
Country Report

Uganda

March 2010

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The Economist Intelligence Unit

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Executive summary

Highlights

March 2010

- Outlook for 2010-11**
- The president, Yoweri Museveni, will face serious opposition from the Buganda kingdom but assurances over land rights and resources should be enough to ensure that he wins a fourth term in the 2011 election.
 - The ability of the opposition to pose a serious threat rests on the success of the Inter-Party Co-operation, a fragmented coalition of parties that currently has plans to field a single presidential candidate.
 - The Economist Intelligence Unit forecasts that real GDP growth will quicken to 7% in 2010 and 8% in 2011 owing to a pick-up in investment and external demand, but poor transport and energy infrastructure will limit this.
 - Food prices are expected to fall as better weather outweighs upward pressure from strong regional demand and a loose monetary policy, and we forecast a fall in the inflation rate, from 13.1% in 2009 to an average of 8.6% in 2010-11.
 - Uganda's current-account deficit is expected to widen to 4.8% of GDP in 2010 and to 5.7% of GDP in 2011 owing to higher capital imports for infrastructure improvement, financed by higher foreign investment.
- Monthly review**
- A Forum for Democratic Change candidate won a by-election in Mbale because of a split in the NRM vote between the official party candidate and another member who stood as an independent candidate.
 - Norbert Mao, a northerner, was elected as leader of the Democratic Party in February. The losing candidate, Nasser Ssebagala, has left to set up his own party and a traditionalist faction has rejected Mr Mao's leadership.
 - The second phase of the World Bank-funded Northern Uganda Social Action Fund, worth US\$100m, was launched in February. The Bank will also set up a monitoring office in the region following reports of missing funds.
 - The Uganda Revenue Authority has fallen just shy of the government's ambitious revenue projections for the first half of fiscal year 2009/10 (July-June), but still managed to increase domestic revenue by about 20%.
 - A joint trade committee was established in February between Uganda and Sudan, recognising the growing importance of trade between the two countries and the absence of formal regulation structures on the border.
 - Tullow Oil (UK) has entered into a partnership with the China National Offshore Oil Corporation and French oil giant Total, ending uncertainty in the fledgling oil sector since Tullow bought out its partner, Heritage Oil.

Outlook for 2010-11

Political outlook

Domestic politics

The president, Yoweri Museveni, and his ruling National Resistance Movement (NRM) party will face serious opposition from regions agitating for autonomy. Buganda, an area with a constitutional monarchy and a local parliament, which was previously a bedrock of NRM support, will be at the centre of this. Mr Museveni will try to placate local sentiment by throwing his full support behind a regional governments bill that would create an elected assembly for each region, although this could cause further problems. Buganda is opposed to the bill, as it falls far short of its aim of *federo* (an independent Buganda within a federal Uganda). The bill could also prove divisive nationally, especially in the kingdom of Bunyoro, where it could provoke disputes over the control of oil resources. Regional pressures will be compounded by conditions conducive to civil unrest; high food inflation during the past two years has led to a drop in living standards, and the combination of urbanisation, a youthful population and a shortage of jobs is open to exploitation by militant opposition parties.

Nevertheless, Mr Museveni is an astute political operator and looks likely to remain in power over the forecast period. Living standards are unlikely to deteriorate further and could even improve slightly, as inflation is expected to fall and economic growth has remained strong, even during the worst global downturn for decades. Reforms in local government should appease those looking for devolution of powers, and the government may try to sweeten the Baganda people by making promises that a re-elected NRM would direct more resources to the kingdom. If Buganda is not persuaded by this, Mr Museveni has total control of the Ugandan army and has strengthened his grip on the police force. This makes wider political instability unlikely, although further outbreaks of violence are expected in Buganda.

The opposition remains fragmented, and its ability to pose a serious threat rests on the success of the Inter-Party Co-operation (IPC), a coalition of opposition parties. The parties in the IPC have agreed to field a single presidential candidate in 2011, but the agreement could collapse under the refusal of ambitious presidential hopefuls to stand aside for a cross-party candidate. The fractious opposition will need to win over large swathes of uncommitted voters or form a coalition if they want to present a serious threat to the hegemony of the NRM. However, they are more likely to contribute to their own downfall, and more defections to the NRM are expected. The Economist Intelligence Unit therefore expects Mr Museveni to be re-elected for a fourth term in the 2011 election. However, much will depend on his ability to mollify the Baganda in what will be a contentious—and perhaps bloody— process, and there is a slim possibility that a serious leadership rival could emerge from within the NRM to take advantage of popular dissatisfaction with him.

International relations Relations with neighbouring countries could worsen over the forecast period, as the discovery of valuable natural resources in disputed border areas is increasing political tensions. Sporadic tensions could occur with neighbouring Kenya, such as the dispute over the ownership of Migingo Island in Lake Victoria in 2009. However, growing interdependence—an East African Community (EAC) common market is scheduled to come into operation in mid-2010—should reduce the likelihood of animosity leading to outright diplomatic disputes. Relations with the Democratic Republic of Congo (DRC) have warmed, and full diplomatic relations were restored in 2009. This relationship has the potential to deteriorate quickly, however, and is vulnerable to changes in the political mood in the DRC and disputes over oil resources in Lake Albert. Similarly, links with Sudan could worsen given the volatile political environment there. Relations with donors will be uneasy owing to concerns over corruption, although it looks increasingly likely that a controversial anti-homosexuality bill will be watered down significantly owing to donor concerns, ensuring that they remain large contributors. Investment in Uganda's fledgling oil sector from French and Chinese companies will lead to a deepening of relations with the governments of these two countries, as they seek to build stronger political ties to protect the strategic interests of their companies.

Economic policy outlook

Policy trends Uganda has maintained a high level of macroeconomic stability and economic growth during the past 20 years, but it needs to tackle bottlenecks in transport and energy infrastructure to boost employment and poverty reduction. The government recognises this; more than 17% of the budget for fiscal year 2009/10 (July-June) is devoted to the Ministry of Works and Transport. Recent economic growth has been driven by the industry and services sectors, but the large number of people who depend on agriculture for a living (over 70% of the labour force) will ensure that it remains a high-profile issue for the government. Two years of high food inflation and famine conditions in the north and east will increase its profile further in 2010-11. Government rhetoric about boosting agricultural productivity will continue, but progress will be slow. Despite spending increases to ease food insecurity and buy support for the NRM in rural areas before the 2011 election, overall financial support for the sector will remain low. There will be some positive economic developments, though: the introduction of an EAC common market from mid-2010 will lower barriers to trade, labour and investment, and the recent passage of the Land (Amendment) Bill will improve security of tenure, increasing the scope for investment.

