FOR AGENDA

EBS/83/180

CONFIDENTIAL

August 23, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Uganda - Request for Stand-By Arrangement

Attached for consideration by the Executive Directors is a paper on a request for a stand-by arrangement equivalent to SDR 112.5 million. Draft decisions appear on page 30.

It is proposed to bring this subject to the agenda for discussion on Friday, September 16, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Goreux (ext. 73801) or Mr. Callender (ext. 73397).

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

UGANDA

Request for Stand-By Arrangement

Prepared by the African Department and
the Exchange and Trade Relations Department

(In consultation with the Fiscal Affairs, Legal,
and Treasurer's Departments)

Approved by J.B. Zulu and S. Kanesa-Thasan

August 22, 1983

I. Introduction

On August 15, 1982 the Executive Board approved a 12-month stand-by arrangement for Uganda (EBS/82/125) in an amount of SDR 112.5 million (equivalent to 150 percent of quota). The arrangement was modified in November 1982 (EBS/82/196 and Supplement 1 EBS/82/196). The staff report on the mid-term review of the 1982/83 stand-by arrangement and on the 1983 Article IV consultation was discussed by the Executive Board on February 22, 1983 (EBS/83/5). The Government of Uganda satisfied all the performance criteria established under the 1982/83 program and made the final purchase under the arrangement in May 1983.

In the attached letter and annexed memorandum of economic and financial policies (Attachment I), dated June 24, 1983, the Government of Uganda has requested a one-year stand-by arrangement in support of a financial program covering the fiscal year July 1, 1983 to June 30, 1984. 1/

In his letter to the Managing Director, the President asked that the arrangement be supported by Fund assistance equivalent to 150 percent of quota, instead of 126.7 percent as proposed by the mission. While recognizing Uganda's good performance under the two previous programs, the staff considers that it would be prudent to limit assistance in support of the proposed program to SDR 95 million (equivalent to 126.7

1/ Staff missions visited Kampala during May 3-18 and June 20-25, 1983 for discussions that provided the basis of this paper. The staff members participating in the two missions were Messrs. Goreux (Head-AFR), Basu (AFR), Callender (AFR), Ebrahim-zadeh (AFR), Holmes (FAD), Kalter (ETR), and Ms. Nivasabutr (secretary-TRE).

percent of present quota) which would be entirely provided from borrowed resources. The latter amount would be sufficient to cover the projected overall BOP deficit in 1983/84 while allowing for the reduction of external arrears and some increase in the level of reserves which is abnormally low. The target is to halve the overall BOP deficit in 1983/84 and to achieve a surplus by 1985/86 in order to enable Uganda to meet its rapidly increasing payments to the Fund which are expected to average SDR 100 million per year during the period 1984/85 through 1986/87.

The proposed stand-by arrangement is contained in Attachment II. It provides for a first purchase amounting to SDR 31.5 million to be made upon Executive Board approval. The second purchase (SDR 12.5 million) would be made upon fulfillment of performance criteria for end-September 1983, the third (SDR 21 million) upon completion of a mid-term review by the Fund Board and satisfaction of December 1983 performance criteria, the fourth (SDR 15 million) upon fulfillment of March 1984 performance criteria; the final purchase (SDR 15 million) is subject to the completion of the second review on exchange rate policies with the Fund (Table 1).

The Fund's holdings of Ugandan currency, excluding those resulting from purchases under the compensatory and oil facilities, amounted to SDR 303.41 million (404.55 percent of quota) at end-June 1983. If the purchases under the proposed stand-by arrangement were fully utilized, the Fund holdings of Ugandan currency (excluding the special facilities) would increase to SDR 392.46 million or 523.28 percent of the present quota and 392.85 percent of the proposed quota by end-September 1984. A waiver of the limitation in Article V, Section 3 (b) (iii) is required for this arrangement.

Uganda has been receiving technical assistance from the Fund in several areas: at present, a member of the FAD panel of fiscal experts (Mr. Thompson) is assigned as Budget Advisor to the Ministry of Finance and four CBD experts are attached to the Bank of Uganda: Director of Foreign Exchange Department (Mr. Abdul Rahman), Director of Research (Mr. Vollan), Chief Accountant (Mr. Lindsay), Head of the External Debt Management Office (Mr. Bourke). In addition, a Bank Supervision Advisor is expected to be assigned to the Bank shortly.

The World Bank, which resumed its operations in Uganda in early 1981 and appointed a resident representative in September 1982, has continued to expand its activities. Total commitment by the World Bank rose from US$109 million in 1981/82 to US$124 million in 1982/83, consisting of credits for agriculture (US$70 million), education (US$32 million), and telecommunication (US$22 million); of the total amount committed, about US$85 million have already been disbursed. Studies have been initiated for a third IDA Reconstruction credit which may become

Table 1. Uganda: Actual and Proposed Purchases and Repurchases During the Period June 1, 1981-September 30, 1984 1/

	1981		1982			1982	
	June 1-Sept. 30	Oct. 1-Dec. 31	Jan. 1-March 30	April 1-Sept. 30	Total	June 1-Sept. 30	Oct. 1-Dec. 31
			(In millions of SDRs)				
Purchases	82.50	40.00	--	35.00	157.50	37.50	12.50
Ordinary	19.40	18.10	--	15.80	53.30	14.94	--
Borrowed	18.10	21.90	--	19.20	59.20	22.56	12.50
CFF	45.00	--	--	--	45.00	--	--
Repurchases	--	0.30	4.40	--	4.70	--	0.63
Oil facility	--	0.30	0.90	--	1.20	--	--
CFF	--	--	--	--	--	--	0.63
Stand-by	--	--	--	--	--	--	--
Of which: Regular	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Enlarged access	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Repurchases of Fund's holdings of national currency in excess of 75 per cent of quota	--	--	3.50	--	3.50	--	--
Net purchases	82.50	39.70	-4.40	35.00	152.80	37.50	11.87
Fund holdings (total)	195.20	234.90	230.50	265.50	265.50	303.00	314.87
			(As per cent of quota)				
Total Fund holdings	260.27	313.20	307.33	354.00	354.00	404.00	419.83
Holdings excluding oil facility and CFF	158.67	212.00	207.33	254.00	254.00	304.00	320.63

Table 1. Uganda: Actual and Proposed Purchases and Repurchases During the Period June 1, 1981-September 30, 1984 1/ (concluded)

	1983			1983		1984			
	Jan. 1-March 31	April 1-June 30	Total	July 1-Sept. 30	Oct. 1-Dec. 31	Jan. 1-March 31	April 1-June 30	July 1-Sept. 30	Total
	(In millions of SDRs)								
Purchases	25.00	37.50	112.50	31.50	12.50	21.00	15.00	15.00	95.00
Ordinary	--	--	14.94	--	--	--	--	--	--
Borrowed	25.00	37.50	97.56	31.50	12.50	21.00	15.00	15.00	95.00
CFF	--	--	--	--	--	--	--	--	--
Repurchases	0.63	3.13	4.39	3.75	3.75	4.05	5.31	13.35	30.21
Oil facility	--	--	--	--	--	--	--	--	--
CFF	0.63	3.13	4.39	3.75	3.75	3.75	3.75	9.36	24.36
Stand-by	--	--	--	--	--	0.30	1.56	3.99	5.85
Of which: Regular	(--)	(--)	(--)	(--)	(--)	(0.30) 2/	(1.56)	(3.99)	(5.85)
Enlarged access	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Repurchases of Fund's holdings of national currency in excess of 75 per cent of quota	--	--	--	--	--	--	--	--	--
Net purchases	24.37	34.37	108.11	27.75	8.75	16.95	9.69	1.65	64.79
Fund holdings (total)	339.24	373.61	373.61	401.36	410.11	427.06	436.75	438.40	458.40
	(As per cent of quota)								
Total Fund holdings	452.32	498.15	498.15	535.15	546.81	569.41	582.33	584.53	584.53
Holdings excluding oil facility and CFF	353.92	404.55	404.55	446.61	463.20	490.75	508.60	523.28	523.28

Source: Data provided by the Treasurer's Department.

1/ The table is based on Uganda's current quota of SDR 75.00 million.
2/ As a result of quota increase payment in SDRs.

operational at the beginning of fiscal year 1984/85. The World Bank also intends to chair a consultative group on Uganda in the first part of 1984.

Uganda continues to avail itself of the transitional arrangement of Article XIV. A summary of Uganda's relations with the Fund is shown in Appendix I, and tables of selected economic and financial indicators (Table V) and of proposed World Bank loans (Table VI) are contained in Appendix II.

II. Recent Economic Developments and Medium-Term Prospects

Following a decade of mismanagement, a war, and widespread looting, the modern sector had virtually collapsed by the end of 1980. The volume of exports and real per capita GDP had fallen dramatically, while the annual increase in the cost of living had reached 100 percent (Chart 1). Since the level of administrative prices and the exchange rate had remained virtually unchanged throughout the seventies, they became divorced from economic realities and foreign exchange was sold on the parallel market at 30 times the official exchange rate.

The Government which came into power in 1981 was faced with the formidable task of restoring law and order, rehabilitating agricultural estates and factories, restructuring the parastatal organizations and rebuilding the administrative capabilities of the nation. In order to revive the Ugandan economy, the Government increased producer prices of export crops sharply and depreciated the currency tenfold. Simultaneously, prices of petroleum were raised elevenfold while most other commodity prices were freed (Chart 2). In spite of these drastic measures, the cost of living increased by less than two thirds from May to December 1981, because prices actually paid by consumers before the exchange rate adjustment often reflected the parallel market rate and because strict fiscal and credit policies were implemented in the context of the 1981/82 program supported by a stand-by arrangement from the Fund (Appendix Table II). After the new policies had been implemented, Uganda was able to mobilize additional external assistance. Disbursements under the IDA reconstruction credit were resumed in July 1981, and part of Uganda's external debt was rescheduled under favorable terms by the members of the Paris Club in November 1981.

The policy change had an immediate impact on the deliveries of export crops. Uganda succeeded in fulfilling its export quota in the coffee year ended September 1981. With the tenfold increase in prices of petroleum products, smuggling to neighboring countries virtually ceased; petrol became available to the pump and the import bill was cut by one third. With better transportation facilities and some imports of raw materials and spare parts, the manufacturing sector started to revive, notably the production of textiles, sugar, beer, cigarettes, soap and cement.

As a large part of the purchases from the Fund was used to clear external arrears, foreign exchange remained in very short supply and had to be allocated by a foreign exchange committee. Demand by the private sector remained largely unsatisfied and the parallel market was not eliminated. Nevertheless, the ratio of the parallel to the official exchange rates declined from about 30 at the beginning of June 1981 to about 3.6 at the end of June 1982.

In an attempt to simplify the allocation procedure and to eliminate the parallel market, a weekly foreign exchange auction was established in August 1982 in the context of a dual exchange system. In one market, the "first window", foreign exchange was sold at a preferential rate for servicing the external public debt, importing goods under special rehabilitaton programs such as the IDA reconstruction credit, and for importing petroleum products and specified priority items. For all other purposes, foreign exchange was auctioned through the banking system at the "second window", at a rate which reflected the equilibrium between demand and supply.

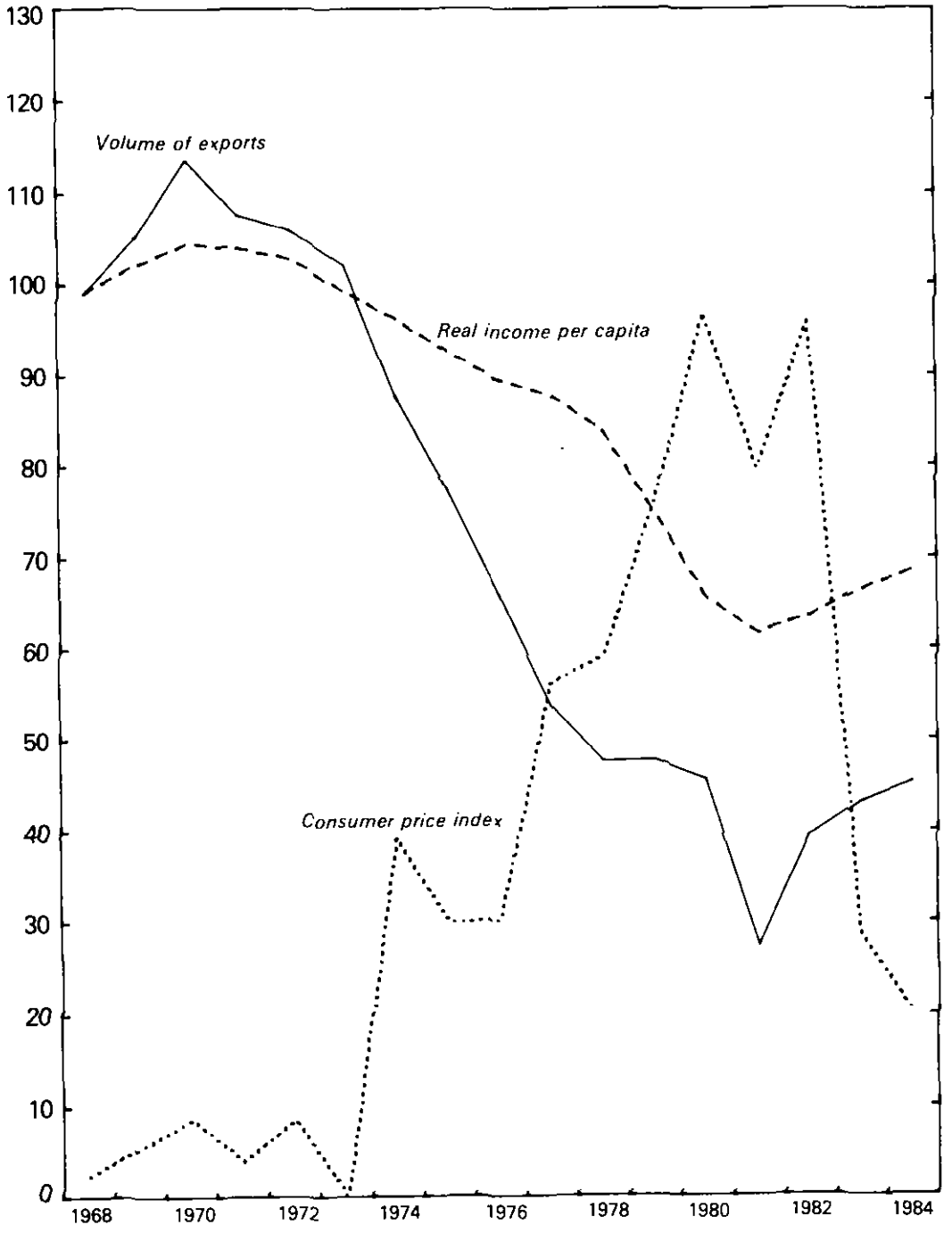
Traders, who used to operate through the parallel market, were initially reluctant to purchase foreign exchange through the banking system. But after appropriate adjustments were made in November 1982, they began to participate in the auctions and the $2 million target set for weekly sales was exceeded in the first half of 1983. At the same time, the ratio between the exchange rates prevailing at the two windows fell from three to one in September 1982 to two to one in the first half of 1983. In his budget speech, on June 30, 1983, the President announced the transfer of all non-oil cash imports to the second window, a 50 percent increase in the targeted minimum weekly sales at the second window to US$3 million and a number of technical improvements in the auctioning system. Simultaneously, all exports other than coffee and cotton were transfered from the first to the second window, while minimum producer prices of coffee and cotton as well as consumer prices of petroleum products were substantially raised. Moreover, in order to contain inflationary pressures, tight limits were imposed on government expenditures and credit expansion.

