McNamara Papers

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U G A N D A

Brief for Mr. McNamara's Visit - January 1970

CONTENTS

PROGRAMME OF Mr.McNAMAR'S VISIT TO UGANDA

January, 11th to 14th, 1970

Sunday, January 11th

16.45	Fly to Entebbe by chartered plane.
18.30	Arrive Entebbe, Uganda.
18.45	Drive to Kampala.
19.30	Arrive Kampala.
	Evening Free.
Overnight	Apolo Hotel, Kampala.

Monday, January 12th

08.45	Depart for His Excellency the President's Office, accompanied by Minister Kalule-Settala.
09.00	Meeting His Excellency the President.
10.00 - 12.00	Meeting with the following Ministers dealing with Development affairs:-

(VENUE: CONFERENCE HALL IN PARLIAMENT BUILDINGS)

H.E. The Vice-President/Minister of	Animal Industry Game & Fisheries.
Hon.L. Kalule-Settala	- Minister of Finance.
Hon. J.M. Okae	- Minister of Planning & Economic Development.
Hon. J.B. Kakonge	- Minister of Agriculture and Forestry.
Hon.W.W. Kalema	- Minister of Commerce and Industry.
Hon.S.J. Luyimbzi-Zake	- Minister of Education.
Hon. S.N. Odaka	- Minister of Foreign Affairs.
Hon. J.N.K. Wakholi	- Minister of Public Service & Cabinet Affairs.

Monday, 12th (cont'd)

	Hon.E.Y. Lakidi	- Minister of Labour.
	Hon. S.K. Nkutu	- Minister of Works Communications & Housing.
	Hon. J.W. Lwamafa	- Minister of Health.
	Hon. E.M. Babumba	- Minister of Marketing and Co-operatives.

12.00	Working Luncheon with the Ministers at Apolo Hotel.
15.00 - 16.15	Meeting with the Chairman Uganda Development Corporation (Mr. S. Nyanzi) and senior officials of the Corporation, together with the Hon.Kalema, Minister of Commerce and Industry, Secretary to the Treasury and Secretary for Planning. (VENUE: BOARD ROOM, UGANDA DEVELOPMENT CORPORATION)
16.30 - 18.15	Discussion with representative of:-
(16.30 - 17.30)	Coffee Marketing Board. Lint Marketing Board. Produce Marketing Board, and officials of the Ministries of Marketing and Co-operatives and Agriculture and Forestry.
(17.30 - 18.15)	Managing Director, Dairy Industry Corporation. General Manager, Uganda Tea Growers Corporation, and officials of the Ministry of Animal Industry Game and Fisheries and the Ministry of Agriculture and Forestry. (VENUE:CONFERENCE HALL, PARLIAMENT BUILDING)
	Evening Free.
Overnight	Apolo Hotel.

VIII [illegible]
Russ [illegible]

Tuesday, January 13th

08.00	Drive to Jinja, accompanied by Hon. W.W. Kalema, Minister of Commerce and Industry, and Mr. S. Nyanzi, Chairman Uganda Development Corporation, Mr,Kironde Chairman, Uganda Electricity Board and officials of the Ministry of Finance.
09.00	Arrive at Jinja.
09.00 - 12.00	Visit various Uganda Development Corporation Industries in Jinja and the Owen Falls Power Station.

[illegible] asked why [illegible] were so high [illegible] the [illegible]

[illegible] sales [illegible] added value [illegible] 65% [illegible]

..13

Tuesday, January 13th (cont'd)

12.00	Drive to Kampala.
13.00	Arrive Kampala - Luncheon at Aprolo Hotel.
14.30	Meeting with representatives of the Private Sector; (VENUE:CONFERENCE HALL PARLIAMENT BUILDINGS) Mr. Mboijana - Lawyer and Company Director. Mr. Ssentongo - Formerly Secretary to the Treasury and now Businessman. *Said to be 2nd largest businessman in Uganda* Mr. S, Mukasa - Of Shell B.P. Mr. Ntende - Businessman. Mr. Ballantyre-Evans -Uganda Company Ltd. Mr. Mehta. *Best businessman I met - also politically sensitive (member Parliament)* Mr. Madhvani The Hon.W.W. Kalema, Minister of Commeree and Industry will be in attendance. *young but*
16.30	Drive to Makerere University College.
16.45 - 18.15	Visit Makere University College, meet Principal, Dean of Faculty of Agriculture and Heads of Departments of Economics and Rural Economy, later meeting with representatives of students Guild. The Hon. J.S. Luyimbazi-Zake, Minister of Education will accompany Mr. McNamara.
18.15	Drive to Apolo Hotel.
19.30 - 21.00	Government Reception, in Member's Lounge, Parliamentary Building.
Overnight	Apolo Hotel.

Wednesday, 14th January.

~~07.00~~ 0630	Leave ~~Kampala~~ Entebbe for Arua by Charter Plane. Accompanied by the Minister of Finance the Minister of Agriculture and Forestry, the Minister of Information Broadcasting and Tourism, and the Minister of Marketing and Co-operatives.
08.30 - 10.30	Visit Tobacco project.
10.30	Fly to Murchison Falls. Fly over power station area. (Mr. Kironde to accompany party).

I met with [illegible] Bank, [illegible] on work of Murchison Falls - their consult, comm. etc.

../4

Look clear at def of role of public vs private enterprise in [illegible] devel.
"a time of political re-thinking"

I am trying to reduce power of Jewish [illegible] industries.
"There is lack of local entrepreneurship" per Mehta.

XI [illegible]
(1) [illegible]
(2) [illegible]

Wednesday, 14th January (cont'd)

11.00	Arrive Murchison Falls. Drive to Falls, game viewing on route. Accompanied by the Minister of Information, Broadcasting and Tourism.
13.30	Lunch at Parra lodge.
14.30 - 17.00	Boat trip up the Nile River accompanied by the Minister of Information Broadcasting and Tourism.
17.15	Leave for Kampala by plane.
	Evening Free.
Overnight	Apolo Hotel.

Thursday, January 15th.

07.00	Drive to Entebbe Airport.
08.00	Leave Entebbe for Kisumu by Chartered plane.

MINISTRY OF FINANCE

10th January, 1969.

UGANDA

Monday, January 12

08.45	Depart for Vice President's Office accompanied by Minister Kalule-Settala
09.00	Meeting with Vice President Babiiha
10.00-12.00	Meeting with Ministers dealing with developmental affairs. The group may include: Mr. Kalule-Settala - Finance Mr. Okae - Planning Mr. Kakonge - Agriculture Mr. Kalema - Commerce and Industry And few others
12.30	Small working luncheon with Ministers
15.00-16.15	Meeting with Chairman (Mr. S. Nyanzi) and senior officials of Uganda Development Corporation (UDC)
16.30-18.15	Discussion on agricultural development problems with representatives of:
(16.30-17.30)	Coffee Marketing Board Lint Marketing Board Produce Marketing Board Mr. J.S. Laker, Permanent Secretary, Ministry of Agriculture & Forestry and Mr. C.H.M. Barlow, Permanent Secretary, Ministry of Marketing & Co-operatives will be present
(17.30-18.15)	Dairy Industry Corporation Uganda Tea Growers Corporation Mr. J.S. Laker, Permanent Secretary, Ministry of Agriculture & Forestry and Mr. E.M.S. Kate, Permanent Secretary, Ministry of Animal Industry, Game and Fisheries will be present.
	Evening Free
Overnight	Apolo Hotel

UGANDA

Tuesday, January 13

08.00	Drive to Jinja (important industrial town) by car. Minister W.W. Kalema (Commerce & Industry), Mr. Nyanzi (Chairman, UDC), and Mr. Kironde (Chairman, UEB) will accompany Party
09.00	Arrive at Jinja
09.00-11.15	Visit Nyanza Textiles, copper refinery including brief visits to plants; if time permits, visit to Owen Falls power station
12.00	Drive to Kampala
13.00	Arrive at Kampala - Luncheon Free
14.30	Individual meetings with private sector: Mr. Mboijana - Lawyer and Company Director Mr. Ssentongo - Formerly Secretary to the Treasury and now Businessman Mr. S. Mukasa - Chairman, Coffee Board Group Chairman - Uganda Company Ltd. Mr. E. Ntende - Prominent Businessman Mr. B. Evans - Uganda Company Ltd. Mr. Mehta - Member of Parliament and a leading industrialist Mr. Madhwani - Leading industrialist
16.30	Drive to Makerere University College
16.45-18.15	Visit Makerere University College, meet Principal, Dean of Faculty of Agriculture, and Heads of Departments of Economics and Rural Economy, and Student Guild representatives
18.15	Drive to Apolo Hotel
19.30-21.00	Vice President Babiiha's reception
Overnight	Apolo Hotel

UGANDA

Wednesday, January 14

07.00	Leave Kampala for Arua by Government plane(s). Minister Kalule-Settala (Finance), Minister Balinda (Agriculture & Forestry) and Minister Ojera (Information, Broadcasting and Tourism) will accompany Party.
08.30-10.30	Visit tobacco project (Tobacco is already being grown in the area by peasant farmers. We have recently appraised a project which envisages a substantial increase in production)
10.30	Fly to Murchison Falls. Fly over power project area (Mr. Kironde of the Uganda Electricity Board to accompany Party)
11.00	Arrive Murchison Falls. Drive to Falls. Game viewing en route to Falls (a representative of the Ministry of Tourism to accompany Party)
13.30	Private lunch at Paraa Lodge
14.30-17.00	Boat trip up the Nile river accompanied by Chief Game Warden
17.15	Leave for Entebbe by plane
18.30	Arrive Entebbe and drive to Kampala
19.30	Arrive Kampala
	Evening Free
Overnight	Apolo Hotel