Fiscal policy In a bold attempt to encourage economic growth, the 2009/10 budget contained no major new taxes or duty increases but several cuts that will put pressure on the revenue authority to boost efficiency. Despite the cuts, tax revenue growth will be strong (domestic revenue was up by 20% in the first half of 2009/10), driven by continued economic growth and improvements in revenue collection, but it will fall just short of the government's ambitious projections. The deficit will be kept in check, however, as the government is likely to underspend against the budget, owing to capacity constraints and delays with

infrastructure projects. Reliance on donor financing is therefore likely to stay at around one-third of total revenue. We forecast a fall in the deficit to 3% of GDP in 2009/10 resulting from better-than-expected domestic revenue collection, before it rises to 4.2% of GDP in 2010/11 as spending grows in the run-up to the election. The government may also look at issuing a sovereign bond in 2011 with the aim of raising around US\$1bn for infrastructure spending.

Monetary policy

We expect monetary policy to remain fairly loose throughout the forecast period as the Bank of Uganda (BoU, the central bank) seeks to boost economic growth as inflationary pressures fall. The interesting question will be how the BoU aims to loosen policy, as its recent attempts have been unsuccessful in reducing the stubbornly high interest rates charged by commercial banks. We believe that it will take a two-pronged approach. First, the BoU's recent utterances suggest that it will return to using the exchange rate to support economic growth, intervening to lean against appreciation with the aim of making Ugandan exports more competitive abroad. Second, we expect improvements to regulations to improve the transmission mechanism of monetary policy. The long-term goal of reducing the spreads between interest rates will receive a boost from a recent scheme allowing non-bank financial institutions to deal in government securities. The development of the secondary market during the forecast period will bring greater competition and may reduce the interest-rate spread, making credit conditions more favourable.

Economic forecast

International assumptions

International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.8	-0.9	3.7	3.5
OECD	0.5	-3.4	2.0	1.6
EU27	0.7	-4.1	0.9	1.1
Exchange rates				
¥:US\$	103.4	93.7	88.0	87.0
US\$:€	1.470	1.393	1.345	1.368
SDR:US\$	0.629	0.646	0.650	0.644
Financial indicators				
¥ 3-month money market rate	0.85	0.38	0.30	0.63
US\$ 3-month commercial paper rate	2.18	0.26	0.55	1.50
Commodity prices				
Oil (Brent; US\$/b)	97.7	62.0	78.0	73.0
Coffee (robusta; US cents/lb)	105.2	74.6	68.8	66.8
Food, feedstuffs & beverages (% change in US\$ terms)	29.5	-20.6	2.0	-3.0
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	31.5	0.6

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

The global economy, which had its worst performance for decades in 2009, will recover slowly, and growth is forecast at 3.7% in 2010 before falling to 3.5% in 2011 as the effects of government stimulus packages wear off. The EU27—an important trading partner—is expected to fare worse, growing by a lacklustre

0.9% in 2010 and 1.1% in 2011. The world supply of coffee is expected to rise more quickly than demand over the forecast period. The price of robusta, Uganda's main coffee export, is therefore forecast to drop to an average of 68 US cents/lb in 2010-11. Oil prices have begun to pick up but are well below their peak in 2008; dated Brent Blend is forecast to rise to US\$78/barrel in 2010 before easing to US\$73/b in 2011, which will lower Uganda's import costs.

Economic growth

The economy showed resilience in 2009 and will continue to expand at a reasonable rate, relying on the industrial and services sectors. The performance of the agricultural sector, which accounts for a declining proportion of GDP but employs over 70% of the labour force, will largely depend on weather conditions. Construction activity will be strong, driven by donor-funded and privately financed building projects. The energy sector will attract unprecedented amounts of investment to Uganda, and an oil refinery and pipeline to the Kenyan coast now appear likely. Oil production will begin at modest levels in late 2010 but it will be another few years before the country is producing at targeted levels of around 150,000 barrels/day. Electricity shortages will be less frequent as expensive temporary thermal power is used to cover shortfalls, and the 250-mw Bujagali hydroelectric dam is expected to come on stream during the forecast period. We therefore forecast economic growth of 7% in 2010, rising to 8% in 2011 as foreign investment and regional demand pick up.

Inflation

Inflation is expected to ease back slowly over 2010-11 after two years of double-digit price rises. However, the heavy weighting of food in Uganda's consumer price index (27.2%) will place a floor under any fall in the inflation rate. Food inflation will be driven by regional demand (particularly from Southern Sudan and the DRC) and variable weather patterns, which will affect domestic food crop output. A loose monetary policy will fuel inflationary pressures as the authorities concentrate on supporting economic growth rather than tackling inflation. We forecast an average inflation rate of 9.1% in 2010, falling slightly to 8% in 2011 as better weather conditions in 2010 reduce food prices and the authorities tighten monetary policy slightly. However, the unpredictability of the El Niño weather pattern means that there is a risk of higher inflation if food crop production is negatively affected.

Exchange rates

We expect a more stable performance from the Ugandan shilling in 2010-11 following the large fluctuations in the currency in the wake of the global downturn. It appreciated by almost 20% during the second half of 2009, helped by a weakening of the US dollar, and has regained most of the ground that it lost during the financial crisis. This trend could continue as pressures to appreciate remain; faster economic growth and strong inflows of foreign exchange from remittances and investment (boosted by interest in the oil sector) will support the shilling. Nevertheless, these factors will be partly negated by pressure to depreciate; a widening current-account deficit will weaken the currency. Moreover, in a potential transformation of policy, the central bank suggested in December that it would intervene to limit any further appreciation of the shilling as it looks to support economic growth—a move away from its policy of intervening only to even out large fluctuations in the currency. If it does intervene, we expect any action to be limited to maintaining stability rather

than forcing a depreciation. We therefore forecast an average exchange rate of US\$1:US\$1 in 2010 and US\$1:US\$1 in 2011 as higher foreign investment boosts confidence in the currency. A significant devaluation could occur if relations with donors were to worsen dramatically or if increased instability in neighbouring Sudan or the DRC were to reduce demand for exports.

External sector After a fall in the structural trade deficit in 2009, Uganda's external imbalances will widen as import growth picks up. Export growth will be supported by regional trade—this accounts for more than one-half of total exports, and re-exports to Southern Sudan and the DRC are increasingly important—although a drop is expected in the value of coffee exports owing to falling global prices. After stagnating in 2009, the pace of import growth will quicken owing to a strong currency, higher oil prices and growing capital imports for infrastructure projects (particularly in the oil sector). Import costs will outpace the growth in exports, and the trade deficit will therefore widen in both years. We forecast a current-account deficit of 4.8% of GDP in 2010 and 5.7% of GDP in 2011. This will be partly financed by an increase in foreign direct investment (FDI) as oil-related FDI flows in.

