity in key fields. Because of resource constraints, special attention was given to export-oriented projects which are most likely to improve the foreign exchange position. About eighty priority projects were reviewed and project-related recurrent costs in foreign exchange were estimated.[1]

Agriculture together with Animal Industry and Fisheries were allocated 30 per cent of the total project funds. In agriculture, emphasis was placed on the rehabilitation of the coffee industry and revitalisation of the production of the other main export crops, (cotton, tea and tobacco) through provision of fertilisers, seeds, agricultural implements and spare parts. In the livestock and fisheries sectors, the funds were to be used for the purchase of animal drugs, fishing gear and technical assistance.

Manufacturing industries were allocated 29 per cent of the total funds within a strategy of reviving existing industries which were initially established for the purpose of import substitution.

Allocations to the transport and communications sector account for 21 per cent, covering especially rehabilitation of railway, improvement of high-volume trunk roads as well as access roads to railway heads, and road maintenance in general.

Some funds are also devoted to the restoration of social infrastructure, including health services, water supply, sewerage systems, while other projects are related to the tourism sector, electric power generation, electrification of rural areas, geophysical surveys and exploration for minerals.

The total cost of the projects in the two-year programme, covering fiscal years 1982/1983 and 1983/1984, were limited to U.S.$556.5 million at 1982 prices. A further U.S.$180 million is provided for in 1984/1985 to complete the projects whose execution extends into that fiscal year. In addition, the Government envisaged spending U.S.$815 million on the recurrent import requirements of both the private and public sectors, including petroleum products, for the plan period.

In the context of the two-year Recovery Programme, the 1982/1983 financial programme aims at bringing the growth in Gross Domestic Product at constant prices as close as possible to 10 per cent per annum, at raising the volume of imports substantially, at increasing further the export receipts and containing the rate of inflation at about 25 per cent.

Measures designed to achieve these objectives relate to the exchange rate system, balance of payments, public finance, prices and wages, the parastatal bodies, and money and credit.

Concerning external transactions, the exchange rate system was, with the support of the International Monetary Fund, modified through the introduction of a dual exchange market. This is intended to contribute to a more efficient allocation of foreign exchange, to promote non-traditional exports, and to find a realistic external value for the shilling. In the first market, called Window One, the exchange rate is determined daily by a Money Market Committee on the basis, among other factors, of the value of the U.S. dollar against other currencies and the domestic economic situation. In the second market, called Window Two, the exchange rate is determined in weekly auctions and reflects supply and demand conditions for the foreign exchange.

Window One provides finance for priority imports which are spelt out in a comprehensive list based on the SITC classification. The list includes raw materials and other inputs, petroleum products, and imports financed under the credits of the International Development Association as well as other aid flows. It also includes a few services which are not responsive to price changes, in particular interest servicing of the external debt. Allocations at Window One are subject to detailed budgeting. Imports of other goods and services are financed at Window Two without any predetermined exchange rate. Allocation of foreign exchange at the latter Window is made liberally in order to attract transactions previously conducted through unofficial channels. Window One receipts originate from the four traditional export crops namely coffee, cotton, tea and tobacco, while its rate is also used to value official loans and grants, in particular the credit facilities provided by the International Monetary Fund. Other export proceeds, non-export receipts and other inflows are bought at Window Two. The Government undertook to provide, through the Bank of Uganda, an adequate amount of foreign exchange at the weekly Window Two auctions. Measures were also taken to ensure that this amount is fully sold. This system, which is meant to be temporary, started operating on the 23rd August 1982.

With respect to the external sector, efforts to improve the management of scarce foreign exchange resources have continued. Since July 1982, imports of most goods, other than oil, were subjected to pre-shipment inspection. The machinery of foreign exchange allocation has been further strengthened and foreign exchange budgeting has been streamlined. Its scope has gradually been expanded beyond a monthly

(1) See Table 1.4 in the statistical appendix.

3.2 THE 1982/83 PROGRAMME (continued)

horizon and, currently, foreign exchange utilisation is planned on a monthly, quarterly, semi-annual and annual basis.

The strengthening of the budgetary discipline is one of the cornerstones of the 1982/1983 programme. Although development expenditure is intended to match development funds and despite the emphasis placed on the reduction of domestic arrears, total public expenditure is intended to grow far less rapidly than revenue. Revenue is benefitting from the profits made from sales at Window Two rates, of foreign exchange bought at Window One rates. It should be noted that these profits are reduced to some extent by the losses resulting from the purchase by the Bank of Uganda of foreign exchange at Window Two rates, which is subsequently added to the gross reserves on the basis of the Window One rate. Additional revenue is also expected from the improvement in tax administration and arrears collection. Consequently the overall deficit, as a proportion of total expenditure, is estimated to decline to about 25 per cent in the 1982/83 financial year from 35 per cent in 1981/82. Whereas until recently the largest part of the deficit was financed by the domestic banking sector, this type of financing was intended to become negligible by the end of 1982/1983. It was also one of the intentions of the programme, to maximise the utilisation of the available external aid in accordance with priority placed on development expenditure as outlined in the two-year Recovery Programme.

Further downward adjustments of the official Window One exchange rate for the shilling combined with the large depreciation entailed by the opening of Window Two, pushed internal prices upwards. In this respect, it may be recalled that fuel prices were increased just before the beginning of fiscal year 1982/1983 and that a further adjustment took place in November 1982. While recognising the likelihood of an acceleration in inflation, the programme assumes that this trend would be counteracted by the larger supply of commodities resulting from increase in export earnings and through better allocation of foreign exchange as well as by expansion of domestic import substitution products.

Concerning parastatal bodies, whose numbers expanded considerably in the 1970's, the programme provides for steps to substantially reduce their demands on the budget. In 1982, Parliament passed the Expropriated Properties Act providing for regularisation of ownership of enterprises abandoned in the seventies. The Act took effect from 21st February 1983. A preliminary review of the financial and administrative state of the more important state-owned enterprises will be conducted with the assistance of the World Bank. Emphasis will be placed on their accounting needs. On the basis of the findings of this study, Government will carry out the necessary financial re-organisation of these enterprises. One of the areas which will be thoroughly scrutinised is that of pricing policy. It has already been decided to pass on to the consumer additional charges incurred by parastatals as a result of increases in prices of petroleum products. The package entails closer supervision of the parastatals by the Ministry of Finance. In addition, Government is pursuing a policy of not providing guarantees exceeding 75 per cent of any loans extended to parastatals, a policy which should ensure closer supervision by the lending banks.

The restrictive monetary policy established under the 1981/1982 programme was continued by limiting the increase in broad money to a maximum of 20 per cent in 1982/1983. Such a policy, in conjunction with the weekly Window Two auctions of foreign exchange, was expected to absorb the remaining excess liquidity in the economy. It was also to serve to exert downward pressure on the exchange rate at Window Two thereby reducing the disparity prevailing between the rates of the two Windows. The monetary target provided for a significant expansion in credit to the productive sector, and a slight increase in net credit to Government.

An expansion in demand for credit by the private sector was anticipated because of higher import costs in shillings and the recovery of activities in the productive sector. Cotton crop financing requirements were to add to those of the coffee crop while acceleration in the utilisation of external aid resources was to generate substantial demands for liquidity by the sector.

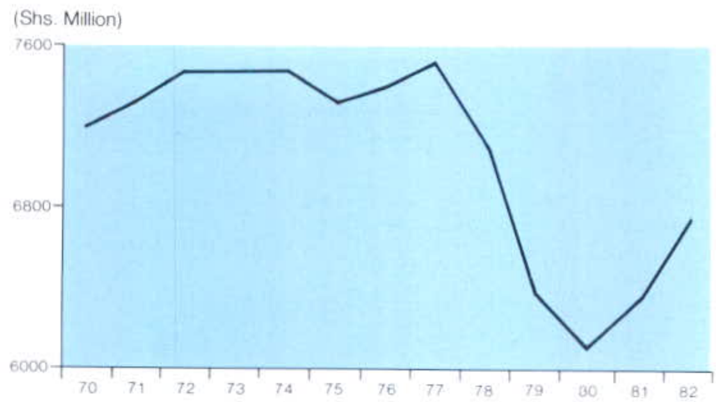
As in 1981/1982, the 1982/1983 programme is to benefit from the financial facilities of the International Monetary Fund, to the extent of SDR 112.5 million. The International Development Association has also approved a second Reconstruction Credit of U.S.$70 million in support of the Recovery Programme. At the same time, an acceleration in the disbursements of various aid commitments is expected to take place; the European Economic Community assistance, which for the largest part is provided in the form of grants, should provide for significant economic expansion.

Bank of Uganda

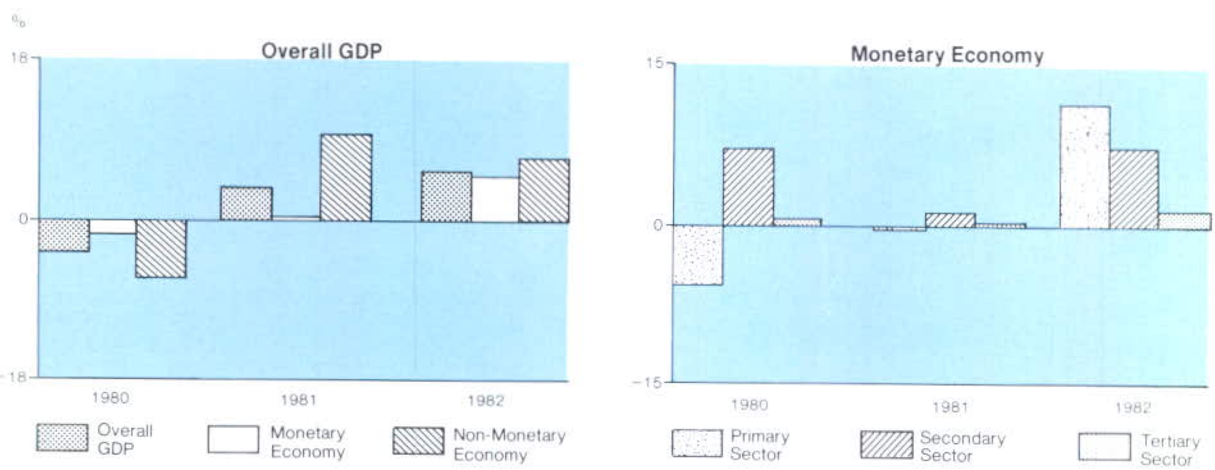
4 ECONOMIC TRENDS
4.1 GROSS DOMESTIC PRODUCT

Gross Domestic Product at constant (1966) prices showed little change between 1972 and 1977, despite exceptionally favourable external conditions from which the Unganda economy benefited in 1976 and 1977. Owing to the growth in population, which took place in the meantime, GDP per capita decreased appreciably during that period. In 1978, Gross Domestic Product started to decline significantly, and fell even more steeply (about 12 per cent) in 1979. A further fall of about 3.5 per cent was registered in 1980. The 1981-1982 period witnessed a substantial change.

GRAPH 2: GROSS DOMESTIC PRODUCT AT CONSTANT PRICES
2.1 Developments in absolute value, 1970-1982



2.2 Growth rates in 1980, 1981, 1982



Source: Ministry of Planning & Economic Development; Bank of Uganda.

In 1981, growth of GDP took a positive turn. The new economic measures which came into force in the middle of 1981 could only have had an impact on only a part of that year. Furthermore, the impact was not immediately felt in all sectors; coffee deliveries responded fairly quickly, but it took time before the rehabilitation process could spread over the whole economy. Effects of the measures were consequently much more noticeable in 1982, when, according to preliminary estimates, GDP grew by 6.1 per cent. Although comprehensive statistics on disposable income are not available, such income must have grown significantly in accordance with the growth in GDP. Rural incomes, in particular, benefited from increases in producer prices.

Growth in GDP during 1981 is accounted for mainly by the non-monetary economy. By contrast, in 1982, the monetary economy grew more rapidly than the non-monetary one. The 1982 growth, while reflecting an overall revival, was more pronounced in the primary sector on account of the important increase in agricultural

4.1 GROSS DOMESTIC PRODUCT (continued)

production. In this respect, it should be noted that, since the agricultural sector is appraised in the national accounts mainly on the basis of officially marketed production, the growth rate in 1981 might be an underestimate since it does not take into account the significant part of the production which found its way out of the country through unofficial channels at a time when both domestic prices and the exchange rate for the shilling were completely unrealistic. Conversely, the preliminary estimate of the growth rate in 1982 is probably overestimated. For the period 1981-1982, the agricultural sector grew significantly to increase its share of GDP from 53.6 per cent in 1980 to 56.8 per cent in 1982.

TABLE 2: GROSS DOMESTIC PRODUCT BY SECTOR AT FACTOR COST AT 1966 PRICES

(millions of shillings)

	1979	1980	1981	1982
MONETARY ECONOMY	3,877	3,822	3,833	4,044
Agriculture[1]	1,422	1,334	1,333	1,486
Industry[2]	254	267	253	285
Other sectors[3]	2,201	2,221	2,247	2,273
NON-MONETARY ECONOMY	2,453	2,293	2,519	2,695
Agriculture	2,075	1,943	2,168	2,340
Other sectors[4]	378	350	351	355
GROSS DOMESTIC PRODUCT	6,330	6,115	6,352	6,739

Source: Ministry of Planning and Economic Development

(1) Includes Forestry, Livestock, Fishing, and Hunting

(2) Includes Cotton Ginning, Coffee Curing, Sugar Manufacturing, and Mining and Quarrying

(3) Includes Electricity, Construction, Commerce, Transport and Communications, General Government Services, and Miscellaneous Services and Rent

(4) Includes Construction and Owner-Occupied Dwellings

4.2 AGRICULTURAL PRODUCTION

Agriculture is a fairly diversified sector. It includes not only traditional cash crops, but also food crops to which a shift of resources took place during the seventies. There is also an important livestock and dairy industry.

Apart from tea, all the other main cash crops (namely coffee, cotton, sugar, tobacco) continued to register production declines during the crop year 1980/1981 in continuation of a general downward trend which persisted for most of the 1970's, reflecting unrealistically low producer prices, delayed payments to farmers, break-down of processing and transport services, deterioration of marketing services and general shortage of agricultural inputs, seeds, and implements. Consequently, farmers tended to disregard the official marketing channels and also shifted their resources into the production of easily marketable and highly priced food crops.

The new economic policy of the Government entailed a series of increases in the producer prices for cash crops and freeing of the prices for other products. Thus, at the end of December 1982, minimum producers' prices stood at markedly higher levels than in April, 1981.

TABLE 3: MINIMUM PRODUCER PRICES FOR EXPORT CROPS

(in shillings per kg)

	April 1981	December 1982
Coffee (Robusta) ..	7.00	50.00
Cotton (AR) ..	6.00	40.00
Tea (Green-leaf) ..	2.60	10.00
Tobacco (Fire-cured)	8.65	75.00
Cocoa	3.20	30.00

Source: Ministry of Co-operatives and Marketing.
Note: See Table 2.1 in the statistical appendix.

These price increases together with improvements in the supply of agricultural inputs, the transport and marketing services, and the rehabilitation of processing plants brought about a reversal in the production and deliveries trend of the export crops.

The marketed part of the coffee produced, which had registered a decline of 28.0 per cent during the 1980/1981 crop year (October - September) on account of transportation difficulties resulting in particular from a shortage of fuel, expanded during the 1981/1982 season by 70.9 per cent to exceed 166,000 tons. The coffee industry also benefited from a specific rehabilitation programme entailing a contribution amounting to U.S. $27 million from the European Economic Community, while the African Development Bank advanced U.S. $8 million for the repair of some coffee processing plants. The coffee industry was also an important beneficiary of the IDA credit facilities.

Cotton, the second most important export crop, registered a production decline of 32.8 per cent during 1979/1980 and an increase of 24.4 per cent during 1980/1981. The latter movement is attributable to the Government's campaign aimed at reviving cotton production and the rehabilitation of ginneries. At the end of 1982, cotton was on the verge of regaining its status as a major foreign exchange earner.

Tea, for which Uganda provides excellent natural growing conditions and hence high yields and good quality, has registered moderate production recovery with production increases of 7 per cent and 50 per cent in 1981 and 1982 respectively, albeit from very low starting levels. Some emergency assistance was provided by the EEC, which facilitated the purchase of the most urgent requirements for the tea industry such as packing materials, transport facilities and chemicals, while some tea estates were returned by the Government to the former owners.

Tobacco production, despite its remarkable elevenfold increase during 1982, is still very low. Sugar has for a long time lost its position as an export crop as there has hardly been any production, a situation which led to the importation of substantial quantities in 1981 - 1982. However, it is envisaged that exportation of sugar will be resumed, following the rehabilitation of the major sugar estates. The quantities of cocoa produced and exported are currently insignificant.

TABLE 4: ESTIMATED PRODUCTION OF FOOD CROPS
(in '000 tonnes)

	1981	1982
Cereals	1,165	1,348
Plantains	5,900	6,600
Root crops	4,475	5,096
Pulses and oil seeds ..	403	485

Source: Ministry of Agriculture and Forestry.
Note: See Table 1.2 in the statistical appendix.

Compared with the period 1979 - 1980, when some parts of the country experienced severe food shortages due to drought and war conditions and their after-effects, the 1981 - 1982 period exhibited a dramatic change in the food supply situation. Uganda's potential allows her not only to be self-sufficient in food production, but also to export food stuffs such as maize, fruits and vegetables. During the 1981 - 1982 period, all categories of the country's staple food crops (namely cereals, plantains, root crops and pulses) registered increases in production. These crops benefited from generally favourable weather conditions. A number of programmes have been launched by the Government with external assistance, such as cereal growing in Eastern and Northern Uganda. With the help of the International Fund for Agricultural Development (IFAD) and the EEC, an Integrated Food Production and Rural Development Project was launched in the famine prone districts of Moroto and Kotido. Technical assistance is provided by the People's Republic of China in the Rice Development projects in the districts of Iganga, Tororo and Lira.

4.3 INDUSTRIAL PRODUCTION

It took the rehabilitation process somewhat longer to have noticeable effects on industry than on agriculture, since the former particularly depends more on imported inputs for its recovery and since these came in at a slower pace than expected, especially under the first IDA reconstruction credit.

Industrial production hardly changed in 1981 and except for electricity, it even declined slightly. However, in 1982, the advance became more noticeable especially as the manufacturing sector started to revive. Currently very high unutilised installed capacities in this sector (table 5) should allow for further rapid progress as there has been an acceleration in the importation of necessary inputs, raw materials, spare parts and machinery, under the various foreign assistance facilities, especially the IDA credit already mentioned in chapter 3. A second reconstruction credit amounting to U.S. $70 million has been granted by the IDA, to finance the importation of spare parts and raw materials for industry, transport and other priority imports, including agricultural inputs. In addition, the World Bank is channelling lines of credit worth U.S. $35 million through the Uganda Development Bank and the Uganda Commercial Bank to finance capital expenditure for the replacement of obsolete or broken-down plant machinery, tools, and other equipment for industrial enterprises. Lastly, IDA has provided U.S. $4 million to finance a detailed engineering study of a full-scale phosphate project at Tororo.

TABLE 5: ESTIMATED DEGREE OF CAPACITY UTILISATION IN SELECTED INDUSTRIES.
(in per cent of installed capacity)

	1981	1982
Beer	12.8	21.1
Cigarettes	12.3	39.2
Cotton and rayon fabrics ..	29.5	30.8
Blankets	8.9	9.1
Cement	3.5	7.7
Hoes	14.0	21.1
Fishnets	2.2	6.7
Footwear	9.3	9.5

Source: Ministry of Planning and Economic Development.
Note: See Table 1.3 in the statistical appendix.

Among the industrial sectors other than manufacturing, the electricity sector is the most important. Consumption of electricity within the country declined sharply during the last decade falling by almost a half to 240 million Kwh in 1980 from a level of about 415 million Kwh recorded in 1970. This was caused by some shifts from electricity to fuel-oil within a context of relatively low fuel prices as well as by decline in demand resulting from the shrinking of the manufacturing sector.

Recovery in industrial production brought about a rise in electricity consumption by industry towards the middle of 1981-1982, a period during which total domestic consumption remained almost at the same level. Electricity exports to Kenya on the other hand, increased substantially in 1982 after having dropped in 1981. The future energy outlook of the country is promising in respect of its hydro-electricity potential. For the time being, oil imports remain very important and are currently taking a sizeable proportion of the country's earnings as discussed in chapter 7. These imports could, however, be reduced substantially by retailing the petroleum products at prices which reflect, their true cost, a measure which should also stop the smuggling to neighbouring countries.

The once vital mining industry did not make any significant contribution to GDP during the 1981-1982 period. However, a number of feasibility studies and projects in the pipeline show encouraging possibilities.

4.4 SOCIAL AND PHYSICAL INFRASTRUCTURE

Transport and Communications

Transport and Communications were given high priority within the Recovery Programme as two of the key requirements for economic revival. The sector was allocated U.S.$155.0 million for the rehabilitaion of the railway, improvement of the high volume trunk roads and rural feeder roads as well as road maintainance in general. Rehabilitation of the transport system, however, has been rather slow and uneven due to the shortages of equipment and spare parts in addition to technical and administrative constraints.

Within the road transport sub-sector there was a noticeable recovery especially in the importation of heavy commercial vehicles. Between 1980 and 1982, 568 heavy commercial vehicles were imported each year on average compared to an average of only 236 vehicles imported during 1978 and 1979. During 1982, a total of 2,282 private motor vehicles were imported of which 463 were heavy commercial vehicles, 290 pick-ups and vans, 66 buses, 764 cars and 699 other types which immensely eased pressure on the demand for transport. A large number of bicycles were also imported to improve short distance rural transport, linking farms to processing units and markets. The road sub-sector also benefited from external financial assistance for the rehabilitation of several major roads from the KFW of West Germany which provided DM6.0 million and the EEC which is financing the Kampala-Masaka road. Further financial assistance was also expected from the World Bank.

There has also been a considerable improvement in the performance of the railway sub-sector. Passenger traffic increased by more than two and a half times between 1980 and 1982 when the number rose from 1.3 million in 1980 to 3.3 in 1982. This was mainly on account of substantial increases in commuter traffic in the Kampala area. During the same period, freight traffic also increased considerably, a development which was in line with Government policy of shifting emphasis from road transport, which is significantly more expensive, to rail transport, particularly for exports and imports. Within this period the Uganda Railways Corporation acquired 380 covered wagons, 20 livestock wagons, and 20 passenger coaches. Kenya also availed Uganda with 90 tank cars, plus several hundred covered and open wagons, on a rental basis.

The use of Jinja-Mwanza route was also revived in 1979 using one wagon ferry. This additional route to the coast is intended to supplement the existing route as well as provide flexibility concerning other economic and financial considerations regarding the congestion and clearance delays at Mombasa. Construction of three wagon ferries each with a 22 railway wagons load capacity is going on at Luzira near Kampala and will soon be completed.

The Telecommunications and post sub-sector, received U.S.$20.0 million during this period from the IDA for the rehabiliation of its local net-works and automatic exchanges.

Health

The rehabilitation efforts within the Health sector were geared mostly towards procurement of sufficient drugs and diagnostic equipment, which were in acute shortages throughout the country. Efforts were also made, to undertake essential repairs to the existing hospitals and dispensaries, as well as restoring sewerage and electricity supply. Primary health care units, however, were given higher priority in the Recovery Programme and U.S.$15.0 million was allocated for their speedy rehabilitation.

Apart from Government's own resources, the health sector also received some external assistance from UNICEF, which provided essential drugs, medical equipment, and beddings for 90 health centres and dispensaries. Work for installation of three new X-ray Units at the main hospital also commenced during 1982 as well as rehabilitation of the roads leading to the hospital. Additional financial assistance was also received from various external donors such as UNICEF, EEC and CIDA which provided U.S.$10.8 million, U.S.$3.3 million and C$5.6 million respectively. These funds were used for the rehabilitation of health centres. WHO also provided technical assistance to the health sector during the period under review.

