

INTERNATIONAL MONETARY FUND

MASTER FILES

ROOM C-120

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PRESS RELEASE NO. 83/60

FOR IMMEDIATE RELEASE
September 19, 1983

The International Monetary Fund has approved a stand-by arrangement for the Government of Uganda, authorizing purchases up to the equivalent of SDR 95 million over the period to September 15, 1984, in support of the Government's financial program. Purchases under this arrangement, equivalent to 126.7 percent of Uganda's quota of SDR 75 million, will be financed entirely from resources borrowed by the Fund.

Since June 1981, considerable progress has been made toward rehabilitating the Ugandan economy. The measures taken in the context of two successive adjustment programs, supported by two stand-by arrangements with the Fund, have improved Uganda's economic and financial situation. Production has increased substantially in agriculture and in the processing and light manufacturing industries, the volume of exports has increased by 60 percent in two years, and a greater variety of goods has become available on the market. Budgetary discipline has been strengthened, and the share of government expenditure 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 considerably reduced.

The broad objectives of the 1983/84 financial program, which the present stand-by arrangement supports, are to induce continued economic recovery without releasing new inflationary pressures, and to achieve a further improvement in the balance of payments. The program aims at raising real gross domestic product (GDP) by 5 percent while containing inflation, and reducing the overall balance of payments deficit and net external arrears. Policy measures envisaged under the program provide for a combination of improved exchange rate and consumer pricing policies, limits on the growth of total expenditure, and prudent foreign borrowing coupled with sound debt management.

Uganda's outstanding financial obligations to the Fund, resulting from past operations and transactions, but excluding Trust Fund loans, currently total the equivalent of SDR 297.8 million.