The 1983/84 program has been designed in the context of a medium-term scenario which takes into account Uganda's prospective repayment obligations. If all purchases provided for under the proposed 1983/84 arrangement are made, Uganda's repurchase obligations to the Fund will average SDR 63 million in the three-year period starting in 1984/85 (Table 2). Assuming purchases offset Uganda's repurchase obligations in 1984/85 and 1985/86, the overall balance of payments deficit should be halved in 1983/84, eliminated in 1984/85, and turned into a surplus in the following years. With modest increases in net capital inflows, the trade deficit should be reduced by some US$12 million a year from

CHART 1

UGANDA

REAL INCOME PER CAPITA AND VOLUME OF EXPORTS, (INDEX, 1966/67=100) AND ANNUAL RATE OF INFLATION, (PERCENT) 1967/68-1983/84

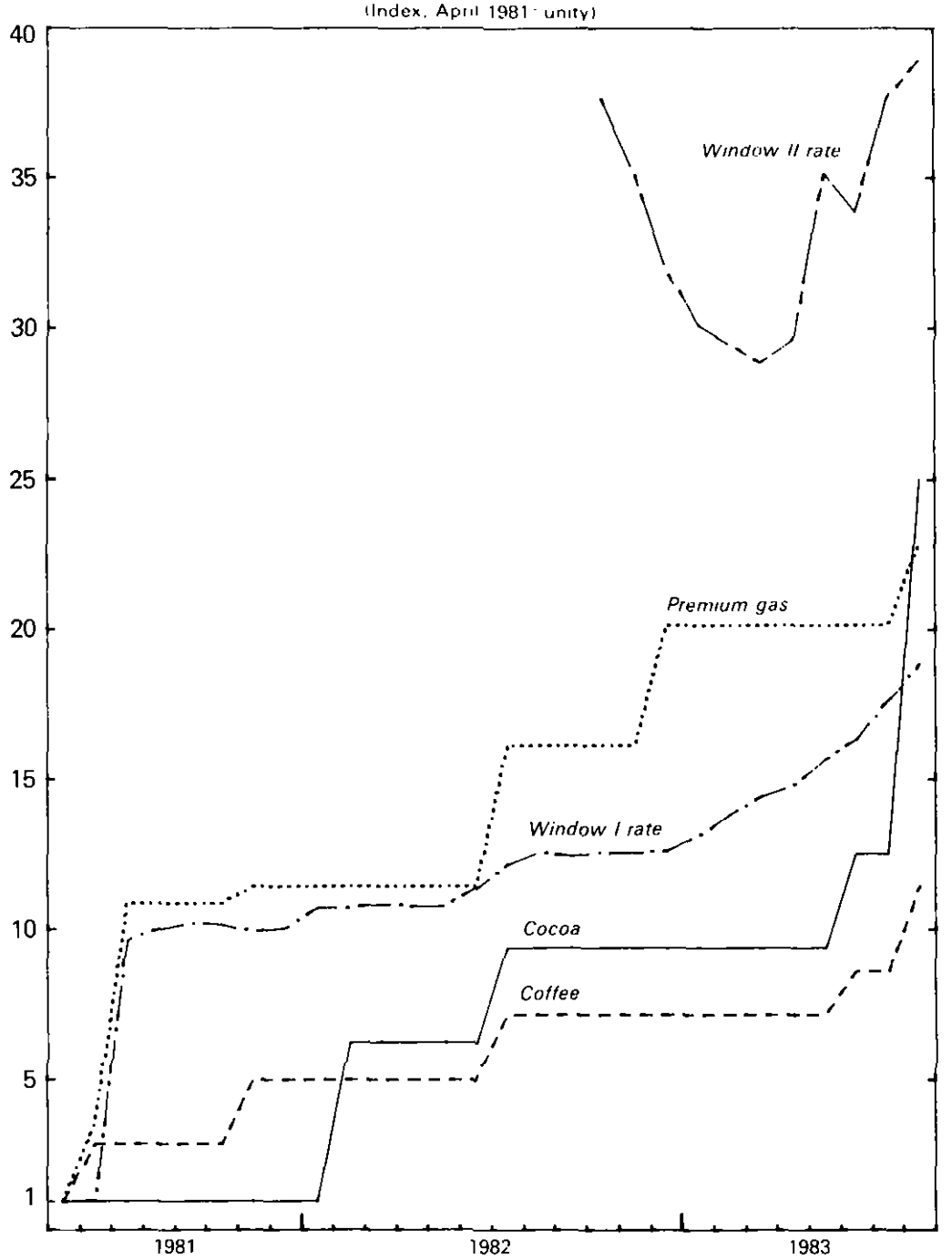


Source Ugandan authorities.

CHART 2

UGANDA

MINIMUM PRODUCER PRICES OF SELECTED EXPORT CROPS, PRICE OF PREMIUM GASOLINE, AND WINDOW ONE AND TWO EXCHANGE RATES, APRIL 1981-JULY 1983



Source: Appendix Table I.

Table 2. Uganda: Medium-Term Balance of Payments

(In millions of U.S. dollars)

	1982/83	1983/84 1/	1984/85 1/	1985/86	1986/87
Trade balance	-110	-151	-133	-125	-116
Exports, f.o.b.	325	371	430	495	570
Imports, c.i.f.	-435	-522	-563	-620	-686
Services (net)	-83	-78	-85	-90	-90
Unrequited transfers	57	73	75	90	106
Current account	-136	-156	-143	-125	-100
Capital account	65	122	143	151	171
Official inflows	283	213	190	190	195
Of which: new flows	(163)	(198)	(190)	(190)	(195)
Official outflows	-209	-89	-47	-47	-44
Private (net)	-9	-2	--	8	20
Overall balance	-71	-34	--	26	71
Financing	71	34	--	-26	-71
External arrears 2/	-31	-20	-15	-10	--
Monetary authorities	102	54	15	-16	-71
Changes in gross reserves	(--)	(-15)	--	--	-19
IMF (net)	(118)	(86)	(15)	(-16)	(--)
Repurchase	(-4)	(-18)	(-64)	(-76)	(-52)
IMF (gross)	(122)	(104(	(79)	(60)	(--)
Others (net)	(-16)	(-17)	(--)	(--)	(--)

Sources: Bank of Uganda; and Fund staff estimates.

1/ The last purchase of SDR 15 million under the proposed 1983/84 arrangement is shown here in 1983/84 although it is expected to be made early July 1984.

2/ Minus sign denotes reduction through cash payments.

1983/84, which is compatible with annual growth rates of 10 percent for imports and 15 percent for exports (Chart 3). Since coffee exports--which account for almost 95 percent of Uganda's export earnings today--are expected to increase only moderately, other exports have to expand very rapidly in the next few years.

In order to achieve the required improvement in its balance of payments, Uganda cannot afford to relax its adjustment efforts. This was the reason for shifting all non-oil cash imports and all exports other than coffee and cotton from the first to the second window, for accelerating the depreciation of the first window rate and for tightening fiscal discipline. These measures will, however, need to be supported by a series of institutional improvements. In particular, administrative capabilities will have to be strengthened in both the Central Government and parastatals; army discipline will have to be reinforced in order to improve security while containing expenditures on defense.

III. The 1983/84 Financial Program

The main elements of the 1983/84 program together with those of two preceding financial programs, are summarized in Tables 3 and 4. The broad objectives of the 1983/84 financial program are to induce continued economic recovery without unleashing new inflationary pressures and to achieve a significant improvement in the overall balance of payments which could be pursued over the medium term. The program aims at raising real GDP by at least 5 percent, containing domestic inflation within 25 percent, reducing the overall balance of payments deficit to US$34 million from US$71 million in 1982/83, and reducing net external arrears by US$20 million through cash payment. With these targets, the net purchases from the Fund would enable Uganda to increase its gross official reserves slightly after having repaid US$17 million to Kenya under the swap arrangement.

The policies designed to achieve these objectives are discussed below by reviewing successively exchange arrangements, production and price policies, operations of parastatals and government finance, credit and interest rate policies, and external policies.

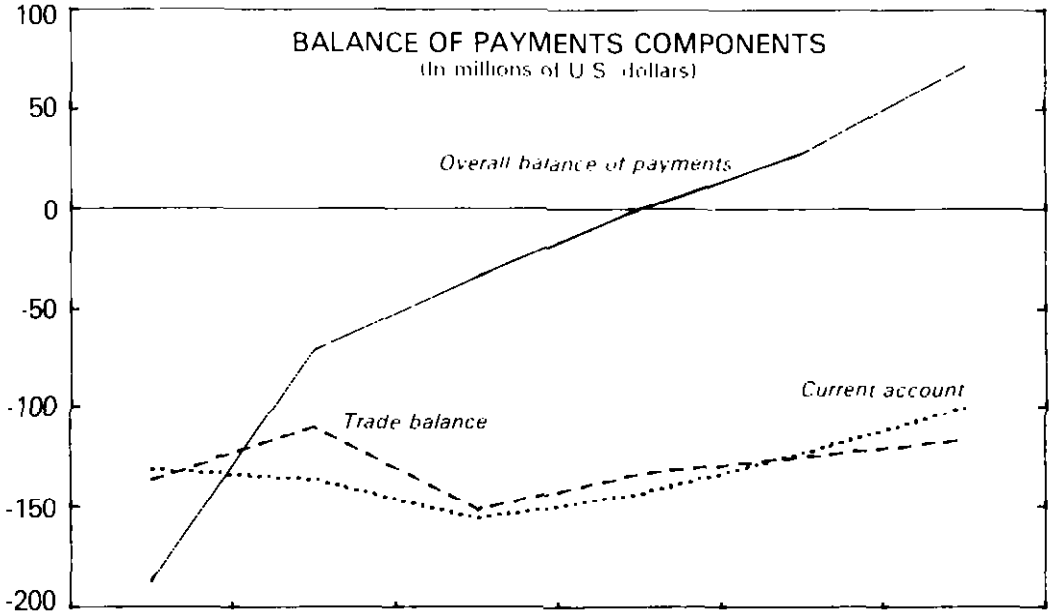
1. Exchange rate

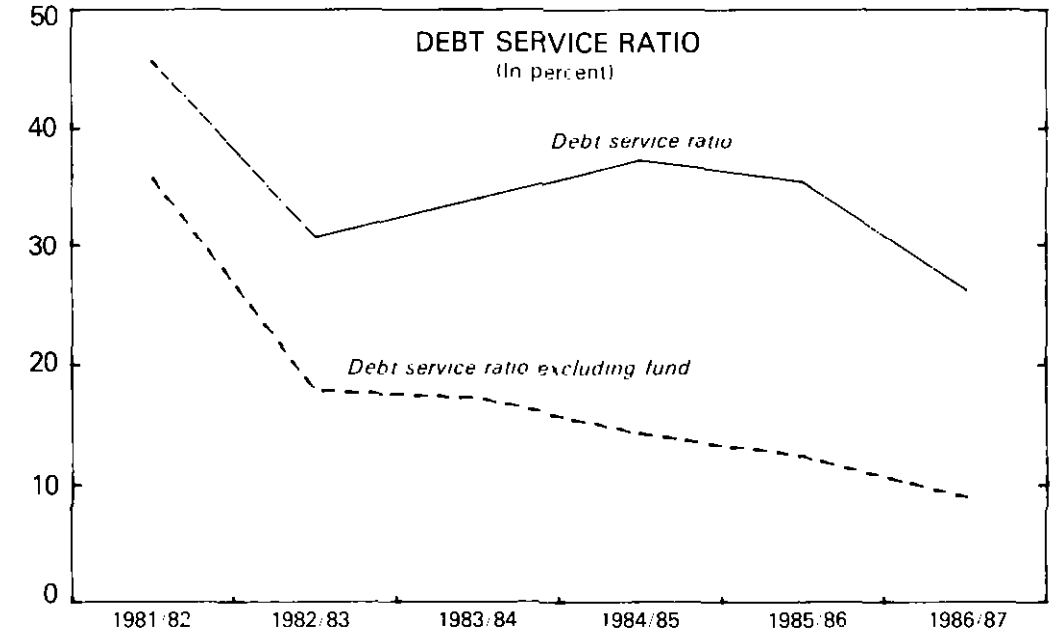
Since the major depreciation of June 1981, the Uganda shilling has continued to depreciate in relation to the currencies of its trading partners. Chart 4 illustrates variations in the import weighted nominal and real effective exchange rates during the period June 1981 through July 1983. In nominal terms (Chart 4a), the first window rate depreciated throughout the period, but more rapidly in the last eight months