Education

By 1980 the education system had suffered adversely due to several factors, of which, acute shortages of teachers and scholastic materials were the most eminent. There had also been several incidents of loss or damage of school supplies, buildings, and equipment during the war in 1979. The rehabilitation efforts during this period, therefore, have been geared towards provision of these most urgently needed equipment and materials. During this period, several repairs of the buildings of technical colleges were undertaken, while primary schools were supplied with furniture and scholastic materials. To supplement these efforts, a third IDA Education Credit of U.S.$32.0 million was being negotiated.

Total enrolment in all institutions increased by 12 per cent between 1981 and 1982 compared to 9 per cent registered between 1980 and 1981. The highest increase was recorded by technical schools where total enrolment rose by over 22 per cent between 1981 and 1982 as compared to less than 1 per cent between 1980 and 1981.

5 DOMESTIC PRICES

During the period 1981-1982, price developments were dominated by the continuing depreciation of the external value of the shilling, regular adjustment of the remaining few adminstered prices, the freeing of other prices, a better balance between supply and demand, and accidental factors.

Before the economic and financial programme were launched two categories of prices prevailed, the controlled prices and the free or unofficial ones. According to surveys conducted in mid-April 1981 by the Bank of Uganda in conjunction with the Ministry of Planning and Economic Development, market prices were 10 to 15 times higher than the official ones and were generally very similar in the different markets of the Kampala area.

The depreciation of the shilling, first to a very large extent in June 1981 and later by a smaller margin towards the end of 1982, had a clear upward effect on domestic prices. The same effect was brought about by the opening of Window Two in the second half of 1982, entailing a further depreciation of the shilling for part of the foreign transactions.

In line with the changes in the external value of the shilling from June 1981 to December 1982, prices for various petroleum products were nearly doubled (Table 6) with direct repurcussions on internal transport costs. Prices for most goods and services were freed. Prices that remain controlled include those of export crops, petroleum products, and some public utilities including transportation.

TABLE 6: CONSUMER PRICES FOR PETROLEUM PRODUCTS

(in shillings per litre)

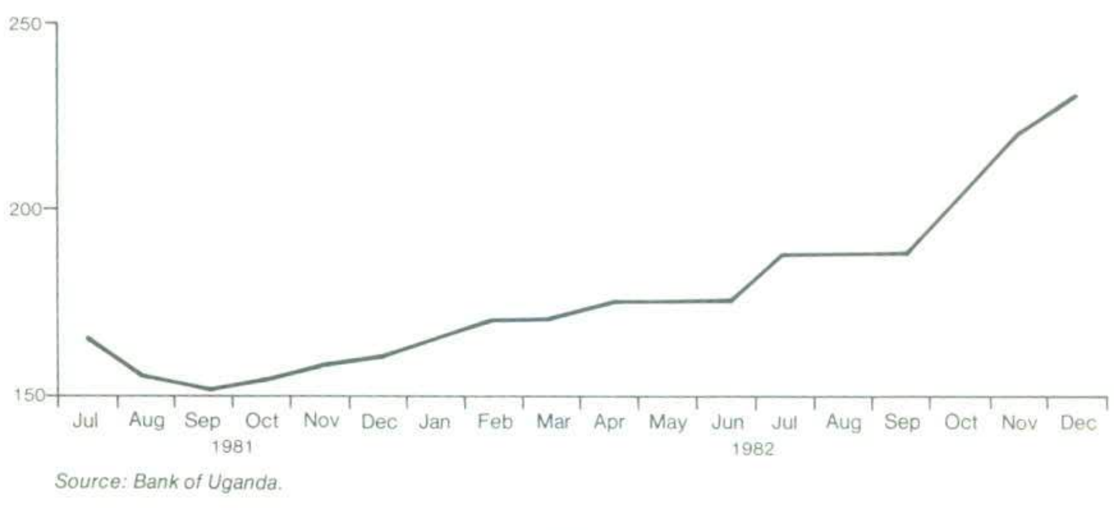
	April 1981	June 1981	Dec. 1982
Premium petrol (PMS)	7.44	81.00	150.00
Regular petrol (RMS)	7.13	78.40	140.00
Diesel (AGO)	6.00	47.20	90.00
Kerosene (K)	4.00	30.00	80.00

Source: Bank of Uganda.
Note: See Table 2.1 in the statistical appendix.

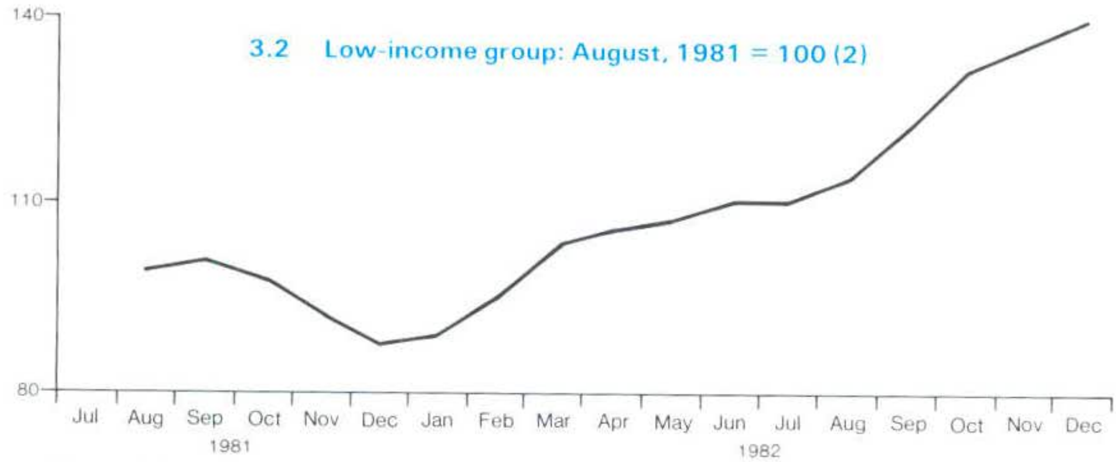
Supply and demand conditions moved to more balanced relations owing to revival of productive activities, importation of consumer goods, improvement in internal transport and distribution facilities, and tighter monetary and fiscal policies. The distribution structure, however, continued to show weaknesses as supply of fuel remained subject to accidental factors. Difficulties in domestic transportation and also in neighbouring countries, occasionally caused deficiencies in the supply of fuel domestically.

This pattern of events affected the trend of the two consumer price indices compiled for the Kampala area: one for the middle income group and the other for the low income group. These indicies are based on a rather outdated survey of household expenditure, which does not take into account expenditure on items such as education, medical care, and rents. The indices are therefore only proximate indicators of developments in consumer prices and not of cost of living since June 1981.

GRAPH 3: KAMPALA CONSUMER PRICE INDICES
3.1 Middle-income group: April, 1981 = 100 (1)



Source: Bank of Uganda.



Source: Ministry of Planning & Economic Development.

NOTE: (1) **The Middle-Income Group Index** has been compiled by the Bank of Uganda since April 1981 on the basis of information collected through independent price surveys of selected commodities around Kampala Markets, supplemented by information received from the Ministry of Planning and Economic Development and various other sources. The weights used are not based on a systematic survey, but on past information and on reasoned assumptions. The outcome has benefited from discussions with officials of the International Monetary Fund during their visits to Uganda.

(2) **The Low Income Group Index,** on the other hand, is the only official consumer price index still being prepared. It takes January 1961 as the base year. Because of change in consumption habits since 1961, it has now lost its accuracy as a representative household index, but still gives some indication of cost of living for the low-income group. It is compiled by the Ministry of Planning and Economic Development, which utilises some of the data collected through the price surveys by the Bank of Uganda. The compilation was, however, stopped for a period in 1980-1981 and was resumed in August 1981.

It should be noted that the distinction between low and middle income group is not based any more on exact income categories but presently refers more to a qualitative assessment. For the future, arrangements between the Bank of Uganda and the Ministry of Planning and Economic Development have been made to conduct joint surveys.

The period from June 1981 to December 1982 can, for the sake of a clear analysis, be divided into three main periods: the month of June 1981, the period July 1981 – June 1982, and the second half of 1982.

TABLE 7: DEVELOPMENTS IN KAMPALA CONSUMER PRICE INDICES

	Middle Income Group	Low Income Group
	(changes in per cent during the period)	
June 1981	+60.1 (estimate)	n.a.
July 1981 (Sept. 1981) – June 1982[1]	+10.4	+11.3
July 1982 – December 1982	+29.2	+22.9

Source: Ministry of Planning & Economic Development and Bank of Uganda.

Note: See Tables 2.2 and 2.3 in the statistical appendix.

(1) Sept. 1981 – June 1982, since the survey relating to the low-income group, and consequently the calculation of the relevant index, was resumed only in August 1981.

There was an initial upsurge in consumer prices during June 1981, which is attributable to the depreciation of the shilling and the freeing of prices. The freeing of prices caused little change to the actual living conditions since most of the then ruling administered prices were in practice irrelevant for practically all the consumers. The depreciation of the shilling affected mostly those categories of goods with a large import content such as clothing and other manufactured goods. By the end of June 1981, it is believed that the full effects of the new value of the shilling and the freeing of prices had spread throughout the price system.

In the subsequent twelve month period, July 1981 – June 1982, (August 1981 – June 1982 in the case of the low income index) the rise in consumer prices averaged slightly above 10 per cent reflecting the steadier flow of goods in an environment of free price competition.

The rise is even lower if the increases relating to the rise in the price of petroleum products at the end of June 1982 are discounted. Within this twelve-month period, an acceleration is noticeable from January – February 1982 onwards, a movement which is somewhat more pronounced when the low-income index is used as a measure. The apparent discrepancy in the timing of the inflation recorded by the two indices can be accounted for, to some extent, by the differences in the structure of the indices. For instance, food has 41 per cent weight in the middle income index whereas it is 70 per cent in the low-income index.

Both indicies show clearly that the inflation rate accelerated markedly in the second half of 1982. This resulted from further depreciation of the shilling, including the opening of Window Two at the end of August 1982, and the effects of two adjustments in petroleum prices, in June and November 1982 respectively. The latter were directly reflected in the category fuel and lighting. In addition, mention should be made of a number of factors such as temporary shortages of diesel, resulting from disruptions in supplies, and other factors inhibiting the transportation of food from food-producing areas to the capital. Food prices went up significantly, especially those of staple food such as matoke (plantains) and maize flour. As a matter of fact, the sub-index for food prices in the middle income index which up to mid-1982 had remained below the level of the overall index, caught up almost the full difference in the second half of 1982. In the low-income index, this movement of food prices started earlier on, in April 1982.

Accidental factors which contributed to the high level of the food prices by the end of 1982 seemed to have become less important at the beginning of 1983. Transportation and fuel supply conditions have returned to relative normalcy.

In the absence of a comprehensive measure of inflation, such as a GDP deflator, one is bound to use the aforementioned indices as a proxy for an estimate of inflation. The average of those indices for certain periods, which are relatively short owing to the fact that price measurement resumed only during 1981, should then be taken into consideration.

TABLE 8: KAMPALA: AVERAGE CONSUMER PRICE INDICES

	Middle-Income Group (April 1981 = 100)	Low-Income Group (August 1981 = 100)
Periods:		
1981: First half		
average index	110.0[1]	n.a.
1981: Second half		
average index	155.7	95.7[2]
increase against previous half year in per cent	+41.5	n.a.
1982: First half		
average index	172.2	103.4
increase against previous half year in per cent	+10.6	+8.0
increase against corresponding half year of 1981, in per cent	+56.5	n.a.
1982: Second half		
average index	202.5	125.4
increase against previous half year, in per cent	+17.6	+21.3
increase against corresponding half year of 1981, in per cent	+30.1	+31.0

Source: Bank of Uganda
Note: see tables 2.2 and 2.3 in the statistical appendix
(1) Assuming no changes during the period January – May 1981
(2) Average for the period August – December 1981

On the basis of half-yearly averages the picture provided by the two indices is even more consistent. The averages show the important initial impact of the June 1981 depreciation and the relatively low inflation rate in the subsequent twelve month period. They also confirm the acceleration of the rate of inflation during the second half of 1982. On the basis of this last period and taking into account the slowing down of the rate of inflation, which has in the meantime occurred in the first three months of 1983, the current average inflation rate is estimated at around 25 per cent on an annual basis. This is in line with the target announced in the 1982/83 programme. A large part of this inflationary movement can be accounted for by the depreciation of the shilling which accelerated during the second half of 1982, compared to the second half of 1981 and the first half of 1982. A tentative comparison between prices, the exchange rate and liquidity developments is presented at the end of chapter 8.

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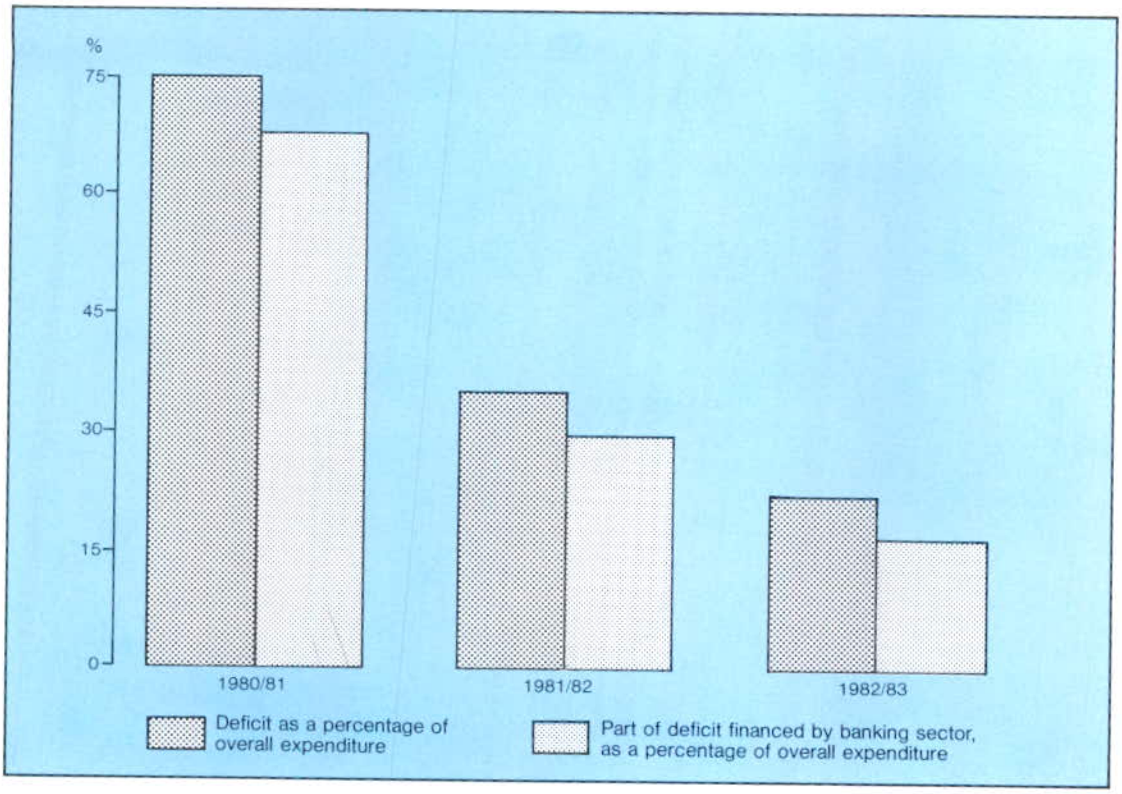
6 PUBLIC FINANCE

Overall Developments

During 1981/82–1982/83, overall fiscal developments were broadly in line with Government policy of restoring fiscal discipline through minimising inflationary financing, curtailing drastically the drain on Government resources by public enterprises, and strengthening fiscal administration. Towards these ends, new measures were adopted to improve the structure and elasticity of the tax system, to restrain growth in total expenditure, and to increase the share of overall budget deficit financed from both external and domestic non-bank sources.

GRAPH 4: DEFICIT OF BUDGETARY OPERATIONS AS A PERCENTAGE OF OVERALL EXPENDITURE AND ITS FINANCING



As a result of these measures and exchange rate depreciations during the period under review, total government receipts in fiscal 1981/82 increased by more than seven-fold while total expenditure rose by just over 200 per cent, resulting in an overall budget deficit of shs. 15.1 billion or 35 per cent of total expenditure compared to nearly 75 per cent in 1980/81 (Table 9).

Indications are that the ratio of overall deficit to total expenditure fell further to about 23 per cent in fiscal 1982/83. Although the share of bank financing of the overall deficit is estimated to have fallen from 90 per cent in 1980/81 to 75 per cent in 1982/83, this achievement fell short of expectations.

TABLE 9: BUDGETARY OPERATIONS
(In billions of shillings)

	Fiscal Year 1980/81	Fiscal Year 1981/82	Fiscal Year 1982/1983		
	Actual outcome	Actual outcome	Budget	Actual outcome 1st half	Provisional outcome
Revenue and grants	3.3	27.9	45.8	21.9	52.3
Revenue	(2.7)	(24.4)	(44.0)	(20.9)	(51.7)
Expenditure	13.1	43.0	60.9	29.4	67.7
Deficit	−9.8	−15.1	−15.1	−7.5	−15.5
Financing	9.8	15.1	15.1	7.5	15.5
External Borrowing (net)[1]	0.8	1.0	12.6	2.8	2.2
Domestic Borrowing	9.0	14.1	2.5	4.7	13.3
Banking system	(8.8)	(13.0)	(2.0)	(0.3)	(11.6)
Non bank sectors	(0.2)	(1.1)	(0.5)	(4.4)	(1.7)

Sources: Ministry of Finance and Bank of Uganda
(1) Borrowing minus repayment

Revenue

Revenue measures adopted during 1981/82–1982/83 were far-reaching. In fiscal 1981/82, a substantial proportion of the local currency gain in coffee receipts, arising from the devaluation, accrued to the Treasury. Moreover, the Bank of Uganda assumed responsibility for collection of export duty on behalf of the Treasury, thus improving the revenue collecting machinery. In addition, rates for import duties previously assessed on specific bases were not only changed to ***ad valorem*** bases but were also reduced. Rates for sales tax on imports and domestically produced goods were equalised, all specific rates for sales tax were converted to an ***ad valorem*** basis and some were reduced while others were increased. A sales tax on salt was introduced. As a result of these measures, domestic revenue rose by about 800 per cent to Shs. 24.4 billion, in 1981/82, virtually all from tax revenue. Taxes on international trade increased from Shs. 700 million to Shs. 12.0 billion, accounting for 49 per cent of total revenue, while sales tax and excise duty proceeds together jumped from shs. 1.2 billion in 1980/81 to shs. 9.3 billion in 1981/82.

TABLE 10: BUDGETARY REVENUE, 1980/81–1982/83

	1980/81	1981/82	1982/83	
	(Actual)	(Actual)	Budget	Provisional Outcome
		(in billions of shillings)		
Total revenue	2.7	24.4	44.0	51.7
Export taxes	0.1	6.8	9.8	16.1
Sales tax and excise duty	1.2	9.3	12.5	9.3
Import duties	0.6	5.2	6.2	6.5
Exchange profits	—	—	11.0	11.5
Other	0.8	3.1	4.5	8.3
		(in per cent of total)		
Export tax	3.7	27.9	22.3	31.1
Sales tax & excise duty	44.4	38.1	28.4	18.0
Import duties	22.2	21.3	14.1	12.6
Exchange profits	—	—	25.0	22.2
Other	29.6	12.7	10.2	16.1

Source: Ministry of Finance

In the fiscal year 1982/83, a major new source of revenue was profits from operation of the dual exchange system, generating as much as Shs. 11.5 billion. Further improvement in other sources of revenue were projected in line with the continued recovery of the economy and improved tax administration. An important fiscal measure was the sharp increases in prices of petroleum products to cover the increased cost of petroleum products arising from the depreciation of the shilling. Also export tax receipts increased mainly on account of higher coffee export tax receipts. In contrast, the collection of sales tax and excise duties remained unchanged from the previous fiscal year. In total, however, domestic revenue more than doubled compared with 1981/82.

Expenditure

Factors contributing to increased cost of government services during fiscal 1981/82-1982/83, include the depreciation of the shilling, freeing of domestic prices, substantial increase in prices of petroleum products and of public utility tariffs, and upward adjustment of salaries of civil servants. With the depreciation, higher local currency cost of external debt servicing compounded the problem of higher costs of imports of goods and services needed to rehabilitate the administrative machinery of government.

Considerable efforts were made to restrain growth in government expenditure. Increases in wages and salaries of civil servants were limited to 25 per cent on average in fiscal 1981/82 and to less than 10 per cent in 1982/83. Growth in government expenditure was also restrained through reduction in automatic monthly cash allocations to ministries over and above wages and salaries. In this way, requests for releases of the remaining funds were closely scrutinised by the Ministry of Finance. In fiscal 1982/83, costs of external travel, overseas education and medical treatment, maintenance of embassies abroad, and a range of imports were highlighted by requiring that the foreign exchange to meet these outlays be purchased at the free market rate.

TABLE 11: BUDGETARY EXPENDITURE 1980/81-1982/83

	1980/81 (Actual)	1981/82 (Actual)	1982/83 Budget	1982/83 Provisional Outcome
	(in billions of shillings)			
Total expenditure	13.1	43.0	60.9	67.7
Recurrent	12.0	32.9	39.7	48.8
of which wages & salaries	(5.1)	(6.4)	(6.4)	(7.0)
Development	2.0	7.4	16.6	15.5
Other (net)[1]	−0.9	2.7	4.6	3.4
	(change from previous year in per cent)			
Recurrent expenditure	64.4	174.2	20.7	48.3
Wages and Salaries	108.0	25.5	—	9.4
Development expenditure	93.6	270.0	124.3	109.5

Source: Ministry of Finance.

(1) Includes the differences between cheques issued and cheques cashed in same fiscal year, net change in extra budgetary fund balances, and contingencies.

In 1981/82, the rate of expansion in total expenditure (228 per cent) was less rapid than total revenue and grants (804 per cent), reflecting the expenditure restraining measures. Recurrent expenditure increased by 174 per cent to Shs. 32.9 billion or 76 per cent of total expenditure. Rise in non-wage outlays was the main factor in this development. Due to the wage restraining policy noted earlier, the rise in the wage bill was only 25 per cent. Development expenditure more than tripled to Shs. 7.4 billion.

In fiscal 1982/83, expenditure was greatly influenced by the provisions of the Recovery Programme, which was published early in 1982, and the purchases of goods and services at free market exchange rates. Preliminary data indicates that recurrent expenditure increased by 48 per cent in 1982/83, while development expenditure more than doubled.

Overall Deficit and Financing

The overall budget deficit, as a proportion of total expenditure, fell from 75 per cent in 1980/81 to 35 per cent in 1981/82. However, net foreign financing fell from 8.2 per cent to 6.6 per cent of the deficit. Accordingly, given the limited possibilities for domestic non-bank financing, the share of the deficit financed by the banking system fell by only 4 percentage points to 86 per cent. The Bank of Uganda conducted a major campaign to sell Treasury Bills to the non-bank sector, and it is estimated that the share of the overall budget deficit financed by the non-bank sector increased by 4 percentage points to 11 per cent in the fiscal year 1982/83. As foreign financing declined, bank financing of the budget was higher than originally anticipated. However, the ratio of overall budget deficit to total expenditure declined further to about 23 per cent.

Parastatals

Currently, there exist more than 100 public enterprises. To minimise Treasury's financial support of public enterprises, prices of output of these enterprises were allowed to reflect market conditions and tariffs for public utilitites (including transport and electricity) were adjusted upwards. Moreover, to divest Government of responsibility for enterprises that should ideally be managed by the private sector, Government legislated the Expropriated Properties Act, which came into force in February 1983. The Act entitles previous owners of enterprises expropriated by the military regime to claim repossession of their enterprises.