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U G A N D A

BASIC DATA

Area: 91,076 sq. miles (land area 74,712 sq. miles)

Population: (1969) 9.5 million

Rate of growth: approx. 3% p.a.
Population density (per sq. mile of land area): 127

Political status:

Independent Since October 9, 1962
Member of Commonwealth

Gross National Product (1967) : $890 million

GNP per capita (1967) $112

Gross Domestic Product at current factor cost (1967) : $850 million

Annual rate of growth (constant 1964 prices)	1962 - 67	4.6%
	1967	2.6%

Percent of total GDP	100
Agriculture including	
Crop processing	58
Industry	11
Transport and Commerce	17
Other	14

External Public Debt (US$ million)	1968
Total debt oustanding including one-third E AC debt	215.5
Total annual debt service	18.9
Debt service ratio, percent	7.7

External financial assistance (in thousands of US $)

	Average 1962 -1967		1968	
	Commitments	Disbursements	Commitments	Disbursements
Total	17,985	10,344	8,112	8,391
Soft assistance	10,887	6,289	8,112	7,032
Hard assistance	7,098	4,055	-	1,359
Major donors				
IBRD/IDA	3,067	816	3,000	1,336
Germany	1,689	864	-	2,033
U.K.	9,432	7,702	>-	3,635
U.S.A.	1,075	854	4,950	1,180
U.S.S.R.	2,722	108	-	207

Background Notes

UGANDA

Population: ~~7,740,000~~ (est.) 9,500,000 (1969 est.)
Capital: Kampala

Uganda lies astride the Equator in central east Africa. It is bounded on the east by Kenya, on the south by Tanzania and Rwanda, on the west by the Congo (Kinshasa), and on the north by the Sudan. The area of the country is about 91,000 square miles (nearly the size of Oregon), of which about 16,000 square miles are water and swamp. The capital is Kampala, situated near Lake Victoria.

Most of the country lies at an altitude between 3,000 and 6,000 feet, a circumstance which moderates the tropical climate. Uganda has several important lakes, the largest of which is Lake Victoria, the source of the White Nile. Others are Lake George, Lake Edward, Lake Kyoga, and Lake Albert. The famous Mountains of the Moon, the Ruwenzori, form part of the border with the Congo (Kinshasa) and rise to peaks of 16,000 feet or more. Here is the highest mountain in the country, Mt. Margherita at 16,750 feet. Mt. Elgon, an isolated peak on the Kenya border, is more than 14,000 feet high. In addition to its magnificent scenery, Uganda has three major National Parks abounding in wildlife, including elephant, lion, two kinds of rhino, hippo, crocodile, buffalo, many different species of antelope, and a wide variety of birdlife.

Rainfall varies considerably within the country. In the northeast there is an arid climate with an average of less than 20 inches of rain per year. The regions of Uganda which receive the most rainfall are in the southwest and west, where the average annual precipitation is 50 inches and goes as high as 60. The seasons are not well defined, but there are normally two dry spells per year, one from December to February, the other in June and July.

Uganda's flag consists of six stripes—from top to bottom, black, yellow, red, black, yellow, red—and Uganda's national emblem, the crested crane, within a circle in the center. Black symbolizes Africa, yellow represents sunshine, and red denotes brotherhood.

THE PEOPLE

Uganda has a population estimated at almost 7-3/4 million. The rate of population increase is calculated at about 2-1/2 percent annually. Africans of four racial groups—Bantu, Nilotic, Nilo-Hamitic, and Sudanic—make up the bulk of the people. Of the three, the Bantu are the most numerous and include the Baganda, the largest tribal group, with over 1 million members (or 17 percent of the population). The Iteso is the second largest tribe, followed by the Ankole and the Basoga, each having more than half a million members.

The estimated distribution of the Uganda population by religion is just under 50 percent Christian, 6 percent Muslim, and the remainder followers of traditional religions or subscribing to no organized system of religious beliefs. The Christian community is composed of approximately 55 percent Roman Catholics and 45 percent Protestants (1959 census).

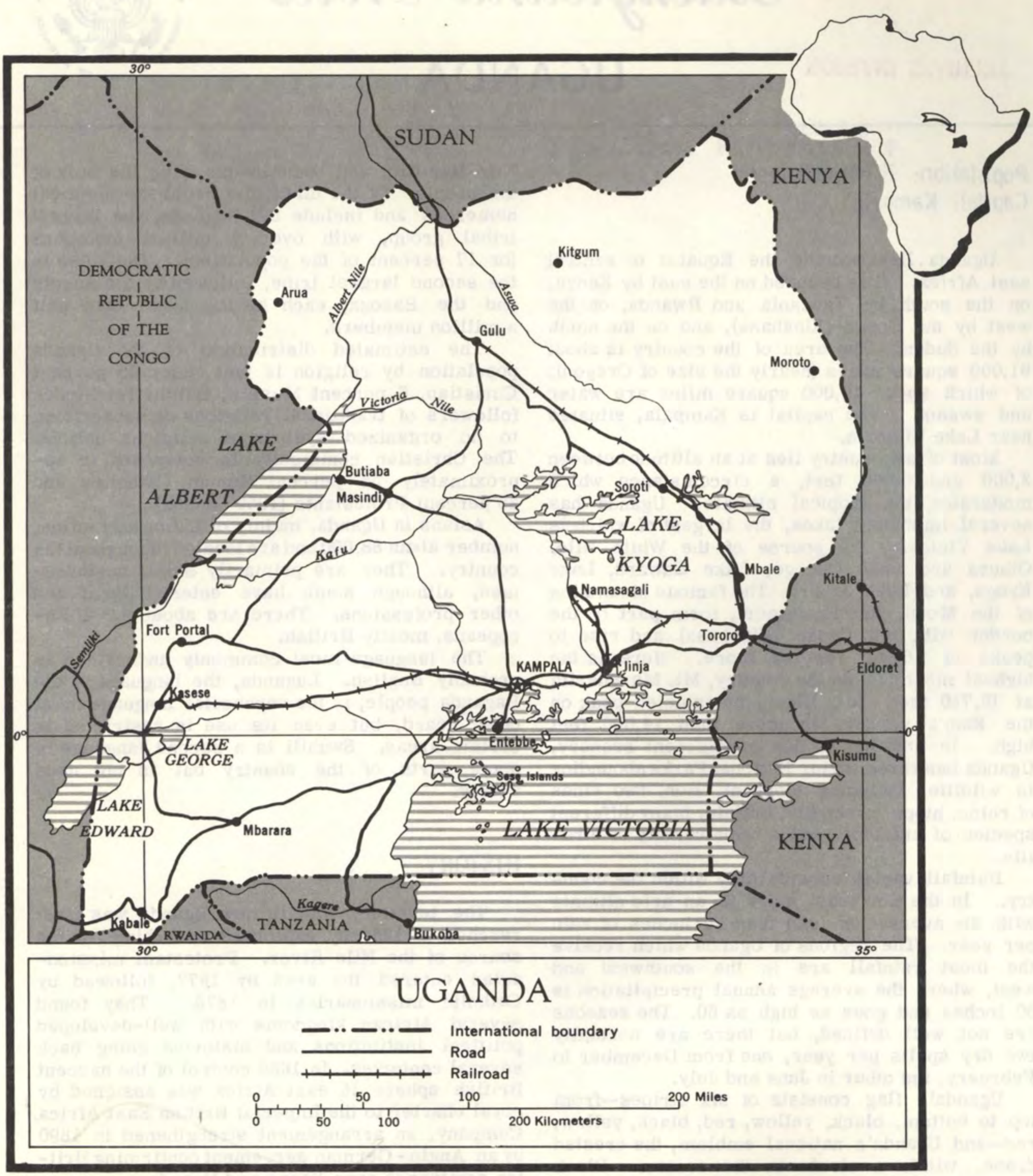
Asians in Uganda, mainly of Indian extraction, number about 88,000 and are located throughout the country. They are primarily small businessmen, although some have entered legal and other professions. There are about 9,000 Europeans, mostly British.

The language most commonly understood is probably English. Luganda, the language of the Baganda people, is the vernacular language most often heard, but even its use is restricted to certain areas. Swahili is a second language in some parts of the country but is not used widely.

HISTORY

The territory that is now Uganda was first reached in 1862 by explorers searching for the source of the Nile River. Protestant missionaries entered the area by 1877, followed by Catholic missionaries in 1879. They found several African kingdoms with well-developed political institutions and histories going back several centuries. In 1889 control of the nascent British sphere in east Africa was assigned by royal charter to the Imperial British East Africa Company, an arrangement strengthened in 1890 by an Anglo-German agreement confirming British dominance over Kenya and Uganda.