Forecast summary

(% unless otherwise indicated)

	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Real GDP growth	8.3	6.6	7.0	8.0
Consumer price inflation (av)	12.1	13.1	9.1	8.0
Consumer price inflation (year-end)	14.3	10.9	9.0	7.0
Short-term interbank rate	20.5	21.6	19.5	19.0
Government balance (% of GDP) ^d	-2.0	-3.9	-3.0	-4.2
Exports of goods fob (US\$ m)	2,703.5	3,184.6	3,574.5	3,963.7
Imports of goods fob (US\$ m)	3,981.8	4,193.5	4,915.4	5,742.1
Current-account balance (US\$ m)	-845.5	-559.5	-1,009.6	-1,437.6
Current-account balance (% of GDP)	-5.1	-3.3	-4.8	-5.7
External debt (year-end; US\$ bn)	2.1 ^b	2.6	3.1	3.6
Exchange rate US\$:US\$ (av)	1,720.4	2,038.5	1,891.1	1,829.4
Exchange rate US\$:¥100 (av)	1,664.5	2,175.4	2,149.0	2,102.8
Exchange rate US\$:€ (year-end)	2,709.6	2,712.7	2,482.8	2,530.9
Exchange rate US\$:SDR (year-end)	2,931.1	2,991.3	2,866.8	2,836.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Fiscal years (July 1st-June 30th). Ratio calculated using government/IMF figures of GDP for the fiscal year.

Monthly review: March 2010

The political scene

The NRM loses the Mbale by-election on a split vote

Victory in the Mbale by-election for the Forum for Democratic Change (FDC) candidate, Jack Wamanga, less than a year before the next general election, will have alarmed the members of the ruling National Resistance Movement (NRM). Mr Wamanga polled 4,776 votes, against 3,875 for the official NRM candidate, John Wambogo, and 1,119 for an independent candidate (but NRM member), James Mutende. The results suggest that the NRM made a grave mistake by going against local sentiment and selecting Mr Wambogo as its candidate instead of Mr Mutende. Mr Wambogo appeared to be a good candidate, and as a nephew of the late James Wapakhabulo (foreign minister from 2001 until his death in 2004), he was steeped in party history. However, he was not well known in the constituency before the party engineered his selection. Meanwhile, Mr Mutembe was confident that he had widespread local support and decided to run on an independent platform, splitting the party vote. The winning margin of 901 votes was less than the number gained by Mr Mutende, suggesting that if only one of the NRM members had run, the party would have secured the victory. In contrast, the FDC ran a near-faultless campaign, capitalising on considerable public dissatisfaction with the poor supply of local services.

The new rules governing NRM primaries, under which candidates will be selected by a ballot of all the local members, rather than by an electoral college organised by the party, should reduce the number of members deciding to run against the official candidate in the general election when they take effect later in the year (February 2010, The political scene). The NRM, which has political control of the local council in Mbale, will be aware that this by-election was in effect thrown away, and yet it is in danger of repeating the mistake in the Rukiga by-election in March, where another disgruntled independent is to stand against the official candidate. Despite this upset, the NRM remains the favourite to form the next government, although the Mbale result was a warning of how things can go wrong if the party fails to maintain discipline, and it suggested that the outcome of the general election could be closer than previously appeared likely. For the FDC, the result provides a timely boost to morale following a period when it seemed to be haemorrhaging support to the NRM.

The by-election was marred by a shooting incident

Despite a lively and high-profile election campaign, the turnout at Mbale was less than 50%, possibly because the outcome held little practical significance for voters, with the general election so close. Apart from the result, the by-election also made news because of a shooting incident, in which a supporter of Mr Mutembe was wounded following a fracas involving the car he was travelling in and the bodyguards of an NRM junior minister in another car. The incident, which is being investigated, will have added to the concerns of donors, who will take a close interest in next year's polls. The head of the EU delegation in Uganda, Vincent Visscher, who is looking for "accountability, fairness and objectivity" in the coming elections, has already stated that the

current level of preparedness is unsatisfactory. It may have been the shooting incident, therefore, that prompted an unusual display of graciousness from the NRM in congratulating the FDC on its victory.

The DP selects Norbert Mao as its new leader

The Democratic Party (DP) looks to have given itself a chance of recovering some of its lost support by choosing Norbert Mao as its new leader at a delegates' conference in February. Mr Mao won the ballot convincingly against Nasser Ssebagala, the mayor of the capital, Kampala. He is young for a party leader (43) and comes from northern Uganda, where he is a local council chairman in Gulu district. The DP is Uganda's oldest political party, briefly forming a government in 1961, just before independence, but it has been in decline for more than a decade. It has been disadvantaged by its relatively narrow traditional power base (mainly Baganda Catholics), and was unable to match the wider national appeal of the NRM or the FDC. It has also been weakened by interminable in-fighting for control of the party, especially between the ageing, largely Kampala-based, traditional leadership and a youthful, more outward-looking group organised under the banner of the Uganda Young Democrats. During the last few years the internal wrangling resolved itself into a serious split between the two factions, each of which challenged the legitimacy of the other and seemed determined to go its own independent way, despite the attempts of a former party leader, Paul Ssemogerere, and others to reconcile the factions. The younger group ultimately succeeded in carrying out a pre-emptive coup by holding a delegates' conference at Mbale and electing Mr Mao as leader, with the equally youthful Mohammed Kezaala, the mayor of Jinja, installed as national chairman.

Mr Mao could be a credible presidential candidate

Mr Mao could broaden the appeal of the previously Buganda-centric DP, but he faces serious difficulties merely holding his party together in the short term. At first glance, the momentum appears to be with Mr Mao and his supporters; he has the backing of John Kizito, the DP leader from 2005 until his retirement in 2010. Mr Mao, a lawyer, is a serious and experienced politician, and under his direction the DP could well succeed in widening its support, for he is the first non-Muganda (and northerner) to hold the party leadership—something that would have been unimaginable two decades ago.

However, the DP seems determined to sabotage its best chance of electoral success. The proceedings at Mbale were boycotted by a traditionalist faction that includes most of the old national executive committee, who continue to reject Mr Mao and all the party officials elected with him as a splinter group and intend to hold their own conference in March. Mr Ssebagala took some more of the shine off Mr Mao's victory by quitting the DP to form a party specifically for Buganda, citing irregularities in the leadership ballot.

It also remains to be seen what stance Mr Mao will take towards the Inter-Party Co-operation (IPC), a group of opposition parties seeking to present a united front against the NRM in the 2011 elections, which the DP has so far refused to join (February 2010, The political scene). The IPC intends to choose a single candidate to challenge Mr Museveni for the presidency, with most tipping a twice-defeated presidential candidate, Kizza Besigye of the FDC. However, Mr Mao harbours ambitions for the top job and is likely to be unwilling to stand aside,

thus highlighting the opposition's biggest problem and the NRM's best chance of holding onto power. If Mr Mao can unite his party around him, admittedly a tall order, he would be in a strong bargaining position to strike a deal with the IPC for a high-profile position in the election campaign, if not the role of presidential candidate.

Economic policy

Rural development policies are to be tweaked

Two changes are to be introduced this year to the government's policies for modernising agriculture, as the authorities continue to struggle to raise agricultural production. First, the National Agricultural Advisory Services (NAADS) programme will be extended to benefit more farmers but with smaller grants. This substantial programme—US\$40bn (US\$21m) has been invested so far, with US\$500bn budgeted up to 2014—has come under strong criticism, with some saying that the plan to invest in model farms throughout the country has benefited only NAADS officials, together with their friends and families. Following a review of the policy that was launched in October 2009, the programme to set up model farms will end and packages of free inputs (equipment, seeds and livestock) will be smaller, but will go to more farmers.