Bank of Uganda

7 EXTERNAL TRANSACTIONS

The external position of the Ugandan economy improved markedly in the course of the 1981-82 period despite the very adverse international economic situation and the financial burden inherited from the past.

7.1 BALANCE OF PAYMENTS

The Balance of Payments position exhibited a substantial improvement during the period under review mainly on account of two factors. Firstly, a huge imbalance in transactions with foreign countries was reduced to more acceptable proportions in a relatively short time. Secondly, substantial efforts were made to settle in cash or reschedule a large part of the external debt inherited from the past and to pave the way for future restrictions on new obligations.

Foreign exchange continued to be in short supply over the years 1981 and 1982. This constrained various aspects of implementation of declared Government policy within the framework of the Recovery Programme. The scarcity in foreign exchange combined with endeavours to bring about more balance in the transactions with foreign countries and to restore normality in the payment situation, severely constrained the importation of essential commodities and thus proved a major hindrance to rapid recovery of the economy. Removing this constraint was consequently a primary objective of policy, entailing a smooth and rapid increase in the realisation of foreign exchange receipts, rationalisation of payments, and attraction of financial resources, while avoiding creation of unnecessary burdens in the immediate future.

TABLE 12: BALANCE OF PAYMENTS, 1981 AND 1982
(in millions of U.S.$)

		1981	1982
A.	**CURRENT ACCOUNT**		
	Merchandise trade	−169.2	−122.5
	exports, f.o.b.	(245.5)	(335.0)
	imports, c.i.f.	(414.7)	(457.5)
	Services (net)	−121.3	−120.9
	Unrequited transfers (net)	+120.6	+130.3
	Balance on Current Account	−169.9	−113.1
B.	**EXCEPTIONAL FINANCING: DEBT AND ARREARS CANCELLATION**	68.7	—
C.	**CAPITAL ACCOUNT**		
	Medium and Long-Term (net)	−97.8	+39.1
	Short-Term (net)	+46.9	−3.9
	Balance on Capital Account	−23.4	+60.8
D.	**ALLOCATION OF SDRS**	6.5	—
E.	**OVERALL BALANCE A+B+C+D**	−118.1	−52.3
F.	**FINANCING**		
	Net Foreign Assets of Monetary Authorities[1]	+118.1	+52.3

Source: Bank of Uganda.
Note: See Table 4.3 in the statistical appendix.
(1) Based on the end of the period data. Sign (+): increase in net liabilities (or increase in negative foreign assets); sign (−): decrease in net liabilities.

Overall, the balance of payments registered a substantial deficit amounting to U.S.$118.1 million in 1981, and a reduced deficit of U.S.$52.3 million in 1982. This was mainly on account of the reduction in the deficit on the current account balance, decreasing from U.S.$169.9 million in 1981 to U.S.$113.1 million in 1982, a decline of 33.4 per cent. Although imports rose from U.S.$414.7 million in 1981 to U.S.$457.5 million in 1982, they were compensated by a rise in exports of 36.5 per cent to U.S.$335.0 million in 1982, and external grants by 8.0 per cent to U.S.$130.3 million in 1982. Excluding the Public Debt and Arrears Cancellation amounting to U.S.$68.7 million by the UK and West Germany in 1981, the capital account showed a deficit of U.S.$23.4 million in 1981 and a sizeable surplus of U.S.$60.8 million in 1982.

To finance the deficit in 1981 and sustain a little surplus in 1982, there was a substantial draw down on the country's gross reserves in 1981 and net use of the IMF resources in 1982. In line with the Fund Programme, severe curtailment of government expenditure was enforced in 1981 and 1982. This cut was mainly on outlays on government travel, education, etc. A regular monthly Foreign Exchange Budget was institutionalised and foreign earnings allocated to well prepared and agreed priority areas.

CURRENT ACCOUNT

As a consequence of the policy pursued and as a result of more exogenous developments, the current account deficit was reduced markedly during 1981 and 1982. That deficit fell from U.S. $169.9 million in 1981 to U.S. $113.1 million in 1982.

TABLE 13: CURRENT ACCOUNT

(in millions of U.S. dollars)

	1981			1982			1981/82
	1st half	2nd half	Year	1st half	2nd half	Year	Fiscal Year
Merchandise trade	−83.6	−85.6	−169.2	−52.8	−69.7	−122.5	−138.4
(exports, f.o.b.)	(107.8)	(137.7)	(245.5)	(157.2)	(177.8)	(335.0)	(294.9)
(imports, c.i.f.)	(191.4)	(223.3)	(414.7)	(210.0)	(247.5)	(457.5)	(433.3)
Services, (net)	−57.8	−63.5	−121.3	−55.4	−65.5	−120.9	−118.9
of which: interest charges(1)	(8.2)	(6.7)	(14.9)	(12.8)	(12.4)	(25.2)	(19.5)
Unrequited transfers (net)	+55.1	+65.5	+120.6	+74.0	+56.3	+130.3	+139.5
CURRENT ACCOUNT	−86.3	−83.6	−169.9	−34.2	−78.9	−113.1	−117.8
EXCEPTIONAL FINANCING:							
DEBT AND ARREARS CANCELLATION	—	+68.7	+68.7	—	—	—	+68.7

Source: Bank of Uganda

(1) This amount is a minimum since present practice records some interest charges under principal payments shown in the capital account.

Note: See Table 4.3 in the statistical appendix.

Merchandise Trade

An increase in export receipts, which is almost entirely dependent on coffee, was noticeable in the course of the 1981-82 period. Coffee proceeds increased almost exclusively as a result of expansion in recorded shipped quantities for the coffee year 1981/82 (October-September). Uganda's coffee exports exceeded its ICO quota, which was about 40 per cent higher in 1981/82 than the 1980/81 entitlement of 1.9 million bags. More than 2.7 million bags (equivalent to about 165,000 metric tons) were shipped during the 1981/82 season.

The increase in exports of coffee can be attributed to the sharp increase in domestic producer prices and the reorganisation and improvement of marketing and financial services. Notwithstanding weak world coffee prices, the value of coffee shipments went up by about 35 per cent during the twelve-month period, ending June 1982. For calendar year 1982, the increase in exported quantities combined with a slight rise in average prices brought about a value increase of 36 per cent. Expressed in another currency other than the U.S. dollar, which appreciated further during that year, the increase would have been more important; in terms of SDR's it amounts, on average, to about 45.8 per cent.

The other cash crops did not make a sizeable contribution to export proceeds during the period under review. However, exports of cotton should soon be expanding substantially. On the other hand, some proceeds from non-traditional exports, such as fruits, vegetables, and hides and skins were, for the first time, recorded in the foreign exchange purchased at Window Two which was introduced, among other reasons, to encourage export diversification.

Revival of coffee export performance brought about a sharp narrowing of the trade deficit from U.S. $169.2 million in 1981 to U.S. $122.5 million in 1982. Imports are normally estimated from customs data. This was not possible and so estimates were based on financial settlements or on disbursements. Our estimates show that imports expanded less than exports.

This development deserves further examination in view of the necessity for stepping up economic recovery and the important role of imports in this process. It should be noted, however, that this development would have been more important if it were expressed in real terms. It is estimated that the import unit values for Uganda, which are basically influenced by two elements, namely the export unit values in industrialised countries and oil prices, declined on the average by approximately 2 per cent in 1982 compared to 1981, on account solely of the first of the two aforementioned elements. Moreover, since the data drawn up is expresed in U.S. dollars, allowance should be made for the significant appreciation of the U.S. dollar during the period.

The import figure would have shown a higher increase in 1982 compared to 1981 had it been expressed in a weaker currency than the U.S. dollar. For example, in SDR's the figure would have gone up by 17.9 per cent on the average instead of the 10.3 per cent recorded in dollar terms. Needless to add that in terms of shillings the increase would have been considerable.

Imports have nevertheless remained below expectations. One of the reasons is that owing to the still low absorptive capacity of the economy, the actual utilisation of resources put at the disposal of the country within the framework of increased external assistance was slower than expected. This factor, while having an impact on the level of imports for the whole of the 1981-82 period, does admittedly not explain why the 1982 increase was more moderate than expected since disbursements of commodity financing aid flows, while remaining below expectations, increased during 1982. Other reasons have therefore to be examined.

One such reason was the impact of the successive depreciations of the shilling on the demand for imports. It can be assumed that part of this demand is probably not very sensitive to price change owing to the type of the goods imported (e.g. basic consumer goods) and the category of the final users of the goods, some of whom such as the Government or some parastatal bodies may not necessarily be influenced by economic motives for importation of certain items. In addition, the effects of the depreciations of the shilling on the price of imports were dampened by the fact that prices actually paid through unofficial channels were already much higher than those calculated on the basis of the official exchange rate. Nevertheless, it was successive downward adjustments of the external value of the shilling coupled with the introduction of Window Two operations that in effect curtailed the expansion of the volume of imports throughout1981 and 1982.

For example, the increase in the domestic prices of petroleum products following the changes in the external value of the currency curbed the demand for the products, and also drastically reduced incentive for their illegal re-export. According to the data provided by the oil companies, the volume of import of petroleum products, declined by about 40 per cent in 1981 compared to 1980. In 1982, according to preliminary estimates, a small growth of 4.4 per cent was due to a regular flow of products, economic recovery which required a larger amount of fuel, and holding of expanded security stocks. The oil bill includes not only payments for importing oil products but also payments for the imports of other related goods and services as well as payments in respect of arrears. In 1981 and 1982, it amounted to U.S.$116.4 million and U.S.$101.1 million or 47.4 and 30.2 per cent of export earnings, respectively.

TABLE 14: IMPORTS OF PETROLEUM PRODUCTS 1980–1982

(in metric tonnes)

Product	1980	1981	1982[1]
Aviation Fuel	12,915.0	14,964.0	7,695.0
Motor Spirit	85,985.0	46,658.0	22,552.0
Kerosene	47,816.0	23,086.0	13,616.0
Auto Diesel	72,507.0	46,699.0	27,108.0
Industrial Diesel	1,455.0	1,383.0	474.0
Fuel Oil	23,675.0	18,820.0	6,879.0
Lubricants	7,252.0	3,926.0	2,155.0
Bitumen	1,131.0	77.0	—
L.P. Gas	804.0	649.0	115.0
Other	5,888.0	1,790.0	315.0
Total Volume (tonnes)	259,423.0	158,052.0	80,909.0
Total Value (Shs '000)	920,703.0	3,475,395.0	3,678,717.0

Source: Oil Companies
(1) First half

Only a relatively small portion of the foreign exchange cash resources realised from export receipts and IMF drawings, could be devoted to merchandise imports other than petroleum products and priority imports. A very large part of those resources had to finance the oil bill, external debt servicing, external arrears, other international commitments and emergency programmes such as essential consumer goods. A substantial part of such expenditure was actually inherited from the past. In other words, import activities had to give way to actions aimed at both reducing the burden of the past and rebuilding a margin of manoeuvre for the future.

When comparing the 1981 and 1982 import levels, the fact that import payments were reconstituted and estimated indirectly, has to be taken into account. For instance among the payments made in 1981, a number was related to transactions which had taken place in 1979 and 1980 but which could not be fully separated from the 1981 operations. The 1981 payments also comprised a number of transactions of an exceptional nature. Such payments were made in order to deal with emergencies and speed up the rehabilitation of the economy. These transactions, which were often the subject of special financial arrangements, such as barter arrangements, were gradually eliminated in the course of 1982.

Procedures and control in respect of imports were improved and tightened. Pre-shipment inspection of imports was introduced, while settlement of the oil bill was streamlined. Thus, import payments were gradually cleaned of improper transactions and, more generally, the system now in force ensures a more productive use of foreign exchange resources.

Terms of Trade

Terms of trade of the Uganda economy tend to fluctuate in keeping with the changes in the price of the main foreign exchange earner, namely coffee, (graph 5) especially so as the dependence on coffee has increased. Coffee prices are, however, only part of the explanation. Thus, during the first half of the 1970's, terms of trade moved unfavourably despite the slight and gradual increase in coffee prices during that period, from the extremely low levels prevailing at the beginning of the 1970's. Import unit values increased even more, reflecting both the acceleration of inflation in the industrialised countries, which increased the unit cost of manufactured imports. At the end of 1973 there was a huge rise in the price of crude petroleum which also contributed to the increase in import unit values. Substantial improvement in the terms of trade in 1976 and 1977 is accounted for essentially by coffee prices, which peaked in 1977. Subsequently, terms of trade worsened fast within the worldwide context of depressed commodity prices. The 1979 oil price increases offset the favourable effects of somewhat higher coffee prices enjoyed during that year. In 1980, ever increasing prices for the imports from industrialised countries as well as effects of an over-valued dollar, depressed the terms of trade even further.

This unfavourable trend came to a halt only in the second half of 1981, giving way to a slight improvement. During the last quarter of 1982, firmer coffee prices combined with declining inflation rates in industrialised countries, brought about an improvement in the terms of trade. The fall in oil prices in the period 1981-1982 had not yet had effect, as the bulk of Uganda's supply is bought at contractual official producer's selling prices, which recorded virtually no change during 1982 and were still well above prices on the spot market at the end of the year.

Income terms of trade, which take into account the exported volumes, showed a similar trend over the 1970's and the early 1980's. In 1982, however, they fared much better on average than the simple terms of trade, as a consequence of increase in quantities of coffee exported.

On average for 1981 and 1982, it can be estimated that the simple terms of trade stood at a level which was less than a third of the 1977 peak level and less than a half of the 1978 level, and hardly reached 70 per cent of the 1980 level. These unfavourable terms of trade combined with the low utilisation of productive capacity had fundamentally weakened the external position of the country at the beginning of 1981.

Services and Unrequited Transfers

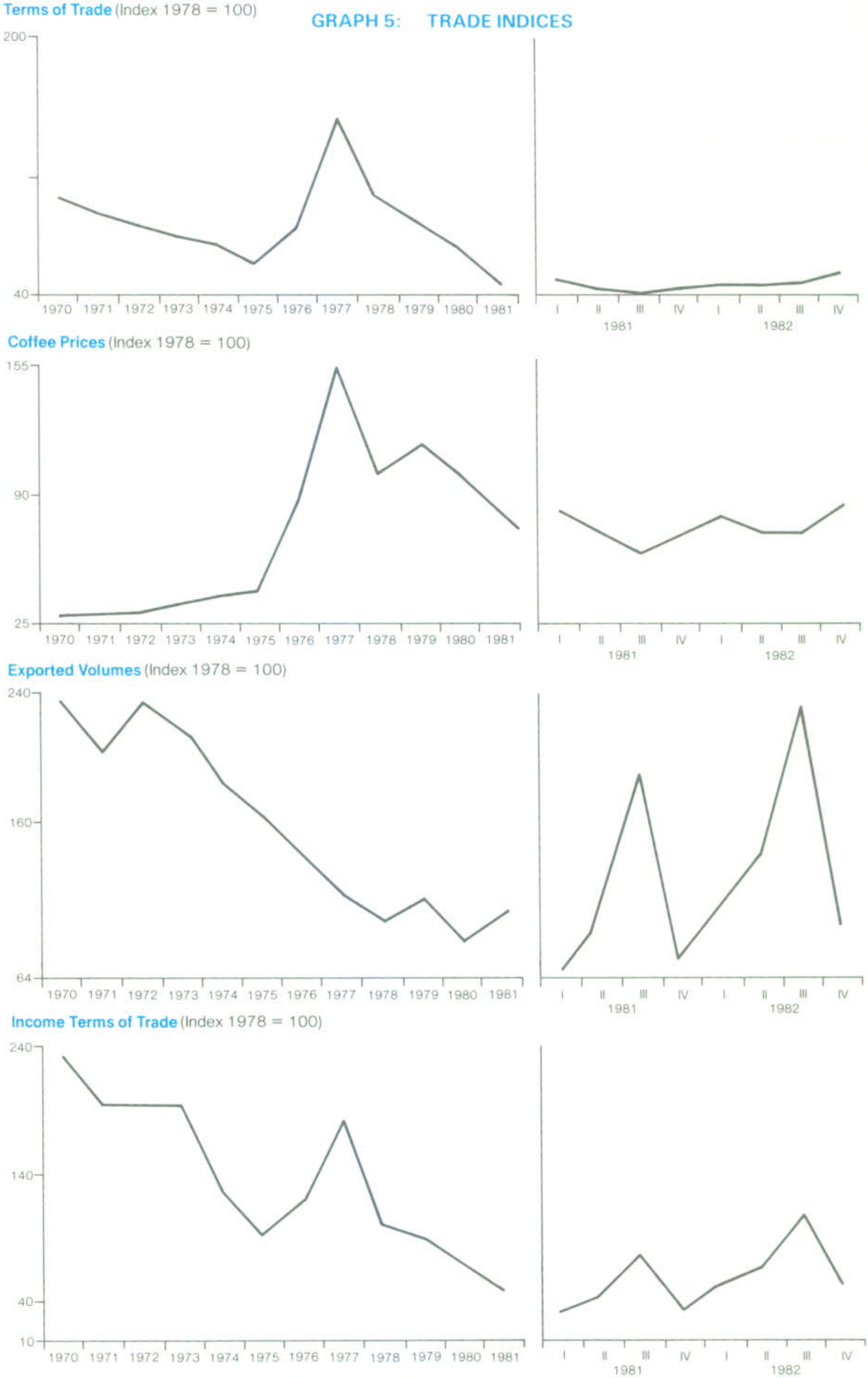
The (net) payments for ***services*** are accounted for to a large extent by commitments associated with merchandise trade. In particular, costs related to the movement of goods especially coffee and oil through Uganda and Kenya dominated these flows. Foreign exchange costs of travel, medical treatment, education, and similar expenditure continued to grow throughout the 1981-1982 period despite the fact that procurement was at Window Two rates and hence costly. Admittedly part of the demand for these services is insensitive to price increases, e.g. Government travel and costs of the embassies, while part was previously satisfied through the unofficial channels at even higher prices. Gradual tightening of domestic liquidity should put a brake on the growth of these types of transactions.

Debt service items increased noticeably, so did financial charges on the external obligations, influenced by high interest rates in 1981 and 1982. As the country realised a substantial growth in the volume of borrowed resources, this development continued to be a real burden on our balance of payments. Furthermore, service payments include the estimated cost of technical assistance, granted to the country by donor countries and institutions. Finally, the 1981 data include a number of payments which had to be met on account of past commitments, e.g. clearing and transport costs associated with the transit of goods through Kenya.

Net surplus in respect of ***unrequited transfers*** is accounted for essentially by estimates of official grants from various donor countries and institutions in the form of technical cooperation, commodity donations, as well as services and

Bank of Uganda

GRAPH 5: TRADE INDICES



Source: Ministry of Planning and Economic Development, Bank of Uganda, World Bank.

goods provided within the framework of development projects. Unrequited transfers also include a number of private inflows such as the estimated minimum financing counterpart of imports deemed to have been effected through licences which did not require the purchase of foreign exchange.

In summary, the significant narrowing of the deficit in respect of the current account resulted essentially from revived exports combined with the relatively low imports. This outcome does not include the inflow (amounting to $68.7 million) in respect of the debt and arrears cancellations, by the United Kingdom and West Germany, which was effected in the second half of 1981. These exceptional transactions have been kept separate from the current account to avoid distortion, expecially as the current account is already affected by a number of transactions of a more or less exceptional nature. The cancellations in question are, however taken into account both among the capital outflows and within the external arrears movement.

Capital Account

Even more than the current account, in the 1981-82 period, the capital account was influenced by a number of exceptional transactions. One such transaction was the cancellation of debt and arrears mentioned above. Apart from this, there were important official inflows, as a result of rescheduling of external public commitments under the Paris Club. Other inflows came from outside the Paris Club provisions as well as from new disbursements of loans.

The latter, however, remained below what was expected from the commitments. In particular the disbursement period of the first IDA Reconstruction Credit was extended for six months beyond the June 1982 deadline.

Apart from the cancelled principal on medium and long-term public debt, the official outflows cover scheduled servicing of principal payments plus some interest payments which cannot be easily separated from the principal. However, a large part of the servicing of this debt was rescheduled, thus, it did not adversely affect the country's foreign exchange position.

TABLE 15: CAPITAL ACCOUNT

(in millions of U.S. dollars)

	1981			1982			1981/82
	1st half	2nd half	Year	1st half	2nd half	Year	Fiscal Year
MEDIUM-AND LONG-TERM (net) . .	−24.3	−73.5	−97.8	+3.7	+35.4	+39.1	−69.8
Official inflows.	9.8	50.6	60.4	53.3	161.7	215.0	103.9
(new drawings)	(9.8)	(24.8)	(34.6)	(19.3)	(50.7)	(70.0)	(44.1)
(rescheduled principal) . .	(—)	(25.8)	(25.8)	(34.0)	(28.9)	(62.9)	(59.8)
(rescheduled arrears) . .	(—)	(—)	(—)	(—)	(−82.1)	(−82.1)	(—)
Official outflows . .	34.1	124.1	158.2	49.6	126.3	175.9	173.7
(scheduled repayments)[1]	(34.1)	(55.4)	(89.5)	(49.6)	(44.2)	(93.8)	(105.0)
(principal cancelled) . .	(—)	(44.5)	(44.5)	(—)	(—)	(—)	(44.5)
(arrears cancelled and rescheduled)	(—)	(24.2)	(24.2)	(—)	(82.1)	(82.1)	(24.2)
SHORT-TERM (net) . .	+61.6	−14.7	+46.9	−29.9	+26.0	−3.9	−44.6
Commercial Banks . .	+8.3	−4.8	+3.5	+1.4	−9.7	−8.3	−3.4
Usance letters of credit (net)[1]	+18.5	+12.7	+31.2	−14.5	−6.3	−20.8	−1.8
Other trade credit (net)[1]	−12.1	+21.3	+9.2	−92.8	+67.8	−25.0	−71.5
Other (net)	+46.9	−43.9	+3.0	+76.0	−25.8	+50.2	+32.1
ARREARS NOT SHOWN ELSEWHERE (movement net) . .	+23.2	+4.3	+27.5	+42.6	−17.0	+25.6	+46.9
CAPITAL ACCOUNT BALANCE	+60.5	−83.9	−23.4	+16.4	+44.4	+60.8	−67.5

Source: Bank of Uganda

Note: See Table 4.3 in the statistical appendix.

(1) These include some interest payments which could not be separated from the principal repayments (see note 1, Table 13, page 34).

Short term capital movements include movements in short term credit associated with the merchandise trade, including an estimate of credit movements corresponding to the time lag between the shipments of coffee and the foreign exchange earnings to which these shipments give rise, as well as the movement in the credit part of the settlement of the oil bill. Furthermore, net movements of credit granted through usance letters of credit are also taken into account. Lastly, the "other (net)" includes the counterpart of some imports, the financing of which was not clearly identified, as well as errors and omissions. The "other (net)" is largely accounted for by valuation discrepancies arising from exchange fluctuations. While net external assets are valued at the end of each half year, transactions recorded in the balance of payments are valued at the rates prevailing on the day they take place. Given the marked appreciation of the U.S. dollar through 1981 and 1982, this procedure gives rise to a fairly big discrepancy.

Since a number of transactions recorded on the capital account are both exceptional and heterogeneous, the balance in respect of this account tended to be erratic, showing a deficit in 1981 and a huge surplus in 1982. The latter is accounted for principally by the inflows during the second half of 1982 corresponding to rescheduling (mainly arrears.)