Religious animosities complicated by political rivalries led to martyrdom of several early African Christian converts before Britain succeeded in exercising full control over the area. A major role in the conquest was played by an army captain who later was to become Lord Lugard, one of Britain's best-known colonial officials. The high cost of occupying the territory caused the Imperial British East Africa


30°
SUDAN
KENYA
Kitgum
DEMOCRATIC
REPUBLIC
OF THE
CONGO
Arua
Albert Nile
Aswa
Gulu
Moroto
Victoria
Nile
LAKE
ALBERT
Butiaba
Masindi
Soroti
LAKE
KYOGA
Kafu
Mbale
Kitale
Namasagali
Fort Portal
Semliki
Tororo
KAMPALA
Jinja
Eldoret
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GEORGE
Entebbe
Kisumu
Sese Islands
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EDWARD
Mbarara
LAKE VICTORIA
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Kagera
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Kabale
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Bukoba
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UGANDA
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57394 10-67

Company to withdraw in 1893, and its administrative functions were taken over by an Imperial Commissioner. In 1894 the local Kingdom of Buganda was placed under a formal British protectorate, which was extended in 1896 to cover most of what is now Uganda. There were subsequent minor boundary adjustments, including the transfer in 1903 of a part of the territory to what is now Kenya.

Constitutional changes leading to Uganda's independence began in 1955 with the establishment of a ministerial system, and an increase in the number of African members of the Legislative Council took place in 1958. Special reports on constitutional development preceded the convoking of the London Constitutional Conference of September 1961, which established the timetable for independence. The United Kingdom granted full internal self-government on March 1, 1962, and Uganda became independent on October 9, 1962.

GOVERNMENT

The Republic of Uganda is led by an executive President who is Head of State, Head of Government, and Commander in Chief of the Armed Forces. He is elected by the National Assembly and chooses a Vice President, Ministers, and Deputy Ministers from among the members of the Assembly.

Parliament consists of the President and the unicameral National Assembly. Unless Parliament prescribes otherwise, the National Assembly consists of 82 elected members. In addition, if the majority party does not achieve an overall majority of 10, the members of the National Assembly belonging to the majority party are authorized to elect sufficient additional members to give them such a majority. Finally, the Speaker and the Attorney General are ex officio members of the National Assembly. When the present Constitution was adopted in 1967, special provision was made for the incumbent President, Vice President, Attorney General, and National Assembly members to remain in office without new elections having to be held.

The judiciary is headed by a High Court consisting of a Chief Justice and a variable number of puisne judges.

The basic local administrative divisions are the 18 districts into which the country is divided. These districts are under the control of Parliament which prescribes what kind of councils are to administer them, the powers these councils are to have, and how their membership is to be selected.

POLITICAL CONDITIONS

A major political problem in Uganda arose because under British rule the former Kingdom of Buganda had become somewhat more advanced economically and socially than other parts of the country. Buganda was fearful that its predominant role would be submerged in any type of independent state that did not provide safeguards for its traditional position. A temporary solution to the problem was achieved through the 1962 Independence Constitution which created a special federal relationship between Buganda and the national Government. Under it Buganda retained much autonomy and many of its traditional prerogatives. The smaller tribal kingdoms of Bunyoro, Toro, and Ankole had a somewhat similar relationship with the central Government.

National elections were held in April 1962 and resulted in the party of Dr. A. Milton Obote, the Uganda People's Congress (UPC), winning the largest number of seats, although not an absolute majority. Dr. Obote became Prime Minister and formed a Cabinet in coalition with the Buganda traditionalist Kabaka Yekka (KY) Party.

Under this coalition Government, the Independence Constitution was amended in September 1963 to allow for the election by Parliament of a President and Vice President. While remaining within the Commonwealth, Uganda's new President replaced the Queen as head of state. Sir Edward Frederick Mutesa II, hereditary King (Kabaka) of Buganda, was elected President of Uganda.

In succeeding years, the UPC-KY coalition deteriorated, and the UPC gained strength in Parliament by virtue of defections from both the KY and the opposition Democratic Party. Supporters of the unitary state concept and those in favor of a loose federation disputed over the proper role of the central Government. Complicated political maneuvering in late 1965 and early 1966 came to a head in February 1966 when Dr. Obote suspended the Independence Constitution, assumed all powers of government, and deposed the President and Vice President. In April of that year a new Constitution came into force. Under it Dr. Obote became an executive President with wide powers, and the Kingdom of Buganda was deprived of its semi-autonomous powers.

The 1966 Constitution was soon superseded by another, Uganda's third since independence, adopted in September 1967 after long discussion in a Constituent Assembly. Uganda was proclaimed a Republic, and wide powers were given to the country's executive President, Dr. Obote. President Obote heads a unitary state. All of the traditional kingdoms, including Buganda, were abolished. Moreover, that kingdom was divided into four districts, which like all of Uganda's 18 districts are tightly controlled by the central Government.

ECONOMY

The economy of Uganda in the final quarter of 1967 continued to be predominantly agricultural.

Agriculture, forestry, and fishing comprise well over half the gross domestic product (GDP), or about 45 percent of the monetary economy. Cotton and coffee, which constitute about 22 percent of total monetary gross domestic product (GDP), also account for about 70 percent of Uganda's exports. The United States is a major consumer of Ugandan coffee, which is used primarily in making instant coffee. Mining, primarily of blister copper, provided 13 percent of exports and 3 percent of GDP in 1965, while the manufacturing sector was responsible for just over 7 percent of GDP. During the period 1960-65 the GDP grew at an average of 4 percent per annum and in 1966 increased by 6.2 percent. The gross national product in 1966 was estimated at $840 million.

Because coffee and cotton have been vulnerable in world markets, the Government of Uganda in 1966 reduced the producer price level for coffee and cotton lint to bring them in line with world prices. At the same time, part of the newly launched second Five-Year Development Plan sought to lessen dependence on the two major export crops by emphasizing diversification as well as expanded production of other existing crops. The production of sugar, tea, tobacco, and livestock has been increased. The plan also calls for a rapid expansion of the industrial sector and improvement of education and health services. The second Five-Year Development Plan envisions a total investment of approximately $644 million, almost twice the level of the revised first plan. More than $400 million is expected from internal sources.

In carrying out its second Five-Year Development Plan, Uganda was confronted with a serious problem of trained manpower shortages. To help meet an expected shortfall of 15,000 secondary school graduates, the International Bank for Reconstruction and Development has provided a loan of $10 million through the International Development Association to help finance the construction and equipment of 39 general secondary schools.

The total value of Uganda's external trade in 1966 was $308 million, of which almost $48 million was with the United States. The United States was Uganda's leading customer for exports and the major purchaser of its coffee. The U.S. share of Ugandan imports was $4.62 million in 1966. Other major trading partners of Uganda were the United Kingdom, Japan, Canada, and the Federal Republic of Germany.

As Uganda completes the second year of its second Five-Year Development Plan, it has become a signatory, along with Kenya and Tanzania, of the Treaty for East African Cooperation which is scheduled to come into being on December 1, 1967. The treaty brings the east African countries together in an economic community and formalizes existing common market relationships. The existing common services will continue on a decentralized basis, and there will come into being a new East African Development Bank designed to promote more balanced industrial development in the region.

FOREIGN RELATIONS

Like many independent African nations, Uganda's foreign policy is based on nonalinement. It is a member of the United Nations, the Organization of African Unity (OAU) and the East African Community. In continental matters Uganda advocates majority rule in the Republic of South Africa, in Southern Rhodesia, and in the Portuguese territories. Uganda enjoys good relations with all of its immediate neighbors, despite the problems posed by the presence within its borders of large numbers of refugees from Rwanda (68,000), the Sudan (55,000), and the Congo (Kinshasa) (34,000). The Government has made land and various services available to a large number of these refugees, while the United Nations has provided food and other types of assistance.

U. S. POLICY

The United States enjoys close and friendly relations with Uganda. We are encouraging the Government of Uganda in a program which will increase agricultural production and cash cropping. In addition, our Agency for International Development (AID) program is giving priority assistance in the educational field. The Peace Corps is particularly active in supplying secondary school teachers. The United States Information Service (USIS) maintains a library at Kampala. All U.S. programs stress self-help and are designed to assist the country to maintain its independence while encouraging it to cooperate with its neighbors in finding joint solutions to common problems.

PRINCIPAL GOVERNMENT OFFICIALS

(Latest List attached)

President—A. Milton Obote
Vice President—John K. Babiiha

Cabinet

- Agriculture and Cooperatives—John B. T. Kakonge
- Animal Industry, Game, and Fisheries—John K. Babiiha
- Commerce and Industry—William K. Kalema
- Culture and Community Development—C. B. Katiti
- Defense—Felix K. Onama
- Education—S. J. Luyimbazi Zake
- Finance—Laurence Kalule-Settala
- Foreign Affairs—Sam Odaka
- Health—John W. Lwamafa

Information, Broadcasting, and Tourism—Alex Ojera
Internal Affairs—Basil Bataringya
Labor—Lameck Lubowa
Mineral and Water Resources—May L. Choudhry
Public Service and Cabinet Affairs—Joshua N. K. WAKHOLI
Regional Affairs—James S. M. Ochola
Works, Communications, and Housing—Shaban K. Nkutu
Attorney General—S. J. Luyimbazi Zake (Acting)

Ambassador to the United States (also accredited to the United Nations)—E. Otema Allimadi

Uganda maintains an Embassy in the United States at 5909 16th Street, Washington, D.C. 20011.