In a second change to agriculture policy, the government announced recently that it will in future channel funds directly to savings and credit co-operatives (SACCOs) rather than through intermediary microfinance companies. SACCOs were supposed to be an effective way of providing micro-finance to farmers, many of whom have no collateral to secure a loan. However, the micro-finance institutions set up to intermediate the allocation of funds have been disappointing, sometimes charging as much as 48% interest on government money costing them only 9%.

Despite the decline in agriculture as a share of total economic output, it remains the most important of the country's productive resources. Output from the monetary food-crop sector alone is worth more than any other sector outside of construction and retail, and agricultural commodities remain the most important locally derived exports. However, growth rates in agriculture are below the average for the economy as a whole. The sector has suffered more than others from the ravages of HIV/AIDS and its performance is still overly dependent on rainfall, but there are significant opportunities for expansion. Moreover, with perhaps 80% of the population located in rural areas and involved to some extent in agricultural production, growth in output would have a large direct impact on the level of poverty.

The programme for the north enters its second phase

The second phase of the Northern Uganda Social Action Fund (NUSAF) was launched at the beginning of February amid signs that some of the funds provided were going missing. Around US\$100m was provided in the first stage of this World Bank-financed programme, mainly for improving services and support for vulnerable communities in the former war zone terrorised by the rebel Lord's Resistance Army (comprising 40 districts across the north in Acholi, Bukedi, Bunyoro, Elgon, Karamoja, Lango, Teso and West Nile).

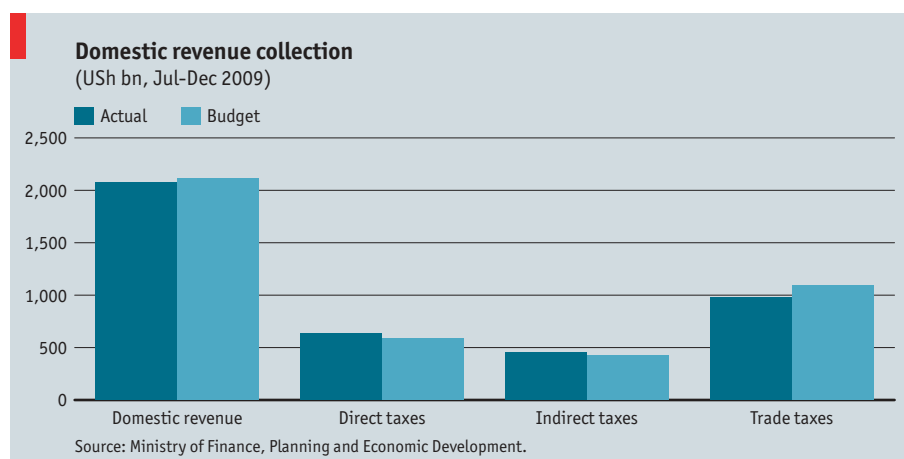
However, it is not clear how successful the scheme has been so far. The World Bank says that at least US\$3.3bn (US\$1.62m) of spending had not been accounted for by September 2009, including US\$2.5bn directed towards community initiatives. The Bank plans to set up an office in the region to monitor the second phase of the programme, which will provide a further US\$100m towards three components; livelihood investment support, community infrastructure rehabilitation and institutional development. Disbursement of funds will be suspended to any district where corruption is discovered unless sufficient action is taken to deal with the culprits.

Launching the second phase, the president, Yoweri Museveni, said that his government would also be spending its own resources on a range of developments across the northern region, including the upgrade of roads and electricity supply. US\$1.1trn (US\$508m) of funding was earmarked for the region over three years under a parallel programme, the Northern Uganda Peace, Recovery and Development Plan (July 2009, Economic policy) beginning in 2009, but the government has consistently failed to deliver on past pledges to direct more resources to the region and this has become a bone of contention with donors.

Economic performance

Government revenue increases by around 20%

The Uganda Revenue Authority (URA) fell just shy of the government's ambitious revenue projections for the first half of fiscal year 2009/10 (July-June). Compared with the half-year estimate of US\$2.12trn (US\$1.12bn), actual collections fell around 2% short, at US\$2.07trn. Matched against the same period of the previous year, however, it represented an improvement of about 20%. The shortfall was due to lower-than-expected revenue from international trade, especially import duties. Other revenue headings were ahead of target: domestic direct taxes by about 7% and indirect taxes by about 5%. International trade taxes contribute around one-half of total revenue, of which petroleum and other import duties account for 25%. Although petroleum duties were close to projections, other import duties fell short by more than 20%.



The URA blamed the shortfall in trade-related revenue on unexpectedly low levels of domestic consumption and, particularly, the strength of the shilling

against the US dollar. Following the depreciation of the shilling early in 2009, the URA fixed its 2009/10 exchange rate at US\$2,292:US\$1. However, the shilling strengthened progressively from US\$2,110:US\$1 in July to US\$1,871:US\$1 by November, and averaged US\$1,968:US\$1 for the first half of 2009/10. The strength of the currency means that when tariffs charged in US dollars are converted back into Ugandan shillings, they are worth less than they would be at a weaker exchange rate. The shilling has weakened in the past few months and the URA expects the revenue position to improve during the second half of the financial year, boosted by higher income from trade taxes. Despite the relatively healthy state of the public finances, a proposed supplementary budget of US\$300bn (US\$158.6m), which would have raised spending by around 4%, was rejected in February by the cross-party parliamentary budget committee, as it was insufficiently aligned with priority spending areas such as social services, health and education.

A new joint committee will supervise trade with Sudan

A joint trade committee was established in February between Uganda and Sudan to address trade problems, marking recognition of the growing importance of trade between the two countries and the absence of formal regulation structures on the border. Sudan has emerged as Uganda's main export destination in recent years, overtaking Kenya in 2006. In 2008, the latest year for which annual data are available, Sudan accounted for 14.3% of formal exports (US\$245m), compared with the 9.5% that went to Kenya. Trade increased steadily after the establishment of South Sudan as an autonomous region in 2005, and surged with security improvements on both sides of the border following the sidelining of the rebel Lord's Resistance Army and a rise in demand from returning Sudanese refugees. The value of Uganda's formal exports to Sudan in 2008, mainly agricultural commodities, was more than ten times the value in 2004. Informal exports have grown even faster but the system of data collection is rudimentary. A survey of informal crossborder trade estimated export earnings of US\$909m in 2008, almost a doubling of informal exports from the previous year. However, these figures come with a large caveat: they are based on only two weeks of border monitoring during each month of the year excluding June, and the Nimule/Bibia crossing point and the Juba bus terminals in Arua and Kampala were included for the first time in 2008. Nonetheless, even accounting for these difficulties with the data, trade with Sudan is clearly crucial for the country and this trend will continue as long as peaceful conditions can be maintained, stoking growing demand.