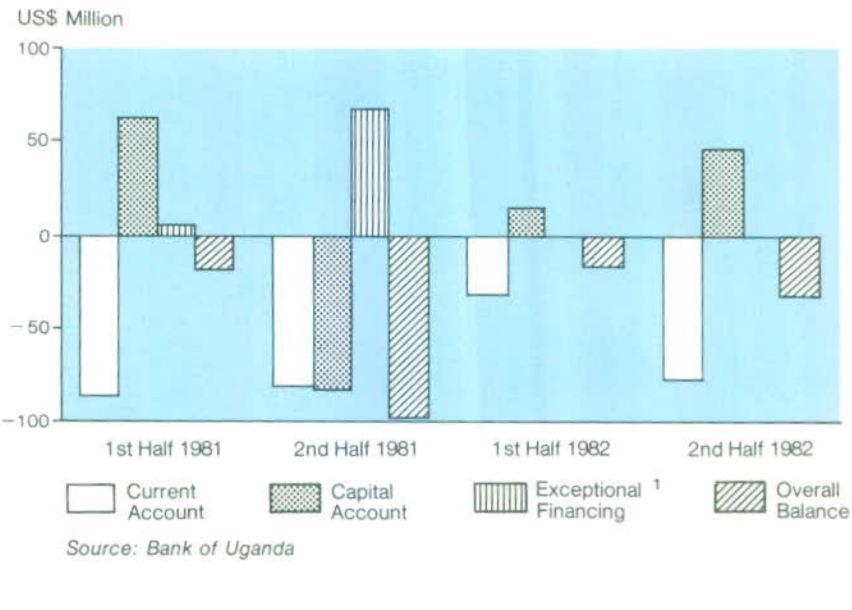
Overall Balance of Payments Financing

As a result of the reduction in the current account deficit and the reversal on the capital account from a deficit to a sizeable surplus, the overall balance of payments showed a smaller deficit in 1982 compared to 1981.

The 1981 deficit was almost entirely financed by the use of net foreign assets of the Monetary Authorities. Total external arrears hardly showed any movement as accumulation of new arrears was almost exactly balanced by the arrears cancelled. In 1982, the surplus resulted from a large reduction in external arrears relating to rescheduling agreements signed in the second half of 1982. During this second half, a substantial amount of foreign exchange was also used to reduce the external arrears through cash payments in connection with mainly overdue usance letters of credit. The policy applied by the Bank of Uganda in this respect followed two principles. One was that overdue letters of credit are paid on the first in first out basis. The second principle was that they are paid at the Window One rate if they had matured before the opening of Window Two; otherwise, the rate applied for their payment depended on the category of goods financed.

Net foreign assets of the Monetary Authorities have been influenced almost exclusively by the change in the net position with the International Monetary Fund and the Central Bank of Kenya. While net inflows from the latter virtually ceased after the first half of 1981, net use of IMF credit rose substantially throughout the period. For the two years 1981 and 1982, this increase amounted to U.S.$207.4 million, on the basis of the net outstanding amounts converted into U.S. dollars at the rates prevailing at the end of each half year. On the basis of flows

GRAPH 6: OVERALL BALANCE OF PAYMENTS



Source: Bank of Uganda

(1) 1st half of 1981: Allocation of SDR's, 2nd half of 1981: cancellation of outstanding external debt and arrears.

recorded over the period, the amount is higher, being U.S.$216.7 million. This discrepancy, shown as "exchange rate adjustment" in table 16, is explained by the fluctuations in the exchange rate for the U.S. dollar. The exchange rate was based on the average for each half-year under review. The rate appreciated markedly in the first half years of 1981 and 1982 and depreciated slightly during the second half of those years. On balance, the appreciation of the U.S. dollar gave rise to a cost of up to U.S.$9.3 million for the whole 1981-1982 period.

Utilisation of net foreign assets was much less significant in 1982 than in 1981, despite the fact that in 1982 a sizeable reduction in external arrears through cash payments took place. This difference, between 1982 and 1981, denotes essentially the narrowing of the current account deficit. On the other hand, within 1981, huge utilisation of net foreign assets was concentrated in the second half of the year. However, although a number of important payments took place in June 1981, their impact on the foreign reserves was delayed, owing to accounting lags, while, on the other hand, IMF drawings made during that month totalled U.S.$95 million.

TABLE 16: FINANCING OF THE OVERALL BALANCE OF PAYMENTS

(in millions of U.S. dollars)

	1981			1982			1981/82
	1st half	2nd half	Year	1st half	2nd half	Year	Fiscal Year
OVERALL BALANCE	−19.3	−98.8	−118.1	−17.8	−34.5	−52.3	−116.6
FINANCING: MONETARY AUTHORITIES[1]	+19.3	+98.8	+118.1	+17.8	+34.5	+52.3	+116.6
Change in gross reserves[2]	−84.4	+53.7	−30.7	+2.0	−19.1	−17.1	+55.7
IMF (net)[3]	+77.4	+47.7	+125.1	+25.8	+56.5	+82.3	+73.5
(purchases)	(95.0)	(46.6)	(141.6)	(39.2)	(54.2)	(95.4)	(85.8)
(repurchases)	(12.3)	(0.4)	(12.7)	(4.9)	(0.7)	(5.6)	(5.3)
(exchange rate adjustment)	(−5.3)	(+1.5)	(−3.8)	(−8.5)	(+3.0)	(−5.5)	(−7.0)
Other (net)[4]	+26.3	−2.6	+23.7	−10.0	−2.9	−12.9	−12.6

Source: Bank of Uganda

(1) Based on the end of the period data. Sign (+): increase in net liabilities (or increase in negative foreign assets), sign (−): decrease in net liabilities.

(2) Sign (+): decrease in gross reserves, sign (−): increase in gross reserves.

(3) Movement in the net position has been based on end of period data while the data for purchases and repurchases are shown at the value of the date at which they took place; reconciliation of the latter with the former is accounted for by fluctuations in the exchange rate for the U.S. dollar, which on average appreciated in 1981-82; the financing flow shown by end of the period data is therefore smaller than the flow which actually took place.

(4) Movement of net liabilities other than the net use of the IMF credit, the largest part of which is accounted for by movement in the credit provided by the Central Bank of Kenya (so called swap account).

7.2 EXTERNAL DEBT AND ARREARS

At the outset of the financial programmes, in May-June 1981, the country had accumulated sizeable external arrears, estimated to be at least U.S.$121.0 million at the beginning of 1981, and was therefore confronted with a huge debt service burden. For the year 1981, the scheduled debt servicing was estimated to be in excess of half of the export receipts. This unfavourable position was aggravated further following a systematic examination of the country's liabilities and the recording of overdue payments, especially usance letters of credit, which revealed an increase in the recorded external debt and arrears. Accordingly, the debt service profile appeared even more unfavourable in 1982, with scheduled servicing (including maturing usance letters of credit) amounting to as much as 66.1 per cent of export earnings.

Consequently, one of the priorities in the external transactions policy, during 1981 and 1982, was lessening of the external debt burden and reduction of arrears. Recording of the country's external commitments was actively pursued and, to that end, an External Debt Management Office was created within the Bank. Furthermore, the Paris Club met twice, in November 1981 and December 1982, to discuss Uganda's external public debt, and similar meetings were held with creditor foreign commercial banks and non-Paris Club countries.

These meetings resulted in a significant debt relief for the country. Thus, servicing of the medium and long term public debts presented to the Paris Club and relating to the periods July 1981 – June 1982 and July 1982 – June 1983, was, to a very large extent (97.5 per cent) rescheduled on favourable terms. A similar treatment was given to arrears accumulated on such debts. In addition, agreements were reached on the same basis with a number of creditors belonging to countries participating in the Paris Club, but holding non-governmental guaranteed claims on Uganda. A few rescheduling schemes were also agreed upon, outside the Paris Club provisions. Lastly, in the second half of 1981, the United Kingdom and the Federal Republic of Germany cancelled, a total of U.S.$68.7 million of outstanding debts and arrears.

TABLE 17: EXTERNAL DEBT SERVICE RATIOS

(in per cent of export earnings, on the basis of data in U.S. dollars)

SCHEDULED SERVICING	1981	1982
Medium and long-term public debt	39.3	29.7
Balance of payments financing[1]	10.7	11.8
Short-term and other[2]	1.1	24.6
TOTAL	**51.1**	**66.1**
RESCHEDULED SERVICING		
Medium and long-term public debt	28.7	11.0
Balance of payments financing[1]	10.7	11.8
Short-term and other[2]	1.1	24.6
TOTAL	**40.5**	**47.4**
ACTUAL SERVICING		
Medium and long-term public debt	18.7	11.5
Balance of payments financing[1]	10.7	11.8
Short-term and other[2]	1.1	24.6
TOTAL	**30.5**	**47.9**
MEMORANDUM: Export earnings, in millions of U.S.$	**245.5**	**335.0**

Source: Bank of Uganda
(1) International Monetary Fund and Central Bank of Kenya
(2) Mainly, maturing letters of credit. While few matured L/C's were recorded in 1981, this category of external commitments was very important in 1982.

As a consequence of that cancellation and various rescheduling agreements, debt servicing in proportion to export earnings was reduced by more than 10 per cent in 1981, from 51.1 per cent to 40.5 per cent in 1981, and from 66.1 per cent to 47.4 per cent in 1982. Improvement in this ratio, of course, also benefited from expansion in export earnings. Actual debt servicing in relation to export receipts amounted eventually to 30.5 per cent and 47.9 per cent in 1981 and 1982 respectively.

Actual debt servicing is likely to remain relatively high as a proportion of export receipts, even if allowance is made for a further expansion in those receipts. Relief on debts for which servicing has not yet been the subject of any rescheduling, offers little scope owing to the fact that the largest part of the long and medium-term external public debt has been contracted on highly concessionary terms[1]. On the other hand, issuing and guaranteeing of letters of credit by the Bank of Uganda was gradually slowed down and then stopped completely towards the end of 1982. This put a brake on accumulation of matured short-term commercial obligations and will considerably reduce debt servicing. Debt service as a proportion of export receipts will, however, increase in 1983 and possibly beyond due to principal repayments (repurchases) to be made to the IMF on the substantial drawings made from that institution since 1980. It should be recalled that conditionality attached to these drawings include an obligation to reduce the external arrears on a net basis by a certain amount, part of which has to be made through cash payments.

Understandings reached with the International Monetary Fund provide for new external medium and long-term borrowing at non-concessional terms to be kept within certain limits, while no limit is put on soft loans. This provision will ensure that the debt profile does not escalate beyond the country's means but allows for a growth in capital inflows.

(1) Tentative estimates made by the World Bank and the International Monetary Fund indicate an average interest rate on this debt of around 5 per cent, with an average maturity of approximately 20 years.

TABLE 18: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT

(in millions of U.S. dollars)

	end 1980	changes in 1981-1982		end 1982
	outstanding	drawings	cancellations and repayments	outstanding
Multilateral	**140.9**	**83.5**	**17.2**	**207.2**
Bilateral	**511.5**	**21.1**	**128.3**	**404.3**
— OECD Countries	223.9	18.2	75.0	167.1
— Eastern bloc	55.8	0.7	3.8	52.7
— Islamic Countries	37.0	—	1.5	35.5
— Eastern & Central African Countries	168.5	—	46.0	122.5
— Other	26.3	2.2	2.0	26.5
Total	**652.4**	**104.6**	**145.5**	**611.5**

Source: Bank of Uganda
Note: See Table 4.5 in the statistical appendix

At the end of 1982, outstanding disbursed medium and long-term public debt totalled approximately U.S. $611.5 million[1], including payments in arrears relating to it. Since the end of 1980, new disbursements have been essentially from multilateral sources, of which those made under the first IDA Reconstruction Credit constitute the bulk of the total. Most repayments, however, were made on bilateral debts mainly in respect of the already mentioned cancellations and in respect of rescheduled settlements to Tanzania and Zambia.

External arrears were substantially reduced from the second half of 1981 onwards as a consequence of cancellations, rescheduling, within and outside the Paris Club provisions. This reduction was also partly realised through cash payments as required in the financial programmes. In fact, throughout the eighteen months period, July 1981 – December 1982, this policy of arrears reduction was strictly adhered to.

TABLE 19: EXTERNAL ARREARS: DEVELOPMENTS IN 1981-1982

(in millions of U.S. dollars)

	Medium and long-term public debt	Other	Total
1 Outstanding at the beginning of 1981	121.0	n.a.	121.0
2 Changes during 1981-82			
2.1 scheduled and maturing payments	107.8	84.9	192.7
2.2 actual payments	84.6	55.0	139.6
2.3 change after cash transactions (2.1-2.2)	+23.2	+29.9	+53.1
2.4 reduction through cancellation and rescheduling	−106.3	—	−106.3
2.5 overall change (2.3 +2.4)	−83.1	+29.9	−53.2
3 Outstanding at the end of 1982	37.9	29.9	67.8

Source: Bank of Uganda
Note: See Table 4.6 in the statistical appendix

Total disbursed external debt of Uganda can be estimated at U.S.$944.5 million at the end of 1982, comprising:

— outstanding medium and long-term public debt	611.5
— net use of IMF credit	268.5
— matured letters of credit	29.9
— other	34.7

This total disbursed amount does not include a number of overdue payments the status of which has still to be ascertained as well as some interest arrears on medium and long-term public debt. It includes under the category "other", arrears against foreign airline companies and external liabilities of the Bank of Uganda other than the debts to the IMF.

7.3 FOREIGN EXCHANGE RATES

The 1981-1982 period witnessed very important developments in the field of foreign exchange rates in Uganda. The official exchange rate for the shilling prevailing at the beginning of the period had become completely unrealistic. One of the most decisive moves of the new economic policy was, therefore, to rationalise the external value of the shilling.

At the beginning of June 1981, a managed float for the official exchange rate of the shilling was introduced. A Money-Market Committee, in which the commercial banks and the Treasury participate under the chairmanship and in the premises of the Bank of Uganda, was created. This

1 This amount can only be an approximation for several reasons: one is that for a number of debts included in this amount, reconciliation between the Uganda records and the creditors' records is still in progress; secondly, a few debts are not included because they are still under discussion; thirdly, amounts expressed in U.S. dollars can be misleading especially as exchange rate fluctuations have been very large in the last two years.

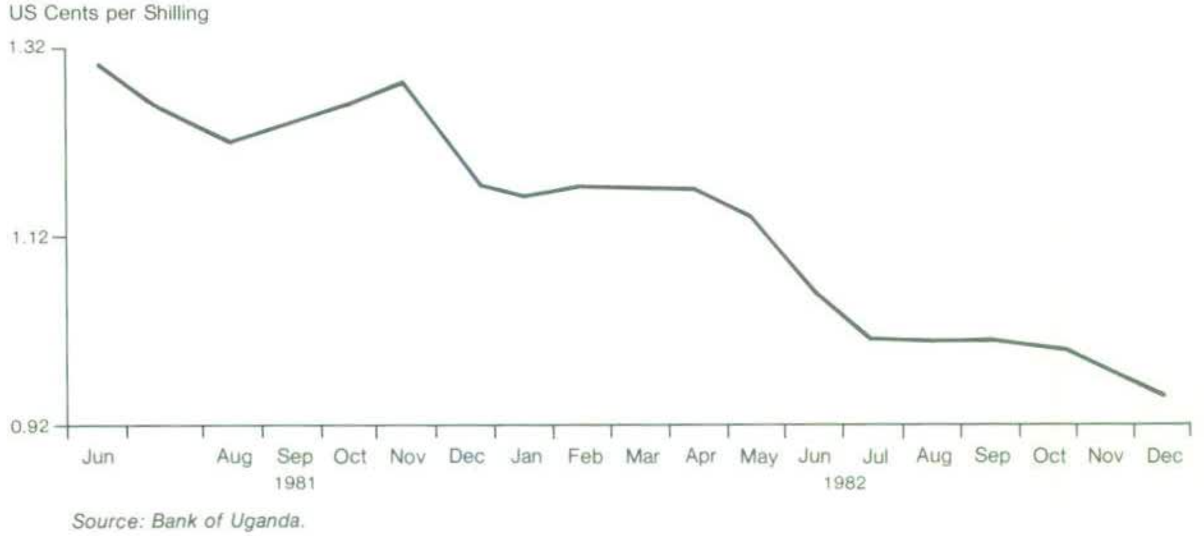
committee determines the daily exchange rate of the shilling on the basis of recorded transactions, indications of the country's economic situation and requirements of national economic policy as well as developments abroad, especially the movements in the rate for the U.S. dollar, against other currencies. This innovation not only modified the official exchange rate for the shilling considerably, but also influenced the rate at which the shilling used to be traded on unofficial markets.

In June 1981, the shilling lost almost 90 per cent of its value to the U.S. dollar on the official exchange market, dropping from U.S. dollar 0.122770 on average in May 1981 to U.S. dollar 0.012992 on average during the month, an almost tenfold depreciation. Corresponding values of the U.S. dollar expressed in shillings were shillings 8.1453 and 76.97 respectively, which means that on average, the shilling value of the U.S. dollar, rose by almost 850 per cent. Consequences for the price system were, however, far less marked than what would be inferred from these changes in the official exchange rate, because before the June 1981 float prices of a large number of goods on the local markets reflected, not the official exchange rate but the unofficial one.

The unofficial rate depreciated far less in June 1981. Although only estimates can be used, it would appear that the ratio between the unofficial and the official exchange rates fell from coefficient 35 on average, just before the float, to coefficient 4.0 after the float. This means that, in May 1981, the amount of shillings needed to purchase a unit of foreign currency on the unofficial market was about 35 times as much as on the official market. In June 1981, this was brought down to about 4 times.

During the eighteen month period, June 1981 to December 1982, the official exchange rate depreciated gradually and the value of the shilling, in terms of the U.S. dollar, fell successively to U.S. dollar 0.011744 as at end of December 1981 (shillings 85.15 per U.S. dollar), U.S. dollar 0.010619 as at end of June 1982 (shillings 94.17 per U.S. dollar), and U.S. dollar 0.009538 as at end of December 1982 (shillings 104.84 per U.S. dollar).

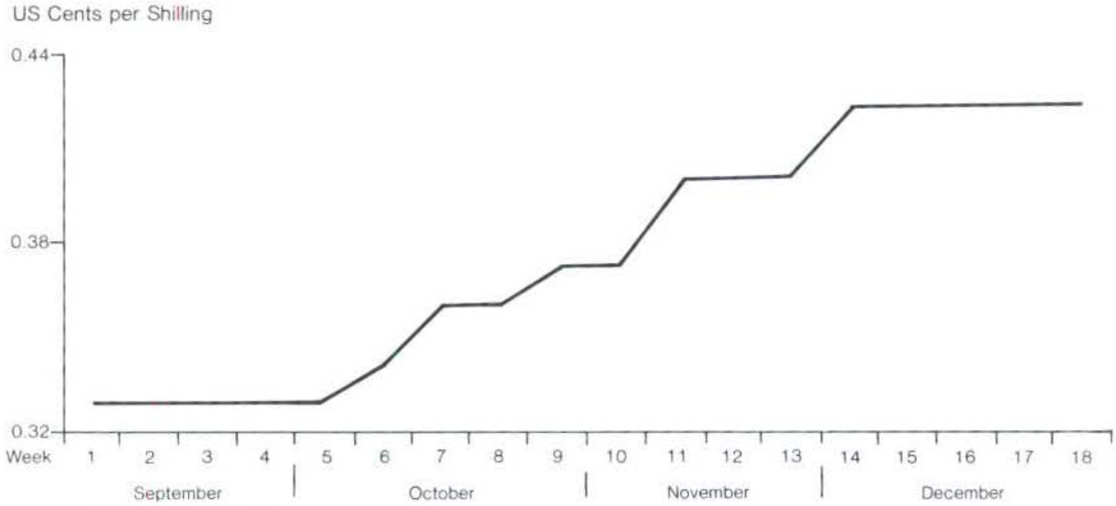
Graph 7: OFFICIAL VALUE OF THE SHILLING EXPRESSED IN U.S. DOLLARS



Source: Bank of Uganda.

During the same eighteen months, the difference between the official and the unofficial exchange rates widened, but during the second half of 1982, it narrowed markedly as a consequence of the introduction of the Window Two auction exchange rate and accompanying measures described in Chapter 2. Among the latter, mention should be made of the suspension of issuing of import licences without purchase of foreign exchange. Between the inception of Window Two in the last week of August 1982, and the end of December 1982, the auction rate fell from Shs. 300 per U.S. dollar to Shs. 240 per U.S. dollar, implying an appreciation of the shilling as expressed in U.S. dollars.

Graph 8: VALUE OF THE SHILLING EXPRESSED IN U.S. DOLLARS ON THE WEEKLY AUCTION MARKETS (WINDOW TWO) — SEPTEMBER TO DECEMBER 1982.



Source: Bank of Uganda.

The still prevailing unofficial exchange rate should be compared with the Window Two rate and not with the Window One rate. On the average, the discrepancy between the unofficial rate and the Window Two rate appears not to have exceeded 30 per cent during the last four months of 1982.

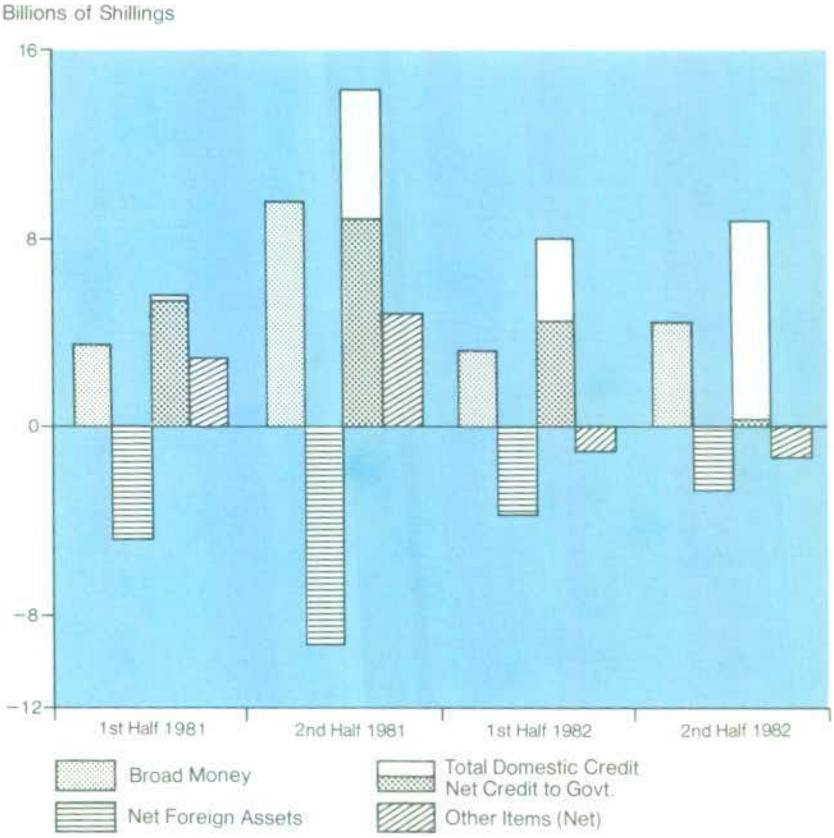
The weighted average exchange rate of the shilling (i.e. Window One and Two rates), for the whole of the second half of 1982 was approximately 122.3 shillings per U.S. dollar. On the basis of the weighted average exchange rate, the external value of the shillings expressed in U.S. dollars thus depreciated on average, between the first and the second half of 1982, by about 40 per cent.

8. MONEY AND BANKING

8.1 MONETARY SURVEY AND LIQUIDITY

During the period under review, changes in broad money and their explanatory factors underwent important modifications resulting in contrasting developments in monetary aggregates.

Graph 9: CHANGES IN BROAD MONEY AND EXPLANATORY FACTORS



Source: Bank of Uganda.

Net foreign assets became more negative and continued therefore to exert a contractionary impact in accordance with the balance of payments developments reviewed previously. As already mentioned, movements in the net foreign assets of the banking system expressed in shillings do not exactly match the balance of payments outcome expressed in U.S. dollars. This is attributable to the impact of the foreign exchange rate fluctuations during the period and to time lags in the recording of transactions with foreign countries and their effect on the foreign reserves of the country. Both sets of data are, however, fully consistent. Thus, in accordance with the relative improvement in the external position, as shown by the balance of payments, decline in the net foreign assets was much less significant in 1982 compared to 1981. Consequently external transactions exerted a much smaller contractionary effect on broad money in 1982 than in 1981.