PRINCIPAL U. S. OFFICIALS

Ambassador—Henry E. Stebbins
Deputy Chief of Mission—Earle J. Richey
Director, U.S. AID Mission—Willard C. Muller
Chief Public Affairs Officer, USIA—C. Kenneth Snyder

The U.S. Embassy in Uganda is located at the Embassy House, Corner of Obote Avenue and King George VI Way, Kampala.

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Bureau of Public Affairs

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Congo, Brazzaville (pub. 7896)
Congo, Léopoldville (pub. 7793)
Costa Rica (pub. 7768)
Cyprus (pub. 7932)
Czechoslovakia (pub. 7758)
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El Salvador (pub. 7794)
Equatorial Guinea (pub. 8025)
Ethiopia (pub. 7785)
Finland (pub. 8262)
France (pub. 8209)
French Guiana (pub. 8321)
Gabon (pub. 7968)
The Gambia (pub. 8014)
Germany, Federal Republic of (pub. 7834)
Germany, Soviet Zone of (pub. 7957)
Ghana (pub. 8089)
Greece (pub. 8198)
Guadeloupe (pub. 8319)
Guatemala (pub. 7798)
Guinea (pub. 8057)
Guyana (pub. 8095)
Haiti (pub. 8287)
Honduras (pub. 8184)
Hong Kong (pub. 8126)
Hungary (pub. 7915)
Iceland (pub. 8227)
India (pub. 7847)
Indonesia (pub. 7786)
Iran (pub. 7760)
Iraq (pub. 7975)
Ireland (pub. 7974)
Israel (pub. 7752)
Italy (pub. 7861)
Ivory Coast (pub. 8119)
Jamaica (pub. 8080)
Japan (pub. 7770, 10 cents)
Jordan (pub. 7770)
Kenya (pub. 8024)
Korea (pub. 7782)
Kuwait (pub. 7855)
Laos (pub. 8301)
Lebanon (pub. 7816)
Lesotho (pub. 8091)
Liberia (pub. 7991)
Libya (pub. 7815)
Luxembourg (pub. 7856)
Malagasy Republic (pub. 8015)
Malawi (pub. 7790)
Malaysia (pub. 7753)
Maldive Islands (pub. 8026)
Mali (pub. 8056)
Malta (pub. 8220)
Martinique (pub. 8320)
Mauritania (pub. 8169)
Mauritius (pub. 8023)
Mexico (pub. 7865)
Mongolia (pub. 8318)
Morocco (pub. 7954)
Mozambique (pub. 7965)
Nepal (pub. 7904)
Netherlands (pub. 7967)
Netherlands Antilles (pub. 8223)
New Zealand (pub. 8251)
Nicaragua (pub. 7772)
Niger (pub. 8293)
Nigeria (pub. 7953)
Norway (pub. 8228)
Pakistan (pub. 7748)
Panama (pub. 7903)
Paraguay (pub. 8098)
Peru (pub. 7799)
Philippines (pub. 7750)
Poland (pub. 8020)
Portugal (pub. 8074)
Portuguese Guinea (pub. 7966)
Qatar (pub. 7906)
Romania (pub. 7890)
Rwanda (pub. 7916)
Saudi Arabia (pub. 7835)
Senegal (pub. 7820)
Seychelles (pub. 8246)
Sierra Leone (pub. 8069)
Singapore (pub. 8240)
Somali Republic (pub. 7881)
South Africa (pub. 8021)
South Arabia (Aden) (pub. 7997)
South Viet-Nam (pub. 7933)
South West Africa (pub. 8168)
Southern Rhodesia (pub. 8104)
Spain (pub. 7800)
Spanish Sahara (pub. 7905)
Sudan (pub. 8022)
Sultanate of Muscat, Oman (pub. 8070)
Surinam (pub. 8268)
Swaziland (pub. 8174)
Sweden (pub. 8033)
Switzerland (pub. 8132)
Syria (pub. 7761)
Tanzania (pub. 8097)
Thailand (pub. 7961)
Trucial Shaikhdoms (pub. 7901)
Tunisia (pub. 8142)
Turkey (pub. 7850)
Uganda (pub. 7958)
United Arab Republic (pub. 8152)
United Kingdom (pub. 8099)
Upper Volta (pub. 8201)
Uruguay (pub. 7857)
U. S. S. R. (pub. 7842)
Venezuela (pub. 7749)
Yemen (pub. 8170)
Yugoslavia (pub. 7773)
Zambia (pub. 7841)

			Actual Data						Projected Data						Period Growth Rates	
			1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1964-68	1971-75
Population - growth rate	%	1													2.8	
birth rate	per 1000	2														
Price Change - c.o.l. index	%	3	9.4	16.2	-4.1	5.1	-4.9								4.0	
exchange rate (Uganda shillings)	per US$	4	7.143	7.143	7.143	7.143	7.143									
Means of Payment - change	%	5				11.0	15.4									
GNP at factor cost; 1964 prices - Total	$ mil.	6	661	695	722	740	762	795	830	865	902	941	982	1,024		
per capita	$	7	89	91	94	94	94								1.3	
GNP at constant market prices - real growth rate	%	8	5.2	5.1	4.6	3.0	3.3	5.4	4.3	4.3	4.3	4.3	4.3	4.7	4.2	4.4
GDP at current market prices - Total	$ mil.	9	719	811	855	910	965									
Production Growth (real) - agriculture	%	10														
food per capita	%	11														
manufacturing	%	12														
GDP by Branch - agriculture	%	13	60.7	59.5	58.0	58.1										
mining	%	14	2.2	2.7	2.3	2.1										
manufacturing	%	15	5.8	6.6	6.6	6.8										
construction	%	16	1.6	1.9	1.8	1.9										
transport & communication	%	17	2.6	2.4	2.6	2.6										
public admin. & defense /a	%	18	27.2	27.0	28.9	28.6										
other branches	%	19														
Resource Gap	% of GDP	20	-7.2	-1.2	-0.4	-1.3	-1.4	-0.4	-0.4	-0.4	-0.2	0.0	0.0	0.1		
Net Factor Payments	% of GDP	21	1.9	1.8	2.0	2.1	2.0	2.0	2.0	2.0	2.1	2.1	2.2	2.2		
National Saving - private	% of GDP	22	12.9	10.0	8.1	9.9	9.3	8.4	8.8	9.5	9.9	10.1	10.3	10.6		
public	% of GDP	23	1.7	0.6	0.7	1.6	1.6	1.3	1.1	0.8	0.5	0.5	0.5	0.5		
Total	% of GDP	24	14.6	10.6	8.8	11.5	10.9	9.7	9.9	10.3	10.4	10.6	10.8	11.1		
Marginal Saving Rate		25														
Consumption - private	% of GDP	26														
public	% of GDP	27														
Total /b	% of GDP	28	83.4	87.6	89.1	86.4	87.1	88.3	88.0	87.6	87.5	87.3	87.0	86.8		
Exports of Goods and Services	$ mil.	29	217.3	209.4	225.1	234.1	242.8	242.9	255.8	270.9	284.1	298.5	314.7	331.7	6.4	5.3
Imports of Goods and Services	$ mil.	30	165.8	199.6	222.0	221.8	229.5	239.1	252.4	266.6	281.8	298.1	315.0	332.9	9.2	5.7
Net Goods and Services	$ mil.	31	51.5	9.8	3.1	12.3	13.3	3.8	3.4	4.3	2.3	0.4	-0.3	-1.2		
Interest on Public Debt, Gross: Outflow (-) /c	$ mil.	32	-6.9	-7.3	-7.4	-7.8	-8.0	-7.6	-8.2	-8.6	-9.3	-10.5	-11.6	-12.9		
Other Investment Income, Net: Outflow (-)	$ mil.	33	-7.1	-7.3	-10.0	-11.2	-11.3	-11.9	-12.6	-13.3	-14.0	-14.7	-15.4			
Net Investment Income: Outflow (-)	$ mil.	34	-14.0	-14.6	-17.4	-19.0	-19.3	-19.5	-20.8	-21.9	-23.3	-25.7	-17.0			
CURRENT SURPLUS(+) DEFICIT(-)	$ mil.	35	37.5	-4.8	-14.3	-6.7	-6.0	-15.7	-17.4	-17.6	-21.0	-24.8	-28.7			
Long Term Private Capital, Net inflow	$ mil.	36	-42.3	-6.4	8.1	7.6	8.7									
Long Term Public Capital, Gross inflow	$ mil.	37	15.4	7.3	15.0	22.3										
less: amortization	$ mil.	38	2.5	2.9	3.1	5.0	9.8									
Net long term pub. cap. inflow	$ mil.	39	12.9	4.3	11.9	17.2										
Short Term Capital, Net inflow /d	$ mil.	40	-15.9	-17.5	11.7	-6.1										
Other Capital, Net Inflow (incl. errors & om.)	$ mil.	41														
NET BALANCE	$ mil.	42	-7.8	-24.4	17.4	12.0	10.0	10.5	10.5	11.9	9.1	8.4	8.4	7.0		
IMF Drawings(+) Repayments(-)	$ mil.	43														
Foreign Exchange Reserves, Inc.(+) Dec.(-)	$ mil.	44	-7.8	-24.4	17.4	12.0	10.0	10.5	10.5	11.9	9.1	8.4	8.4	7.0		
Foreign Exchange Reserves, Net - Total /e	$ mil.	45			12.6	37.1	48.5	59.0	69.5	81.4	90.5	98.9	107.3	114.3		
Foreign Exch. Reserves, Gross - govt. entities /e	$ mil.	46			40.9	34.9	49.0									
comm. banks	$ mil.	47			8.0	12.6	6.9									
Total	$ mil.	48			48.9	47.5	55.9									
External Debt /f	$ mil.	49	154.0	181.2	199.6	194.8	213.3									
Debt Service Ratio	%	50	4.3	4.9	4.7	5.5	7.7									
Export Price Index	%	51	15.0													
Central Government - Current revenue	% of GDP	52	14.6	14.0	14.4	14.9	14.6	15.1	15.5	15.9	16.3	16.7	17.2	17.5		
Current expenditure	% of GDP	53	12.9	13.4	13.7	13.3	13.0	13.7	14.4	15.1	15.8	16.2	16.6	17.0		
Saving	% of GDP	54	1.7	0.6	0.7	1.6	1.6	1.3	1.1	0.8	0.5	0.5	0.5	0.5		
Capital revenue	% of GDP	55	0.2	0.4	0.5	0.4	0.4	0.6	0.6	0.6	0.7	0.8	0.9	1.0		
Capital expenditure	% of GDP	56	3.2	3.9	3.8	3.9	4.5	4.6	4.7	4.9	5.1	5.2	5.3	5.4		
Surplus(+) Deficit(-)	% of GDP	57	-1.4	-2.8	-2.6	-1.9	-2.5	-2.7	-3.0	-3.5	-3.8	-3.9	-3.9	-3.9		
Military expenditure	% of GDP	58	0.8	1.3	1.7	1.6	1.6									
Education - expenditure (general government)	% of GDP	59	2.3	2.3	2.1	2.2	3.0									
school enrol., primary & second.	%	60														
literacy rate, adult	%	61														
Tax Revenue (general government)	% of GDP	62	11.1	10.7	11.0	11.9	12.3									
Public Saving (% of public fixed investment)	%	63														
Gross Investment - private fixed	% of GDP	64														
public fixed	% of GDP	65														
increase in stocks	% of GDP	66														
Total	% of GDP	67	9.4	11.2	10.5	12.3	11.5	11.3	11.6	12.0	12.3	12.7	13.0	13.3		
Finance of Investment /g - National saving	%	68	155.4	94.7	84.1	94.0	94.6	85.6	85.4	86.2	84.6	83.4	83.2	82.9		
Foreign capital	%	69														
private	%	70			8.4	4.3										
public	%	71			31.9	14.0										
Total	%	72	-59.1	-12.4	40.3	18.3	13.5	23.6	23.2	22.9	21.9	22.2	22.0	21.1		
Change in reserves	%	73	11.6	26.9	-19.4	-10.8	-8.8	-9.2	-8.6	-9.1	-6.5	-5.6	-5.2	-4.1		
Errors and omissions	%		-7.9	-9.3	-5.0	-1.5	0.8									
Public Investment by Sector - agriculture	%	74														
industry	%	75														
power	%	76														
housing	%	77														
transportation	%	78														
telecommun.	%	79														
education	%	80														
health	%	81														
other	%	82														