CHART 3

UGANDA

EXTERNAL SECTOR, 1981/82 - 1986/87





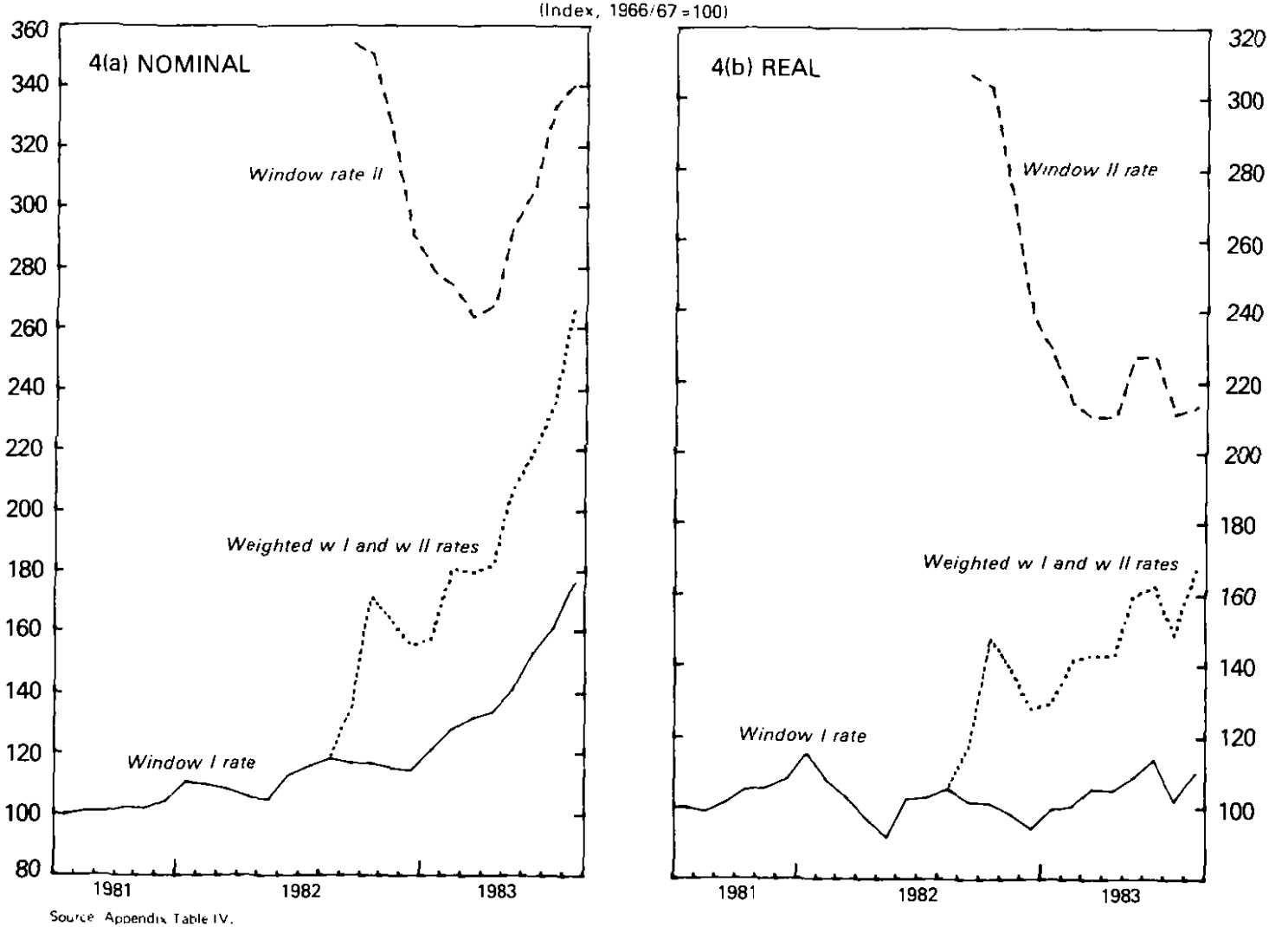
Sources: Table 2 and Appendix Table III

CHART 4

UGANDA

IMPORT WEIGHTED EFFECTIVE EXCHANGE RATE, JUNE 1981-JULY 1983

(Index, 1966/67 = 100)



Source Appendix Table IV.

Table 3. Uganda: Main Elements of the Financial Programs, 1981/82-1983/84

	1981/82 Actual	1982/83 Actual	1983/84 Measures and Targets
1. Exchange system	Depreciation of the currency from U Sh 8.0 per US$ to U Sh 78 per US$ in June 1981 and to U Sh 96 per US$ in June 1982.	Dual exchange system became operational August 1982. Rate at Window 1 depreciated from U Sh 99.25 per US$ at end-August 1982 to U Sh 150 per US$ at end-June 1983. Rate at Window 2 depreciated from U Sh 300 per US$ at end-August to U Sh 320 at end-June 1983.	Exchange rate in Window 1 to depreciate faster. Minimum weekly sales in Window 2 to increase from US$2 million to US$3 million. All non-oil cash imports shifted from Window 1 to Window 2. All major exports except for coffee and cotton shifted to Window 2.
2. Supply side Policies	Fivefold increase in producer prices of main export crops; elevenfold increase in prices of petroleum products; decontrol of most other prices.	Producer price increases for the main export crops ranged from 33 percent to 100 percent; increases in prices of petroleum products ranged between 75 percent and 128 percent.	Increase in producer prices of major export crops which occurred in May and June 1983 ranged between 50 percent and 166 percent; prices of all petroleum products other than lubricants raised by U Sh 20 per liter in June 1983.
3. Public Finance	Specific tax rates converted to an ad valorem basis; rates of sales tax on imports and domestic production equalized; wage and salary increases for civil servants restricted to an average of 25 percent.	Zero rating of PAYE on civil servants salaries introduced in July 1982; restraints on automatic cash increases for recurrent expenditure introduced; other measures to limit recourse to extra-budgetary accounts implemented; revenue collection administration improved; increase in tariffs on some public utilities implemented in November 1982.	Wages of civil servants increased by 50 percent in July 1983; tariff structures of major public utilities to be adjusted by November 1983: study of selected parastatals to begin September 1983.
4. Money and credit	Increase in cash reserve ratio from 10-15 percent; increase in deposit rates and most categories of lending rates by one percentage point in June 1982.	Lending rates for trade and commerce and unsecured loans allowed to float up to a maximum of 20 percent from November 1982; rates on Treasury bills increased by an average of 2.5 percentage points in November 1983.	Interest rates raised by 2 percentage points.
5. External borrowing	Although new borrowing limits of SDR 30 million and SDR 80 million were allowed for maturities of 1 to 5 years and 1 to 12 years, no new borrowing was undertaken.	New borrowing limits of SDR 50 million and SDR 120 million from July 1, 1982 to March 31, 1983 were only partly utilized.	New external borrowing for the quarter ending September 1983 is limited to short-term loans of no more than US$30 million to be contracted by the Bank of Uganda; new external borrowing for the quarter ended December 1983 will be limited to US$20 million in the maturity rante of 6-12 years and no additional borrowing in the maturity range of 0-6 years.

Table 4. Uganda: Indicators of Performance Under the Program, September 1981-June 1984

	1981/82		1982/83		1983/84
	Program 1/	Actual	Program 1/	Actual	Program
		(Annual percentage changes)			
Real GDP	9-10	10	10	7-10	5-7
CPI (annual average)	50	22	25-30	25-30	20-25
		(In percent of GDP)			
Government budget					
Overall deficit	0.9	2.2	1.4	1.6	1.5
Domestic banking financing	1.1	2.1	0.7	1.4	0.1
		(In millions of U.S. dollars)			
Balance of payments					
Current account deficit	232.0	131.0	201.0	136.0	150.0
Overall deficit	142.0	187.0	82.0	71.0	34.0
Debt service ratio (in per cent of exports of goods and services)	47.0	45.5	26.0	30.8	34.0
		(In billions of U Sh)			
Ceiling on net domestic credit					
September	34.8	34.4	57.9	49.3	70.0 2/
December	...	40.7	62.6	55.7	76.8 2/
March	46.9	43.6	64.2	61.5	81.1 3/
June	51.6	48.5	65.6 3/	70.6	84.1 3/
Ceiling on net credit to Government					
September	27.2	25.9	36.0	32.0	41.1 2/
December	...	29.2	36.0	34.2	41.6 2/
March	31.0	30.2	38.0	37.2	42.1 3/
June	33.7	33.6	38.5 3/	45.3	42.6 3/
		(In million of U.S. dollars)			
Net external borrowing					
Of which:					
0-12 years maturities					
September	70.0	--	120.0	--	30.0
December	70.0	--	120.0	--	40.0
March	70.0	--	120.0	30.0	...
June	80.0	--	150.0	50.0	...
0-6 years maturities 4/					
September	34.4	--	54.0	--	30.0 5/
December	34.9	--	54.7	--	20.0 5/
March	33.7	--	54.3	20.0	...
June	33.1	--	65.0	40.0	...
Net cumulative reduction in arrears					
September	12.6 6/	24.2	5.5 7/	22.8 8/	...
December	... 6/	24.7	11.0 7/	86.6 9/	10.0 10/
March	1.1 6/	4.8	12.0 10/	97.0 11/	...
June	3.3 6/	22.2	15.0 10/	...	20.0 10/
Cumulative sales at second window					
September	...	...	10.0	6.1	39.0
December	...	...	24.0	27.3	78.0
March	...	...	53.0	60.5	117.0 3/
June	...	...	99.0	100.5	156.0 3/

1/ Revised Program targetrs.
2/ The ceiling for September 30, 1983 and December 31, 1983 will be reduced (raised) by the excess (shortfall) of the cumulative profits from the operations of the second window from July 1, 1983 above (below) the projected U Sh 3.6 billion and U Sh 5.3 billion, respectively.
3/ Indicative ceilings.
4/ Of which no more than SDR 20 million of maturities within the range of 0-5 years contracted in 1981/82 and 1982/83 will carry an interest rate equal to or in excess of LIBOR.
5/ Only through cash borrowing by the Bank of Uganda.
6/ Quarterly reductions through cash payments and rescheduling.
7/ Of which half through cash payments and rescheduling
8/ Of which US$11.2 million through cash payments.
9/ Of which US$16.9 through cash payments.
10/ All through cash payments.
11/ Of which US$27.3 million through cash payments.

than in the previous seventeen. The second window rate appreciated since the introduction of the foreign exchange auction at the end of August 1982 until February 1983 but depreciated thereafter; by July 1983, it had almost returned to its initial level. When the rates at the two windows are weighted according to the relative shares of the transactions conducted at each window 1/, it becomes clear that the introduction of the dual exchange system resulted in a sharp depreciation of the Uganda shilling.

In real terms (Chart 4b), the picture is somewhat different because the rate of inflation was considerably higher in Uganda than in its trading partners. At Window I, the effective rate remained virtually unchanged until September 1982 and depreciated only slightly thereafter. At Window II, it appreciated strongly until January 1983 but remained almost unchanged thereafter. The large depreciation of the Uganda shilling during the last 10 months--about 80 percent on an annual basis--is therefore essentially due to the introduction of the second window and to the progressive shift of the transactions from the first to the second window.

In order to insure a progressive merging of the two windows and the reunification of the dual exchange rate system in accordance with an agreed timetable, the authorities intend to accelerate the rate of depreciation at the first window, but the extent of this depreciation will depend on the evolution of the second window rate. Because the latter is closely linked to that of the cost of living, the 1983/84 program has been designed to contain inflation by raising the availability of foreign exchange at the second window and restricting the supply of Uganda shillings through a tightening of domestic credit expansion.

In addition, a series of technical improvements have been introduced in the operations of the weekly auctions. They include: (a) measures requiring holders of import licenses to obtain their foreign exchange through regular channels; (b) steps to ensure that once foreign exchange is provided, the related importation of goods is verified with minimum delay; (c) provisions to strengthen customs surveillance; (d) measures to reduce the demand for and misuse of travel allowances; and (e) provisions requiring commercial banks to submit regular weekly returns on all foreign exchange receipts. In addition, the demand for foreign exchange by the Government will be limited by enforcing a tight control over budgetary expenditure and restricting the Government's purchase of foreign exchange to 30 percent of the total amount sold in weekly auctions. The Government will not bid but will pay for the foreign exchange at the rate prevailing at the second window.

1/ The shares have been calculated from the quarterly foreign exchange ouflows in Tables 9 and 10 excluding official debt payments by the Treasury and the Bank of Uganda.

In order to mop up excess liquidity, the authorities have decided to require full payment in local currency for all bids at the weekly foreign exchange auctions and for imports of raw materials and spare parts worth at least US$40 million under the second IDA Reconstruction Credit, and to greatly reduce the expansion of credit. On the other hand, the authorities have taken measures to insure the supply of foreign exchange at the disposal of the Bank of Uganda, by providing greater price incentives for exports, eliminating leakages in coffee export proceeds through the intervention of the Société Générale de Surveillance, and restricting commercial borrowing from abroad to cash loans contracted by the Bank of Uganda during the third quarter of 1983.

2. Production and price policies

To permit the export sector to continue to contribute importantly to external adjustment and overall economic growth, the 1983/84 financial program includes substantial increases in the minimum producer prices of the major export crops. These increases were implemented in two steps in May and July of this year. In relation to their April levels, the producer prices were raised by 50 percent for cotton and tobacco, 60 percent for coffee, 150 percent for tea, and 166 percent for cocoa. In deciding upon the magnitude of these increases, due consideration was given to compensating producers both for past increases in their production costs and for the effects of the rising cost of living on their net earnings. In the case of coffee, which accounts for the bulk of Uganda's foreign exchange earnings, the authorities are confident that the increase in the producer price is sufficient to induce farmers to produce enough coffee to enable Uganda to fulfill its export quota (138,000 tons) for the crop year ending in September 1983. Moreover, steps have been taken to prevent the recurrence of recent problems with the transportation of coffee from Kampala to Mombasa (the port of shipment). In the case of tea, tobacco, and cocoa, which will be exported at the second window rate, prices earned by producers could exceed the minimum levels, which will be revised twice a year. The minimum producer price will not apply to tea and tobacco estates, the larger producing units, which are allowed to export directly. In view of the increased price incentives to the export sector, outputs of the major export crops are projected to rise substantially in 1983/84: by 5 percent for coffee, 50 percent for cotton, 90 percent for tea, 82 percent for tobacco, and 50 percent for cocoa.

Apart from producer price policies, the Government will be pressing ahead with the execution of the ongoing Recovery Program (1982/83-1983/84), which is expected to be fully implemented by about the end of 1984. During fiscal year 1982/83 substantial amounts of foreign aid commitments were mobilized for Uganda's Recovery Program for several key projects in the agricultural and industrial sectors. The authorities

intend to increase the use of these aid commitments by accelerating the implementation of projects, especially in the agricultural sector. Moreover, in the industrial sector the Government will continue to make efforts to raise capacity utilization in the public enterprises and rehabilitate the capital equipment of selected units.