Expansionary effect of total domestic credit was also different in 1982 and in 1981 with a marked deceleration in 1982 compared to 1981. In addition, the causes of expansion of overall credit differed between these two years. In 1982, deceleration was due solely to a deceleration in expansion of net credit to Government from 98.0 per cent in 1981 to 16.7 per cent in 1982 (Table 20). Expansion of claims of the banking system on the private sector accelerated to 103.5 per cent in 1982 from 91.7 per cent in 1981. These claims were virtually the only factor contributing to an expansion in broad money in the second half of 1982.

Lastly, mention should be made of changes in broad money corresponding to changes in other items (net) due to a number of accounting adjustments after the float. This had special significance for the counterpart in shillings of the revaluation of external assets and liabilities.

TABLE 20: MONETARY SURVEY

(In billions of shillings, end of period)

	1980 Dec	1981 June	1981 Dec	1982 June	1982 Dec
BROAD MONEY (M2)	17.4	21.0	30.9	34.0	38.5
COUNTER-PARTS					
Net foreign assets	−0.4	−5.3	−14.6	−18.4	−21.3
Domestic Credit	20.8	26.5	40.8	48.9	57.6
Claims on government (net)	(14.8)	(20.4)	(29.3)	(34.0)	(34.2)
Claims on private sector	(6.0)	(6.1)	(11.5)	(14.9)	(23.4)
Other items (net)	3.0	0.2	−4.7	−3.5	−2.2

Source: Bank of Uganda.
Note: See Table 5.3 and 5.3b in the statistical appendix.

On the whole, growth in broad money decelerated from 77.6 per cent (from end December 1980 to end December 1981) to 24.6 per cent in the following twelve months. The former rate approximates the inflation rate while the latter is below it, reflecting a gradual tightening of liquidity in the economy. This development has kept outstanding broad money within the limits projected under the financial programmes. Broad money even stood below the target, set under the 1982/83 programme, for 31st December 1982.

In 1981, demand deposits exhibited the fastest expansion while, in 1982, quasi-money expanded more rapidly than money supply.

GRAPH 10: BROAD MONEY (M2) AND COMPONENTS; DECEMBER 1980–DECEMBER 1982

(In billions of shillings)

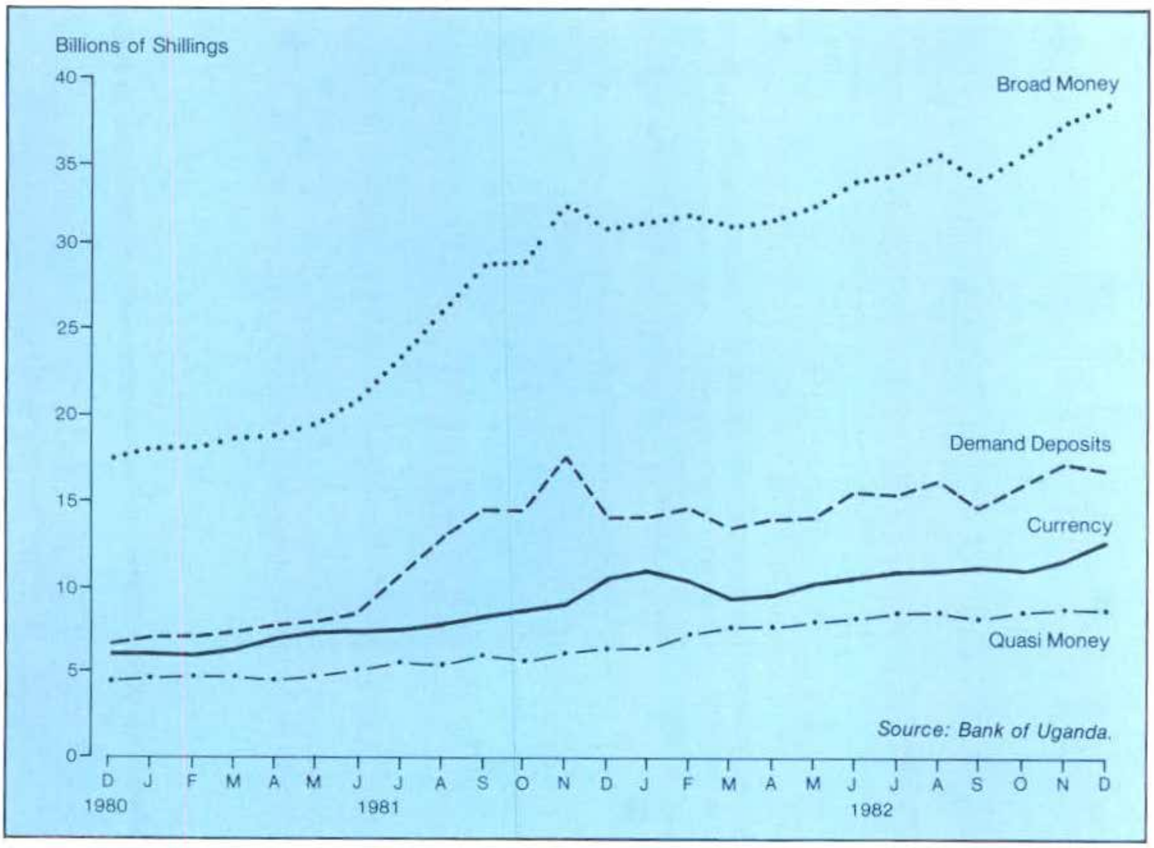


TABLE 21: EXPANSION IN BROAD MONEY AND ITS COMPONENTS 1981–1982

(Increases in per cent, on the basis of end of period data)

	Currency in circulation	Private demand deposits	Private time & savings deposits	Broad Money (M2)
1981				
Dec. 1980—June 1981	16.5	29.2	11.9	20.2
June 1981—Dec. 1981	42.2	64.8	24.1	47.2
1982				
Dec. 1981—June 1982	1.6	9.1	27.5	10.3
June 1982—Dec. 1982	22.2	8.9	9.7	13.2

Source: Bank of Uganda

Three major factors explain different rates of expansion in the components of broad money. The first factor is the nominal adjustment of the economy after the depreciation of the shilling. Thus, demand deposits expanded among other reasons, because a number of economic agents, such as the Coffee Marketing Board, had their sales revalued in terms of shillings. Secondly, the shift of disposable income to rural areas, resulting from increase in producer prices, provides an explanation for increase in currency in circulation. Farmers tend to hold a large part of their financial assets in the form of currency notes, for reasons ranging from a general preference for liquidity to incomplete coverage of the rural areas by financial intermediaries. The higher than average growth rate of currency in circulation during the second half of 1982 can be explained by a substantial expansion in crop finance. A third factor influencing the comparative development of the components of broad money is the structure of interest rates. In the first half of 1982 the relatively rapid increase in time and savings deposits can be viewed as a consequence of the October 1981 adjustment in the structure of the interest rates. In the second half of 1982, the rate of increase of these deposits slowed down markedly. This can be explained by the increase in interest rates on other categories of short term financial assets, specifically treasury bills.

Short term financial assets held by the non-bank sector in the form of treasury bills [1], expanded very fast in the second half of 1982, namely from shillings 1.5 billion at the end of June 1982 to shillings 5.9 billion at the end of December 1982. This was in response to rises in the interest rates applicable to treasury bills as well as to moral suasion on public enterprises to buy and hold treasury bills.

All in all, in 1981 the rate of growth of total financial assets held by the non-bank sectors in the economy was about the same as the rate for broad money. During the year total financial assets grew by 78.5 per cent while broad money grew by 77.6 per cent. However, in 1982 total financial assets increased much faster than broad money, growing by 38.5 per cent compared to 24.6 per cent for broad money. Consequently, in 1982 there was a discernible shift in the holding of financial assets in favour of the more stable, interest-sensitive assets, at the expense of currency and deposits with banks.

(1) Government stocks which are long term can be disregarded since their outstanding amount hardly changed during the period under review.

TABLE 22: COMPOSITION OF FINANCIAL ASSETS HELD BY THE NON-BANK SECTORS

(in per cent of total)

End of	Money Supply	Treasury Bills, Time and Savings Deposits
1980 December	71.9	28.1
1981 June	74.0	26.0
December	76.7	23.3
1982 June	73.3	26.7
December	67.0	33.0

Source: Bank of Uganda

8.2 DOMESTIC CREDIT

In the field of domestic credit, the financial programmes have a double aim: to facilitate as much as possible financing of the recovery of economic activities and to keep growth of money supply in check, in accordance with a desire to dampen inflationary developments. Accordingly, increase in overall domestic credit (net) has been strictly limited and relevant outstanding amounts have been subject to quarterly ceilings. On the other hand, adequate credit has been directed towards productive activities especially in the private sector.

This double aim is reflected in the different treatment given to the two components of domestic credit, net credit to Government and credit to the private sector, under the financial programmes. While the outstanding amount of the former is also subject to quarterly ceilings, the latter is calculated as a residue between the ceiling on overall domestic credit and the ceiling on net credit to Government.

Overall domestic credit exhibited a considerable growth, namely 96.1 per cent, from end of December 1980 to end of December 1981. The bulk of the growth took place during the last seven months of 1981, reflecting for the larger part, adjustment of the economy to a changing environment created by the May-June 1981 measures. Domestic credit was particularly influenced by the depreciation of the external value of the shilling and consequent adjustments in the price system. In addition, there was credit expansion to Government to meet an important backlog of transactions related to foreign exchange losses, corresponding to the difference between the pre- and post-float exchange rates. This difference had to be borne by the Treasury and partly explains the dominant share of claims of the banking system on the Government in the expansion of total domestic credit. The expansion of total domestic credit slowed down considerably during 1982 solely as a result of low recourse to the banking system for deficit financing of Government budgetary operations. In 1982, the rate of growth of total domestic credit declined to 141.1 per cent as compared to 95.7 per cent in 1981.

The main part of net credit to Government was provided by the Bank of Uganda. However, the percentage of net credit to Government by the commercial banks rose over the review period. At the end of September 1982 it stood at 22.6 per cent as against 9.5 per cent one year earlier. This rise reflects the increase in the amount of treasury bills held by the commercial banks as a result of the state of high liquidity in the banking system. Towards the end of 1982, the share of commercial banks in Government's financing by the banking system dropped to 14.8 per cent. Non-bank sectors subscribed to a large part of the new treasury bills issued, in response to changes in interest rates and a "Buy Treasury Bills" campaign, whereas banks faced a substantial expansion in the demand for credit by the private sector, particularly with respect to crop finance and financing of Window Two operations.

TABLE 23: COMMERCIAL BANKS' LENDING TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY

(in billions of shillings)

End of	Total	Agriculture(1)	Manufacturing	Trade & Commerce	Other(2)
1980 December	5.8	2.5	0.7	2.0	0.5
1981 June	6.0	2.4	0.7	2.1	0.8
December	11.3	4.4	1.6	4.1	1.2
1982 June	14.7	6.6	2.3	4.9	0.9
December	21.2	9.3	3.9	5.7	2.3

Source: Bank of Uganda

Note: See Table 5.8 in the statistical appendix

(1) Mainly Crop Finance

(2) Mainly Electricity, Water and Transport

Credit to the private sector expanded substantially after June 1981. Between June 1981 and June 1982, marginal increase amounted to Shs. 8.8 billion or almost 150 per cent. Nearly half of this expansion was accounted for by the agricultural sector, mainly for the purpose of crop finance arising from the upward adjustment in producer prices. This expansion continued during the second half of 1982. Selective credit policy in the form of channelling a certain proportion of total credit to the various economic activities, which had not been vigorously enforced, was abandoned. It was replaced by the stipulation that at least half of any increase in credit had to be extended to crop finance, other agricultural credits, and industry. Furthermore, individual ceilings for banks, which had been introduced as one of the steps taken to contain the rate of overall domestic credit expansion were also removed. On the other hand, demand for credit was influenced by financing needs associated with the importation of goods at Window Two although this turned out to be less than anticipated, due mainly to unfamiliarity with the operation of the new system.

Although considerable, expansion of credit to the private sector remained below targets set under the financial programmes. The revival of the demand for credit had probably been over-estimated, considering the actual speed in recovery of domestic activities and the slower than anticipated disbursements of external aid flows. Moreover, at the microeconomic levels, impediments to commercial banks' lending such as inadequate collateral and lack of audited accounts, were not removed at once.

One consequence of the expansion in credit to the private sector was its effect on the liquidity position of commercial banks. The ratio of loans and advances to deposits exclusive of credit to Government, went up from 51.6 per cent at the end of December 1980 to 83.7 per cent at the end of December 1982. During the same period the proportion of liquid assets in total assets dropped from 31.0 per cent to 15.0 per cent. Liquid assets in excess of the minimum required under the law, viz free liquidity, went up from Shs. 4.7 billion at the end of December 1980 to Shs. 10.8 billion at the end of June 1982, but declined subsequently to Shs. 5.1 billion at the end of December 1982. Actually the tightening of the banks' liquidity position was only felt towards the end of 1982, with large differences in the positions of individual banks.

TABLE 24: INDICATORS RELATING TO COMMERCIAL BANKS

	End December 1980	End December 1981	End June 1982	End December 1982
Share of credit to Government in overall credit (in per cent) . .	31.0	45.0	39.3	19.4
Lending ratio (in per cent)[1] . .	51.6	49.3	63.8	83.7
Liquidity ratio (in per cent)[2] . .	31.0	34.6	26.4	15.0
Free liquidity (Shs. billion)[3] . .	4.7	9.4	10.8	5.1

Source Bank of Uganda

(1) Loans and advances in proportion of deposits, excludes (net) credit to Government

(2) Liquid assets in proportion of total assets

(3) Liquid assets in excess of legal requirements

In the second half of 1982, the liquidity position of the banks was influenced by another factor. There was a shift in the composition of financial assets held by the general public, brought about by a change in the structure of interest rates, which is commented upon in Section 8.3 below.

8.3 INTEREST RATES

Several adjustments were made in 1981 and 1982 in the level, as well as, in the structure of interest rates. In October 1981 and July 1982 all interest rates were revised upwards essentially with a view of channelling financial assets to the financial intermediaries while also taking inflation into account.

TABLE 25: INDICATIVE BANK INTEREST RATES
(in per cent per year)

	June 1981	October 1981	July 1982	December 1982
Deposit rates				
savings deposits . .	5.0	8.0	9.0	9.0
time deposits, min. 1 year . .	—	12.0	13.0	13.0
treasury bills 91 days . .	5.08	9.0	10.0	12.0
Lending rates				
agriculture . .	8.6	13.0	14.0	14.0
miscellaneous . .	12.0	17.0	17.0	20.0
Bank of Uganda				
rediscount rate . .	7.0	9.0	10.0	12.5
rate for advances to commercial banks . .	8.0	10.0	11.0	13.5

Source Bank of Uganda

Note See Table 5.9 in the statistical appendix

Modifications in interest rates triggered a shift in the structure of financial assets. Money supply hardly changed in the second half of 1982, with growth in financial asets taking the form of quasi-money, and, above all, of treasury bills. In November 1982, the rate of interest applicable to treasury bills was further increased and tax on earnings was waived. Consequently, towards the end of the year, there was a noticeable preference for keeping assets in the form of treasury bills. This development contributed to liquidity tightness of banks at the end of 1982.

The Bank of Uganda, for its part, adjusted its rate for advances to commercial banks, in conformity with the change in interest rate conditions. The rate for advances was, thus, raised from 8.0 per cent prevailing in June 1981, to 13.5 per cent in December 1982 while the rediscount rate moved from 7 per cent to 12.5 per cent respectively.

8.4 FINANCIAL INTERMEDIARIES

Financial intermediaries comprise of two development banks, five credit institutions, a post office savings bank and eight insurance companies[1]. Credit developments, throughout 1981 and 1982, were centered on the banking system. Other financial intermediaries excepting the development banks, have not taken an active part in the rehabilitation process so far.

During the period under review, activities of credit institutions and insurance companies were hampered by economic uncertainties, which followed the Liberation War that tended to make long-term investments risky to undertake. This environment led to a shift in investment programmes of financial institutions, from the normal long-term assets to short-term investments, with a concentration on subscriptions to treasury bills and giving of personal loans. The latter were used in most cases, to acquire durable consumer goods or assets with quick returns, such as commercial vehicles.

Development banks, especially Uganda Development Bank (UDB), hardly fared any better during this period. Following the increase in its capital, the bank's ability to finance the requirements of the recovery was slightly enhanced. It also obtained several lines of credit from international organisations such as the African Development Bank, the International Bank for Reconstruction and Development and the European Investment Bank. It manages, on behalf of the Government, loans from Islamic countries and the Islamic Development Bank. Most of the loans channelled through UDB are geared towards specific projects like financing small and medium scale projects, industrial rehabilitation, crop farming and beef ranching. In order to enable it to better cope with this increased activity, UDB's authorised capital was increased from Shs. 0.5 billion to Shs. 2.0 billion in August 1982.

Since the break-up of the East African Community in 1977, activities of the East African Development Bank were continually hampered by its unresolved legal status. Not until the introduction of the 1980 New Charter, which clearly redefines the bank's legal status, were there any signs of increased activity. Thus in 1981 the bank resumed investment in industries like textiles and paper products, but only to a very limited extent.

8.5 EXCHANGE RATE, LIQUIDITY, AND CONSUMER PRICES

Table 26 depicts developments with respect to three related variables: the external value of the shilling (assessed on the basis of the various exchange rates), liquidity (as shown by the financial assets held by the general public), and prices (as appraised incompletely and approximately on the basis of the consumer price indices). Choice of periods for this comparison was in the main dictated by statistical possibilities.

According to this table, developments in the three variables, relating to periods which do not include June 1981 i.e. the month during which the shilling depreciated officially by 90 per cent, are broadly in line with each other. This is true with regard to developments during the first and second half of 1982, periods which reflect more normal conditions than the corresponding ones of 1981.

During the first and second half of 1982 the depreciation of the shilling (shown by the increase of the amount of shilling per U.S. dollar), liquidity expansion, and increase in prices, remained in the same range, allowance being made for possible statistical deficiencies. However, during the second half of 1982, the depreciation of the shilling on the unofficial market was very limited. With the opening of Window Two operations at the end of August 1982, the economic significance of the unofficial market was reduced even further and transactions conducted on that market became minimal.

For developments relating to periods including June 1981, the depreciation of the shilling as measured on the basis of the official exchange rate, is not strictly reflected in liquidity and price developments. This means that the official exchange rate was completely unrealistic before June 1981 and that its June 1981 adjustment was to some extent, merely a catch-up with reality. Thus, the float affected the living conditions less severely than is commonly alleged.

(1) See list in table 5.10 in the statistical appendix.

TABLE 26: EXCHANGE RATE, LIQUIDITY AND CONSUMER PRICES

	1981	1982				
	second half	first half		second half		Year
	change against previous half-year	change against previous half-year	change against corres-ponding period of previous year	change against previous half-year	change against corres-ponding period of previous year	change against previous year
	(in per cent, on the basis of averages for the period)					
1. Exchange rate (value of the U.S. dollar as expressed in shillings)						
official rate (Window 1)	+320.7	+8.0	+354.3	+14.9	+24.1	+87.5
weighted average official rate[1] . .	+320.7	+8.0	+354.3	+39.8	+51.0	+112.0
unofficial rate (estimate)	+76.2	+11.2	+95.9	−5.6	+5.0	+37.9
2. Liquidity						
broad money	+47.1	+14.2	+68.1	+10.0	+25.6	+42.8
overall short-term financial assets[2]	+46.7	+17.0	+72.1	+16.3	+36.0	+50.0
3. Consumer price indices						
middle-income group	+41.5	+13.1	+56.5	+17.6	+30.1	+41.0
low-income group[3]	n.a.	+7.8	n.a.	+21.3	+30.9	n.a.

Source: Bank of Uganda

(1) Until the first half of 1982, same rate as the official rate; since the second half of 1982, average of the Window One rate and the Window Two rate weighted respectively by the transactions to which each one has been applied

(2) Broad money plus Treasury Bills held by non banking sectors

(3) Available only since August 1981

Part II: ACCOUNTS AND ADMINISTRATION

9 ACCOUNTS

Bank of Uganda

BALANCE SHEET AS AT 30TH JUNE 1982

1981 Shs	LIABILITIES	1982 Shs	Shs
	CAPITAL		
40,000,000	Authorised	40,000,000	
20,000,000	Paid up		20,000,000
40,000,000	GENERAL RESERVE FUND		40,000,000
339,756,659	OTHER RESERVES		449,491,417
399,756,659			509,491,417
	CURRENCY IN CIRCULATION		
8,585,280,400	Notes	11,461,248,755	
102,614,391	Coins	103,309,754	
8,687,894,791			11,564,558,509
	DEPOSITS		
1,695,070,094	Government	23,281,415,386	
7,318,353,798	Banks	3,847,111,831	
—	Others	1,345,884,245	
9,013,423,892			28,474,411,462
	FOREIGN LIABILITIES		
917,488,969	Banks	685,576,538	
16,837,249,258	IMF	23,174,255,572	
2,565,040,255	Foreign Loans	2,118,817,088	
20,319,778,482			25,978,649,198
2,629,737,555	ALLOCATION OF SPECIAL DRAWINGS RIGHTS		3,104,805,520
1,013,278,552	OTHER LIABILITIES		3,502,744,519
42,063,869,931			73,134,660,625

1981 Shs	ASSETS	Shs	1982 Shs
	EXTERNAL ASSETS		
8,227,542,837	Foreign Exchange	3,161,179,662	
141,544,215	Special Drawing Rights	518,093,244	
—	Items in Transit	313,505,217	
8,369,087,052			3,992,778,123
	INVESTMENTS		
16,648,483	Government Securities	31,645,540	
72,293,920	Other Securities	63,000,000	
88,942,403			94,645,540
	ADVANCES AND BILLS DISCOUNTED		
18,530,976,162	Government	48,474,657,284	
263,108,585	Banks	666,138,691	
23,587,200	Others	71,716,953	
18,817,671,947			49,212,512,928
463,023,314	FIXED ASSETS		775,236,025
10,802,880,568	CURRENCY REVALUATION		11,113,720,493
3,522,264,647	OTHER ASSETS		7,945,767,516
42,063,869,931			73,134,660,625

L. KIBIRANGO — Governor
S. TULYA-MUHIKA — Director
H. LINDSAY — Chief Accountant

REPORT OF THE AUDITORS

We have audited the balance sheet set out above and the profit and loss account set out on page 53 which has been prepared under the historical cost convention. We have obtained all the information and explanations which we considered necessary. Proper books have been kept and the accounts are in agreement therewith.

In our opinion the balance sheet and profit and loss account together with the notes set out on page 53 give respectively a true and fair view of the state of the Bank's affairs as at 30th June 1982 and the profit for the year ended on that date.

Kampala 28th July 1983

Lawrie Prophet & Co.
Certified Accountants

Bank of Uganda

PROFIT AND LOSS APPROPRIATION ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1982

1981 Shs.		1982 Shs.
188,705,546	NET PROFIT FOR THE YEAR after providing for all expenses and contingencies	291,459,739
	APPROPRIATED AS FOLLOWS:	
138,705,546	Transfers to Specific Reserves	91,459,739
50,000,000	Transfers to Consolidated Fund	200,000,000
188,705,546		291,459,739

NOTES TO THE ACCOUNTS–30TH JUNE 1982

1. Assets and liabilities in foreign exchange have been converted into Uganda Shillings at the exchange rates ruling on 30th June 1982.

2. The Bank is exempt from payment of Income Tax in respect of its functions by the Bank of Uganda Act, 1966.

3. Government and other securities are valued in the balance sheet at cost plus accrued interest.

4. **Capital Commitments:**

   The Bank has contractual and other capital commitments in connection with the extension of the Bank's Buildings Plot No. 1/75 Nile Avenue. It is not possible to estimate the total value to completion as the contracts are in phases. So far only phases 1 to 3 have been started.