/a Includes "other branches". /b Includes investment in nonmonetary sector and changes in stock. /c Includes 1/3 of EAC Debt. /d Includes other capital. /e End of period including gold tranche position but excluding Uganda's share of the foreign exchange counterpart held by the East African Currency Board. /f End of period; includes 1/3 of EAC Debt. /g Monetary only.

November 17, 1969

THE TIMES

LONDON, September 15,1969

Pliability in foreign policy

by a Special Correspondent

When the Uganda ruling party's newspaper was established, the board of directors listed its priorities: Uganda, east Africa, Africa, the Commonwealth, the world. That list has also been the unwritten guideline for the country's foreign policy.

As Prime Minister, Dr. Obote appeared to be nurturing ambitions on the world scene, culminating in his being asked to serve on the abortive Commonwealth mission to Vietnam. But he finally decided to concentrate on Africa, partly, it seems, because of a growing feeling in government circles that participation in world affairs was not only fruitless but also invited involvement by the world in Uganda's affairs.

Non-alignment success

Dr. Obote's standing in Africa was rewarded by the decision to hold the Nigerian peace talks in Kampala in 1968; when it came to agreeing on a venue it was realized how few places were acceptable to both sides. The Pope's recent visit provided another fillip to his standing.

The acceptability of Uganda to both the Nigerians and the Biafrans can also be taken as an illustration of the country's non-alignment policy, the success of which is one of the Government's greatest achievements.

As a rule-of-thumb exercise one can roughly describe African countries as leaning to the east or to the west, as moderate or progressive. But it is virtually impossible to categorize Uganda. The air force, for instance, has had Czech and Israel pilot trainers simultaneously and MiGs from the Soviet Union; the army has received arms from China (after unsuccessful appeals to the west, when arms were considered to be urgently required as a result of activities in the Congo).

Dr. Obote visited mainland China and Russia but the Milton Obote Foundation, a non-profit making, private organization which is dear to his heart, is run on west German and Scandinavian funds; immediately before the outbreak of the last Middle East war he counselled restraint on President Nasser, but after the war Uganda supported the United Nations resolution demanding Israel withdrawal from occupied territory (Uganda's control of the flow of water through the Owen Falls Dam down the Nile to Egypt and its position as a buffer to the Arab north have not been lost on the Israelis, who have made Uganda one of the key countries in their diplomatic drive in Africa).

Uganda refused to break off diplomatic relations with Britain over Rhodesia, as recommended by the Organization of African Unity, but actively opposed Tshombe's Government in the Congo to the extent of arming and supplying the rebels. Such actions are not contradictory but illustrate the tenet of non-alignment which is the basis of Uganda's foreign policy: issues will be judged on their merit and according to their circumstance.

Basically, however, the Government—and certainly the great majority of the people—is sympathetic towards the west, though often infuriated with the west's lack of sympathy with Uganda's problems. Relations with the United States reached a nadir in 1964 when Dr. Obote became so angered at American activity in the Congo that he made a speech inciting people to march on the United States embassy to such effect that police had to use tear gas to disperse the crowd.

Relations with Britain reached a low point in 1966 when it was made impossible for the British High Commisioner to continue at his post after a government-inspired attack on him in the press. But they are basically sound.

Considerable regard remains for British institutions but in any case, with about 80 per cent of the country's secondary school teachers on loan from Britain and the United States, America buying the bulk of coffee, Uganda's main export, and almost all aid originating from the west, any sudden swing away would result in a severe jolt to stability. There is now, however, a discernible trend towards closer contacts with the smaller countries of east and west Europe, such as Yugoslavia, whose assistance is considered to be more flexible and manageable than that of the big powers.

In Africa, the Government sympathizes with the radical group of states; it has never, for instance, willingly accepted the Ghana coup against Dr. Nkrumah and when General Ankrah passed through Entebbe as head of state he was met by a junior civil servant. Dr. Obote's dislike of military rulers, based partly on personal self-interest, has been tempered only in the case of General Mobutu (whose Government and party are run entirely by civilians) and that is mainly because any leader contributing to stability in the Congo would earn the gratitude of Uganda, whose image, particularly as a tourist centre, was damaged by the post-independence chaos of its giant neighbour.

Changing face of world

Such apparent contradictions are freely admitted by the Foreign Ministry, which has stated: "Uganda's foreign policy is not based on rigid principles devoid of flexibility. We appreciate the inevitability of compromise at times and we are prepared to be pragmatic. . . . Uganda's foreign policy must therefore take into account the changing nature of the world situation, and must always be adjusted to meet new circumstances."

Relations with Kenya unfortunately are poor, a complete lack of sympathy existing on each side with the other's political approach. On the other hand, one of the most interesting developments in east and central Africa is the forging of the Mulungushi Club of the Presidents of Tanzania, Zambia and Uganda, called after the spot in Zambia where for historic internal political reasons Dr. Kaunda always holds his party's national conference.

The regular meetings of the three leaders at their respective party gatherings is engendering a deep bond which could, if the three remain in their posts, develop into a political relationship of considerable significance to this part of the world.

2

Attachment 1

UGANDA - PAST LENDING OPERATIONS *

		($ millions)						
		Through 1963	1964	1965	1966	1967	1968	1969
Agric. (Tea Growers Corp.)	IDA						3.4	
Agric. (Beef Ranching)	IDA							3.0
Education I	IDA					10.0		
Power	IBRD	8.4						
Roads	IDA						5.0	
	IBRD	8.4						
	IDA					10.0	8.4	3.0
	No.	1				1	2	1
IBRD Loans Outstanding *								
- including undisbursed		0.1	0.1	0.1	0.1	0.1	0.1	0.1
- excluding undisbursed		0	0	0.1	0.1	0.1	0.1	0.1
IDA Credits Outstanding *								
- including undisbursed		-	-	-	-	10.0	18.4	21.4
- excluding undisbursed		-	-	-	-	0	0.8	4.2

* Loans and credits for national projects only. Uganda is also a beneficiary under loans for the Common Services. Uganda's share (on a notional one-third basis) of loans for the Common Services amounted to $8.0 million through 1963 and $17.0 million during 1964-69. See attachment 4.