Chinese and French oil giants enter the Ugandan oil industry

A UK-listed company, Tullow Oil, is seeking to enter into partnership with both the China National Offshore Oil Corporation (CNOOC) and the French oil giant Total, bringing an end to a degree of uncertainty that has been present in the fledgling oil sector since Tullow exercised its right to buy out its partner, Heritage Oil (February 2010, Economic performance). Fred Kabagamba Kaliisa, the permanent secretary at the Ministry of Energy, told the parliamentary natural resources committee that the three companies had been invited to submit their development plans to the government. He also called for the formation of a national oil company to increase Uganda's participation in the exploitation of its oil resources. The involvement of three large multinationals reflects the large potential as well as the high costs of getting the oil to market

in Uganda and the significant investment this will require. The latest government estimates forecast medium-term development costs of US\$8bn; US\$200m for further drilling, US\$300m for power generation and transmission, US\$1.5bn for oil processing and transportation equipment, US\$2bn for refinery construction and US\$4bn for storage and pipeline infrastructure. The authorities will have been encouraged by the announcement from the chief executive officer of Tullow, Aidan Heavey, that the current production target of 150,000 barrels per day (b/d) could be more than doubled to 350,000 b/d by 2018 "if the right development plan is selected".

Data and charts

Annual data and forecast

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
GDP							
Nominal GDP (US\$ m)	10,040	11,011	13,548	16,472	16,725	20,997	25,200
Nominal GDP (US\$ bn)	17,878	20,166	23,350	28,339	34,095	39,708	46,101
Real GDP growth (%)	10.0	7.1	8.2	8.3	6.6	7.0	8.0
Expenditure on GDP (% real change)							
Private consumption	8.1	12.3	4.6	10.1	4.5	4.8	4.5
Government consumption	4.5	3.7	-2.6	4.8	4.0	4.3	5.0
Gross fixed investment	20.2	11.0	15.4	-0.2	3.0	5.0	10.0
Exports of goods & services	21.4	-6.3	48.2	38.1	11.0	19.0	20.0
Imports of goods & services	16.8	17.2	17.4	20.9	1.0	8.0	10.0
Origin of GDP (% real change)							
Agriculture	2.5	-1.8	1.7	2.3	3.4	2.5	3.5
Industry	16.5	6.4	7.9	8.8	5.3	6.0	6.0
Services	8.8	10.3	8.0	10.6	8.2	9.2	9.8
Population and income							
Population (m)	28.7	29.7	30.6	31.7	32.7	33.8	34.9
GDP per head (US\$ at PPP)	1,005	1,106 ^b	1,183 ^b	1,274 ^b	1,365	1,426	1,498
Fiscal indicators (% of GDP)							
Central government budget revenue	20.9	17.7	19.1	16.2	15.9	16.5	18.3
Central government budget expenditure	21.6	19.9	20.9	18.2	19.8	19.5	22.6
Central government budget balance	-0.7	-2.2	-1.9	-2.0	-3.9	-3.0	-4.2
Public debt	51.2	18.2	20.3	20.4 ^b	21.8	21.1	20.8
Prices and financial indicators							
Exchange rate US\$:US\$ (av)	1,781	1,831	1,723	1,720	2,039	1,891	1,829
Exchange rate US\$:€ (av)	2,218	2,300	2,359	2,529	2,840	2,544	2,502
Consumer prices (av; %)	8.5	7.3	6.1	12.1	13.1	9.1	8.0
Stock of money M1 (% change)	21.0	17.7	21.0	26.4	24.9	21.8	22.1
Stock of money M2 (% change)	17.2	16.9	22.0	30.8	23.9	20.0	19.6
Lending interest rate (av; %)	19.7	18.7	19.1	20.5	21.6	19.5	19.0
Current account (US\$ m)							
Trade balance	-729	-1,028	-959	-1,278	-1,009	-1,341	-1,778
Goods: exports fob	1,017	1,188	1,999	2,704	3,185	3,575	3,964
Goods: imports fob	-1,746	-2,216	-2,958	-3,982	-4,194	-4,915	-5,742
Services balance	-129	-287	-438	-519	-527	-834	-1,063
Income balance	-249	-239	-249	-288	-286	-378	-478
Current transfers balance	1,037	1,115	1,108	1,240	1,263	1,544	1,882
Current-account balance	-70	-438	-538	-846	-560	-1,010	-1,438
External debt (US\$ m)							
Debt stock	4,427	1,265	1,611	2,110 ^b	2,584	3,059	3,577
Debt service paid	188	115	67	87 ^b	87	91	87
Principal repayments	152	85	51	63 ^b	60	64	61
Interest	36	30	16	24 ^b	28	27	26
International reserves (US\$ m)							
Total international reserves	1,344	1,811	2,560	2,301	3,037	3,796	4,669

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2007	2008				2009		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Prices								
Consumer prices (2000=100)	117.0	120.3	126.2	130.2	133.9	137.8	142.2	147.1
Consumer prices (% change, year on year)	5.6	7.6	11.1	15.0	14.4	14.5	12.7	13.0
Financial indicators								
Exchange rate USh:US\$ (av)	1,722	1,701	1,645	1,634	1,902	1,997	2,187	2,048
Exchange rate USh:US\$ (end-period)	1,697	1,694	1,619	1,670	1,949	2,118	2,064	1,924
Bank rate (end-period; %)	14.7	15.0	16.2	16.2	19.4	12.7	10.6	11.9
Deposit rate (av; %)	9.6	10.7	11.1	10.3	10.6	10.3	9.7	9.8
Lending rate (av; %)	18.8	19.7	20.4	22.2	19.5	20.2	21.8	21.1
Treasury-bill rate (av; %)	7.7	8.1	7.9	8.3	10.0	9.3	6.0	6.9
M1 (end-period; USh bn)	2,287	2,399	2,501	2,582	2,892	2,870	2,978	n/a
M1 (% change, year on year)	21.0	21.8	25.6	20.5	26.4	19.6	19.1	n/a
M2 (end-period; USh bn)	4,423	4,789	5,038	4,997	5,786	5,981	6,298	n/a
M2 (% change, year on year)	22.0	23.6	31.1	19.4	30.8	24.9	25.0	n/a
Sectoral trends (US\$ m)								
Coffee exports	68.0	113.0	97.0	110.0	78.0	87.0	63.0	65.0
Fish exports	42.0	47.0	63.0	47.0	43.0	36.0	39.0	38.0
Foreign trade (US\$ bn)								
Exports fob	728	1,289	1,469	996	n/a	n/a	n/a	n/a
Imports cif ^a	1,791	1,797	2,123	2,201	n/a	n/a	n/a	n/a
Trade balance	-1,063	-508	-654	-1,205	n/a	n/a	n/a	n/a
Foreign payments (US\$ m)								
Merchandise trade balance	-172.6	-164.7	-253.6	-459.0	-401.0	-171.1	94.9	n/a
Services balance	-167.5	-105.4	-154.9	-113.9	-144.9	-193.2	-193.0	n/a
Income balance	-65.0	-52.6	-101.2	-60.0	-74.5	-93.8	-83.3	n/a
Net transfer payments	409.8	290.5	264.5	302.0	383.4	282.8	246.5	n/a
Current-account balance	4.7	-32.2	-245.2	-330.9	-237.0	-175.3	65.1	n/a
Reserves excl gold (end-period)	2,560	2,657	2,685	2,542	2,301	2,422	2,442	2,985

^a Cash basis.