5. **Statutory Requirements:**

   (a) The Bank has not complied with the provision of section 24 of the Act, regarding the external assets holdings *vis-a-vis* demand liabilities of the Bank due to Government policies.

   (b) Similarly, section 26 regarding the limit of temporary advance to Government of 18 per cent of the recurrent revenue budget has not been complied with throughout the year. However, the limits agreed with the International Monetary Fund have been observed.

6. **Fixed Assets:**

   Fixed assets are depreciated on straight line basis so as to write them off their useful lives as follows:

Land	NIL
Buildings	4% p.a.
Staff furniture and equipment	25% p.a.
Bank vehicles	25% p.a.
Office furniture and equipment	20% p.a.

10 OPERATIONS IN 1981 AND 1982

10.1 EXCHANGE CONTROL

During the period under review, a number of policy measures were introduced which affected the operations of the Exchange Control Department. These comprised the liberalisation of licensing procedures, the introduction of the two-tier exchange rate system, and the imports pre-inspection scheme.

The liberalisation of export licensing procedures introduced in April 1982 which became operative on the 28th May 1982, was aimed at encouraging the export of non-traditional exports with a view to enhancing foreign exchange earnings. The Ministry of Commerce and the Uganda Advisory Board of Trade were empowered to process and grant export licences to any *bona fide* exporter rather than restricting licences to registered exporters as had been the practice. A positive response to this measure from the public has been registered.

The operation of the dual exchange rate system has been highlighed elsewhere in this Report. The procedure for processing of foreign exchange applications for imports and invisibles as well as conversion of export proceeds for coffee, cotton and tea, under the two windows are laid down in a published booklet titled: "Modification to Foreign Exchange Arrangements".

The pre-inspection of imports scheme was introduced in 1982 under Statutory Instruments 1982 No. 90 dated 31st May 1982 and became operative on 1st July 1982. It is enforced with the assistance of M/s Societe Generale du Surveillance (SGS). Its chief aim is to ensure that the country pays true cost for its imports, and that the quality and quantity of the goods are commensurate with the assigned valuation. The first quarterly report from the inspecting authority M/s SGS reveals substantial foreign exchange savings as a result of their intervention.

In his address to the nation on the 21st November 1982, H.E. the President announced Government decision authorising Bank of Uganda to give special permission to companies and individuals who have foreign accounts abroad, to open resident external accounts with commercial banks located in the country. Regulatory arrangements for this have now been completed.

10.2 DEVELOPMENT FINANCE

The Development Finance Department, which had been abolished in 1979, was revived in the period under review. Its main function is to re-introduce a production-oriented credit system in Uganda largely to benefit small-scale enterprises, farmers, and less-developed areas in the country. Operationally this department manages the Credit Guarantee Scheme, intended to cushion banks against losses arising from loans made to marginal borrowers. In another vein, the Project Identification and Preparation Section conducts regional surveys on exploitable resources, identifies and prepares project write-ups and appraisals. The Re-finance Section works out channels of mobilising lendable resources, and the Export Promotion Section is geared to a long-term goal of promoting exports, especially the non-traditional ones.

10.3 INTERNAL AUDIT

During the period under review, a pre-auditing system was introduced, whereby all payment claims are verified before effecting payment. The Department also assisted various currency sub-centres to set up and keep sound accounting systems.

On a limited scale, surprise inspections were made at Bank headquarters and up-country centres, to reinforce accounting rules and the regular reconciliation of various accounts.

10.4 FOREIGN EXCHANGE OPERATIONS

The Foreign Exchange Operations Department was separated from the Chief Accountant's Department and became fully-fledged from 1st March 1982. Structurally, its operations were not radically changed from its traditional functions i.e. Dealing, Inward and Outward Bills. However, with the introduction of Window Two transactions in August 1982, the organisational structure changed. Window Two Secretariat and Inward Bills were placed under one section and Dealing and Outward Bills under another.

In the period under review, a department operational manual was completed, and an Investment Advisory Committee was formed in the department to improve external investment management. Similarly, a statement of Daily Reserve position was amended to improve on the interpretation of the country's gross reserve movements and related foreign exchange dealings.

10.5 BANKING

In the review period, the Banking Office continued to carry out its traditional functions of being banker to the government, the commercial banks and to some international financial institutions.

Over the period, a number of project accounts including that of IDA, which form part of the local counterpart of foreign exchange received on external loans and grants, were opened.

The office administered temporary advances through Ways and Means to cover temporary short-falls between government revenue and expenditure. For the first time since 1971, however, government operated within set borrowing limits, monitored on a weekly basis.

Receipts of government funds increased from Shs 372.5 million in 1981 to Shs 829.6 million in 1982, while total payments increased from Shs 2,910.3 million in 1981 to Shs 4,952.6 million in 1982.

During the period, new government computer and manual cheques replaced old ones that were prone to fraud. The system of collecting goverment revenue from up-country was streamlined to ensure speedy receipt.

The Banking Office continued to supervise transfers of funds between banks through the Clearing House. Although the number of items that passed through the Clearing House dropped from 442,014 in 1981 to 433,072 in 1982, the value of these items rose from Shs 87.4 billion in 1981 to Shs 231.6 billion in 1982. This was partly due to the economic measures of May 1981, which included the floating of the Uganda shilling.

On the 1st of March 1982, the Bank issued a new design of Bank Notes, "The 1982 Issue." These notes are circulating side by side with those issued in 1979. The Bank received heavy deposits from commercial banks during the year, as the public falsely anticipated currency exchange when the Bank introduced "The 1982 Issue".

10.6 BANK SUPERVISION

During the period under review, the Bank Supervision Department concluded major inspections of two commercial banks operating in the country. It also carried out *ad hoc* inspections of some branches of banks, mainly concentrating on evaluating the banks' advances, frozen accounts, and revenue and expenditure accounts.

During the last quarter of 1982, a number of credit measures were gazetted. The overall lending limits for banks were adjusted from 60 per cent to 70 per cent of the deposits to encourage banks to finance the rehabilitation programme as well as Window Two activities.

Banks' sectoral lending limits were also relaxed and the institutions were directed to channel 50 per cent of new advances to priority sectors of agriculture, export and manufacturing. Interest rates on unsecured advances, and trade and commerce were allowed to float upwards to 20 per cent, while those on advances to priority sectors were kept at the levels fixed in July 1982.

The Bank Supervision Department worked closely with the Exchange Control Department to ensure the smooth implementation of Window Two procedures regarding commercial banks' foreign exchange working balances, external accounts, and sales of foreign exchange.

11 ADMINISTRATIVE AND STAFF MATTERS

11.1 LEGISLATION

Section 13 of the Bank of Uganda Act was amended to take cognisance of the floating of the Uganda shilling, and the introduction of the dual exchange rate system.

The Central Banking Services Division within the International Monetary Fund is working on a comprehensive revision of the Bank of Uganda Act and the Banking statute as a whole.

11.2 STAFF

At end December 1981, Bank of Uganda had 911 members of staff. This number grew to about 1,200, by the end of 1982.

Under the auspices of the IMF Central Banking Services, a number of expatriate staff were seconded to the Bank some of whom have since left. These were: Mr. O. Schelin (Advisor to Governor), Mr. L. Q. Choudry (Bank Supervision), Mr. H. Niehues, Mr. A. Rahman (Foreign Exchange Operations Department), Mr. W. J. Vertongen (Research Department), Mr. F. Lontoc (Public Debt Office), and Mr. H. Lindsay (Accounts Department).

The Office of the IMF Resident Representative was opened in 1982, and is located in the Bank of Uganda headquarters.

Training

Local Training Programmes attended by Bank of Uganda Staff during 1982:

		Number of Participants
(1)	First Aid Services at St. John's Ambulance Association and Mulago Nursing Training School (Secretariat)	39
(2)	Records Management Course at the Management Training & Advisory Centre, Nakawa (Central Registry)	5
(3)	2nd Bank Manager's Seminar at Uganda International Conference Centre, Kampala (All Departments)	13
(4)	2nd Currency Officers' Seminar (Currency Office)	25
(5)	Seminar for Secretaries/ Stenographers (All Departments)	35
	Total	117

As a stimulus to career development, and to bridge the gap of inadequate training facilities existent in the Banking industry, a fairly large number of staff was sent for training abroad during 1982. The number of participants sent to courses, seminars and advanced studies overseas amount to 56. Among the institutions which organised training and seminars were: the International Monetary Fund, Citibank Nairobi and Greece; the Central Banks of Kenya and Tanzania; Universities of Strathclyde and East Anglia, U.K.; International Bankers Course, U.K., Federal Reserve Bank, New York, U.S.A., London Executive Programme etc.

Social Club

Bank of Uganda Social Club was very active throughout 1982. The football team was promoted to Division One of the National Football League, while the netball team scored numerous victories both at home and abroad.

11.3 VISITORS

The Bank has been host to several missions from the IMF, the World Bank, and other financial institutions. All these missions were in one way or the other connected with the rehabilitation of the country's economy, and of various parastatal organisations including Bank of Uganda.

11.4 BUILDINGS

In February 1976, the Bank embarked on extensive expansion of its physical facilities at its headquarters. A total of about 10,000 square metres of floor space is expected to be added to the existing space when the 14 storey building is completed. Enhanced space will enable the Bank to discharge its now extended functions more efficiently.

BANK OF UGANDA MANAGEMENT
Front Row (Left to Right)
Mr. A Rahman, Mrs. S. Odongo, Mr. J. R. O. Elangot, Mr. L. Kibirango, Mr. H. Kibirige, Mr. W. Vertongen, Mr. A. S. Njala
Back Row (Left to Right)
Mr. F. X. Tinkasimire, Mr. J. M. Kisolo-Muwanga, Mr. E. Rukyalekere, Mr. H. Lindsay, Mr. G. Ogutu

Bank of Uganda

SENIOR OFFICERS
(as at 31st December 1982)

Governor's Office:	Advisor to the Governor ..	Mr A S Njala
Banking Department:	Acting General Manager ..	Mr B Kume
	Deputy General Manager (Currency) ..	Mr J Sseruyange, A I B
	Acting Deputy General Manager (Banking) ..	Mr A M K Okema-Akena
Chief Accountant's Department:	Chief Accountant ..	Mr H Lindsay
	Deputy Chief Accountant ..	Mr G S Nteeba
	Deputy Chief Accountant (Aid Co-ordination) ..	Mr I T S K Mulindwa
	Deputy Chief Accountant (Public Debt) ..	Mr S Bahemuka
Secretariat:	Acting Secretary ..	Mr F X Tinkasimire
	Deputy Secretary (Finance) ..	Mr J Y K Walusimbi
	Acting Deputy Secretary (Establishment) ..	Mrs J M Umah-Tete
Foreign Exchange Operations Department:	Director ..	Mr A Rahman
	Deputy Director ..	Mr D G Opio-Okello
Research Department:	Director ..	Mr W Vertongen
	Assistant Director ..	Mr G Wasswa-Dungu
	Assistant Director ..	Mr J B Nkwaju
Internal Audit Department:	Acting Director ..	Mr M K Kabugo
	Acting Deputy Director ..	Mr D Kanyoma-Rukaari
Exchange Control Department:	Director ..	Mr J M Kisolo-Muwanga
	Deputy Director (Visibles) ..	Mrs S Odongo
	Acting Deputy Director (Invisibles) ..	Mr S Obura
Bank Supervision Department:	Director ..	Mr E Rukyalekere
	Deputy Director ..	Mr H Kibirige
	Deputy Director ..	Mr T Collins
	Assistant Director ..	Mr C Mwa
Development Finance Department:	Acting Director ..	Mr G Ogutu

PART III: STATISTICAL APPENDIX

Bank of Uganda

TABLE 1.1: GROSS DOMESTIC PRODUCT AT FACTOR COST BY SECTOR OF ACTIVITY, AT 1966 PRICES; 1970-1982

(In millions of shillings)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Monetary Economy	5,095	5,267	5,200	5,048	4,984	4,768	4,738	4,757	4,267	3,877	3,822	3,833	4,044
Primary[1]	1,981	1,839	1,877	1,967	1,833	1,761	1,696	1,696	1,603	1,431	1,341	1,339	1,493
Secondary[2]	815	848	816	762	765	656	628	617	503	340	364	368	395
Tertiary[3]	2,299	2,580	2,507	2,319	2,386	2,351	2,414	2,444	2,161	2,105	2,118	2,126	2,156
Non-Monetary Economy	2,187	2,245	2,342	2,428	2,525	2,589	2,673	2,770	2,848	2,453	2,293	2,519	2,695
Agriculture	1,763	1,803	1,886	1,955	2,037	2,085	2,151	2,230	2,291	1,872	1,734	2,168	2,340
Other[4]	424	442	456	473	488	504	522	540	557	581	559	351	355
Gross Domestic Product	7,282	7,512	7,542	7,476	7,509	7,357	7,411	7,527	7,115	6,330	6,115	6,352	6,739
(of which Agriculture)	(3,544)	(3,436)	(3,566)	(3,750)	(3,706)	(3,690)	(3,692)	(3,777)	(3,753)	(3,191)	(2,968)	(3,186)	(3,557)

Sources: Ministry of Planning & Economic Development, Bank of Uganda

(1) Agriculture, forestry, fishing and hunting, mining and quarrying.

(2) Cotton Ginning, Coffee curing and sugar manufacturing, manufacturing of Food Products, Miscellaneous Manufacturing, Electricity and Construction

(3) Commerce, Transport and Communications, Government services, Miscellaneous services and Rents

(4) Forestry, Fishing and Hunting, Construction

Bank of Uganda

TABLE 1.2: AGRICULTURE: PRODUCTION OF PRINCIPAL CROPS; 1970-1982 [1]

(In thousands of tonnes)

COMMODITY	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
EXPORT CROPS													
Coffee [2]	201.5	175.5	183.7	212.6	199.1	199.0	137.1	155.9	121.3	103.0	135.5	97.5	166.6
Robusta	(187.4)	(159.5)	(162.9)	(196.2)	(182.0)	(182.0)	(123.1)	(151.6)	(119.0)	(98.3)	(130.4)	(93.0)	(152.3)
Arabica	(14.1)	(16.2)	(20.8)	(16.4)	(17.1)	(17.0	(14.0)	(4.3)	(2.3)	(4.7)	(5.1)	(4.5)	(14.3)
Cotton [3]	86.4	76.4	76.0	79.4	50.0	31.9	24.7	13.8	20.2	6.1	4.1	5.1	5.1
Tea	18.2	18.0	23.4	22.0	22.0	18.4	15.4	15.2	11.0	1.8	1.5	1.6	2.4
Tobacco	3.4	4.4	5.0	3.9	3.2	4.0	3.7	2.5	1.4	0.8	0.4	0.05	0.6
Sugar (raw)	144.0	141.3	121.4	68.6	40.5	23.9	18.2	11.4	7.9	5.3	2.4	3.0	n.a.
Cocoa	—	—	—	—	—	—	—	—	—	0.1	0.1	0.1	0.1
FOOD CROPS													
Total Cereals:	1,633.0	1,419.0	1,513.0	1,451.0	1,389.0	1,749.0	1,681.0	1,522.0	1,545.0	1,270.0	1,078.0	1,165.0	1,348.0
Maize	388.0	421.0	500.0	419.0	430.0	570.0	674.0	566.0	594.0	453.0	286.0	342.0	393.0
Finger Millet	783.0	650.0	594.0	643.0	591.0	682.0	576.0	578.0	561.0	481.0	459.0	480.0	528.0
Sorghum	462.0	348.0	419.0	389.0	345.0	467.0	390.0	344.0	350.0	316.0	299.0	320.0	400.0
Rice	n.a.	n.a.	n.a.	n.a.	15.0	16.0	29.0	21.0	26.0	15.0	17.0	15.0	18.0
Wheat	n.a.	n.a.	n.a.	n.a.	8.0	14.0	12.0	13.0	14.0	5.0	17.0	8.0	9.0
Plantains	7,657.0	7,557.0	7,634.0	8,126.0	8,879.0	9,106.0	8,137.0	8,531.0	8,844.0	6,090.0	5,699.0	5,900.0	6,600.0
Total Root Crops:	4,148.0	3,842.0	3,874.0	3,364.0	4,302.0	5,166.0	5,185.0	4,918.0	4,009.0	3,513.0	3,485.0	4,475.0	5,096.0
Sweet Potatoes	1,570.0	1,425.0	1,224.0	1,232.0	1,786.0	1,953.0	2,002.0	1,658.0	1,688.0	1,272.0	1,200.0	1,300.0	1,600.0
Irish Potatoes	n.a.	n.a.	n.a.	n.a.	166.0	221.0	345.0	267.0	293.0	131.0	213.0	175.0	196.0
Cassava	2,578.0	2,417.0	2,650.0	2,132.0	2,350.0	2,992.0	2,838.0	2,993.0	2,028.0	2,110.0	2,072.0	3,000.0	3,300.0
Pulses [4]	231.8	317.8	361.5	260.0	292.2	419.8	420.0	337.0	379.0	203.0	183.0	293.0	361.0
Oil Seeds [5]	264.0	281.9	262.8	242.7	230.9	233.1	210.3	937.0	233.0	123.0	93.0	110.0	124.0

Sources Coffee Marketing Board, Lint Marketing Board, Uganda Tea Authority, National Tobacco Corporation, Cocoa Development Project and Ministry of Agriculture.

(1) The figures for food crops are estimates of total production, while the figures for export crops are official purchases only

(2) Figures are for a 12 months' crop season ending September of the year shown

(3) Figures are for a 12 months' crop season ending October of the year shown

(4) Includes beans, field peas, cowpeas, pigeon peas and grams

(5) Includes groundnuts, Soya beans and Simsim

Bank of Uganda

TABLE 1.3: INDUSTRY: PRODUCTION OF SELECTED MANUFACTURED COMMODITIES AND ELECTRICITY SALES; 1970-1982

COMMODITY	Unit	Installed Capacity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Beer	'000 lts	47,500	27,767	34,962	37,962	45,493	43,487	38,784	23,346	22,055	22,491	9,823	12,160	6,082	10,021
Uganda Waragi (Spirits)	'000 lts	2,000	563	598	729	910	814	859	543	526	420	124	55	34	21
Cigarettes (millions)	Number	1,900	1,536	1,583	1,652	1,862	2,009	1,754	1,813	1,867	1,303	598	629	233	745
Shag Tobacco	Tons	150	127	126	127	96	82	108	115	98	66	9	11	n.a.	33
Cotton & Rayon Fabrics	'000 linear mts	65,000	49,555	46,178	48,341	38,068	35,556	33,544	38,835	36,568	28,443	15,101	21,046	19,146	20,049
Blankets	'000 pcs	1,500	1,164	1,396	1,204	863	315	309	236	253	174	76	93	133	137
Matches (small size)	Cartons (10 gross)	60,000	49,269	55,032	42,886	39,310	25,077	25,145	13,275	9,949	4,472	4,434	3,326	1,964	3,350
Matches (large size)	Cartons (200 boxes)	20,000	—	4,399	6,730	4,575	4,638	6,266	3,942	235	2,472	2,494	1,569	419	2,280
Cement	'000 tons	260	191	205	166	143	153	98	88	73	44	13	10	9	20
Corrugated iron sheets	Tons	19,000	11,914	14,341	12,860	5,139	3,964	1,367	1,064	1,969	1,992	500	286	471	2,815
Soft Drinks	'000 lts	12,600	—	17,824	20,048	15,792	12,792	7,795	5,953	4,626	5,328	2,773	2,481	1,487	1,685
Hoes	'000 pcs	3,240	—	1,371	1,453	1,206	1,150	772	189	293	287	223	355	452	683
Fishnets	'000 pcs	550	489	467	406	349	363	299	93	99	141	47	36	12	37
Bicycle Tyres and Tubes	'000 pcs	2,400	—	1,299	1,544	1,384	1,382	503	391	714	746	353	84	18	n.a.
Footwear	'000 pairs	5,000	—	—	2,861	3,203	2,454	1,586	1,075	1,075	1,268	678	942	463	476
Sugar	Tons	150,000	143,960	141,263	120,814	68,106	40,565	23,945	18,177	12,464	8,000	5,153	4,058	3,702	4,563

ELECTRICITY SALES BY U.E.B.

	Unit	Installed Capacity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Total Domestic Sales	Million Kwh	—	414.7	447.8	456.9	419.2	402.9	379.5	345.5	331.8	329.2	235.4	239.6	288.0	285.9
Exports to Kenya	Million Kwh	—	247.1	293.4	267.6	350.9	286.9	263.5	256.6	271.8	217.0	158.3	288.7	178.6	213.3
Grand Total	Million Kwh	—	661.8	741.2	724.5	770.1	689.8	643.0	602.1	603.6	546.2	393.7	528.3	466.6	499.2

Sources: Ministry of Planning and Economic Development and Uganda Electricity Board

Bank of Uganda

TABLE 1.4: RECOVERY PROGRAMME: INVESTMENT PHASING FOR IDENTIFIED PROJECTS

(in millions of U.S. dollars)

	1982/83	1983/84	1984/85	Total
AGRICULTURE	78.9	81.1	60.0	220.0
Rehabilitation of the Coffee Industry	25.0	10.6	6.0	41.6
Rehabilitation of the Tea Industry	7.0	17.0	15.3	39.3
Rehabilitation of Cotton Ginneries	5.8	5.8	—	11.6
Integrated Food Production and Rural Development in Eastern and Northern Uganda	20.0	10.0	10.0	40.0
Livestock Disease Control	5.0	5.0	5.0	15.0
Rehabilitation of Ranching Schemes	4.0	4.0	4.0	12.0
Other	12.1	28.7	19.7	60.5
INDUSTRY	62.2	96.0	53.3	211.5
Uganda Steel Corporation	2.4	4.4	6.4	13.2
Rehabilitation of Sugar Industry	14.0	45.0	14.0	73.0
Industrial Sector Rehabilitation loans	35.0	35.0	30.0	100.0
Other	10.8	11.6	2.9	25.3
TRANSPORT	40.7	68.3	46.0	155.0
Rehabilitation of Railway Sector	10.8	16.5	12.5	30.8
Maintenance and improvement of roads	23.4	44.5	33.5	101.4
Other	6.5	7.3	—	13.8
MINERAL AND ENERGY	15.8	17.0	8.6	41.4
Geophysical Surveys and Exploration	7.6	6.0	3.6	17.2
Rehabilitation and Development of Small Mines	0.9	2.0	1.0	3.9
Other	7.3	9.0	4.0	20.3
SOCIAL INFRASTRUCTURE	42.5	54.0	12.1	108.6
Rehabilitation of Primary Schools	5.0	5.0	—	10.0
Primary Health Care Facilities	5.0	5.0	5.0	15.0
Completion of Water Supply Projects	7.0	11.8	—	18.8
Rehabilitation of Water Supply and Sewerage Systems in major towns	3.0	7.1	2.0	12.1
Other	22.5	25.1	5.1	52.7
GRAND TOTAL	240.1	316.4	180.0	736.5

Source: **Recovery Programme 1982-84.**

Bank of Uganda

TABLE 2.1: ADMINISTERED COMMODITY PRICES; APRIL 1981–DECEMBER 1982

	1981				1982			
	April	June	September	December	March	June	September	December
Minimum producer prices for export crops				(Uganda shillings per kg.)				
Coffee	7.00	20.00	20.00	35.00	35.00	50.00	50.00	50.00
Tea	2.60	4.00	4.00	6.00	6.00	10.00	10.00	10.00
Cotton	6.00	15.00	15.00	30.00	30.00	40.00	40.00	40.00
Tobacco	8.65	21.60	21.60	53.70	53.70	67.00	67.00	75.00
Cocoa	3.20	3.20	3.20	3.20	20.00	30.00	30.00	30.00
Consumer prices for Petroleum Products				(Uganda shillings per litre)				
Premium gas	7.44	81.00	81.00	85.00	85.00	120.00	120.00	150.00
Regular gas	7.13	78.40	78.40	80.00	80.00	110.00	110.00	140.00
Diesel	6.00	47.20	47.20	50.00	50.00	60.00	60.00	90.00
Kerosene	4.00	30.00	30.00	30.00	35.00	40.00	40.00	80.00

Sources: Ministry of Cooperatives, Coffee Marketing Board and Bank of Uganda.