November 17, 1969

Population: 8.2 million
Per Cap. Inc.: $110

Attachment 3

TO BE REVISED IN THE LIGHT OF THE DISCUSSIONS WITH THE PRESIDENT ON THE COUNTRY PROGRAM PAPER

UGANDA - 5 YEAR LENDING PROGRAM*
(PROPOSED)

($ millions)

		Fiscal years 1970	1971	1972	1973	1974	1975	Total 1964-68	Total 1969-73
Agricultural Credit (Tobacco)	IDA	4.3							
Tobacco II	IDA						7.0		
Agricultural Credit II	IDA				7.0				
Smallholder Tea I	IBRD		6.0						
Smallholder Tea II	IBRD						8.0		
Livestock II	IDA				7.5				
Dairying	IDA		3.0						
Agriculture, to be identified	IDA						5.0		
Education II	IDA		5.0						
Education III	IDA					12.0			
Murchison Falls Power	IBRD			30.0					
Tourism	IBRD					7.0			
Roads II	IDA	11.6							
Roads III	IDA			7.0					
Roads IV	IDA						5.0		
Kampala Water Supply	IDA				7.0				
	IBRD	-	6.0	30.0	-	7.0	8.0	-	36.0
	IDA	15.9	8.0	7.0	21.5	12.0	17.0	18.4	55.4
	Total	15.9	14.0	37.0	21.5	19.0	25.0	18.4	91.4
		2	3	2	3	2	4	3	11
IBRD Loans Outstanding*									
- including undisbursed		0.1	6.1	36.1	36.1	43.1	51.1		
- excluding undisbursed		0.1	0.1	1.1	9.1	21.1	34.1		
IDA Credits Outstanding*									
- including undisbursed		37.3	45.3	52.3	73.8	85.8	102.8		
- excluding undisbursed		9.2	20.5	31.3	39.3	50.6	61.1		

5 fold increase

* The above figures represent Bank loans and IDA credits for national projects in Uganda. Uganda would also benefit from loans to the East African Community for the Common Services. During the period 1970-75, Uganda's share (on a one-third basis) of Bank lending for the Common Services would amount to $61.5 million and disbursements are estimated at $40-45 million. See attachment 4.

November 17, 1969

Attachment 4

EAST AFRICAN COMMUNITY

A. Past Lending Operations

		($ millions)						
		Through 1963	1964	1965	1966	1967	1968	1969
Railroads I	IBRD	24.0						
Railroads II	IBRD				38.0			
Posts and Telecoms.	IBRD					13.0		
		24.0			38.0	13.0		
		1			1	1		

thru '68 $75m

	($ millions)						
	Through 1963	1964	1965	1966	1967	1968	1969
IBRD Loans Outstanding							
- including undisbursed	0.1	0.1	0.1	38.1	51.1	51.1	51.1
- excluding undisbursed	0.1	0.1	0.1	4.4	14.8	30.1	38.4

B. 5 Year Lending Program

		($ millions)							
		1970	1971	1972	1973	1974	1975	Total 1964-68	Total 1969-73
Posts and Telecoms. II	IBRD	15.5							
Posts and Telecoms. III	IBRD					25.0			
DFC I	IBRD			3.0					
DFC II	IBRD				4.0				
DFC III	IBRD					5.0			
Railways Corp. I	IBRD	42.0							
Railways Corp. II	IBRD					45.0			
Harbors Corp. I	IBRD	35.0							
Harbors Corp. II	IBRD				10.0				
		92.5	-	3.0	14.0	75.0		51.0	109.5
		3		1	2	3		2	6

more than double

November 17, 1969

UGANDA

I. INVESTMENT FINANCE INSTITUTIONS IN UGANDA

1. There are three industrial financing institutions in Uganda. Of these, the Uganda Development Corporation (UDC) is the oldest, largest and most successful. The other two institutions, Development Finance Company of Uganda (DFCU), and Industrial Promotion Services (Uganda) (IPS-U), are of minor importance compared to UDC.

Uganda Development Corporation (UDC).

2. UDC was established in 1952 as a 100% Government-owned corporation through the transfer to it of three government owned and operated businesses in exchange for U.Sh. 100 million of stock. In the following years UDC pioneered or participated in most of the major industrial enterprises in Uganda. As of December 31, 1968, UDC's net worth amounted to U.Sh. 190 million, of which its share capital represented U.Sh. 138 million. Total assets of the group (UDC + subsidiaries) amounted to U.Sh. 503 million.

3. UDC grew mainly through the formation of subsidiaries, financed both by way of loans and equity from UDC and, to a lesser extent, through joint ventures with private enterprises. The enterprises sponsored by UDC have, in general, been successful ones. A list of UDC's major subsidiary companies, representing a total investment (loan + equity) of U.Sh. 154 million is shown below:

1. Agricultural Enterprises Ltd.
   (this company in turn has 8 subsidiaries)
2. Nyanza Textile Industries Ltd.
3. Uganda Cement Industries Ltd.
4. Uganda Consolidated Properties Ltd.
5. Uganda Hotels Ltd.
6. Uganda Crane Industries Ltd.
   (This is a holding company which was formed for the purpose of selling off certain stocks held by UDC).

4. UDC is administered by a 6 member Board, all Government appointees. Its Chairman, Mr. S. Nyanzi, is also UDC's General Manager. He is in addition Chairman of UDC's subsidiaries and also of DFCU.

5. Until 1966/67, UDC's growth and profitability were remarkable. To a large extent, this was attributable to good management (Sir James Simpson, now a private consultant in Nairobi) and a large degree of autonomy vis-à-vis the Government. In recent years, however, its profits have decreased, in part because of unfavorable marketing conditions both within the East African Community and in the local market. Autonomy vis-à-vis the Government is also said to have sharply diminished.

Development Finance Company of Uganda (DFCU).

6. DFCU was established in 1964 as a joint project between UDC, the Deutsche Entwicklungsgesellschaft (DEG) and the Commonwealth Development Corporation (CDC). Similar joint venture development finance companies exist in Kenya and Tanzania. DFCU's Manager, seconded by CDC, is Mr. H. De B. Brock.

Industrial Promotion Services (Uganda) (IPS-U).

7. IPS-U has an executive officer in Kampala, Mr. B. A. Pirani, but all other staff are located in Nairobi. Its impact has so far been minimal.

II. LOAN REQUEST FROM UDC

8. The possibility of Bank assistance to UDC was first raised during Mr. Mathew's visit to Uganda in May 1969. At the 1969 Annual Meeting of the Bank, Mr. Nyanzi, UDC's Chairman, requested a Bank loan to UDC. UDC has subsequently sent various information to the Bank which is now being analyzed to determine whether UDC has a real need for new resources. Another important question concerns the degree of independence and the adequacy of UDC's management. The Government is known to have given UDC direct instructions not only on matters of policy but on specific aspects of investment projects as well as on internal administrative matters. Provided that this question can be satisfactorily resolved and that analysis shows that UDC needs expansion funds, a prima facie case for a Bank loan would exist and we would then plan a mission to evaluate UDC and its prospects. We should complete our preliminary analysis in January.

January 4, 1970

3

CURRENT STATUS OF PRESIDENT OBOTE'S CONDITION

Press reports indicate that President Obote, who was wounded in the face by an unknown gunman at the end of the Uganda People's Congress Party Meeting on December 19,1969, was expected to return to his home and spend the Christmas with his family. The last medical bulletin stated that he was making good progress and hence issue of further bulletins has been discontinued.

While investigations are still in progress it is understood that about ten people have been arrested in connection with the shooting. These are said to include members of the opposition party as well as the sister of the late Kabaka, who died in London recently.

The state of emergency declared immediately after the incident is still in force. Whilst it is believed that more than one person was involved in the attempt on the President's life, there is no evidence to suggest that a coup d'etat was planned.

Life is said to be normal in Kampala and in the other centers of the country.

December 31, 1969

MEMBERS OF THE CABINET

1.	Dr. A. M. Obote *	President
2.	J. K. Babiiha *	Vice-President Minister of Animal Industry, Game and Fisheries
3.	L. Kalule-Settala*	Minister of Finance
4.	J. M. Okae*	Minister of Planning and Economic Development
5.	J. B. T. Kakonge*	Minister of Agriculture and Forestry
6.	Dr. J. S. Luyimbazi-Zake*	Minister of Education
7.	Dr. E. M. Babumba *	Minister of Marketing and Cooperatives
8.	W. W. Kalema*	Minister of Commerce and Industry
9.	S. K. Nkutu*	Minister of Works, Communications and Housing
10.	A. A. Ojera*	Minister of Information, Broadcasting and Tourism
11.	M. L. Choudry*	Minister of Mineral and Water Resources
12.	J. W. Lwamafa*	Minister of Health
13.	J. S. M. Ochola*	Minister of Regional Administrations
14.	S. N. Odaka*	Minister of Foreign Affairs
15.	C. B. Katiti	Minister of Culture and Community Development
16.	F. K. Onama	Minister of Defence
17.	B. K. Bataringaya	Minister of Internal Affairs
18.	E. Y. Lakidi	Minister of Labour
19.	J. N. K. Wakholi	Minister of Public Service and Cabinet Affairs
20.	L. Lubowa	Attorney-General

* Biographical notes attached

BIOGRAPHICAL NOTES

1. OBOTE, Apollo Milton, President; aged 45, was born at Akokoro Village in Lango, Northern Uganda. Dr. Obote (his doctorate is an Hon. LLD from Long Island University, USA, 1963) was, like most of Uganda's leaders, a student at Makerere, but he did not complete his education. After leaving Makerere in 1950 the young man who had only a few years previously been herding his father's goats, tried to obtain scholarships to study abroad. He was offered a scholarship to study law in America, but the then colonial Government turned it down on the ground that a knowledge of American law would be useless in Uganda. He then decided to become a labourer and learn about trade unionism from the bottom. He worked first at a sugar works in Kenya, and later returned to work for a construction company in Uganda only to move back to Kenya again.