With the help of the second IDA Reconstruction Credit, which is expected to be fully disbursed by about the end of 1983, the Government will be providing potentially viable parastatals with necessary imports of spare parts and raw materials to help them raise their levels of production. The Government has already determined the sectors and enterprises that will benefit from this credit in consultation with the World Bank. Of the total amount of US$70 million under the second IDA Reconstruction Credit, at least US$40 million of imports will be allocated to private enterprises which will be paying for them at the first window rate either with their own resources or with the help of domestic bank credit. As these enterprises will be paying for the imports at the Window 1 exchange rate, they will be benefitting from a subsidy that would contribute to improving their cash position. These counterpart funds will be deposited in a project account with the Treasury. The remainder of the second Reconstruction Credit will be directly on-lent by the Government, mainly to enterprises such as public utilities, which are financially weak but which, in view of the essential services they provide, are to be rehabilitated. To encourage a rapid rate of utilization of this credit, the Bank of Uganda has also abolished the 5 per cent import deposit requirement and the Advisory Board of Trade has reduced its processing fee from 1 percent to one half percent on all imports.

With due regard to the exchange rate adjustments expected to occur over the program period, namely, a progressive depreciation of the rate at Window 1, the prices of all petroleum products other than lubricants were raised by U Sh 20 per liter effective June 20, 1983. This represents increases in the range of 13 to 40 percent for these products, with the price of premium gasoline being equivalent to US$4.3 per U.S. gallon at the first window rate and to US$2.3 at the second window rate. Prices of lubricants will reflect the second window rate, as these imports have been shifted to that window. At the new prices, the consumption of petroleum products would not be subsidized even if gasoline had been imported at the second window rate. With imports of most of the petroleum products being paid for at the Window 1 exchange rate, the new retail prices will yield a substantial amount of tax revenues for the budget (on an annual basis about U Sh 5 billion in customs and excise taxes). At the time of the mid-term review, the authorities will be reviewing petroleum prices again, with a view to ensuring that they continue to cover import costs and contribute to government revenue.

The authorities remain fully committed to flexible price policies in the parastatal sector. They are reviewing the tariff structures of the Post and Telecommunications, Railways, the Water and Sewage Corporation, and other public utilities, with a view to making appropriate adjustments in their tariffs by November 1, 1983. For other paratastals, ex-factory prices will remain flexible. At the same time, to encourage competition, the country's textile mills have been allowed to purchase their lint requirements directly from processors at competitive prices, and large tea producers have been permitted to sell the tea from their gardens on the auction and other markets outside Uganda. Moreover, the Government will encourage competition among retailers of consumer goods (such as cigarettes, beer, textiles) through freer issuance of business licenses.

3. Government finance and the operations of parastatals

The overall deficit fell from 74 percent of total expenditure in 1980/81 to 35 percent in 1981/82, and declined further to about 23 percent in 1982/83, somewhat higher than the program's objective of 21 percent (Table 5). Total receipts were 9 percent higher than programmed, mainly on account of higher coffee export duties and larger exchange profits, while total expenditure exceeded the programmed level by 11 percent. The major proportion of the expenditure overruns occurred in the last quarter of the fiscal year, reflecting in part higher than anticipated exchange rates. Net external financing was also substantially lower than programmed. Although gross external borrowing was in line with the program's estimates, amortization payments were considerably higher. There was an increase in payments to Tanzania, which was effected through exports of maize, as well as unscheduled debt repayments to several private foreign firms during the last quarter of the fiscal year. As a result of these developments recourse to the banking system more than doubled the amount originally envisaged, although modestly below the amount borrowed in 1981/82 (Table 5). However, the authorities regard these developments as reversible and are taking steps to correct the situation during the first quarter of the 1983/84 fiscal year. On the revenue side, coffee export duties would benefit from advance deposits from importers of coffee. This is expected to yield an additional U Sh 1.5 billion during the July-September quarter. On the expenditure side, the authorities intend to reduce non-wage expenditure by each Ministry below budget levels, notably by restricting purchases of foreign exchange. On this basis the authorities anticipate making a net repayment to the banking system of U Sh 4 billion during the first quarter of the program year, effectively retiring the higher than programmed access to credit in the final quarter of 1982/83.

For 1983/84 as a whole, the authorities believe that these measures will permit the ratio of the overall fiscal deficit to total expenditure

Table 5. Uganda: Budgetary Operations, 1980/81-1983/84

(In billions of Uganda shillings)

	1980/81	1981/82	1982/83		1983/84
			Program est.	Latest est.	Program
Total receipts	3.3	27.9	47.8	52.3	84.5
Revenue	2.7	24.4	45.6	51.7	76.3
Income tax	(0.5)	(2.3)	(2.4)	(2.5)	(3.0)
Export tax	(0.1)	(6.7)	(13.1)	(16.1)	(31.9)
Customs duty	(0.6)	(5.2)	(7.1)	(6.5)	(8.0)
Excise duty	(0.1)	(1.8)	(3.0)	(2.8)	(3.5)
Sales tax	(1.3)	(7.5)	(9.3)	(10.6)	(13.6)
Exchange profits	(--)	(--)	(8.5)	(11.5)	(8.2)
Other	(0.1)	(0.9)	(2.2)	(1.7)	(8.1)
Grants	0.6	3.5	2.2	0.6	8.2
Total expenditure	13.1	43.0	60.8	67.7	102.6
Recurrent	12.0	30.7	42.6	48.8	56.6
Wages and salaries	(5.1)	(6.4)	(7.0)	(7.0)	(10.5)
Public debt	-0.9	4.9	3.8	3.4	9.7
External	(...)	(...)	(3.0)	(3.4)	(8.7)
Domestic	(...)	(...)	(0.8)	(--)	(1.0)
Development	2.0	7.4	14.4	15.5	36.3
Deficit	-9.8	-15.1	-13.0	-15.5	-18.1
External financing (net)	0.8	1.0	6.4	2.2	14.1
Borrowing	(1.0)	(4.5)	(11.1)	(11.1)	(24.9)
Amortization	(-0.2)	(-3.5)	(-4.7)	(-8.9)	(-10.8)
Domestic financing (net)	9.0	14.1	6.6	13.3	4.0
Bank	(8.8)	(13.0)	(5.1)	(11.6)	(2.5)
Nonbank	(0.2)	(1.1)	(1.5)	(1.7)	(1.5)
Memorandum item:					
Deficit/expenditure (per cent)	74.8	35.1	21.4	22.^	17.6

Source: Data provided by the Ugandan authorities.

to be reduced substantially (to 17.6 percent from 22.9 percent in 1982/83). This will be achieved by limiting the growth of total expenditure (including net lending) to 51 percent and by generating a 62 percent increase in receipts (Table 5). The deficit is to be financed by a substantial increase in net foreign borrowing, by a reduced level of bank financing and by a small amount of non-bank borrowing (Table 5). If foreign loan disbursements turn out to be lower than foreseen, development expenditures and the overall fiscal deficit will be lowered by the same amount, and the need for domestic financing will remain unchanged.

The projected growth in overall receipts reflects mainly a considerable increase in revenues from coffee exports (98 percent), resulting from the depreciation of the first window rate, and a large increase in duties on nonoil imports resulting from the transfer of the remaining non-petroleum imports from the first to the second window. Receipts from exchange profits, which are derived from selling the surplus foreign exchange of the first window at the second window, are projected to decline from U Sh 11.5 billion in 1982/83 to U Sh 8.2 billion in 1983/84, because of the progressive narrowing of the gap between the rates at the two windows. The large increase in coffee tax receipts reflects the progressive depreciation of the exchange rate at Window 1. The increases in revenues from non-oil customs duties and from taxes on domestic production are based on the assumption that the retail prices of domestically marketed goods will be rising as their tax inclusive import costs rise with the depreciation of the window one rate. The increase in petroleum tax revenues reflects the fact that with the recent increases in petroleum prices, there will be a minimum yield of tax revenues over and above the cost of importing at a progressively depreciated Window 1 rate. The petroleum prices and the related rates of customs duty will, however, need to be reviewed and understandings reached at the time of the mid-term review to achieve the same results over the second half of the program period.

The targeted 52 per cent growth in expenditures and net lending allows for a 134 per cent increase in development expenditure, nearly a tripling of debt service payments (mainly interest charges), and only a 16 per cent rise in recurrent expenditure. The large increase in development spending reflects sizable increases in foreign aid inflows and in domestic contributions. Of the budgeted development outlays (U Sh 36.3 billion), about 72 per cent is expected to be financed by foreign aid, including about U Sh 6.3 billion of on-lent IDA Reconstruction Credit, and the remainder by domestic contributions. The rise in debt service payments will be due to the progressive depreciation of the window one rate. The planned increase in recurrent outlays allows for a 50 per cent increase in wages effective July 1, 1983, and for only a 10 per cent rise in other nonwage expenditures. The sizable wage increase was necessary, because the level of wages in public administration (which ranged from the equivalent of US$4 to US$40 per month)

provided little incentive for work and created excessive demands for indirect nonwage benefits. At the same time, with the help of the World Bank and selected ministries, the Government has initiated a comprehensive review of public administration, with a view to formulating a rational employment policy and undertaking an organizational reform. The more moderate increase in nonwage recurrent outlays, which include all foreign exchange expenditures other than debt servicing, will be cut in real terms, both by curtailing the foreign exchange expenditures and by avoiding unplanned extrabudgetary outlays. This is to be achieved by strengthening expenditure control procedures and by strictly adhering to the program's limit of 30 per cent on the share of second window foreign exchange sales to be used by the Government.

The authorities are determined to progress speedily with a structural reform of the parastatal sector. To this end, in May 1983 the terms of reference were established for a comprehensive study of parastatals, which is to be financed by a program of World Bank technical assistance. On the basis of the established terms of reference, in June 1983 the authorities obtained bids for the study from several international consultant firms. The selection of a firm will be made during the month of August, and the study will be initiated no later than September 1983.

4. Monetary and credit policies

Monetary and credit developments in the final quarter of the fiscal year 1982/83 (April-June) were significantly affected by budgetary developments. Net credit to Government exceeded the adjusted indicative ceiling of U Sh 40 billion at end-June 1983 by about U Sh 5 billion and was some U Sh 4 billion higher than the proposed ceiling for September 1983 (Table 6). The Government intends to repay this amount to the banking system in the July-September quarter in order to meet the September ceiling.

The 1983/84 program will be relying on a substantial deceleration in the rates of expansion of domestic credit and broad money, with a view to containing the depreciation of the exchange rate at the second window and reducing pressures on the domestic price level and the balance of payments. Thus, compared to the program's target for nominal GDP growth (30 percent), the program envisages considerably lower growth rates of domestic credit (19.1 percent) and broad money (10.5 percent). These rates of expansion in domestic credit and broad money represent a significant deceleration from those of 1982/83, which were about 45 percent and 35 percent, respectively. With such a tight limit on monetary and credit expansion, the increase in the banking system's net foreign liabilities would be contained to about U Sh 40 billion and the domestic rate of inflation within the range of some 25 percent.

Table 6. Uganda. Monetary Survey, December 1981-June 1984

(In billions of Uganda shillings)

	1981	1982				1983				1984		1983/82	1984/83
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	June	
												Per cent change	
Foreign assets (net)	-14.59	-13.75	-18.05	-19.04	-20.44	-28.42	-39.25	-51.76	-57.43	-69.45	-80.19		
Monetary authorities	-15.50	-14.38	-18.93	-20.71	-22.37	-32.84	-43.50	-58.69	-65.11	-78.25	-89.55		
Commercial banks	0.91	0.63	0.88	1.67	1.93	4.42	4.25	6.93	7.68	8.80	9.36		
Domestic credit (net)	40.69	43.64	48.53	49.27	55.67	61.54	70.63	70.00	76.80	81.10	84.10	45.5	19.1
Claims on Government (net)	29.23	30.19	33.60	31.97	34.17	37.20	45.33	41.10 1/	41.60 2/	42.10	42.60	34.9	-6.0
Bank of Uganda	(20.21)	(22.86)	(24.58)	(24.68)	(29.13)	(37.47)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Commercial Banks	(9.02)	(7.33)	(9.02)	(7.20)	(5.04)	(2.73)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Claims on private sector	11.46	13.45	14.93	17.30	21.50	24.34	25.30	28.90	35.20	39.00	41.50	69.5	64.0
Broad money (M2)	32.75	30.36	34.03	33.97	38.51	42.75	45.70	46.00	48.50	49.50	50.50	34.3	10.5
Money (M1)	26.51	22.65	26.07	25.96	29.77	33.43	35.31	...	...	...	...	35.4	...
Currency in Circulation	(10.34)	(9.72)	(10.51)	(11.08)	(12.83)	(14.61)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Demand deposits	(16.16)	(12.93)	(15.56)	(14.88	16.94)	(18.82)	(...)	(...)	(...)	(...)	(...)	(...)	(...)
Quasi-money	6.24	7.71	7.96	8.01	8.74	9.32	10.39	...	...	...	...	30.5	...
Other items (net)	-6.64	-0.47	-3.55	-3.74	-3.29	-9.63	-14.32	-27.76	-29.13	-37.85	-46.59		
of which valuation adjustment	...	...	...	...	...	-1.27	-6.73	-17.97	-23.55	-31.94	-36.37		

Source: Data provided by the Ugandan authorities , and staff projections.

1/ Assumes that USh 3.6 billion will be received from exchange profits tax.
2/ Assumes that USh 5.3 billion will be received from exchange profits tax.

The program requires a reduction in net credit to Government in 1983/84 which would be made possible by deposits of the counterpart funds from IDA Reconstruction Credit into the project account. Of the 64 per cent planned expansion of credit to the private sector, at least half will be absorbed by enterprises importing spare parts and raw materials under the second IDA Reconstruction Credit. In this way, the domestic banking system will be making, for the first time in several years, an important contribution to the financing of industrial activity; it represents a step forward from the first IDA Reconstruction Credit, the bulk of which was on lent by the Government. About one quarter of the credit expansion to the private sector will be needed to cover the increase in crop financing resulting from the rise in domestic prices of export crops. The remainder will be used to finance a 50 percent increase in cash imports at the second window, corresponding to the increase in minimum foreign exchange sales at that window.

The Ugandan authorities have continued their commitment to flexible interest rate policies. Effective July 1, 1983, all bank deposit rates were increased by 2 percentage points to make them more attractive relative to Treasury bills (Table 7). Concurrently, all bank lending rates were also raised by 2 percentage points.

The authorities have also taken steps to initiate institutional improvements in the banking network. On June 10, 1983 the Libyan Arab Uganda Bank for Foreign Trade and Development was reopened. The Government of Uganda will be working with the Libyan shareholders of the bank to find ways of solving some of the bank's financial problems, mainly its shortage of equity capital and its outstanding debts to the Bank of Uganda. In addition to this, the authorities have begun examining with the help of technical assistance from the USAID, possible ways of rehabilitating the Cooperative Bank and eventually making it fully operational. Finally, with a view to improving the reporting and monitoring of aggregate monetary statistics, the authorities have requested technical assistance from the Fund's Bureau of Statistics.