Bank of Uganda

TABLE 2.2: KAMPALA CONSUMER PRICE INDEX FOR THE MIDDLE INCOME GROUP; APRIL 1981 – DECEMBER 1982

(April 1981 = 100)

		1981				1982				
Items	Weight	April	June	September	December	March	April	June	September	December
Food	41.00	100.0	127.4	110.2	124.7	132.4	136.8	137.9	158.7	202.3
Drinks and tobacco . .	17.0	100.0	130.6	109.3	104.2	113.3	119.6	112.0	119.6	123.4
Fuel and lighting	6.0	100.0	119.9	119.9	131.2	141.2	149.5	177.1	184.1	228.1
Transport	10.0	100.0	185.0	240.0	240.0	240.0	240.0	256.0	256.0	385.4
Clothing	14.0	100.0	347.4	328.6	334.4	386.1	386.2	378.5	382.1	389.6
Other consumer goods . .	10.0	100.0	131.1	100.2	108.5	118.0	121.8	127.4	131.9	131.6
Other manufactured goods	2.0	100.0	235.8	210.2	200.3	245.2	235.0	205.3	230.4	233.0
Consumer Price Index . .	100.0	100.0	160.1	151.6	158.6	170.9	174.5	176.7	188.3	228.3

Source: Bank of Uganda

TABLE 2.3: KAMPALA CONSUMER PRICE INDEX FOR THE LOW INCOME GROUP; AUGUST 1981 – DECEMBER 1982

(August 1981 = 100)

		1981			1982(1)			
Items	Weight	August	September	December	March	June	August	December
Food	70.0	100.0	102.4	88.8	100.6	116.2	121.5	152.6
Drink and tobacco . .	11.0	100.0	80.8	89.7	90.4	73.9	74.2	75.8
Fuel and soap	8.0	100.0	95.7	77.1	106.1	95.0	110.4	113.0
Household goods . .	2.0	100.0	99.0	86.5	114.0	129.8	129.5	126.6
Clothing	9.0	100.0	122.8	96.4	120.0	132.7	110.2	127.6
Consumer Price Index . .	100.0	100.0	101.0	88.1	102.1	111.3	114.1	136.8

Source: Ministry of Planning and Economic Development

(1) No price collection was done during September 1982

Table 3.1 GOVERNMENT REVENUE: 1980/81–1982/83

(in millions of shillings)

	1980/81	1981/82	1982/83	
	Actual	Actual	Budget	Provisional Outcome
Taxes on income and profits	467	2,274	2,383	2,487
PAYE	(116)	(255)	(162)	(275)
Selective income levy	(21)	(266)	—	—
Other	(330)	(1,753)	(2,221)	(2,212)
Taxes on goods and services	1,460	9,520	12,950	13,892
Sales tax	(1,066)	(7,478)	(9,500)	(10,581)
Public sector investment levy	(245)	(7)	—	—
Excise duty	(101)	(1,839)	(3,000)	(2,841)
Commercial transactions levy	(48)	(196)	(450)	(470)
Taxes on international trade	681	11,928	15,930	22,516
Import duties	(569)	(5,169)	(6,150)	(6,458)
Export duties	(112)	(6,759)	(9,780)	(16,058)
Exchange profits	—	—	11,000	11,500
Revenue stamps	9	12	20	33
Public enterprise dividends	34	99	—	—
Fees and Licences under Traffic Act and Departmental charges	34	271	942	127
Drivers' permits	4	7	20	7
Freight charges on foreign registered vehicle	32	279	750	1,151
Other	9	—	—	—
Total revenue	2,730	24,390	43,995	51,713

Source: Ministry of Finance and Bank of Uganda

TABLE 3.2: GOVERNMENT EXPENDITURE; 1980/81—1982/83
(in millions of shillings)

	1980/81 Actual	1981/82 Actual	1982/83 Budget
Recurrent expenditure[1]			
General public services	1,722	3,538	6,410
Security[2]	5,785	9,830	11,650
Education	1,367	7,368	6,737
Health	487	1,586	1,846
Other social services	270	1,013	1,113
Economic services	1,217	3,693	4,817
Rural industries	(531)	(1,241)	(2,000)
Other	(686)	(2,452)	(2,817)
Unallocable	1,173	5,841	7,161
Transfers to local authorities	(373)	(828)	(892)
Other	(800)	(5,013)[3]	(6,269)[4]
Total recurrent	12,021	32,869	39,734
Development expenditure			
General public services	212	905	1,188
Security	86	373	480
Education	181	748	640
Health	79	308	520
Other social services	45	85	221
Economic services	1,376	4,528	13,493
Rural industries	(909)	(1,831)	(3,547)
Manufacturing and mining	(59)	(552)	(4,086)
Transport and communications	(40)	(779)	(2,161)
Works and housing	(243)	(915)	(1,910)
Other	(125)	(451)	(1,789)
Unallocable	58	428	78
Local government	(58)	(55)	(78)
Other	(—)	(373)	(—)
Total development	2,037	7,375	16,629
Other expenditure[5]	−987	2,734	4,546
Total expenditure	13,071	42,978	60,900

Source: Ministry of Finance and Bank of Uganda
(1) Checks-issued basis
(2) Comprises Defence (recurrent and development budget), Internal Affairs, Police and Prisons, and statutory expenditure on security arrangements
(3) Includes Ug. Shs. 3.8 billion of government customs duty and sales tax payments by the Ministry of Finance
(4) Includes budgeted amounts for foreign exchange losses on arrears and reduction in domestic arrears
(5) Includes the difference between cheques issued and cheques cashed in the same financial year, net change in extra-budgetary fund balances and contingencies

Bank of Uganda

TABLE 3.3: DOMESTIC PUBLIC DEBT; DECEMBER 1980–TO DECEMBER 1982

(in millions of shillings; end of period)

	1980	1981		1982	
	December	June	December	June	December
A. **BANK OF UGANDA**	**12,439.6**	**18,115.1**	**20,215.3**	**24,579.8**	**29,128.0**
Ways and Means Advances ..	11,707.4	16,836.0	19,634.2	25,828.3	30,203.0
Treasury Bills	1.7	16.5	28.4	31.3	2.0
Government Stocks	0.5	0.2	0.2	3.2	3.0
Uncovered Foreign Exchange Purchases	730.0	1,262.4	1,262.5	—	—
Less Government Deposits[1] ..	—	—	710.0	1,283.0	1,080.0
B. **COMMERCIAL BANKS** ..	**2,408.2**	**2,259.0**	**9,117.0**	**9,315.9**	**5,047.1**
Treasury Bills	641.9	605.8	7,105.1	7,413.4	3,155.0
Government Stocks	1,885.6	2,261.5	2,088.5	1,992.5	1,992.1
Direct Loans	1.5	1.5	26.6	—	2.4
Less Government Deposits ..	120.8	609.8[2]	103.2	90.0	102.4
TOTAL BANKING SECTOR NET CLAIMS ON GOVERNMENT (A+B)	**14,847.8**	**20,374.1**	**29,332.3**	**33,895.7**	**34,175.1**
C. **NON-BANKING SYSTEM** ..	**1,536.3**	**1,556.9**	**2,387.4**	**2,646.3**	**7,038.7**
Treasury Bills	556.4	577.7	1,211.1	1,479.1	5,892.6
Government Stocks	979.9	979.2	1,176.3	1,167.2	1,146.1
TOTAL DOMESTIC DEBT (A+B+C)	**16,384.1**	**21,931.0**	**31,719.7**	**36,542.0**	**41,213.8**

Source: Bank of Uganda

(1) Includes deposits on IDA Project Account

(2) Of which Shs. 533.4 million was deposit for foreign exchange

TABLE 3.4: TREASURY BILLS ISSUED BY HOLDERS (FACE VALUE); DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

Year/Month	Bank of Uganda	Commercial Banks	Others	TOTAL
1980: December	1.7	641.9	556.4	1,200.0
1981: March	0.4	635.2	564.4	1,200.0
June	16.5	605.8	577.7	1,200.0
September	11.1	565.2	623.7	1,200.0
December	28.4	7,105.1	1,211.1	8,344.6
1982: March	0.2	5,583.1	1,921.3	7,504.6
June	31.3	7,413.4	1,479.1	8,923.8
September	14.2	5,655.0	2,888.5	8,557.7
December	1.8	3,155.0	5,892.6	9,049.4

Source: Bank of Uganda

TABLE 3.5: GOVERNMENT STOCKS ISSUED, BY HOLDERS (FACE VALUE); DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

Year/Month	Bank of Uganda	Commercial Banks	Others	TOTAL
1980: December	0.5	1,885.6	979.9	2,866.0
1981: March	0.5	1,885.6	979.9	2,866.0
June	0.2	2,261.5	979.2	3,240.9
September	0.2	2,086.7	1,175.6	3,262.5
December	0.2	2,088.5	1,176.3	3,265.0
1982: March	0.2	2,088.5	1,176.3	3,265.0
June	3.2	1,992.5	1,167.2	3,162.9
September	3.2	1,992.1	1,167.2	3,162.9
December	3.0	1,992.1	1,146.1	3,141.2

Source: Bank of Uganda

Bank of Uganda

TABLE 4.1: OFFICIAL EXCHANGE RATES[1]; JANUARY 1981–DECEMBER 1982

(in shillings per unit of currency)

	SDR	U.S. dollar	Pound Sterling	Deutsche Mark	Swiss Franc	French Franc	Japanese Yen
1981: January	9.66	7.59	18.12	3.83	4.20	1.66	0.0373
February	9.66	7.80	18.28	3.67	4.06	1.59	0.0382
March	9.66	7.87	17.53	3.73	4.09	1.58	0.0378
April	9.66	7.96	17.45	3.71	4.07	1.61	0.0372
May	9.66	8.12	17.16	3.60	3.97	1.51	0.0374
June	89.46	76.75	151.07	32.28	37.17	13.50	0.3437
July	91.59	79.39	149.18	32.57	39.74	13.71	0.3428
August	90.73	81.66	148.88	32.69	37.74	13.67	0.3502
September ..	91.80	80.52	146.26	35.93	39.85	14.29	0.3511
October	92.28	79.13	145.66	35.14	41.95	14.07	0.3420
November	94.69	78.25	148.60	35.23	43.82	13.94	0.3494
December	99.11	85.56	163.36	37.90	47.18	14.98	0.3915
1982: January	98.08	86.03	162.38	37.56	46.71	14.78	0.3834
February	87.14	85.99	159.07	36.36	45.51	14.32	0.3656
March	95.45	85.83	155.16	36.08	45.52	13.99	0.3568
April	97.04	85.94	152.14	35.85	43.88	13.77	0.3522
May	101.62	87.42	158.26	37.66	44.87	15.25	0.3691
June	105.62	94.17	165.60	38.80	45.32	14.36	0.3752
July	109.21	98.67	171.20	39.89	47.10	14.39	0.3869
August	107.50	99.16	171.27	40.01	47.08	14.35	0.3836
September ..	107.23	99.07	169.82	39.53	46.42	14.04	0.3780
October	106.23	99.70	169.32	39.39	46.00	13.96	0.3683
November	108.17	101.74	166.21	39.81	46.35	14.09	0.3846
December	115.05	104.84	169.69	43.40	51.02	15.53	0.4317

Source: Bank of Uganda

(1) Monthly averages of middle rates, except for the SDR the rate of which relates to the end of the month

TABLE 4.2: WEEKLY AUCTION EXCHANGE RATES (WINDOW TWO); AUGUST–DECEMBER 1982

(shillings per U.S. Dollar)

Week	Rate
27/ 8/1982 to 3/ 9/1982	300.00
6/ 9/1982 to 10/ 9/1982	300.00
13/ 9/1982 to 17/ 9/1982	300.00
20/ 9/1982 to 24/ 9/1982	300.00
27/ 9/1982 to 1/10/1982	300.00
4/10/1982 to 8/10/1982	290.00
11/10/1982 to 15/10/1982	280.00
18/10/1982 to 23/10/1982	280.00
25/10/1982 to 29/10/1982	270.00
1/11/1982 to 5/11/1982	270.00
8/11/1982 to 12/11/1982	250.00
15/11/1982 to 19/11/1982	250.00
22/11/1982 to 26/11/1982	250.00
29/11/1982 to 3/12/1982	240.00
6/12/1982 to 10/12/1983	240.00
13/12/1982 to 17/12/1982	240.00
20/12/1982 to 24/12/1982	240.00
28/12/1982 to 31/12/1982	240.00

Source: Bank of Uganda

Bank of Uganda

TABLE 4.3: BALANCE OF PAYMENTS, 1981–1982

(in millions of U.S. dollars)

	1981			1982			1981/1982
	1st half	2nd half	Year	1st half	2nd half	Year	Fiscal year
A. CURRENT ASSETS							
Merchandise trade	**−83.6**	**−85.6**	**−169.2**	**−52.8**	**−69.7**	**−122.5**	**−138.4**
(Exports, f.o.b.)	(107.8)	(137.7)	(245.5)	(157.2)	(177.8)	(335.0)	(294.9)
(Imports, f.o.b.)	(191.4)	(223.3)	(414.7)	(210.0)	(247.5)	(457.5)	(433.3)
Services (net)	**−57.8**	**−63.5**	**−121.3**	**−55.4**	**−65.5**	**−120.9**	**−118.9**
(of which interest charges)[1] ..	(8.2)	(6.7)	(14.9)	(12.8)	(12.4)	(25.2)	(19.5)
Unrequited transfers (net) ..	**+55.1**	**+65.5**	**+120.6**	**+74.0**	**+56.3**	**+130.3**	**+139.5**
Balance on Current Account ..	**−86.3**	**−83.6**	**−169.9**	**−34.2**	**−78.9**	**−113.1**	**−117.8**
B. EXCEPTIONAL FINANCING: DEBT AND ARREARS CANCELLATION	—	+68.7	+68.7	—	—	—	+68.7
C. CAPITAL ACCOUNT							
Medium and Long-Term (net) ..	**−24.3**	**−73.5**	**−97.8**	**+3.7**	**+35.4**	**+39.1**	**−69.8**
Official inflows	9.8	50.6	60.4	53.3	161.7	215.0	103.9
(New drawings)	(9.8)	(24.8)	(34.6)	(19.3)	(50.7)	(70.0)	(44.1)
(Reschuduled principal)	(—)	(25.8)	(25.8)	(34.0)	(28.9)	(62.9)	(59.8)
(Rescheduled arrears)[2]	(—)	(—)	(—)	(—)	(−82.1)	(82.1)	(—)
Official outflows	34.1	124.1	158.2	49.6	126.3	175.9	173.7
(Scheduled repayments)[3]	(34.1)	(55.4)	(89.5)	(49.6)	(44.2)	(93.8)	(105.0)
(Principal cancelled)	(—)	(44.5)	(44.5)	(—)	(—)	(—)	(44.5)
(Arrears cancelled and rescheduled)[2]	(—)	(24.2)	(24.2)	(—)	(82.1)	(82.1)	(24.2)
Short Term (net)	+61.6	−14.7	+46.9	−29.9	+26.0	−3.9	(+44.6)
Commercial Banks	+8.3	−4.8	+3.5	+1.4	−9.7	−8.3	3.4
Usance letters of credit (net)[3] ..	+18.5	+12.7	+31.2	−14.5	−6.3	−20.8	−1.8
Other trade credit (net)[3]	−12-1	+21.3	+9.2	−92.8	+67.8	−25.0	−71.5
Other (net)	+46.9	−43.9	+3.0	+76.0	−25.8	+50.2	+32.1
Arrears not shown elsewhere[4] (movement net)	**+23.2**	**+4.3**	**+27.5**	**+42.6**	**−17.0**	**+25.6**	**+46.9**
Balance on Capital Account ..	**+60.5**	**−83.9**	**−23.4**	**+16.4**	**+44.4**	**+60.8**	**−67.5**
D. ALLOCATION OF SDRS	+6.5	—	6.5	—	—	—	—
E. OVERALL BALANCE A+B+C+D ..	−19.3	−98.8	−118.1	−17.8	−34.5	−52.3	−116.6
F. FINANCING[5]							
Monetary Authorities[6]	+19.3	+98.8	+118.1	+17.8	+34.5	52.3	+116.6
Change in gross reserves[7]	−84.4	+53.7	−30.7	+2.0	−19.1	−17.1	+55.7
IMF (net)[8]	+77.4	+47.7	+125.1	+25.8	+56.5	+82.3	+73.5
(Purchases)	(95.0)	(46.6)	(141.6)	(39.2)	(54.2)	(93.4)	(85.8)
(Repurchases)	(12.3)	(0.4)	(12.7)	(4.9)	(0.7)	(5.6)	(5.3)
(Exchange rate adjustments) ..	(−5.3)	(+1.5)	(−3.8)	(−8.5)	(+3.0)	(−5.5)	(−7.0)
Other (net)[9]	+26.3	−2.6	+23.7	−10.0	−2.9	−12.9	−12.6

Source: Bank of Uganda

(1) This amount is a minimum since some interest payments are recorded under principal repayments shown in the capital account, by lack of sufficient information

(2) Rescheduled arrears are taken simultaneously both as an inflow and an outflow. Cancelled arrears are shown as a credit under line B, exceptional financing and as an outflow in the capital account

(3) Include some interest payments which could not be separated from the principal repayments (see note 1 hereabove).

(4) This item shows abstraction being of arrears cancelled and rescheduled either the net increase in outstanding arrears during the period or the net reduction in outstanding arrears through cash payments

(5) In this presentation of the balance of payments the movement of external arrears has not been treated as a financing item but is already accounted for above the line.

(6) Based on the end of the period data. Sing (+): increase in net liabilities (or increase in negative foreign assets), sign (−), decrease in net liabilites

(7) Sign (+): decrease in gross reserves, sign (−): increase in gross reserves)

(8) The movement in the net position has been based on end of period data while the data for purchase and repurchases are shown at the value of the data at which they have been taken place. the reconciliation of the latter with the former is accounted for by the fluctuations in the exchange rate for the U.S. dollar which on average appreciated in 1981–1982, the financing flow shown by end of the period data is therefore smaller than the flow which actually took place

(9) Movement in net liabilities other than the net use of the IMF credit, is largely accounted for by the movement in the credit provided by the Central Bank of Kenya (so called Kenya Swap)

Bank of Uganda

Table 4.4: NET FOREIGN ASSETS OF THE BANKING SYSTEM; DECEMBER 1980–DECEMBER 1982

(in millions of shillings, end of period)

	1980	1981			1982		
	December	May	June	December	June	September	December
BANK OF UGANDA							
Foreign Assets	22.7	13.1	8,370.6	3,745.6	3,992.1	6,621.8	7,301.1
Foreign Exchange	(22.7)	(11.5)	(8,227.5)	(2,297.2)	(2,767.9)	(4,332.6)	(5,923.4)
SDR's	(—)	(1.6)	(143.1)	(257.7)	(517.5)	(1,376.0)	(607.8)
Others	—	—	—	(1,190.7)	(706.7)	(913.2)	(769.9)
Foreign Liabilities	561.0	608.6	14,094.4	19,253.2	23,305.2	28,136.0	30,632.0
Use of IMF Credit	(461.7)	(364.7)	(10,761.9)	(15,857.7)	(20,500.8)	(25,281.7)	(28,004.1)
Other Liabilities	(99.3)	(243.9)	(3,332.5)	(3,395.5)	(2,804.4)	(2,854.3)	(2,627.9)
Net Foreign Assets	−538.3	−595.5	−5,723.4	−15,507.6	−19,313.1	−21,514.2	−23,330.9
COMMERCIAL BANKS							
Foreign Assets	140.0	121.8	510.2	995.2	1,061.7	2,265.0	2,654.9
Foreign Liabilities	31.6	40.1	59.7	82.5	183.4	599.2	667.2
Net Foreign Assets	108.4	81.7	450.5	912.7	878.3	1,665.8	1,987.7
TOTAL NET FOREIGN ASSETS	−429.9	−513.8	−5,273.3	−14,594.9	−18,434.8	−19,848.4	−21,343.2

Source: Bank of Uganda

Bank of Uganda

TABLE 4.5: MEDIUM AND LONG-TERM EXTERNAL PUBLIC DEBT; 1980–1982[1]

(in millions of U.S. dollars)

CREDITOR	end 1980 out-standing	1st half 1981 drawings	1st half 1981 repay-ments	end June 1981 out-standing	2nd half 1981 drawings	2nd half 1981 repay-ments and cancel-lation	end Dec 1981 out-standing	1st half 1982 drawings	1st half 1982 repay-ments	end June 1982 out-standing	2nd half 1982 drawings	2nd half 1982 repay-ments	end Dec 1982 out-standing
Multilateral	**140.9**	**6.0**	**0.9**	**146.0**	**13.8**	**1.8**	**158.0**	**13.7**	**4.3**	**167.4**	**50.0**	**10.2**	**207.2**
Bilateral	**511.5**	**3.8**	**13.7**	**501.6**	**11.0**	**91.0**	**421.6**	**5.6**	**11.2**	**416.0**	**0.7**	**12.4**	**404.3**
—OECD Countries	223.9	3.4	0.2	227.1	10.5	68.5	169.1	4.3	3.5	169.9	—	2.8	167.1
—Eastern bloc	55.8	—	0.3	55.5	—	3.0	52.5	—	0.5	52.0	0.7	—	52.7
—Islamic Countries	37.0	—	—	37.0	—	—	37.0	—	0.2	36.8	—	1.3	35.5
—Central African Countries	168.5	—	12.0	156.5	—	19.5	137.0	—	7.0	130.0	—	7.5	122.5
—Other	26.3	0.4	1.2	25.5	0.5	—	26.0	1.3	—	27.3	—	0.8	26.5
TOTAL	**652.4**	**9.8**	**14.6**	**647.6**	**24.8**	**92.8**	**579.6**	**19.3**	**15.5**	**583.4**	**50.7**	**22.6**	**611.5**

Source: Bank of Uganda

(1) Exclusive of a small number of debts which are still under discussion and debts incurred directly by the Bank of Uganda (International Monetary Fund and credit line Bank of Kenya). No account has yet been taken of the exports of maize to Tanzania which started towards the end of 1982. The table is furthermore approximate because (i) for some debts, the reconciliation between the Uganda records and the creditors' records is still in progress, and (ii) owing to the large exchange rate fluctuations in 1981 and 1982, conversion in U.S. dollars are proximate.

TABLE 4.6: EXTERNAL ARREARS; 1981-1982[1]
(In millions of U.S. dollars)

	1st half 1981		2nd half 1981		1st half 1982		2nd half 1982	
	Long and medium term Public Debt	Other	Long and medium term Public Debt	Other	Long and medium term Public Debt	Other	Long and medium term Public Debt	Other
1. **Outstanding at the beginning of the period**	**121.0**	**n.a.**	**144.2**	**n.a.**	**121.7**	**2.6**	**124.7**	**42.2**
2. Scheduled or maturing payments	38.0	n.a.	32.7	2.6	18.7	50.7	18.4	31.6
3. Actual payments	14.8	n.a.	31.0	—	15.7	11.1	23.1	43.9
4. Change in arrears after cash transactions 2-3	+23.2	n.a.	+1.7	+2.6	+3.0	+39.6	−4.7	−12.3
5. Change in arrears through cancellation and rescheduling	—	—	−24.2	—	—	—	−82.1	—
6. Overall change in arrears: 4+5	+23.2	n.a.	−22.5	+2.6	+3.0	+39.6	−86.8	−12.3
7. **Outstanding at the end of the period: 1+6**	**144.2**	**n.a.**	**121.7**	**2.6**	**124.7**	**42.2**	**37.9**	**29.9**

Source: Bank of Uganda

(1) Exclusive of the arrears in respect of remittances to foreign airlines (i.e. U.S.$7.3 million, originating from transactions which took place before June 1981), of arrears which were still in negotiation during the periods reviewed and overdue payments for imports supplied against cash, the status and, in several cases, the amount of which are still to be ascertained. Exclusive also of the arrears to oil companies for the months preceding September 1981, which have been treated as short-term credit in the balance of payments in analogy with the system in force since September 1981.