The stay in Kenya gave him his first real grounding in politics and he was a member of Kenyatta's African Union, until it was proscribed at the start of the emergency. On his return to Uganda in 1957 he became associated with the African social clubs then being formed in place of the banned political parties. He was nominated by the Lango District Council as its represnetative in the Uganda Legislative Council and this was the beginning of his climb to prominence.

In the first elections in 1958, Dr. Obote was returned as a Uganda National Congress Member to the Council. In 1960 he broke off from the party to form his own - the Uganda People's Congress with himself as president-general. In the general elections that year, which were boycotted by the Bugandans, the UPC which was the second largest party in the House became the Opposition with Obote as the leader. With great political skill he engineered the alliance with the Kabaka Yekka party (a party of Kabaka supporters) and led the country to independence in October 1962.

It was perhaps inevitable that a clash should develop between the traditional Buganda leaders wedded through their Kabaka to a system of feudalism, and the forward-looking Prime Minister who was determined to create a united nation. The alliance between UPC and the KY quickly eroded, and Dr. Oboto's chance of overthrowing the whole federal structure of the State came in 1966, when he suspended the Constitution, arrested five of his Ministers and claimed that there had been a plot, involving the Kabaka (then constitutional President of Uganda) to oust the Government. In the same year after introduction of the new constitution for a unitary state in April 1966 the Kabaka's Palace was stormed by the Uganda Army and the Kabaka fled to England.

Dr. Obote is a self-declared opponent of hereditary privilege and a champion of the 'common man.' A copy of his much publicized Common Mans Charter is included in the reference material and a recent newspaper article, commenting on his much discussed feeling of insecurity as portrayed in his arrests of opposition members and his reaction to criticism, is attached. Dr. Obote is not consistent in his approach to the population question, but is generally not in favor of family planning.

2. BABIIHA, John Kabwimukya, Vice-President of Uganda and Minister for Animal Industry, Game and Fisheries; aged 57, was born in Toro, in Western Uganda. He took his diploma in veterinary science from Makerere College and thereafter served with the Uganda Government and later with the Toro Kingdom Government. In 1954 he was nominated to the Uganda Legislative Council as a representative of the Toro Rukurato (Parliament). In 1958 he was elected to the Council and subsequently re-elected in 1961 prior to attainment of independence. Mr. Babiiha, is the oldest member of the Cabinet. He became a Minister in 1962 and was appointed Vice-President in 1966. Mr.Babiiha, combines politics with a keen scientific interest in animal life. He became the national chairman of Dr. Obote's Uganda People's Congress on its foundation in 1960 and has since been closely connected with party affairs. He is a member of the Uganda Economic Development Council and the Planning Commission. Mr.Babiiha brings his professional knowledge to the work of the Ministry he heads and runs it efficiently.

3. KALULE-SETTALA, Laurence, Minister of Finance; aged 46, is a Muganda. He was educated at Makerere and at the University of Hull where he took a B.A. Honors degree. He was a teacher in Uganda before entering political life by becoming a member of the Progressive Party which was one of the smaller parties in Buganda supporting a federal system of government for Uganda. He was elected to Buganda Parliament in 1962 and became a member of the Uganda National Assembly as one of the Members elected indirectly to represent Buganda. He joined the Cabinet in 1963 as Minister of Community Development and became Minister of Finance in 1964. Mr. Kalule-Settala is said to be more of a politician than an administrator and is not considered particularly knowledgeable as far as economic and developmental affairs are concerned.

4. OKAE, Jephaniah Mark, Minister of Planning and Economic Development was born in Lango. He was educated in Uganda and U.K. He was a teacher in Uganda from 1950-59 and was elected Member of Parliament in 1961. He is said to enjoy the President's confidence and is one of the more trusted members of the Cabinet. Mr. Okae strongly opposes family planning and feels there is no need for a population policy on Uganda since the country can support, in his view, a much larger population.

5. KAKONGE, John, Minister of Agriculture, aged 36, comes from Hoima, Bunyoro Kingdom. He was educated in Uganda and India (Delhi School of Economics MA.) He entered politics in 1959 when he joined Obote wing of the Uganda National Congress. In 1960 he was elected secretary-general of the Uganda Peoples Congress formed by Obote.

He played a leading role in the election prior to independence but he was not, to his chagrin, granted a seat as specially elected Member of Parliament. He went off to Tanzania but returned after 12 days and in 1963 was made Director of Planning in the Prime Minister's Office. In 1965 he got his seat (specially-elected) in Parliament and in 1966, on the introduction of the new constitution he was made Minister of Planning and Economic Development. At 32 he was the youngest member of the Cabinet.

5. KAKONGE, John, (continued)

Mr. Kakonge has been accused by some party elements of being too left-wing. He was reported to say "Every African nationalist is a socialist, and so are most economists."

He is said to be one of the ablest Ministers in the Government but even he has been less than effective since the past twelve months after getting involved in a personal scandal which resulted in his being physically manhandled.

6. LUYIMBAZI-ZAKE, Joshua, Minister of Education, is a Muganda from Kampala. He was educated in Makerere, South Africa, U.K. and the United States (Chicago and North Western). Mr. Luyambazi came to the National Assembly as a representative of the Buganda Parliament in 1962. He switched allegiance to the Uganda Peoples Congress the same year and joined the Obote Government as Minister of Education.

7. BABUMBA, Eria Muwangea, Minister for Marketing and Cooperatives, was a medical practitioner educated in Uganda and U.K. (Institute of Ophthalmology, London). Entered politics in 1963. Appointed Minister of State for Foreign Affairs in 1966.

8. KALEMA, William Wilberforce, Minister of Commerce and Industry, aged 44, is a Muganda. He was educated at Makerere and Edinburgh University. Mr. Kalema entered politics in 1962 via the Buganda Parliament and was later appointed Parliamentary Secretary to the Uganda Ministry of Education. He was made Minister for Works and Communications and Housing in the Cabinet reshuffle of May 1966.

9. NKUTU, Shaban Kirunda, Minister of Works, Communications and Housing, aged 39, is one of the two Moslems in the Cabinet. He was educated at Makerere and was a teacher in Uganda until 1961 when he entered the Legislative Council as a UPC member. He was made Minister of Health in 1966 at the age of 36.

10. OJERA, Alexander Arthur, Minister of Information, Broadcasting and Tourism; aged 41, was educated at Makerere, University of Exeter, England, and in the U.S. (Lincoln, Pennsylvania and Rutgers). He was a teacher in his hometown Gulu, and entered the Uganda National Assembly in 1961. Mr. Ojera was made Minister of Commercial Development and Labor in 1963 and got his present portfolio in 1964.

11. CHOUDRY, Maximo Lokwang, Minister of Mineral and Resources; aged 37 was born in Karamoja district in northern Uganda which is generally considered the most backward area in the country. He received his education in Uganda and started his career as a clerk in the District Commissioner's Office in Karamoja. He was elected an MP from his district in 1961 and after holding various positions in the Government was appointed a Minister in the Cabinet in 1966.

12. LWAMAFA, John Wycliffe, Minister of Health; aged 52 was born at Kigezi in the southwest corner of Uganda. After receiving education at Makerere he became a teacher and later a school headmaster. He entered politics as an indirectly elected member of the Legislative Council in 1954 and was elected to the Parliament in 1962 as an Uganda People's Congress party member. He was appointed Minister of Land and Water Resources in Dr. Obote's independence Government.

13. OCHOLA, James Silas, Minister of Regional Administration; aged 46 was born in the Bukendi District of Eastern Uganda. He joined the Provincial Administration in 1946. He was a member of the Democratic Party until 1965 when he crossed the floor along with the leader of the opposition to join Obote's UPC. He was made Minister of Public Service in 1966.

14. ODAKA, Sam, Minister of Foreign Affairs, aged 37, was educated at Makerere. He held an executive position with Standard Vacuum Oil Co. in Uganda until 1962 when he entered politics on a full time basis. He was given the Foreign Affairs portfolio in 1966.

December 19,1969

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THE UGANDA ECONOMY

The Bank's most recent economic report on Uganda entitled "Current Economic Position and Prospects of Uganda" (in two volumes) was distributed to the Executive Directors in June 1969. The report (AE-2) is included in the reference material. The report also served as the basic documentation for the meeting of the East Africa Consultative Group held in July 1969.