Sources: IMF, *International Financial Statistics*; Uganda Bureau of Statistics.

Monthly data

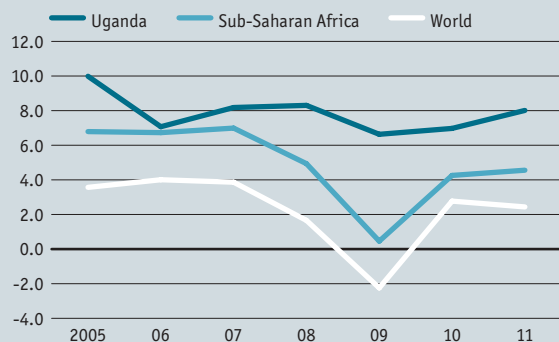
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate USh:US\$ (av)												
2007	1,792	1,752	1,751	1,729	1,695	1,644	1,653	1,737	1,763	1,747	1,708	1,712
2008	1,711	1,708	1,684	1,687	1,648	1,601	1,634	1,624	1,645	1,839	1,910	1,956
2009	1,976	1,965	2,052	2,176	2,248	2,137	2,111	2,072	1,962	1,898	1,874	n/a
Exchange rate USh:US\$ (end-period)												
2007	1,760	1,735	1,747	1,727	1,693	1,590	1,662	1,785	1,752	1,735	1,739	1,697
2008	1,726	1,692	1,694	1,682	1,628	1,619	1,641	1,645	1,670	1,881	1,974	1,949
2009	1,962	1,980	2,118	2,227	2,234	2,064	2,104	2,056	1,924	1,884	1,871	n/a
Exchange rate USh:€ (av)												
2007	2,329	2,291	2,319	2,336	2,292	2,206	2,269	2,367	2,452	2,487	2,507	2,492
2008	2,519	2,521	2,614	2,657	2,563	2,491	2,575	2,428	2,359	2,439	2,434	2,643
2009	2,617	2,514	2,677	2,872	3,067	2,995	2,974	2,955	2,859	2,813	2,793	n/a
M1 (% change, year on year)												
2007	16.4	17.7	21.2	19.4	18.3	16.7	20.7	17.5	20.8	9.4	20.6	21.0
2008	23.5	27.5	21.8	26.9	20.1	25.6	25.0	24.8	20.5	21.4	24.1	26.4
2009	21.5	19.5	19.6	17.8	22.5	19.1	15.3	16.2	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
2007	17.8	19.3	25.2	23.2	20.1	17.4	17.4	16.6	22.0	16.9	23.6	22.0
2008	27.0	30.1	23.6	26.4	28.6	31.1	28.9	24.6	19.4	26.3	23.8	30.8
2009	25.8	19.1	24.9	24.5	23.9	25.0	23.6	25.7	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2007	8.8	10.4	9.3	8.1	9.6	9.8	8.3	9.0	9.0	9.0	9.8	10.1
2008	11.0	11.1	10.0	11.0	11.5	10.9	10.9	10.9	9.1	8.7	11.5	11.6
2009	11.2	10.7	9.0	9.8	8.7	10.7	10.8	10.1	8.5	9.5	n/a	n/a
Lending rate (av; %)												
2007	18.9	18.8	19.2	18.9	19.7	19.4	19.4	19.7	19.0	19.9	18.3	18.2
2008	19.4	19.5	20.1	21.2	19.9	20.2	22.0	23.3	21.2	20.2	19.4	19.0
2009	18.9	20.7	21.0	21.4	22.2	21.8	21.0	21.8	20.7	20.4	n/a	n/a
Uganda Securities Exchange all share index												
2007	960.2	894.0	857.5	911.9	846.1	846.8	824.4	891.4	n/a	842.6	974.8	1,039.9
2008	846.0	853.6	987.6	1,051.3	1,067.6	1,095.9	1,032.1	981.9	923.6	815.1	785.2	779.3
2009	725.2	597.3	652.7	712.8	714.1	790.8	817.5	754.1	724.3	703.7	703.6	732.5
Consumer prices (av; % change, year on year)												
2007	9.1	8.3	6.0	7.2	5.6	5.9	5.4	4.4	5.1	6.2	5.5	5.2
2008	6.6	7.8	8.6	9.4	11.2	12.6	14.0	15.9	15.3	14.3	14.7	14.3
2009	14.5	15.0	14.1	13.4	12.4	12.4	11.7	12.5	14.6	13.5	12.0	10.9
Total exports fob (US\$ m)												
2007	118.8	117.6	160.5	124.9	154.0	141.8	138.5	137.6	125.9	134.5	142.3	146.1
2008	241.4	255.9	260.6	295.8	326.5	269.9	244.8	215.6	149.5	162.1	233.5	n/a
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total imports cif (US\$ m)												
2007	268.4	239.8	252.5	259.7	292.6	290.2	315.2	335.0	298.4	358.3	370.7	310.8
2008	309.3	369.5	378.2	421.5	446.1	422.9	442.5	471.2	433.4	460.1	392.6	n/a
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Trade balance fob-cif (US\$ m)												
2007	-149.5	-122.2	-92.0	-134.8	-138.6	-148.5	-176.7	-197.4	-172.4	-223.8	-228.4	-164.8
2008	-67.8	-113.6	-117.6	-125.7	-119.6	-153.1	-197.7	-255.6	-283.9	-298.0	-159.2	n/a
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US\$ m)												
2007	1,821	1,871	1,896	1,942	1,946	2,091	2,099	2,206	2,164	2,165	2,185	2,560
2008	2,618	2,613	2,657	2,645	2,626	2,685	2,663	2,561	2,542	2,351	2,264	2,301
2009	2,343	2,294	2,422	2,262	2,478	2,442	2,577	2,862	2,985	3,005	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics; Uganda Securities Exchange.