5. External prospects and policies

The external current account deficit is projected to rise in 1983/84 essentially on account of the large expected increase in imports financed under special foreign aid programs (Table 8). Should disbursements under these programs be lower than expected, the current account deficit would be reduced accordingly.

On a cash flow basis, receipts are expected to increase only modestly in 1983/84, with a decline in Window I receipts and large increase in Window II receipts because all exports other than coffee and cotton have been transferred to that window (Tables 9 and 10). The cash payments for debt service and arrears reduction are expected to decline

Table 7. Uganda: Structure of Interest Rates, 1980-82

(Per cent per year)

	1980	1981		1982		1983
	Dec.	June	Oct.	July	Nov.	July
Bank of Uganda						
Ways and means	2.5	2.5	5.0	2.0	2.0	2.0
Rediscount rate	7.0	7.0	9.0	10.0	10.0	12.0
Bank rates to commercial banks	8.0	8.0	10.0	11.0	11.0	13.0
Treasury bills						
35 days	4.71	4.71	8.0	9.0	10.0	10.0
63 days	4.95	4.90	8.5	9.5	11.0	11.0
91 days	5.08	5.08	9.0	10.0	12.0	12.0
Government stocks						
5 years	8.5	8.5	11.0	12.0	12.0	12.0
10 years	9.5	9.5	11.5	12.5	12.5	12.0
15 years	10.5	10.5	12.0	13.0	13.0	13.0
Commercial banks						
Deposit rates 1/			Optional			
Demand deposits						
Savings deposits	3.0	5.0	8.0	9.0	9.0	11.0
Time deposits						
Minimum 1 year	4.0	5.0	12.0	13.0	13.0	15.0
More than 1 year			Negotiable			
Lending rates 2/						
Agriculture	8.0	8.0	13.0	14.0	14.0	16.0
Export and manufacturing	12.0	12.0	14.0	15.0	15.0	17.0
Commerce	12.0	12.0	15.0	16.0	up to)	
Unsecured	12.0	12.0	17.0	17.0	20.0)	22.0

Source: Data provided by the Ugandan authorities.

1/ Minimum rates.
2/ Maximum rates.

Table 8. Uganda: Balance of Payments, 1981/82-1983/84 1/

(In millions of U.S. dollars)

	1981/82	1982/83 Revised Proj. 2/	1982/83 Est.	1983/84 Program Proj.
Trade balance	-136	-207	-110	-145
Exports, f.o.b. 3/	294	348	325	371
Imports, c.i.f.	-430	-555	-435	-522
Services (net)	-75	-98	-83	-78
Unrequited transfers	80	104	57	73
Current account	-131	-201	-136	-156
Debt cencellation 4/	69	--	--	--
Capital account	-125	119	65	122
Official inflows	168	260	251	213
Of which:				
Rescheduling of amortization	(32)	(40)	(40)	(15)
Rescheduling of arrears	(63)	(48)	(48)	(--)
Official outflows	-264	-137	-142	-89
Principal payments 3/	(-100)	(-49)	(-54)	(-74)
Principal rescheduled	(-32)	(-40)	(-40)	(-15)
Arrears rescheduled	(-63)	(-48)	(-48)	(--)
Principal and arrears canceled 4/	(-69)	(--)	(--)	(--)
Private (net) 5/	-29	-4	-44	-2
Overall balance	-187	-82	-71	-34
Financing	187	82	71	34
External arrears 6/	47	-15	-31	-20
Monetary authorities 6/	140	97	102	54
Change in gross reserves	(63)	(-7)	(--)	(-15) 7/
IMF (net)	(73)	(118)	(118)	(86) 7/
Others (net)	(4)	(-14)	(-16)	(-17) 7/

Sources: Bank of Uganda; and Fund staff estimates.

1/ 12-month petiod, July-June.
2/ EBS/83/5, January 10, 1983.
3/ Includes US$3 million of maize exports (and principal payments) in 1982/83 and US$17 million in 1983/84 to Tanzania.
4/ Cancellation of US$24 million in arrears payments and US$45 million in amortization payments.
5/ Includes trade credits and errors and omissions.
6/ Minus sign denotes decrease in net liabilities.
7/ Since the last purchase of SDR 15 million will be made in early July 1984, the change in gross reserves and net IMF purchases will only be realized at that time.

Table 9. Uganda: Foreign Exchange Cash Flow, 1982/83

(In millions of U.S. dollars)

		1982		1983		
		Q3	Q4	Q1	Q2	Total
A.	Inflows	116.8	118.9	95.0	123.3	454.0
	1. Window one	115.2	110.2	91.6	119.7	436.7
	Exports	(73.3)	(96.1)	(64.1)	(78.6)	(312.1)
	Services	(1.0)	(0.5)	(0.2)	(0.2)	(1.9)
	BOU loans	(40.9)	(13.6)	(27.3)	(40.9)	(122.7)
	Official loans/ grants	(--)	(--)	(--)	(--)	(--)
	2. Window two	1.6	8.7	3.4	3.6	17.3
	Exports	(0.3)	(0.4)	(0.6)	(0.6)	(1.9)
	Services	(1.3)	(8.3)	(2.8)	(3.0)	(15.4)
B.	Outflows	88.9	115.1	120.9	125.2	450.1
	1. Window one	82.8	93.9	87.7	85.2	349.6
	Oil	(19.3)	(30.0)	(33.5)	(33.0)	(115.8)
	Cost directly related to export	(4.5)	(5.2)	(3.3)	(4.0)	(17.0)
	BOU debt service	(10.3)	(7.6)	(13.0)	(10.9)	(41.8)
	Official debt service	(11.7)	(16.5)	(16.1)	(21.2)	(65.5)
	Arrears/trade credits	(27.7)	(16.2)	(12.3)	(10.5)	(66.7)
	Imports	(4.4)	(15.8)	(7.2)	(4.8)	(32.2)
	Services	(4.9)	(2.6)	(2.3)	(0.8)	(10.6)
	2. Window two	6.1	21.2	32.2	40.0	100.5
	Imports	(3.0)	(9.8)	(22.0)	(22.0)	(56.8)
	Services	(3.1)	(11.4)	(11.2)	(18.0)	(43.7)
C.	Net inflows (A-B)	27.9	3.8	-25.9	-1.9	3.9
	Financed by					
	1. Official resources	24.9	3.8	-26.8	-1.9	--
	2. Other	3.0	--	0.9	--	3.9

Sources: Bank of Uganda: and Fund staff estimates.

Table 10 Uganda: Foreign Exchange Cash Flow, 1983/84 1/

(In millions of U.S. dollars)

	1983		1984		
	Q3	Q4	Q1	Q2	Total
A. Inflows	126.8	113.6	104.3	123.2	467.9
1. Window one	120.3	103.6	93.3	112.2	429.4
Coffee exports	(63.0)	(97.0)	(78.0)	(87.0)	(325.0)
Cotton exports	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
BOU loans	(56.3)	(5.6)	(14.3)	(24.2)2/	(100.4)2/
2. Window two	6.5	10.0	11.0	11.0	38.5
Tea exports	(0.5)	(2.0)	(2.0)	(2.0)	(6.5)
Other exports	(1.0)	(2.0)	(3.0	(3.0)	(9.0)
Services	(5.0)	(6.0)	(6.0)	(6.0)	(23.0)
B. Outflows	119.1	111.4	108.5	113.9	452.9
1. Window one	73.6	62.9	73.8	64.1	274.4
Oil	(25.0)	(25.0)	(25.0)	(25.0)	(100.0)
BOU debt service	(17.7)	(10.8)	(21.5)	(12.5)	(62.5)
Official debt	(19.1)	(15.3)	(16.6)	(15.9)	(66.9)
Cash arrears reduction	(5.0)	(5.0)	(5.0)	(5.0)	(20.0)
L/C in arrears	(3.0)	(3.0)	(2.0)	(2.0)	(10.0)
Cost related to coffee exports	(3.8)	(3.8)	(3.7)	(3.7)	(15.0)
2. Window two	45.5	48.5	34.7	49.8	178.5
Imports	(33.5)	(34.0)	(25.0)	(40.0)	(132.5)
Services	(12.0)	14.5)	(9.7)	(9.8)	(46.0)
C. Net inflow (A-B)	7.7	2.2	-4.2	9.3	15.0

Sources: Bank of Uganda; and Fund staff estimates.

1/ Assumes SDR 1 = US$1.09.

2/ Since the last purchase of SDR 15 million will be made in early July 1984, the full amount of these inflows would not be realized until then.

by about 8 percent, and their ratio to the total cash receipts of foreign exchange will be decreasing from 38 percent in 1982/83 to 34 per cent in 1983/84. Although the foreign exchange cash flow forecast for the year as a whole holds out the favorable prospect of a larger inflow of imports, in the beginning of the 1983/84 program the Bank of Uganda will be faced with a tight cash flow situation. This situation arises because in the months of June-August 1983, Uganda experienced difficulties with external transportation facilities, which severely reduced coffee shipments from Kampala to Mombasa (the port of shipment in Kenya). To alleviate these temporary difficulties, the program provides for short-term commercial borrowing by the Bank of Uganda under the conditions specified in the following sections, to be repaid by June 1984. During the third quarter of 1983 Uganda will not contract any other commercial loan with maturity not exceeding 12 years. During the last quarter of 1983, other commercial borrowings will be limited to US$20 million in maturities not exceeding 12 years, of which none will be under 6 years.

Based on information provided both by the Ugandan authorities and the major donors, prospective loan disbursements are expected to rise by about 22 percent in 1983/84, which would be well above the forecast increase in debt repayments (net of debt relief). This in part provided the basis for targeting an increase in imports and in the external current account deficit concurrent with reductions in the overall BOP deficit and in the level of outstanding arrears (through cash payments).

The Ugandan authorities made significant progress toward reducing the level of outstanding arrears during 1982/83, and they remain fully committed to eliminating all remaining arrears over the next two years. During the period June 1982 through March 1983, the level of outstanding arrears was reduced from US$158.2 million to US$58.9 million through cash payments (US$23.0 million) and rescheduling (US$80.1 million).

With a view to monitoring and screening all new proposals for foreign borrowing and improving overall debt management procedures, the Government has created a special External Debt Management Office in the Bank of Uganda. A CBD panel expert (Mr. Bourke) has been assigned to head this office to help with its establishment and early phase of operations.

IV. Performance Criteria and Review Clause

The execution of the program contained in the Memorandum of Economic and Financial Policies attached to the letter to the Managing Director dated June 24, 1983 will be subject to the performance criteria which are summarized in Table 11. They relate to total net domestic credit, net credit to the Government, net external borrowings and cumulative sales at

Table 11. Uganda: Quantitative Performance Criteria, September 1983-June 1984

	1983		1984	
	Sept.	Dec.	March	June
	(In billions of U Sh)			
Ceilings on net domestic credit	70.00	76.80	81.10 1/	84.10 1/
Ceilings on net credit to Government 2/	41.10	41.60	42.10 1/	42.60 1/
	(In millions of US$)			
Net cumulative reduction in arrears	...	10.00	...	20.00 1/
Net external borrowings of				
0-12 years	30.00	40.00	...	...
0-6 years	30.00	20.00	...	...
Cumulative sales at the second window	39.00	78.00	...	156.00

1/ Indicative ceilings.
2/ The ceilings for September 30, 1983 and December 31, 1983 will be reduced (raised) by the excess (shortfall) of cumulative profits from the operation of the second window since July 1, 1983 above (below) the projected U Sh 3.6 billion and U Sh 5.3 billion, respectively.

the second window for both end-September 1983 and end-December 1983, and to net reduction in external arrears for end-December 1983 only.

With respect to external debt, from July 1, 1983 through December 31, 1983, the contracting of new public and publicly-guaranteed external debt will not exceed US$30 million for maturities of 0-12 years and shall take the form of cash loans contracted by the Bank of Uganda. At least a third of these loan disbursements will be repaid before end 1983 and the balance before end-June 1984. In addition, from October 1, 1983, through December 31, 1983, Government may contract additional new public and publicly-guaranteed external debt for up to US$20 million for maturities of more than six years but less than twelve years. These limits will not apply to concessional loans, loans contracted to refinance existing debts, capital contributions to international financial institutions and to normal trade credits of less than one year. Concessional loans are defined as those by the DAC of the OECD, while normal trade credits are defined as credit gained from the supplier to be repaid following shipment of goods. Similar quantitative ceilings will be set on a cumulative basis for the first half of 1984 at the time of the first review of the program mentioned below.

During the program period, no new restrictions on payments and transfers for current international transactions or import restrictions for balance of payments reasons will be introduced or existing ones intensified.

The Government of Uganda will review with the Fund the progress made in the context of this program on two occasions: the first review will be completed by end-February 1984, and the second by end June-1984. At the time of the first review, the Government will reach understandings with the Fund regarding the performance criteria for the second half of the program period. During this review, the progress made towards the reunification of the dual exchange rate system will be assessed, and understandings will be reached regarding (i) tariffs of public utilities (paragraph 8 of the letter of intent); (ii) petroleum prices and rates of customs duties (paragraph 13(b) of the letter of intent), and the staff audit (paragraph 16 of the letter of intent). During the second review, understandings will be reached with the Fund on exchange rate polices.

V. Staff Appraisal and Proposed Decision

Since June 1981, considerable progress has been made toward rehabilitating the Ugandan economy. Security and transportation facilities have improved. Production has increased substantially, both in agriculture and in the processing and light manufacturing industry. The

volume of exports has increased by 60 percent in two years. A great variety of goods has become available on the market, in sharp contrast with the situation prevailing two years earlier. Budgetary discipline has been strengthened and the share of government expenditures covered by domestic bank financing has fallen sharply. The external debt situation, which appeared almost intractable two years ago, has been clarified and the level of external arrears has been considerably reduced.

The catalytic element in the improvements recorded in the past two years has been the adjustment of the exchange rate and the freeing of most domestic prices. When the authorities decided to depreciate the currency tenfold in June 1981, they initially intended to let the shilling float freely. However, payments of external arrears were greater than expected and foreign exchange remained in scarce supply. It had to be allocated by a special committee and demand by the private sector remained largely unsatisfied in 1981/82. For solving these problems, the authorities instituted a dual exchange system at the end of August 1982. On one market (first window), foreign exchange was allocated for priority purposes at a rate which continued to be managed; on the other (second window), it was auctioned at a rate which reflected the equilibrum between demand and supply.