TABLE 4.7: RELATIONS WITH THE INTERNATIONAL MONETARY FUND
(In millions of SDRs)

A. **Position as at 31st December, 1982**		
Quota	SDR 75	
Fund holdings of local currency	SDR 314.9 (419.87 per cent of quota)	
of which: compensatory financing facility	SDR 74.4 (99.17 per cent of quota)	
Net cumulative allocations of SDRs	SDR 29.4	
Holdings of SDRs	SDR 10.1 or 34.4 per cent of net cumulative allocation	
Trust Fund loans outstanding	SDR 22.5	
Forthcoming purchases under approved stand-by agreement	SDR 62.5[1]	
Forthcoming repurchases	SDR 4.4[2]	
B. **Transactions 1981-1982**		
	1981	**1982**
SDR Allocations	SDR 5.1	—
Purchases	SDR 122.5	85.0
Repurchases	SDR 10.3	5.0
Interest and Charges	SDR 6.8	17.5

Source: Bank of Uganda

(1) SDR 25 million in the first quarter, 1983, and the balance in the second quarter of 1983.

(2) SDR 0.6 million in the first quarter, 1983 and SDR 3.8 million in the second quarter of 1983.

Bank of Uganda

TABLE 5.1a: BANK OF UGANDA: ASSETS AND LIABILITIES—ASSETS; DECEMBER 1980—DECEMBER 1982
(in millions of shillings)

End of Period	Total External Assets	Securities: Government	Securities: Official Entities[1]	Discounts & Advances: Government[2]	Discounts & Advances: Banks	Other Assets[3]	Total Assets
1980:							
December	22.7	2.2	125.0	12,834.0	—	1,950.7	14,934.6
1981:							
March	146.9	0.9	200.5	13,866.5	—	2,369.9	16,584.7
May	18.6	17.0	203.5	15,564.1	—	2,553.2	18,356.4
June	8,369.0	16.7	203.5	18,098.5	263.1	19,956.2	46,907.0
September	4,744.8	11.3	203.5	23,439.7	182.8	20,349.2	48,931.3
December	3,612.4	28.6	203.5	20,896.7	218.0	21,889.1	46,848.3
1982:							
March	3,794.5	0.4	203.5	24,042.5	149.5	18,969.5	47,159.9
June	3,992.8	34.5	203.5	25,828.3	93.3	19,771.2	49,923.6
September	6,593.2	17.4	203.5	26,098.5	101.5	19,333.3	52,347.4
December	7,301.1	4.8	203.5	30,203.1	1,964.9	19,251.5	58,928.9

Source: Bank of Uganda

(1) Consists of Uganda Electricity Board, Uganda Airlines and Transocean

(2) Including up to December 1981, the counterpart of Foreign Exchange sold to Government without local cover

(3) The fluctuations in this item are due to changes in the value of the Uganda shilling vis-a-vis the U.S. dollar since June, 1981, which is reflected in the Currency Revaluation Account

Bank of Uganda

TABLE 5.1b: BANK OF UGANDA: ASSETS AND LIABILITIES–LIABILITIES; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period		Paid up capital	General Reserve	Currency in circulation: Notes	Currency in circulation: Coin	Domestic deposits: Bankers Deposits	Domestic deposits: Government[1]	Domestic deposits: Official Entities	External Deposits[2]	International Monetary Fund	Other Liabilities	Total Liabilities
1980:												
December	..	20.0	40.0	6,512.5	95.0	3,909.4	—	82.1	99.6	528.9	3,647.1	14,934.6
1981:												
March ..	..	20.0	40.0	6,694.2	95.7	5,086.2	—	82.4	71.0	456.6	4,038.6	16,584.7
May ..	..	20.0	40.0	7,596.2	96.0	5,539.4	—	112.4	243.9	504.9	4,203.6	18,356.4
June ..	..	20.0	40.0	7,568.4	102.6	7,318.4	—	78.4	3,332.5	16,837.2	11,609.5	46,907.0
September	..	20.0	40.0	8,430.6	96.4	9,328.1	—	140.6	3,330.2	16,837.2	10,707.2	48,931.3
December	..	20.0	40.0	10,905.1	103.2	2,778.4	212.4	394.0	3,395.5	20,363.7	8,636.0	46,848.3
1982:												
March ..	..	20.0	40.0	10,583.2	103.3	5,329.0	697.5	842.5	3,570.4	20,284.1	5,689.9	47,159.9
June ..	..	20.0	40.0	11,461.2	103.3	3,326.1	635.0	631.6	2,804.4	23,174.2	7,727.8	49,923.6
September	..	20.0	40.0	12,038.4	103.2	1,564.5	1,680.6	526.3	2,854.3	26,806.8	6,713.3	52,347.4
December	..	20.0	40.0	14,132.2	103.3	3,388.5	1,419.3	1,035.2	2,627.9	29,850.7	6,311.8	58,928.9

Source: Bank of Uganda

(1) Deposits made by Government for the purchase of foreign exchange

(2) Include foreign banks deposits and other foreign liabilities, exclusive of the liabilities to the International Monetary Fund shown separately

Bank of Uganda

TABLE 5.2a: COMMERCIAL BANKS' ASSETS AND LIABILITIES–ASSETS; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period	Reserves: Cash	Reserves: Balances with Bank of Uganda	Foreign Assets	Claims on Central Govt. (Gross)	Claims on Private Sector	Other Assets	Total Assets
1980: December	364.0	4,222.6	140.0	2,578.5	5,750.5	8,771.1	21,826.7
1981: March	412.7	5,745.4	78.1	2,539.4	5,892.2	9,368.9	24,036.7
May	424.5	6,027.6	121.8	2,284.6	6,038.8	7,742.7	22,640.0
June	398.8	7,487.2	510.2	2,334.9	5,955.1	8,325.0	25,011.2
September	574.1	11,137.0	786.5	2,735.3	8,470.9	11,203.7	34,907.5
December	664.8	3,475.3	995.2	9,197.3	11,255.0	13,637.5	39,225.1
1982: March	965.3	6,548.2	999.6	7,401.1	13,388.3	19,546.1	48,848.6
June	1,057.0	3,828.6	1,061.7	9,523.5	14,710.6	26,743.9	56,925.3
September	1,061.8	1,724.1	2,265.5	7,361.2	17,082.7	25,046.8	54,542.1
December	1,400.1	1,230.8	2,654.9	5,082.8	21,163.3	33,732.2	65,264.1

Source: Bank of Uganda

Bank of Uganda

TABLE 5.2b: COMMERCIAL BANKS' ASSETS AND LIABILITIES–LIABILITIES; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period	Private Sector Deposits[1] Demand	Private Sector Deposits[1] Time and Savings	Government Deposits	Foreign Liabilities	Credit from Bank of Uganda	Balances due to Other Banks in Uganda	Capital and Reserves	Other Liabilities	Total Liabilities
1980: December	6,644.7	4,495.0	120.8	31.7	—	39.5	397.2	10,097.8	21,826.7
1981: March	7,172.1	4,901.6	101.9	37.6	—	100.4	401.7	11,321.4	24,036.7
May	7,520.0	4,941.6	89.8	40.1	—	140.6	403.6	9,504.3	22,640.0
June	8,624.8	5,040.5	76.4	59.7	—	133.4	408.0	10,668.4	25,011.2
September	15,813.6	5,822.9	288.4	54.5	302.0	73.9	403.7	12,148.5	34,907.5
December	16,574.3	6,268.8	103.2	82.5	255.0	16.3	517.2	15,407.8	39,225.1
1982: March	13,103.1	7,776.8	343.9	367.1	255.0	157.3	693.2	26,152.2	48,848.6
June	14,984.3	8,083.0	90.1	183.4	255.0	29.6	752.7	32,547.2	56,925.3
September	14,368.6	8,452.8	143.3	599.2	269.1	100.1	3,272.6	27,336.4	54,542.1
December	16,534.4	8,743.4	102.4	667.2	255.0	45.3	3,517.6	35,398.8	65,264.1

Source: Bank of Uganda

(1) Regional & Local Government included in Private Sector

Bank of Uganda

TABLE 5.3: MONETARY SURVEY; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period	FOREIGN ASSETS (NET)			DOMESTIC CREDIT					BROAD MONEY				Other items net
				Claims on Govt. (net)			Claims on private sector	Total domestic credit					
	Bank of Uganda	Commercial banks	Total	Bank of Uganda[1]	Comercial banks[2]	Total			Currency in circulation	Private demand deposits	Private time & savings deposits	Total	
1980:													
December	−538.3	108.4	−429.9	12,439.6	2,4C8.2	14,847.8	5,951.0	20,798.8	6,243.4	6,698.1	4,494.2	17,435.7	2,933.2
1981:													
March ..	−301.9	40.5	−261.4	13,867.4	2,437.4	16,304.8	6,092.8	22,397.6	6,377.1	7,214.0	4,880.0	18,471.1	3,665.1
May ..	−595.5	81.7	−513.8	15,581.0	2,194.8	17,775.8	6,242.3	24,018.1	7,267.7	7,592.7	4,941.5	19,801.9	3,702.4
June ..	−5,723.9	450.5	−5,273.4	18,115.1	2,258.9	20,374.0	6,100.6	26,474.6	7,272.2	8.653.4	5,031.1	20.956.7	244.5
September	−9,743.3	732.0	−9,011.3	23,450.4	2,446.9	25,897.3	8,674.5	34,571.8	7,952.9	14,790.0	5,822.9	28,565.5	−3004.5
December	−15,507.6	912.7	−14,594.9	20,215.3	9,117.0	29,332.3	11,458.5	40,790.8	10,343.5	14,260.9	6,244.5	30,848.9	−4653.0
1982:													
March ..	−14,720.0	632.5	−14,087.5	22,867.8	7,057.2	29,925.0	13,591.8	43,516.8	9,721.2	13,564.0	7,706.0	30,991.2	−1,561.9
June ..	−19,313.1	878.3	−18,434.8	24,579.8	9,315.9	33,895.7	14,914.1	48,809.8	10,507.5	15,562.7	7,960.8	34,031.0	−3,656.0
September	−21,514.2	1,665.8	−19,848.4	24,733.4	7,217.9	31,951.3	17,285.9	49,237.2	11,079.8	14,879.4	8,011.8	33,971.0	−4,582.2
December	−23,330.0	1,987.7	−21,342.3	29,128.0	5,047.1	34,175.1	23,428.0	57,603.1	12,835.4	16,940.8	8,736.1	38,512.3	−2,251.5

Source: Bank of Uganda

1 Including up to December 1981 the counterpart of Foreign Exchange sold to government without local cover

2 The ceiling of Shs. 1.2 billion on Treasury Bills was removed in October 1981, and fixed at Shs. 22 billion

Bank of Uganda

TABLE 5.3b: MONETARY SURVEY; 1970 – 1980

(in millions of shillings; end of period)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Net foreign assets[1]	**468.4**	**140.6**	**139.4**	**83.1**	**−29.1**	**30.3**	**46.4**	**112.3**	**254.1**	**−129.7**	**−429.9**
Monetary authorities	409.3	114.3	131.4	67.6	−48.8	−49.1	−39.0	−49.0	62.3	−235.9	−538.3
Commercial Banks	54.7	21.9	3.6	15.5	19.7	79.4	85.4	161.3	191.8	106.2	108.4
Total Dometic Credit	**1,448.4**	**1,821.1**	**2,455.2**	**3,356.7**	**4,508.6**	**5,298.8**	**6,726.6**	**8,406.6**	**10,509.4**	**12,855.5**	**20,798.8**
Net Claims on Government	565.1	929.8	1,439.4	2,148.1	2,907.7	3,603.8	4,789.6	5,521.6	7,288.2	9,484.5	14,847.8
Bank of Uganda	333.0	693.8	795.9	1,244.6	1,672.8	2,355.9	3,190.6	3,863.0	5,442.3	7,276.5	12,439.6
Commercial Banks	232.1	236.0	643.5	903.5	1,234.9	1,247.9	1,599.0	1,658.6	1,845.9	2,208.0	2,408.2
Claims on Private Sector	883.3	891.3	1,015.8	1,208.6	1,600.9	1,695.0	1,937.0	2,885.0	3,221.2	3,371.0	5,951.0
Broad money	**1,643.4**	**1,643.3**	**2,147.4**	**2,911.1**	**3,865.0**	**4,677.7**	**6,234.5**	**7,400.3**	**9,584.7**	**13,166.0**	**17,435.7**
Currency in circulation	590.1	597.8	620.1	795.9	1,092.5	1,367.1	2,205.2	2,889.1	3,518.2	4,640.7	6,243.4
Private Demand Deposits	509.0	533.8	922.6	1,318.6	1,913.3	1,885.0	2,286.5	2,897.6	3,491.8	5,027.2	6,698.1
Private Time and Savings	544.3	511.7	604.7	796.6	859.2	1,425.6	1,742.8	1,613.6	2,574.7	3,498.1	4,494.2
Other items (Net)	273.4	318.4	439.2	528.7	614.5	651.4	538.5	1,118.6	1,178.8	−440.2	2,933.2

[1] Up to December 1972. Net foreign Assets include a counter-entry by EACB of Shs. 4.4m

Source: Bank of Uganda

TABLE 5.4: BREAK-DOWN OF NOTES AND COINS ISSUED; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

Denomination Period	100/–	50/–	20/–	10/–	5/–	1/–	.50 cents	.10 cents	.05 cents	Total Currency issued
1980:										
December ..	5,564	1,407	374	217	70	59	16	7	3	7,717
1981:										
March	5,983	1,323	351	207	66	60	16	7	3	8,016
June	6,891	1,288	345	204	66	60	16	7	3	8,880
September ..	7,065	1,720	545	210	65	60	17	7	3	9,692
December ..	8,559	2,650	618	258	78	61	17	7	3	12,251
1982:										
March	8,647	2,326	508	279	97	61	17	7	3	11,945
June	9,363	2,297	562	264	113	61	17	7	3	12,687
September ..	9,917	2,462	619	255	99	60	17	7	3	13,439
December ..	11,076	3,054	791	332	140	60	17	7	3	15,480

Source: Bank of Uganda

TABLE 5.5: MONTHLY CLEARING FIGURES; DECEMBER 1980 – DECEMBER 1982

	Number of working Days	Number of cheques cleared	Amount in million Shs.	Daily Average: No. of cheques cleared	Daily Average: Value of cheques in million Shs.
1980: December	17	31,509	2,904.1	1,853	170.8
1981: March	22	32,633	3,183.2	1,483	144.7
June	22	40,199	5,838.2	1,827	265.4
September	22	39,840	8,577.0	1,811	389.9
December	22	43,796	21,866.1	1,991	993.9
1982: March	23	39,855	16,029.4	1,733	696.9
June	22	40,871	21,388.4	1,858	972.2
September	22	37,378	25,311.7	1,699	1,150.5
December	22	35,648	23,749.6	1,620	1,079.5

Source: Bank of Uganda

Bank of Uganda

TABLE 5.6: A SUMMARY OF COMMERCIAL BANKS' LENDING AND CASH RATIOS; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period	Total Private Deposits	Loans and Bills discounted (Private Sector)[1]	Ratio: Advances/ Deposits (Lending Ratio)	Notes and Coin & Balances with Bank of Uganda[1]	Ratio: Cash/Total Private Deposits	Private Demand Deposits	Ratio: Cash/Private Demand Deposits
1980:							
December . .	11,109.9	5,750.5	51.8	4,586.6	41.3	6,616.0	69.3
1981:							
March	12,011.6	5,892.2	49.1	6,158.1	51.3	7,131.6	86.3
May	12,421.6	6,038.0	48.6	6,452.1	51.9	7,480.3	86.3
June	13,606.1	5,955.1	43.8	7,886.0	58.0	8,575.0	92.0
September . .	20,472.3	8,470.9	41.4	11,711.1	57.2	14,649.4	79.9
December . .	20,111.4	11,255.0	56.0	4,140.1	20.6	13,866.9	29.9
1982:							
March	20,427.5	13,388.3	65.5	7,513.5	36.8	12,721.5	59.1
June	22,894.1	14,710.6	64.3	4,885.6	21.3	14,933.3	32.7
September . .	22,364.9	17,082.7	76.4	2,790.9	12.5	13,353.1	20.9
December . .	25,252.1	21,163.3	83.8	2,630.9	10.4	16,516.0	15.9

Source: Bank of Uganda

(1) Both items exclude foreign currency

Bank of Uganda

TABLE 5.7: COMMERCIAL BANKS' LIQUID ASSETS; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

End of Period	Cash	Balance with Bank of Uganda	Demand and money at call (net)	Uganda Treasury Bills	Government Securities maturing in 5 years	Demand Balance in convertible currency	Commercial bills and Promissory notes eligible for discount at B.O.U.	Total Liquid Assets (a)	Total Liquid assets required by law (b)	Deficiency (−) or Surplus (+) against legal requirements (a−b)
1980:										
December	364.0	4,222.6	255.9	688.6	1,089.8	138.1	—	6,759.0	2,025.9	+4,733.1
1981:										
March ..	412.7	5,745.4	198.4	633.8	1,339.8	76.1	—	8,406.2	2,189.3	+6,216.9
June ..	398.8	7,487.2	76.8	594.0	820.4	507.1	—	9,884.3	2,495.7	+7,388.6
September	574.1	11,137.0	148.4	573.7	2,086.3	769.7	—	15,289.2	4,092.7	+11,196.5
December	664.8	3,475.3	218.4	6,963.2	1,330.1	972.5	—	13,624.3	4,271.5	+9,352.8
1982:										
March ..	965.3	6,548.2	567.3	5,194.9	1,629.7	984.0	—	15,889.4	3,846.4	+12,043.0
June ..	1,057.0	3,828.6	459.6	7,095.8	1,533.6	1,054.5	—	15,029.1	4,226.0	+10,803.1
September	1,061.8	1,729.1	187.6	5,248.7	1,533.7	2,253.6	—	12,014.5	4,169.7	+7,844.8
December	1,400.1	1,230.8	51.4	2,973.0	1,533.3	2,590.1	—	9,778.7	4,637.3	+5,141.4

Source: Bank of Uganda

Bank of Uganda

TABLE 5.8: COMMERCIAL BANKS' ADVANCES TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY; DECEMBER 1980–DECEMBER 1982

(in millions of shillings)

	1980	1981				1982			
	December	March	June	September	December	March	June	September	December
AGRICULTURE of which	2,460.5	2,533.1	2,409.4	2,741.0	4,365.0	6,533.6	6,574.0	6,710.7	9,263.6
Production	647.3	628.0	521.9	763.0	709.3	475.2	509.7	1,045.9	1,095.9
Crop finance	1,813.2	1,905.1	1,887.5	1,978.0	3,655.7	6,058.4	6,064.8	5,664.8	8,197.7
MANUFACTURING	668.8	659.4	718.6	965.6	1,624.0	1,402.1	2,266.6	2,670.1	3,869.1
Foods, beverages, tobacco	205.5	207.3	239.9	313.9	574.3	539.7	565.3	739.3	745.7
Furniture, household	30.7	23.7	32.9	35.6	181.3	44.9	44.4	67.2	1,063.6
Textiles, leather	180.2	201.5	173.5	125.8	163.1	131.6	423.9	549.2	336.8
Chemical, pharmaceutical	47.3	38.1	56.6	138.8	187.2	243.6	217.2	208.1	150.2
Metal production, machinery	67.9	78.2	74.3	91.4	104.7	137.5	187.6	206.7	345.1
Building & Construction	58.9	49.3	22.4	45.4	41.0	75.9	378.8	379.2	603.2
Others	78.3	61.3	119.0	214.7	372.4	228.9	449.4	520.4	624.5
TRADE & OTHER SERVICES	1,989.3	2,010.3	2,079.8	3,860.1	4,057.8	4,432.2	4,853.8	6,284.9	5,713.5
Wholesale (imports)	263.8	280.7	433.1	2,023.3	1,977.3	2,183.0	2,436.6	2,947.7	2,991.9
Retail	826.5	826.8	696.3	657.6	1,133.1	1,335.0	1,138.3	1,404.8	1,199.9
Others	899.0	902.8	950.4	1,179.2	947.4	914.2	1,278.9	1,932.4	1,521.7
TRANSPORT, ELECTRICITY, WATER	399.7	432.4	522.6	664.5	741.6	648.3	641.8	924.8	1,618.6
Transport	399.2	409.4	511.7	657.6	666.0	538.6	610.2	745.2	1,446.4
BUILDING & CONSTRUCTION	146.2	156.8	167.5	216.0	351.5	317.7	324.7	405.5	513.8
OTHERS (including balancing items)	86.0	100.2	57.2	23.7	115.1	54.4	49.7	86.7	184.7
TOTAL	5,750.5	5,892.2	5,955.1	8,470.9	11,255.0	13,388.3	14,710.6	17,082.7	21,163.3

Source: Bank of Uganda

Bank of Uganda

TABLE 5.9: STRUCTURE OF INTEREST RATES; JUNE 1981–DECEMBER 1982

(in per cent, per year)

	1981		1982		
	June	October	July	November	December
Bank of Uganda					
Ways and Means	2.5	5.0	2.0	2.0	2.0
Rediscount rate	7.0	9.0	10.0	10.0	12.5
Rate for advances to commercial banks	8.0	10.0	11.0	11.0	13.5
Treasury Bills					
35 days	4.71	8.0	9.0	10.0	10.0
63 days	4.95	8.5	9.5	11.0	11.0
91 days	5.08	9.0	10.0	12.0	12.0
Government Stocks					
5 years	8.5	11.0	12.0	12.0	12.0
10 years	9.5	11.5	12.5	12.5	12.5
15 years	10.5	12.0	13.0	13.0	13.5
Commercial Banks					
Deposit rates(1)					
Demand deposits	—	Optional	Optional	Optional	Optional
Savings deposits	5.0	8.0	9.0	9.0	9.0
Time deposits: one year ..	—	12.0	13.0	13.0	13.0
: more than one year	6.0	negotiable	negotiable	negotiable	negotiable
Lending rates(2)					
Agriculture	8.6	13.0	14.0	14.0	14.0
Export and manufacturing ..	12.0	14.0	15.0	15.0	15.0
Commerce	12.0	15.0	16.0	20.0	20.0
Unsecured	12.0	17.0	17.0	20.0	20.0

Source: Bank of Uganda

(1) Minimum rates

(2) Maximum rates

TABLE 5.10: LIST OF FINANCIAL INTERMEDIARIES

(a) **Commercial Banks**

Bank of Baroda (Uganda) Ltd.
Barclays Banks of Uganda Ltd.
Co-operative Bank Ltd.
Grindlays Bank (Uganda) Ltd.
Libyan Arab Uganda Bank for Foreign Trade and Development
Standard Bank (Uganda) Ltd.
Uganda Commercial Bank

(b) **Development Banks**

Uganda Development Bank
East African Development Bank

(c) **Credit Institutions**

Diamond Trust of Uganda Ltd.
Grindlays Bank International (Uganda) Ltd.
Housing Finance Company of Uganda Ltd.
National Industrial Credit (Uganda) Ltd.
Ugadev Bank

(d) **Insurance Companies**

British American Insurance Company
Co-operative Insurance Society
East African General Insurance Co.
National Insurance Corporation.
Statewide Insurance Co.
Transtate Insurance Co.
Uganda American Insurance Co.
United Assurance Co.

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◄ Artist's Impression

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