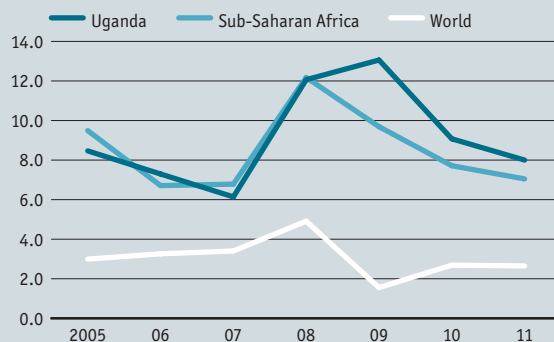
Annual trends charts

Real GDP growth
(% change)



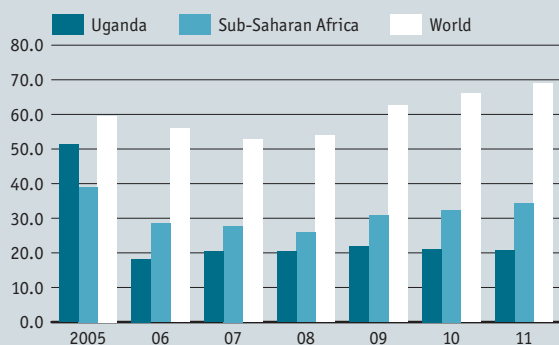
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



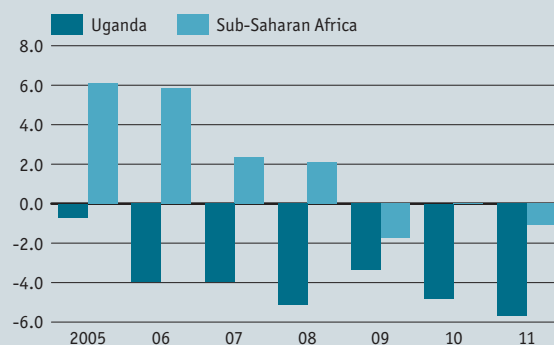
Source: Economist Intelligence Unit.

Public debt
(% of GDP)



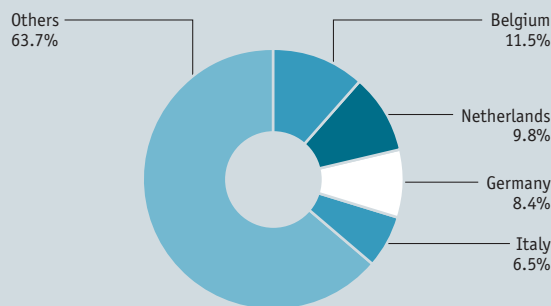
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



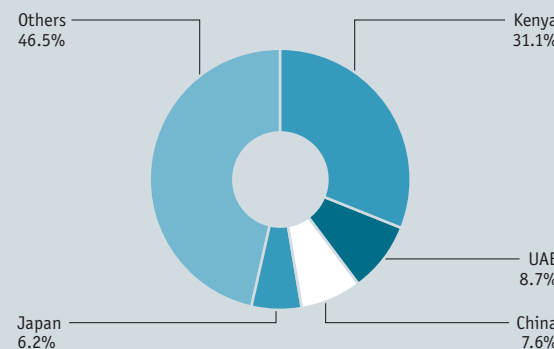
Source: Economist Intelligence Unit.

Main destinations of exports, 2008
(share of total)



Source: Economist Intelligence Unit.

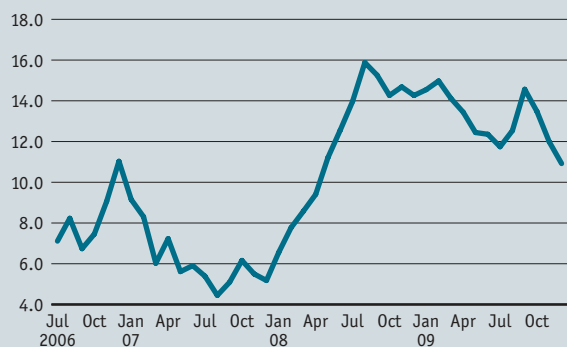
Main origins of imports, 2008
(share of total)



Source: Economist Intelligence Unit.

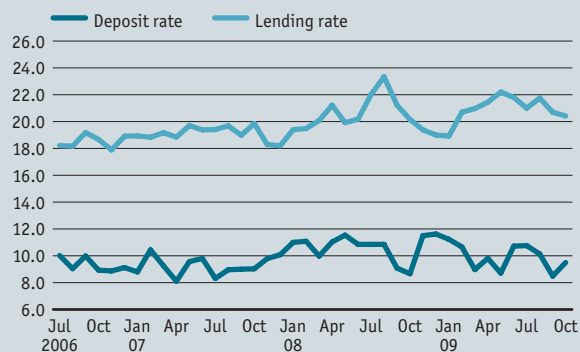
Monthly trends charts

Consumer price inflation
(% change, year on year)



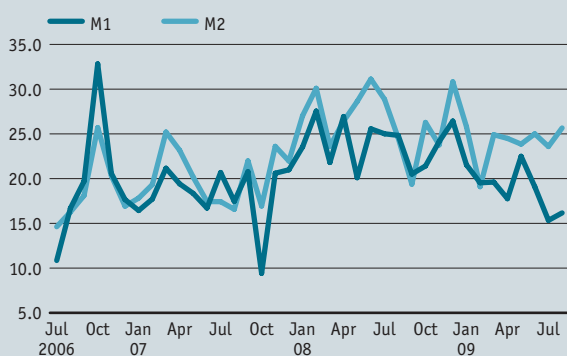
Source: Economist Intelligence Unit.

Interest rates
(av; %)



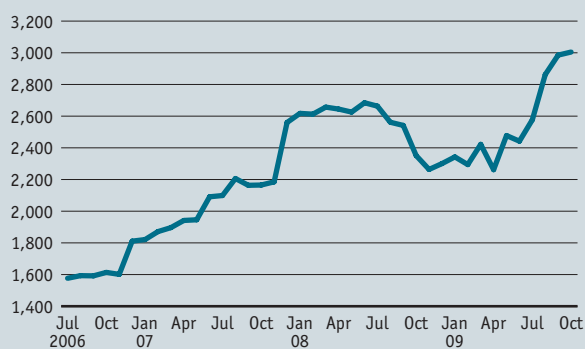
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US\$ m)



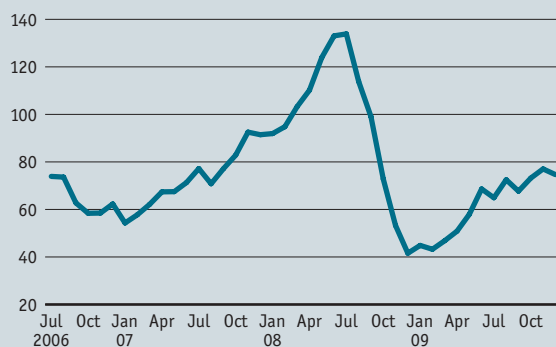
Source: Economist Intelligence Unit.

Coffee: Robusta, ICO price
(US cents/kg)



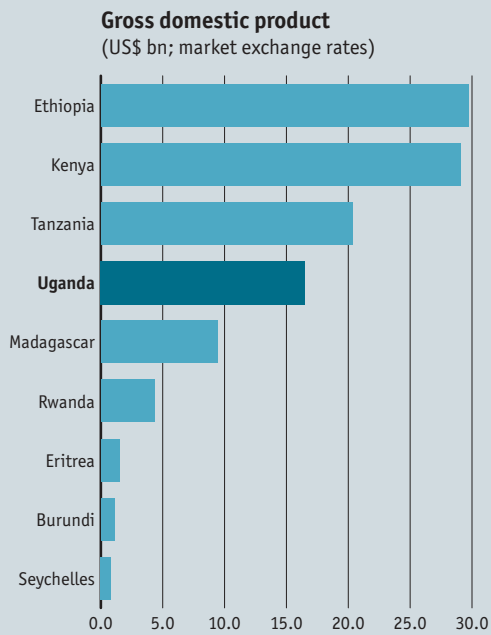
Source: Economist Intelligence Unit.