On balance, the operation of the dual exchange system has been beneficial. Problems of foreign exchange allocation at the first window have been greatly eased, while the parallel market has been sharply curtailed and most trade transactions have been rechannelled through the banking system. As traders and producers became more familarized with the auction system, additional items were shifted from the first to the second window and the volume of weekly transactions increased progressively from about US$1 million in the first three months to US$3 million in the last three months. The 57 percent effective real depreciation of the Uganda shilling in the last twelve months reflects essentially the opening of the second window and the progressive shift of transactions from the first to the second window.

The bold policy measures implemented in the last two yers have been supported by an increase in the level of external assistance. In addition to Fund purchases, Uganda benefitted from the release of the bulk of the first IDA reconstruction credit, which has been followed by a second reconstruction credit. Uganda also benefitted from two debt reschedulings in the context of the Paris Club and official loans were transformed into grants by three creditor countries. But the situation will soon be modified by a reversal in financial flows between Uganda and the Fund.

Uganda's net use of Fund resources (excluding special facilities) would be equivalent to 290 percent of new quota by September 1984 if all

purchases provided for under the proposed arrangement were made on schedule. Assuming further purchases offset Uganda's repurchases obligations in the two following fiscal years, Uganda's overall balance of payment should reach equilibrium in 1984/85 and show surpluses thereafter. With modest increases in net capital inflows, the trade deficit should be reduced by about $12 million per year from 1983/84, which would require increasing the value of exports by 15 percent a year while containing import growth to 10 percent a year.

The financial program for 1983/84 places the emphasis on promoting exports and improving the allocation of foreign exchange. In order to provide adequate price incentives for exports, all exports other than coffee and cotton have been transferred from the first to the second window, where the exchange rate is more depreciated, and the minimum producer price of coffee has been raised to a level which should insure the fulfillment of Uganda's export quota. Cash imports of all commodities other than petroleum have also been shifted from the first to the second window. Prices of petroleum products have been raised to a level sufficient to avoid any subsidy of smuggling to neighboring countries; valued at the second window rate, the consumer price of gasoline would be equivalent to US$2.3 a gallon. Imports of raw materials and spare parts under special rehabilitation programs such as IDA II reconstruction credit remain indirectly subsidized since they are still valued at the first window rate. But the major part of these imports has been allocated to the private sector and will be paid on delivery, instead of being financed through government loans as was the case under the first IDA Reconstruction Credit. The authorities are committed to progressively reduce the disparities between the rates prevailing at the two windows and understandigns have been reached on a timetable for the reunification of the exchange system at an appropriate rate.

Variations in the exchange rate at the weekly auctions are very sensitive to changes in the money supply and, therefore, to fiscal and credit policies. In the first eight months of fiscal year 1982/83, these policies were implemented very tightly and the second window rate appreciated while inflation was contained within a 20 percent annual rate. But, in the last three months of the fiscal year, fiscal policies were somewhat relaxed, the second window rate depreciated and the consumer price index increased substantially. The authorities intend to contain the rate of inflation by tightening fiscal policies and reducing the expansion of net domestic credit to 19 percent in 1983/84 from 46 percnt in the preceding year. Net credit to government, which had exceeded the indicative June ceiling by U Sh 5 billion, is to fall by U Sh 4 billion between end-June and end-September and will be allowed to increase by only U Sh 1.5 billion during the balance of the program

period. Of the U Sh 16 billion expansion allowed for net credit to the private sector, more than half will be used to finance imports for spare parts and raw materials under IDA Reconstruction II and will be deposited to the project account fo the Treasury; about one quarter will be accounted for by the increase in the domestic prices of export crops, and the remainder for the financing of larger cash-imports under the second window.

In spite of the very tight budget, wages have been raised by 50 percent in July. The staff considers that such an increase was necessary because wages in the public administration had fallen to abnormally low levels, ranging from the equivalent of $4 to $40 a month at the second window exchange rate. Although the wage bill accounted for only one seventh of government recurrent expenditures in 1982/83, the increase in the wage bill will require savings on other items; strong efforts will be made to contain non-essential foreign exchange outlays and outlays on defense. On the revenue side, the major increase will result from the impact of the depreciation of the first window rate on receipts from coffee exports.

The financial measures are to be complemented by a reorganization of parastatals. Following the bill on the recovery of expropriated properties, an audit firm has been selected to assess the viability of the main parastatals. The study, financed under a World Bank technical assistance program, is to start in September. Efforts are being made to improve management in public administration, and the Fund technical assistance program has been strengthened.

Progress in the context of the 1983/84 program will be reviewed on two occasions. During the course of the first review, understandings will be reached on performance criteria for the second half of the program year and on additional measures which may be required. The second review, at the end of the program year, will deal with exchange rate arrangements.

The staff considers that the proposed financial program is well balanced and consistent with the objectives set by the authorities for 1983/84 and the year beyond. The authorities are conscious that these objectives will be difficult to achieve, but they are committed to do so.

The staff understands the reasons for which the authorities have requested Fund assistance equivalent to 150 percent of quota. However, the staff believes that adjustment efforts will need to be pursued for several years before Uganda can reach a viable BOP position and that these efforts will neeed to be supported by Fund assistance beyond 1983/84. Consequently, the staff considers that financial support to the

proposed financial program for 1983/84 should be limited to SDR 95 million, equivalent to 126.7 percent of present quota. The staff recommends approval on a temporary basis of the multiple currency practice involved in the dual exchange market arrangement and exchange restrictions from external payment arrears. Accordingly, the following decisions are proposed for adoption by the Executive Board:

I. Stand-by Arrangement

1. The Government of Uganda has requested a stand-by arrangement for the period from 1983, to 1984.

2. The Fund approves the stand-by arrangement attached to EBS/83/180 for an amount equivalent to SDR 95 million.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

II. Exchange Measures

1. The Fund welcomes the intention of Uganda to eliminate external payments arrears and to unify the dual exchange arrangements.

2. The Fund grants approval until February 15, 1983 or the next Article IV consultation with Uganda, whichever is the earlier, for the retention and modification by Uganda of the multiple currency practice involved in the dual exchange market arrangement as described in EBS/83/180, and for the rentention of exchange restrictions including external payments arrears as described in EBS/83/5 and EBS/83/180.

ATTACHMENT I

Ref.: PO/10.6

June 24, 1983

Mr. Jacques de Larosiere
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. de Larosière:

1. The adjustment measures taken in the context of the 1981/82 and 1982/83 financial programs which were supported by successive stand-by arrangements with the Fund, have resulted in a considerable improvement in Uganda's economic and financial situation. Production has increased markedly, the budgetary deficit has been reduced and the balance of payments situation has improved.

2. These achievements, notwithstanding, my Government feels that additional measures are needed to consolidate the gains achieved so far and to enable us to successfully implement the economic recovery program. These measures, which will be taken in the context of an economic and financial program for 1983/84, are described in the attached Memorandum.

3. In support of its financial program for 1983/84, the Government of Uganda is requesting from the International Monetary Fund a stand-by arrangement. My Government wants this stand-by arrangement to be the equivalent of 150 per cent of our quota, whereas, on the other hand, the Fund's Mission which has recently been to Uganda would want it to be SDR 95 million (equivalent to 127 per cent of Uganda's quota).

4. In view of Uganda's record in fulfilling the performance criteria since 1981, I most earnestly implore you to recommend to the Executive Board a stand-by arrangement equivalent to 150 per cent of Uganda's quota. On balance I propose tht our record, together with the request for 150 per cent of the quota, as well as the Mission's recommendation of 127 per cent of the quota, be submitted to the Executive Board for a decision.

5. The Government of Uganda will examine with the Fund the progress made in the context of this 1983/84 program in two reviews. These are described in paragraph 26(g) of the attached Memorandum.

6. The Government of Uganda believes that the policies set out in the attached Memorandum are adequate to achieve the objectives of the program. During the period of the stand-by arrangement, the Government of Uganda will consult with the Fund, in accordance with the policies of the Fund on such consultations and on the adoption of additional measures that may be appropriate to ensure the success of the program.

7. We would like to emphasize once again that the Government is fully committed to the economic and financial recovery of Uganda and to the objectives set out in the attached Memorandum.

Yours sincerely,

L. Kibirango
Governor
Bank of Uganda

A. Milton Obote
President and Minister
of Finance

ATTACHMENT I

Memorandum of Economic and Financial Policies for 1983/84

1. In 1983/84 the Government will be implementing an economic and financial program designed to further improve the incentives for agricultural production, promote the rehabilitation of equipment, increase capacity utilization in the nation's productive enterprises, and establish cost-price relationships and economic management procedures that will bring about a more efficient utilization of domestic and foreign resources.

2. - The prices of petroleum products have already been increased, effective June 20th, 1983.

- The operation of the dual exchange system will be improved concurrent with measures to increase the volume of transactions at the second window and to facilitate the unification of the two rates. In this connection, tight fiscal and monetary policies will be followed. Furthermore, appropriate adjustments will be made in domestic interest rates to encourage the banking system to participate more actively in the financing of economic activity.

- Agricultural producer prices will be raised to encourage the growth and diversification of exports.

- Special efforts will be made to speed up the utilization of foreign aid commitments and the implementation of development projects.

- On the external front, the Government intends to continue to rely on measures to stimulate growth and on cautious foreign borrowing policies as a means of providing the economy with the necessary imports.

- We will also be making a determined effort to eliminate all outstanding external arrears over the next two years.

- Government will continue to improve security in order to facilitate the process of economic recovery.

3. The specific policy measures to be implemented under the program are described below in sections which cover the exchange rate system, price policies, production policies and the operations of parastatals, public finance, money and credit, and external policies.

I. Exchange Arrangements

4. With the objective of promoting greater efficiency in resource allocation, the Government intends to operate the existing dual exchange rate system in such a way that the two rates can be unified at an equilibrium exchange rate within a reasonable period of time. As a first step in this direction, before the start of the 1983/84 fiscal year, all exports other than coffee and cotton, all non-oil cash imports, and servicing of all newly contracted public and publicly guaranteed foreign debt will be transferred from the first to the second window. In addition, the rate at the first window will be systematically depreciated to progressively narrow the gap, between the first and the second window rates. Concurrently, the foreign exchange sales at the second window will continue on an auction basis, and average weekly sales will be raised from about US$2 million in 1982/83 to, at least, US$3 million in 1983/84. These policies will be supported by a flexible application of existing exchange control regulations, tight credit policies, and selective upward adjustments in domestic interest rates.

5. In order to contain upward pressures on domestic prices and on the exchange rate at the second window, the program contains several measures to improve its functioning. These measures are as follows:

(i) The use of import licenses without foreign exchange was abolished in June 1983, subject to the following exception: goods brought in by importers with authorized external accounts, gifts, donations, personal effects, capital contributions in kind, imports under contracts with part or whole payments in foreign exchange, and imports under aid-financed projects requiring no foreign exchange. All other import licences will specify that foreign exchange is regularly provided, and no antidated import licences without foreign exchange will be accepted. However, the private sector will be allowed to import capital goods on a consignment basis by overseas borrowing.

(ii) According to new regulations introduced in June 1983, once foreign exchange has been granted, steps will be taken to check that goods are delivered in Uganda by reinforcing control by the Bank of Uganda in cooperation with commercial banks. In cases where the goods fail to arrive, the BOU will be empowered to impose strong sanctions upon the importer under the terms of the Exchange Control Act. The period of delivery for imports will be reduced from six months to four months in the case of shipping by surface and to two months in the case of shipping
by air.

(iii) For businessmen (both importers and exporters), daily travel allowances of US$150 per person will be granted up to a maximum of $2,000 in a given year, instead of the present maximum allowance of $4,000. The

maximum yearly travel allowances for purposes other than business will be reduced from $4,000 to $500 per person. In granting these allowances, steps will be taken to make sure that they are restricted to holders of airline tickets and that the date and the number of the ticket is written in the passport. Outside the auction, the practice of granting last minute approvals of travel allowance should be restrained and reduced to a minimum. All foreign exchange allocations for travel will be recorded in the passport of the applicant. The practice of allowing commercial banks to meet requests for travel allowances of US$500 or less without going through the bidding process will be abolished. Moreover, for all invisible payments and outward unrequited and capital transfers from the non-bank sector - excluding payments for education, medical treatment, advertising, emigration, remittances of expatriates, profits, dividends, and debt service - the maximum amount of foreign exchange that can be granted will be reduced from US$2,000 to US$500 per person per year, subject to proper documentation and approval by the Exchange Control Department.

(iv) All private importers who bid for foreign exchange at the second window will be required to submit with their bids a cheque, payable by the bidder or by a commercial bank to the Bank of Uganda, for the local currency equivalent of the amount of foreign exchange requested under their bids. For the bids which fail, the cheques will be returned within three business days. In the case of Government ministries and departments, their quarterly access to second window sales of foreign exchange will be limited to no more than 30 per cent of the total of such sales. Government ministries and departments will not be entering into the bidding process. Moreover, foreign exchange allocations to various ministries and departments will have to be backed by documents showing approval of the Central Tender Board, by an original budget authorization, and by the signature of the Secretary to the Treasury or an officer designated by him.

(v) Steps will be taken to strengthen customs surveillance at border posts, starting with Entebbe airport. Specifically, steps will be taken to improve coordination among various airport officials (of the security services, customs, and airport administration), and all operators in the airport area will be required to establish their identity.

(vi) The commercial banks will be required to submit to the Bank of Uganda weekly returns on all receipts of foreign exchange.

II. Prices

6. In early May 1983, the Government announced increases in the producer prices of the major cash crops. The producer prices were increased for coffee (Kiboko) for Shs.50/kg to Shs.60/kg, for cotton from Shs.40/kg

to Shs.50/kg, for tea from Shs.10/kg to Shs.15/kg, for tobacco from Shs.100/kg to Shs.115/kg and for cocoa from Shs.30/kg to Shs.40/kg. To provide farmers with higher net incomes in real terms, effective no later than July 1, 1983, minimum producer prices will be increased further to the following levels:

Coffee	Shs.80/kg;
Cotton	Shs.60/kg;
Tea	Shs.25/kg;
Tobacco	Shs.150.kg;
Cocoa	Shs.80/kg.

For tea, tobacco and cocoa - which will be exported at the second window rate - the above producer prices are minimum levels, which will be reviewed semi-annually in the light of developments in world prices and the exchange rate at the second window.