Oil: Brent crude price
(US\$/b; av)

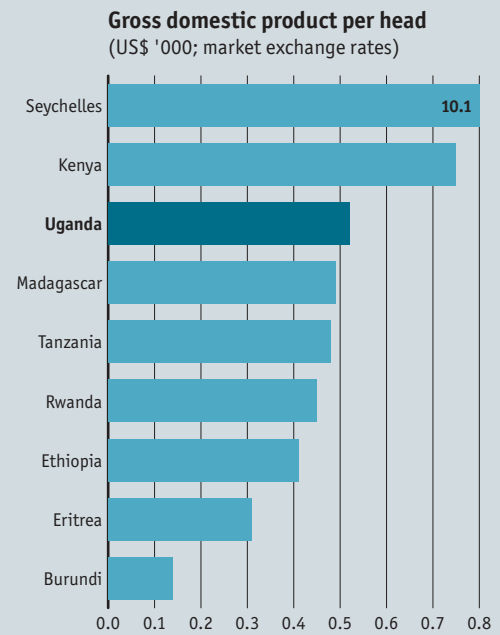


Source: Economist Intelligence Unit.

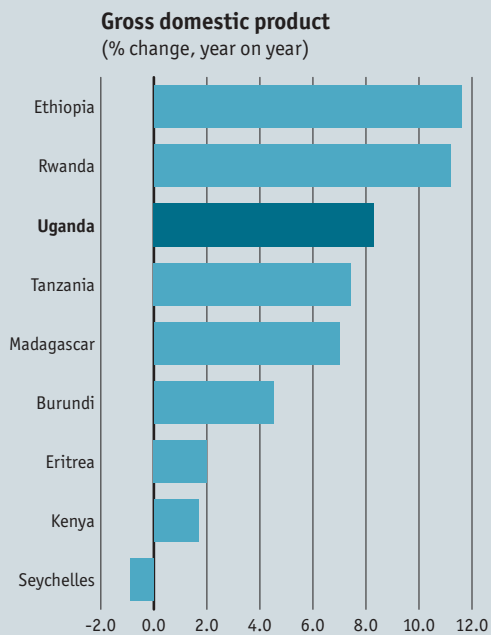
Comparative economic indicators, 2008



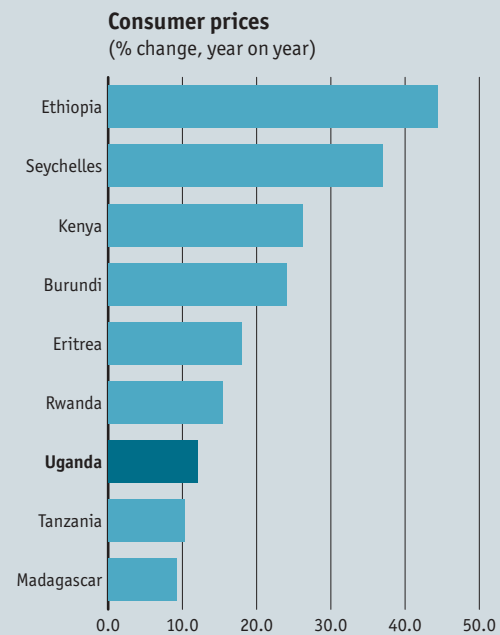
Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area	197,000 sq km		
Population	31.7m (2008, IMF mid-year estimate)		
Main towns	Population in '000 (2002 census)		
	Kampala (capital)	1,200	Entebbe 43
	Jinja	65	Mbarara 41
	Mbale	54	Soroti 41
	Masaka	50	Gulu 38
Climate	Tropical		
Weather in Kampala (altitude 1,312 metres)	Hottest month, January, 18-28°C (average daily minimum and maximum); coldest month, July, 17-25°C; driest month, July, 46 mm average rainfall; wettest month, April, 175 mm average rainfall		
Languages	English, Swahili, Luganda and other local languages		
Measures	Metric system		
Currency	Uganda shilling (USh); average exchange rate in 2008: USh1,720:US\$1		
Time	3 hours ahead of GMT		
Fiscal year	July 1st-June 30th		
Public holidays	January 1st; January 26th (National Resistance Movement Victory Day); March 8th (Women's Day); Good Friday; Easter Monday; Id al-Fitr; May 1st (Labour Day); June 3rd (Martyrs' Day); June 9th (Heroes' Day); Id Adhuda; October 9th (Independence Day); December 25th; December 26th		

Political structure

Official name	Republic of Uganda	
Form of state	Unitary republic	
Legal system	Based on English common law and the 1995 constitution	
National legislature	Parliament of Uganda; 319 members: 215 are elected by universal suffrage; the remainder represent special interest groups, including the army, women, workers, youth and the disabled; all serve five years	
National elections	February 2006 (presidential and legislative); next elections expected in 2011	
Head of state	President, elected by universal suffrage for a five-year term	
National government	The president and his appointed cabinet; a new government was announced in May 2006, following the February elections; last reshuffle February 2009	
Main political parties	The National Resistance Movement (NRM) dominates the political scene and has a large parliamentary majority; the Forum for Democratic Change (FDC) emerged from within the NRM and is now the largest opposition party; the main traditional political parties, the Democratic Party (DP) and the Uganda People's Congress (UPC), have declined into near-obscurity	
	President & commander-in-chief	Yoweri Museveni
	Vice-president	Gilbert Bukenya
	Prime minister	Apollo Nsibambi
	First deputy prime minister & minister for East African affairs	Eriya Kategaya
	Second deputy prime minister & minister of public service	Henry Kajura
	Third deputy prime minister & minister of internal affairs	Kirunda Kivejinja
Key ministers	Agriculture, animal industries & fisheries	Hope Mwesigye
	Defence	Crispus Kiyonga
	Education & sports	Geraldine Bitamazire
	Energy & minerals development	Hillary Onek
	Finance, planning & economic development	Syda Bbumba
	Foreign affairs	Sam Kutesa
	Gender, labour & social development	Gabriel Opio
	Health	Stephen Mallinga
	Information & national guidance	Matsiko Kabakumba
	Justice & attorney-general	Khiddu Makubya
	Local government	Adolf Mwesigye
	Security	Amama Mbabazi
	Trade, tourism & industry	Kahinda Otafiire
	Water & environment	Maria Mutagamba
	Without portfolio	Dorothy Hyuha
	Works & transport	John Nasasira
Central bank governor	Emmanuel Tumusiime-Mutebile	