7. Throughout the year, the Government will ensure that the retail prices of petroleum products are set at levels that fully cover the rising local currency cost of imports that will result from the depreciation of the rate at the first window, and at the same time, generate a reasonable level of tax revenues for the budget. With these considerations in mind, on June 20th the pump prices of petroleum products were increased as follows:

Super	from Shs.150/litre	to Shs.170/litre
Regular	from Shs.140/litre	to Shs.160/litre
Kerosene	from Shs. 80/litre	to Shs.100/litre
Fuel Oil	from Shs. 50/litre	to Shs. 70/litre
Diesel	from shs. 90/litre	to Shs.110/litre

Lubricants were transferred from the first to the second window.

8. To improve efficiency in production and marketing the Government will ensure that:

- textile mills remain able to purchase their lint requirements directly from processors at competitive prices;

- large tea producers will sell their teas from their gardens on the auction and other markets outside Uganda which will have been delivered by the Uganda Tea Authority, and such large tea producers will receive a selling commission which will be a percentage of the prices received;

- for Posts and Telecommunications, Railways, the Water and Sewage Corporation and other utilities, tariffs will be reviewed and appropriate adjustments will be made before November 1, 1983.

- for other parastatals, ex-factory prices will remain flexible.

III. Production Policies and Operations of Parastatals

9. During the fiscal year 1982/83, considerable progress was made with mobilizing foreign aid commitments for Uganda's Recovery Programme, particularly for key projects in the agricultural and industrial sectors. The Government will be making every effort to step up the actual utilization of these commitments and will be implementing several projects for increasing the outputs of food crops and boosting the production of export crops (coffee, tea, cotton, cocoa, and tobacco). In the parastatal sector the Government's objective is to make efficient use of foreign assistance with a view to improving the level of capacity utilization in key sectors and rehabilitating the capital equipment of selected units.

10. With the IDA Reconstruction II credit, the Government will continue to concentrate its rehabilitation efforts on a selected group of potentially viable enterprises, which will be able to import raw materials and spare parts at the window one exchange rate. Moreover, effective July 1, 1983, the Bank of Uganda will abolish the 5 per cent import deposit requirement and the UABT will be reducing its processing from one per cent to one-half per cent on all imports.

11. Furthermore, with the objective of undertaking a structural reform of the parastatal sector, the Government has drawn up a program of action. The terms of reference of a comprehensive study of parastatals have been established; the Government has requested bids to be submitted by end June 1983 from an international group of consultant firms; the selection of a consultant firm will be made in July 1983, and the study is to be initiated no later than September 1983. In addition, the Government will be examining all the bids received from various private investors under the Expropriated Properties Act to determine whether these enterprises are to be returned to former owners, sold to willing Ugandan buyers or any other person, restructured as a joint venture or retained by Government. A special negotiating authority has already been established in the Regulations of the Expropriated Properties Act, 1982.

IV. Public Finance

12. The 1982/83 budget deficit is likely to be about Shs.15.5 billion (1.6 per cent of GDP compared with 2.2 per cent in 1981/82). Bank financing of the deficit will be more than double the programmed level, as result of a shortfall in net foreign borrowing. While total revenues are estimated to rise by about 88 percent, the increase in expenditures will be about 57 percent.

13. In 1983/84, overall revenues (including foreign grants) are forecast to increase by about 65 percent. The key factors contributing to revenue growth are as follows:

(a) Revenues from coffee taxes are expected to more than double, with the share of coffee receipts going to the Government rising from 44 percent in 1982/83 to about 53 percent in 1983/84. With the transfer of tea and tobacco to Window Two, an explicit tax on these exports will be introduced and taxes will also be introduced on cotton, cocoa and maize exports. Given the current low level of exports of those crops, their revenue yield is not expected to exceed Shs.2 billion in 1983/84.

(b) Revenues from taxes on petroleum products are expected to increase by some 20 per cent, and those from non-oil imports by about 75 percent. With the rapid depreciation at Window One during the first half of 1983/84, petroleum prices and rates of customs duty will be reviewed at the time of the mid-term review.

(c) Rates of tax on domestic production are being reviewed. In light of the increase in input prices, the rate of duty on some soft drinks was recently reduced from 150 per cent to 66 per cent and further reductions are likely to be announced in the 1983/84 budget. At the same time, domestic enterprises will adjust their retail prices as their tax inclusive import costs rise with the depreciation of the Window One rate and, as a result, tax revenue from this source is expected to increase by about 40 per cent.

(d) Over the fiscal year as a whole, the exchange profits resulting from the operations of the dual exchange rate system are estimated at about Shs.8.2 billion, considerable lower than in 1982/83, reflecting the narrowing of the gap between the rates at the two windows.

14. In 1983/84 overall expenditure including net lending is expected to increase by about 52 per cent. Development expenditure is estimated to be Shs.36.3 billion compared to the revised estimate of Shs.15 billion, representing a rise of 142 per cent, debt service payments are expected to rise by 59 per cent, and recurrent expenditure by only 16 per cent. The rapid growth in development outlays reflects large anticipated increases in both foreign aid inflows and domestic contribution. In the case of debt service payments, the increase is largely due to the progressive depreciation of the Window One rate. Within the targeted growth of recurrent outlays, the wage and salary bill budgeted to go up by 50 per cent; consequently, the increase in nonwage outlays will be restrained to about 26 per cent. The latter will be achieved by reducing foreign exchange outlays, the domestic cost of which will be rising as all non-oil cash imports are shifted to the second window. As both revenues and expenditures are budgeted to grow at about the same rate, the overall fiscal deficit is targeted to increase by about

60 per cent to Shs.28.9 billion (17.6 per cent of expenditure). The Government plans to finance this deficit by foreign borrowing (Shs.24.9 billion), domestic bank credit (Shs.2.5 billion), and domestic non-bank borrowing for the remainder. However, if foreign loan disbursements were lower than anticipated, both development expenditure and the overall fiscal deficit will be lowered by about the same amount, the need for domestic financing remaining unchanged.

15. The current levels of wages and salaries are exceptionally low throughout the economy, the burden of income taxation is heavy and Government has attempted in the previous program to relieve the situation by granting special indirect benefits and allowances to civil servants and others, the implications of which for the whole economy has not been fully determined. On the matter of employment in the Civil Service, Government will maintain a selective freeze on the filling of vacancies.

16. The Government has commissioned the World Bank to do a Public Administration Sector Study. The study was to assess with Government priority areas for strengthening public administration and define to the extent possible an action program, and where appropriate propose areas for possible external support, including technical assistance. The Ministry of Public Service & Cabinet Affairs is also presently carrying out an exercise to establish the strength of the Civil Service department by department and by profession, as well as other related matters. Further, the Ministry of Public Service & Cabinet Affairs, in conjunction with the Ministry of Planning & Economic Development, are carrying out a national survey to establish the strength of the labor market for overall national employment. It is the intention of Government to mount a staff audit exercise after studying the World Bank report and the report of the two Ministries. A progress report will be given to the Fund during the mid-term review in October/November 1983.

17. The planned levels of development expenditure including on-lending to parastatals (Shs.36.3 billion) are based on estimates of likely inflows of foreign assistance from existing IDA and other foreign aid commitments of Shs.23.7 billion, related local contribution to the said foreign aid commitments of Shs.2.6 billion and projects financed by own resources amounting to Shs.10 billion. An amount of, at least, $40 million of the IDA Reconstruction II credit will be financed through the non-government sector paying cash or borrowing from the banking system. The proceeds will be paid into the Government's IDA project account.

18. To ensure that the expenditure objectives outlined above are achieved, the Government will take steps to improve the system of controls over expenditure commitments, and limit the recourse to the extra-budgetary account, as specified in the Technical Memorandum of Understanding, and as regards purchase of foreign exchange, as specified in paragraph 5(iv) above.

V. External Policies

19. In 1983/84, the Government's external objectives are to reduce its overall balance of payments deficit by about half, the level of its external arrears through cash payments by US$20 million and to increase its gross official reserves by about US$15 million.

20. To achieve these objectives, the Goverment will be directing its effort to promoting exports and making a more efficient use of external capital and imports. The surveillance of imports through the SGS has been beneficial and the authorities will be extending this surveillance to major export crops and the monitoring of export proceeds. Over the past year, the interministerial Aid Allocation Committee established procedures for regular meetings with major donors, and for the coordination of aid inflows. During 1983/84, efforts will be intensified to increase the mobilization of external assistance in the form of grants and concessional loans, and to improve the rate of utilization of existing aid commitments.

21. The ratio of Uganda's foreign debt service payments to exports is forecast to rise substantially over the next two fiscal years. To avoid a further deterioration in the debt burden, future foreign borrowing on non-conessional terms will be reduced. In addition, the Government plans to seek rescheduling of its external obligations (including both debt servicing and arrears) from its creditors through the Paris Club. With a view to improving the monitoring and management of the external debt, an External Debt Management Office has been set up in the Bank of Uganda. The Government would appreciate the Fund's technical assistance in the strengthening of the unit. With regard to the claims of the State of Israel, the Government of Uganda has taken two important measures. First, part of the claim has been submitted for arbitration and therefore is sub judice. The remaining portion is now being verified by a London consultant firm of merchant bankers.

VI. Money and Credit

22. On the basis of the expected increses in gross official reserves and anticipated net use of Fund resources under the 1983/84 financial program, the net foreign liabilities of the banking system are projected to increase from an estimated Shs.40 billion at the end of June 1983 to Shs.80 billion at the end of June 1984. Given this large increase in net foreign liabilities, a moderate expansion of broad money will be achieved by limiting the increase in overall domestic bank credit to about 19 per cent, which is less than the projected growth of nominal GDP. This overall increase in credit will be used to finance crop marketing, imports, and other areas of domestic economic activity.

23. In order to improve the attractiveness of bank deposits relative to Treasury bills, the rates on savings and time deposits will be raised by two percentage points in July 1983. At the same time, bank lending rates will be raised by the same amount.

24. The Libyan Arab Uganda Bank for Foreign Trade and Development was reopened on June 10, 1983, following the agreement reached between the Libyan shareholders of the Bank and the Government of Uganda. Among the outstanding issues which remain to be resolved are means of increasing the Bank's capital and of clearing its foreign accounts and outstanding debts to the Bank of Uganda. Progress has been made twoard rehabilitating the Cooperative Bank and technical assistance is expected to be provided by USAID on the basis of a study recently completed. The recommendations include increasing the equity capital, channelling USAID resources and strengthening administrative capacity of the Bank.

25. Since the Government began relations with the Fund in 1981, credit ceilings have been based on net domestic credit. The recent Fund Mission discussed with the Government on the matter of changing to net domestic assets. It was, however, realized that in the present state of the accounting system and the imperfection of the data base, it would be very difficult to measure and monitor net domestic assets at this time. Government is anxious to seek technical addistance from the Fund to improve the accounting system and the data base. It is the hope of the Government that with improvement it should be possible to introduce the system of the application of ceilings on net domestic assets in the next fiscal year beginning July 1984.

VII. Performance Criteria and Review Clause

26. The execution of the program contained in this Memorandum will be subject to the following performance criteria:

(a) Total net domestic credit will not exceed Shs.70.0 billion by September 30, 1983 and Shs.76.8 billion by December 31, 1983. The indicative ceiling for March 31, 1984 is Shs.81.1 billion and that for June 30, 1984 is Shs.84.1 billion.

(b) Net credit to the Government will not exceed Shs.41.1 billion by September 30, 1983 and Shs.41.6 billion by December 31, 1983. The indicative ceiling for March 31, 1984 is Shs.42.1 billion and that for June 30, 1984 is Shs.42.6 billion. The ceilings for September 30, 1983 and for December 31, 1983 will be reduced (raised) by the excess (shortfall) of the cumulative profits from the operation of the second window from July 1, 1983 above (below) the projected Shs.3.6 billion and Shs.5.3 billion, respectively.

(c) The Bank of Uganda will sell at the second window a minimum of US$39 million during the period between July 1, 1983 and September 30, 1983 and US$78 million between July 1, 1983 and December 31, 1983. As an indicative target, a minimum of US$78 million will also be sold during the first half of 1984.

(d) From July 1, 1983 through December 31, 1983, the contracting of new public and publicly-guaranteed external debt will not exceed US$30 million for maturities of 0-12 years and shall take the form of cash loans contracted by the Bank of Uganda. At least a third of these loan disbursements will be repaid before end-1983 and the balance before end-June 1984. No other loan of less than twelve years will be contracted until September 30, 1983. However, from October 1, 1983, through December 31,1983, Government may contract additional new public and publicly-guaranteed external debt for up to US$20 million for maturities of more than six years but less than twelve years. These limits will not apply to concessional loans, loans contracted to refinance existing debts, capital contributions to international financial institutions and to normal trade credits of less than one year. Concessional loans are defined as those by the DAC of the OECD, while normal trade credits are defined as credit gained from the supplier to be repaid following shipment of goods. Similar quantitative ceilings will be set on a cumulative basis for the first half of 1984 at the time of the first review of the program mentioned below. The situation will be reviewed with the staff in October/November 1983 at the mid-term review.

(e) Between July 1 and December 31, 1983, external arrears will be reduced through cash payments by at least US$10 million. As an indicative target, the level of net external arrears will be reduced by no less than US$20 million through cash payments by June 30, 1984.

(f) During the program period, no new restrictions on payments and transfers for current international transactions or import restrictions for balance of payments reasons will be introduced or existing ones intensified.

(g) The Government of Uganda will review with the Fund the progress made in the context of this program on two occasions: the first review will be completed by end-February 1984, and the second review by June 30, 1984. At the time of the first review, the Government will reach understandings with the Fund regarding the ceilings on net domestic credit and net credit to Government; the minimum targets for the reduction of external arrears through cash payments and for foreign exchange sales at the second window; and the ceilings on public and publicly-guaranteed foreign debt for the second half of the program period. During this review, the progress made toward the reunification of the dual exchange rate system will be assessed, and understandings will be

reached regarding (i) tariffs of public utilities (paragraph 8) and (ii) petroleum prices and rates of customs duties (paragraph 13(b)) and the staff audit (paragraph 16). During the second review, understandings will be reached on exchange rate policy.

Uganda - Stand-by Arrangement

Attached hereto is a letter, with annexed memorandum, dated June 24, 1983 from the President, Minister of Finance and the Governor of the Bank, of Uganda requesting a stand-by arrangement and setting forth the objectives and policies which the authorities of Uganda intend to pursue for the period of this stand-by arrangement.

To support these objectives and policies the Intenational Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of one year from _____ 1983, Uganda will have the right to make purchases from the Fund in an amount equivalent to SDR 95 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 31.5 million until November 15, 1983, SDR 44 million until February 15, 1984, SDR 65 million until May 15, 1984, and SDR 80 million until July 1, 1984.

(b) None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Uganda's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 per cent of quota.

3. Purchases under this stand-by arrangement shall be made from borrowed resources only, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Uganda will not make purchases under this stand-by arrangement other than the initial purchase of the equivalent of SDR 31.5 million that it may request not later than within 15 days of the effective date of this arrangement, that would increase the Fund's holdings of Uganda's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 per cent of quota:

(a) during any period in which

(i) the limit on total net domestic credit described in paragraph 26(a) of the annexed memorandum, or

(ii) the limit on net credit to the Government described in paragraph 26(b) of the annexed memorandum, or

(iii) the target for supply of foreign exchange described in paragraph 26(c) of the annexed memorandum, or during the period after June 30, 1984 understandings are not reached beetwen Uganda and the Fund on exchange rate policies persuant to the second review referred to in paragraph 26 (g) of the annexed memorandum, or

(iv) if Uganda fails to observe the limits on the contracting of new public and publicly guaranteed foreign indebtedness described in paragraph 26(d) of the annexed memorandum, or

(v) the limit on external payments arrears described in *paragraph 26(e) of the annexed memorandum*

is not observed; or

(b) during the period after February 14, 1983, until the first review referred to in paragraph 26(g) of the annexed memorandum has been carried out and suitable performance criteria have been established in consultation with the Fund pursuant to paragraph 26(g) of the annexed memorandum, or after such performance criteria have been established, while they are not being observed;

(c) if Uganda fails to modify its dual exchange market arrangement in accordance with the understandings set in paragraphs 4 and 5 (iv) of the annexed memorandum and the schedule contained in President Obote's confidential letter of June 24, 1983 to the Managing Director;

(d) if Uganda

(i) imposes or intensifies restrictions on payments and transfers for current international transactions or other than as described in paragraph 5 (111) of the annexed memorandum or,

(ii) introduces or modifies multiple currency practices, other than the modifications referred to in (a) above, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When Uganda is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Uganda and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Uganda's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generaly or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Uganda. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Uganda and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Uganda, the Fund agrees to provide them at the time of the purchase.

7. The value date of a purchase under this stand-by arrangement involving borrowed resources will be normally either the 15th day or the last day of the month, or the next business day if the selected day is not a business day. Uganda will consult with the Fund on the timing of purchases involving borrowed resources.

8. Uganda shall pay a charge for this arrangement in accordance with the decisions of the Fund.

9. (a) Uganda shall repurchase the outstanding amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as Uganda's balance of payments and reserve position improves.

(b) Any reductions in Uganda's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

Relations with the Fund
(As of July 31, 1983)

IMF data

Date of membership:	September 27, 1963
Quota:	SDR 75 million
Intervention currency and the rate:	*U.S. dollar: US$1 = U Sh 160.0*
Local currency/SDR equivalent:	U Sh 167.04
Fund holdings of local currency:	SDR 369.90 million (493.20 percent of quota)
Of which: CFF	SDR 66.89 million (89.19 percent of quota)
Enlarged access under stand-by	SDR 156.53 million (208.71 percent of quota)
Credit tranches (including SBA)	SDR 75.00 million (100.00 percent of quota)
Net cumulative allocation:	SDR 29.40 million
Holdings:	SDR 0.02 million
Trust Fund loan disbursement: (second period)	SDR 22.51 million
Direct distribution of profits from gold sales:	US$6.36 million
Gold distribution: (Four distributions)	34,232.819 fine ounces

Table I. Uganda: Commodity Prices, 1981-June 1983

	1981				1982			1983		June 1983/ April 1981 ratio
	April	May	June	Oct.	Jan.	June	Nov.	May	July	
	(Uganda shillings per kg)									
Minimum producer prices for export crops										
Coffee	7.00	20.00	20.00	35.00	35.00	50.00	50.00	60.00	80.00	11.43
Tea	1.35	1.35	4.00	6.00	6.00	10.00	10.00	15.00	25.00	18.52
Cotton	6.00	15.00	15.00	30.00	30.00	40.00	40.00	50.00	60.00	10.00
Tobacco	8.60	8.60	20.00	50.00	50.00	100.00	100.00	115.00	150.00	17.44
Cocoa	3.20	3.20	3.20	3.20	20.00	30.00	30.00	40.00	80.00	25.00
	(Uganda shillings per liter)									
Consumer prices for petroleum products										
Premium gas	7.44	27.00	81.00	85.00	85.00	120.00	150.00	150.00	170.00	22.85
Regular gas	7.13	25.00	78.40	80.00	80.00	110.00	140.00	140.00	160.00	22.44
Diesel	6.00	15.00	47.20	50.00	50.00	60.00	90.00	90.00	110.00	18.33
Kerosen	4.00	7.00	30.00	30.00	35.00	40.00	80.00	80.00	100.00	25.00

Source : Data provided by the Ugandan authorities.

Table II. Uganda: Average Monthly Consumer Price Index for Middle Income Groups, *June 1981-July 1983*

(April 1981 = 100)

Items	Weights	1981 April	1981 June	1981 Sept.	1981 Dec.	1982 March	1982 April	1982 June	1982 Sept.	1982 Dec.	1983 March	1983 April	1983 May	1983 June	1983 July
Food	4.10	100.0	136.8	125.1	124.2	146.9	167.7	169.0	186.1	199.3	209.5	226.3	246.3	349.7	357.1
Drinks and tobacco	17.0	100.0	131.8	109.6	104.9	113.9	120.9	112.1	119.6	123.3	125.6	122.5	126.5	137.0	145.5
Fuel and lighting	6.0	100.0	125.4	124.7	120.1	145.3	144.6	162.2	194.6	267.7	269.1	268.4	271.3	277.5	275.7
Transport	10.0	100.0	103.2	244.5	245.2	341.2	341.2	354.6	306.6	320.1	433.3	433.4	433.4	436.6	442.3
Clothing	14.0	100.0	343.6	324.7	330.5	348.6	351.3	343.7	347.2	354.7	325.9	329.8	333.0	334.5	334.4
Other consumer goods	10.0	100.0	139.7	115.5	124.8	136.6	141.8	143.9	147.0	150.2	146.1	145.7	146.6	149.8	146.4
Other manufactured goods	2.0	100.0	235.8	210.2	200.3	245.1	235.3	205.3	230.3	232.9	266.8	233.6	247.2	244.0	262.4
Consumer price index	100.0	100.0	163.1	163.1	163.2	189.8	200.2	200.2	206.9	220.1	232.4	236.4	248.7	293.7	298.6

Sources: Bank of Uganda, Ministry of Planning and Economic Development (MPED); and staff estimates

APPENDIX II

Table III. Uganda: Debt Service Projections, 1/
1981/82-1986/87

(In millions of U.S. dollars)

	Actual					
	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Total debt service payments	134	100	127	160	175	150
Official debt	105	58	64	61	61	51
Bank of Uganda debt	29	42	63	99	114	99
Of which: IMF	(15)	(26)	(46)	(99)	(114)	(99)
Memorandum items:						
Total debt service ratio 2/	45.6	30.8	34.0	37.2	35.4	26.3
Official debt service 3/	35.7	17.8	17.1	14.2	12.3	8.9
Merchandise exports	294.0	325.0	374.0	430.0	495.0	570.0

Sources: Bank of Uganda; and staff estimates.

1/ On basis of existing debts as of March 31, 1983 and anticipated commitments. Assumes program with IMF during 1983/84 but not beyond. Assumes Paris Club renegotiation during 1983/84 but not beyond.

2/ As percentage of merchandise exports. Includes IMF and other Bank of Uganda obligations.

3/ As percentage of merchandise exports. Excludes IMF and other Bank of Uganda obligations.

Table IV. Uganda: Exchange Rates at WI, WII, WI-II, June 1981-July 1983

	Weights		U Sh per US$			Import weighted nominal effective exchange rate June 1981=100			Import weighted real effective exchange rate June 1981=100		
	WI	WII	WI	WII	WI-II 1/	WI	WII	WI-II 1/	WI	WII	WI-II 1/
Jun 1981	100	0	77.0		77.0	100.0		100.0	100.0		100.0
Jul 1981	100	0	79.8		79.8	100.9		100.9	98.8		98.8
Aug 1981	100	0	81.4		81.4	101.0		101.0	101.2		101.2
Sep 1981	100	0	80.6		80.6	102.4		102.3	104.9		104.9
Oct 1981	100	0	79.3		79.3	101.8		101.7	105.4		105.4
Nov 1981	100	0	80.2		80.2	104.3		104.3	107.9		107.9
Dec 1981	100	0	85.1		85.1	110.3		110.3	115.1		115.1
Jan 1982	100	0	85.5		85.5	109.4		109.4	107.6		107.6
Feb 1982	100	0	86.2		86.2	108.0		107.9	102.6		102.6
Mar 1982	100	0	85.7		85.7	105.8		105.8	96.5		96.5
Apr 1982	100	0	85.9		85.9	104.7		104.6	91.5		91.5
May 1982	100	0	90.4		90.4	112.8		112.7	102.2		102.2
Jun 1982	100	0	96.7		96.7	116.0		115.9	102.8		102.8
Jul 1982	100	0	100.0		100.0	118.3		118.2	105.4		105.4
Aug 1982	92	8	99.3	300.0	2/115.4	116.7	353.0 2/	135.7	101.4	307.7 2/	107.9
Sep 1982	77	23	100.0	300.0	146.0	116.7	350.1	170.4	101.1	303.5	147.7
Oct 1982	77	23	100.0	280.0	141.9	115.5	323.4	163.9	98.3	275.3	139.5
Nov 1982	77	23	100.2	255.0	136.3	114.1	290.6	155.3	94.2	239.7	128.1
Dec 1982	77	23	104.3	240.0	135.7	121.1	278.6	157.5	99.4	288.9	129.4
Jan 1983	64	36	110.0	235.0	155.3	127.9	273.2	180.5	100.2	214.0	141.4
Feb 1983	64	36	115.0	230.0	156.6	131.8	263.6	179.5	105.1	210.2	143.1
Mar 1983	64	36	117.8	236.0	160.6	133.5	267.4	182.0	104.9	210.2	143.0
Apr 1983	57	43	124.5	260.0	182.8	140.7	293.9	206.6	108.7	227.1	159.6
May 1983	57	43	135.0	270.0	193.0	152.7	305.5	218.4	113.7	227.4	162.6

Table V. Uganda: Selected Economic and Financial Indicators, 1980/81-83/84

	1980/81	1981/82 1/		1982/83		1983/84
	Actual	Program	Estimate	Program	Estimate	Program
		(Annual per cent changes, unless otherwise specified)				
National income and prices						
GDP at constant prices	-8.4	9-10	10	10	10	5-7
Consumer prices (annual average)	104	22	76	25	25-30	20-25
External sector (on the basis of SDRs or U.S. dollars)						
Exports, f.o.b.	-30	62	38	24	11	15
Imports, c.i.f.	-16	33	12	38	1	20
Non-oil imports, c.i.f.	...	...	14	48	-7	32
Export volume	-11	60	64	26	-5	10
Import volume	*-24*	*25*	*-7*	*20*	*13*	*16*
Terms of trade (deterioration -)	-29	-5	-19	-8	16	...
Nominal effective exchange rate (depreciation -)	-28	...	-86	...	...	
Real effective exchange rate (depreciation -)	9	...	-76	...	...	
Government Budget						
Revenue (excluding grants)	-28	802 2/	793 2/	80	100	57.0
Revenue (including grants)	-15	732 2/	794 2/	64	83	65.0
Total expenditure	64	155	228	41	48	61.0
Money and Credit						
Domestic credit	62	...	82	33	35.2	25.7
Government	81	...	63	6	14	6.5
Private sector	20	...	144	79	81	53.0
Money and quasi-money (M2)	50	...	62	23	29	11.0
Velocity (GDP relative to M2)	27	...	13	2	13	19.0
Interest rate (annual rate, one year savings deposit)	6	...	12	13	13	15.0
		(In per cent of GDP) 3/				
Central Government budget deficit	4.3	0.9	2.2	1.4	1.6	1.5
Domestic bank financing	3.9	1.1	2.1	0.7	1.4	0.3
Foreign financing (net)	0.3	-0.2	0.1	0.7	0.2	1.2
Current account deficit 4/	1.6	2.6	1.6	2.5	1.6	2.6
External debt						
Exclusive of use of Fund credit	2.6	...	16.1	12.0	12.0	17.0
Debt service ratio 5/	40.0	47.0	45.5	26.0	30.8	34.0
Interest Payments 5/	2.0	...	2.0	1.0	1.2	1.4
		(In millions of U.S. dollars)				
Overall balance of payments 6/	-129	-142	-100	-82	-71	-34
External payments arrears (at end of period)	204 7/	160	164	73	60	30

1/ Converted to 12-month basis.

2/ The revenue outcome for 1981/82 is similar to that envisaged in the original program estimates but because the revenue estimate for 1980/81 (the base) is now considerably lower, the estimated percentage increase between the two periods is higher.

3/ The following ratios should be treated with caution owing to the highly tentative nature of the GDP estimates.

4/ Includes grants. Current account deficit reflects severe constraint on foreign exchange availability.

5/ In per cent of exports of goods and services and including debt services to IMF.

6/ Overall balance reflects severe constraint on foreign exchange availability.

7/ End-May 1981.

APPENDIX II

Table VI. Uganda: IBRD Loans and IDA Credits by Sector

(As of June 30, 1983; in millions of U.S. Dollars)

	Total 1/			Disbursed			Undisbursed		
	Total	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA
Agricuture	80.4	--	80.4	11.1	--	11.1	70.0	--	70.0
Education	49.3	--	49.3	18.6	--	18.6	32.0	--	32.0
Water Supply	9.0	--	9.0	1.9	--	1.9	7.1	--	7.1
Transport and Communication	38.6	--	38.6	18.4	--	18.4	22.0	--	22.0
Power	8.4	8.4	--	8.4	8.4	8.4	--	--	--
Industry	39.0	--	39.0	1.5	1.5	--	37.5	--	37.5
Reconstruction 2/	142.5	--	142.5	80.3	--	80.3	62.2	--	62.2
Technical assistance	8.0	--	8.0	0.7	--	0.7	7.3	--	7.3
Total	375.2	8.4	366.8	140.9	9.9	131.0	238.1	--	238.1

Source: Data provided by the World Bank.

1/ Total amounts may differ from the sum of disbursed and undisbursed due to exchange rate adjustments.
2/ Includes one bilateral credit administered by IDA.