The summary and conclusions of the report are attached.

December 19,1969

CURRENT ECONOMIC POSITION AND PROSPECTS OF UGANDA

PART I

SUMMARY AND CONCLUSIONS

i. The growth of Uganda's economy which amounted to 5 percent a year during the period 1961-65 has slowed down to about 3 percent during the past three years. In view of the deterioration in the terms of trade which has taken place in recent years, the relatively slow growth of the economy probably implies that there has been little or no increase in real per capita incomes.

ii. Among the factors which inhibited growth were the unsettled conditions which prevailed in the two years following the political disturbances of 1966 and adverse weather conditions. The output of cotton - one of the two most important crops - reached a peak in 1965/66 but decreased substantially in the following two years. The output of coffee, the other leading crop, remained steady from 1962/63 to 1967/68, but has risen substantially in the 1968/69 crop year. In view of Uganda's adherence to the international Coffee Agreement, a bumper crop is likely to create marketing problems.

iii. There has been a significant increase in the output of tea, tobacco and sugar. However, in view of the relatively small weight of these items in total agricultural output, their contribution to diversification is minimal. A successful beginning has been made in developing the livestock and dairy sectors for which there is considerable potential.

iv. Among the other sectors, manufacturing and power have made notable strides, the former due, in part, to the growing desire of Uganda to become independent of Kenya. Although it is not evident from official figures, the construction industry has also been growing steadily.

v. In the first half of the 1960's employment decreased despite a rapid growth of the economy. This has been reversed in the last two years, but the recent increases are much less than was anticipated in the Plan.

vi. There is little reliable information on investment and savings. Firm figures exist only for the government sector, and hence private and parastatal investment is derived as a residual from total investment figures which are themselves based on imports of capital goods. Total investment has grown steadily since 1962 when it had reached a low level. Although Central Government investment levelled off in the period 1965-67, investment in the parastatal and private sectors has shown impressive gains. The growth in investment in manufacturing is particularly noteworthy.

vii. Gross national savings averaged about 15 percent of monetary GNP in the period 1962-67. Although private savings have generally been high, they were not available in full for domestic investment, particularly until after 1965 when exchange control measures were introduced.

viii. The most significant improvement which has occurred since the inception of the Plan is in the management of public finances. Financial imbalances which were characteristic of the period until 1966 have been eliminated. Recurrent revenue has risen steadily since 1965/66, mainly as a result of tax increases and the imposition of new taxes. Although recurrent expenditure has also risen in this period, the rate of increase was relatively slower, and hence substantial budget surpluses were achieved. Long-term borrowing within the country was very modest in the first year of the Plan, but has risen steadily since. During the first two years of the Plan, domestic resources financed about 65 percent of the total development expenditure.

ix. Development expenditure since the inception of the Plan has been below the Plan targets. Since a detailed breakdown of development expenditure is available only for the first year of the Plan, it is not possible to comment conclusively on the impact of development expenditure on the economy. Although the Plan assumed that the investment would amount to about 90 percent of development expenditure, in practice it has amounted only to 50-60 percent.

x. Until the middle of 1967 the liquidity of the banking system was very tight, and the ratio of advances to deposits was over 100 percent in 1965. Since then the situation has shown a marked improvement. There has been a steady decrease of indebtedness overseas.

xi. The Bank of Uganda imposed some selective credit restrictions in 1967 to curtail the steep rise in imports. These have had a beneficial effect; in particular, commercial bank advances have become more selective. The convertible foreign assets of Uganda which had fallen to a very low level of Sh 125 million in 1966 have been building up very steadily and, in April 1968, amounted to about Sh 350 million.

xii. Traditionally, Uganda's balance of payments have shown a surplus on the merchandise account. The substantial reduction in this surplus which occurred in 1965 and the relatively small increase since then, combined with a negative balance on the services and factor income account have resulted in a deficit on the current account since 1965. There were long term private capital outflows in the period 1962-66, not wholly offset by public capital inflows. Hence there was a consistent reduction in reserves. Since 1966, however, there have been net capital inflows and reserves have increased.

xiii. Merchandise exports grew in the period 1962-64, but have levelled off since 1964. The main reason for this is the very substantial weight in total exports of coffee and cotton, neither of which has fared very well in recent years. Although exports of tea and tobacco have risen, the quantities involved have been too small to have a significant impact. The liberal import policy which had been pursued until 1964, has since been replaced by a licensing system and by quantitative restrictions. There have also been increases in import duties.

xiv. One of the factors impeding the progress of the Plan is the absence of effective planning units in Ministries which have substantial expenditure programs. The lack of ministerial planning units has delayed the preparation and execution of projects.

xv. The mission has estimated that, in the three years 1968/69-1970/71, Uganda could expect to achieve an investment of about Sh 2,500-2,600 million. Including the investment of Sh 1,500 million in the first two years of the Plan, total investment during the Plan would amount to about Sh 4,050 million. Central Government development expenditure is expected to be Sh 995 million in the final three years of the Plan.

xvi. It is estimated that during the last three years of the Plan, the Central Government should be able to use Sh 380 million of external assistance for its development expenditure program. The major proportion of this would be disbursed from commitments which have already been made. Although aid commitments amount to about Sh 605 million, the mission estimates that effective disbursements will not amount to more than Sh 355 million: hence, a gap of Sh 25 million would arise in relation to aid which could be utilized. Further commitments which are needed for the pipeline in the initial period of the next Plan are estimated at Sh 440-480 million. In sum, the mission considers that new aid commitments of Sh 485-520 million or US$70-75 million equivalent are needed in the remaining years of the Plan.

xvii. Domestic sources would then have to provide the balance of Sh 615 million. Domestic borrowing could amount to Sh 315 million. Miscellaneous items of non-recurrent revenue could provide about Sh 100 million, and hence recurrent budget surpluses would have to provide about Sh 200 million. In order to achieve budget surpluses on this scale, it would be necessary to hold back the increase in recurrent expenditure.

xviii. On the assumptions that the capital-output ratio would be 3.5 to 1, that public and private savings could be generated on the scale required and also that project preparation is improved, monetary GDP could show an annual increase of 4.5 to 5 percent a year. Local savings and hence investment would depend very much on the growth of export earnings. While prospects for the main export crops are somewhat uncertain, tourism holds promise of growing very rapidly.

xix. If exports grow as projected and private and public capital inflows are maintained, it should be possible to permit a growth in imports averaging 5-6 percent a year.

xx. Although Uganda's debt service payments are relatively small, they have grown rapidly in recent years. Including Uganda's liability (on a notional 1/3 basis) for the debt of the Common Services, the debt service ratio was 7.7 percent in 1968. Debt rescheduling will not, however, be required.

xxi. A projection of Uganda's debt service over the next 15 years shows that the debt service ratio is sensitive both to the growth of export earnings and to the terms of lending. Uganda's resort to supplier credits/contractor finance could result in a fairly steep rise in the debt service ratio, and hence this has to be watched with some caution. In these circumstances it would be desirable if the terms of lending could be kept as soft as possible.

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Visit to Makerere University College

LULE, Yusufu, Kironde, Principal Makerere University College; aged 58, was born in Kampala and was educated in Uganda, South Africa, and the U.K. He started his career as a teacher in Uganda in 1936 and became Principal of the college in 1964. From 1955-61 he served as Minister of Rural Development, Social Development and Education and as Chairman of the Public Service Commission since 1962.

Dean NICOL, of the Faculty of Agriculture, Makerere University College, is an American, currently serving with Makerere under the auspices of the Rockafeller Foundation. He was previously with the University of California.

ask re
1) strategy? tech. staff
2) agril. potential
3) priority of Bk projects

BELSHAW, D. G. R. Head of the Department of Rural Economy, Makerere University College, is British. He served with the Bank as a consultant on a recent economic mission to Tanzania.

January 5, 1970

Meeting with President
and Ministers

MEETING WITH THE PRESIDENT

AND A GROUP OF IMPORTANT MINISTERS

Salient issues that may emerge during your discussions are :-

1. Bank's attitude towards Murchison Falls Project. Information on the project is included in the brief on Power. A fear that the Ugandans seem to have is that the Bank may be yielding to pressures from other sources on account of the danger to wild life. In response to the concern that we have expressed about the physical implications of the Project, we have been assured by the Uganda Government that it intends to take every possible precaution to preserve the wildlife and natural attractions in the area. We have indicated that we would also wish to be satisfied that the commissioning of the power station is the most economical way of meeting Uganda's power requirements.

2. The often discussed question as to why the Bank is not prepared to lend to dfc's when the end users are largely government-owned and controlled may be raised. This has relevence to the request for assistance to UDC. Please see brief under Manufacturing-UDC. There has in the past been considerable intervention by the Government in the affairs of UDC. During the past 18 months, however, the situation appears to have improved. In the event of our lending to UDC we expect to satisfy ourselves that UDC can, in fact, operate according to sound commercial principles.

3. The Bank's ability and willingness to finance studies which might reveal possibilities of further diversification and expansion of agriculture. The problem of Uganda's ability to prepare and execute projects is the limiting factor. The Government has not shown much initiative in this regard.

4. Investment in transport, particularly in roads. There is some concern in the Bank that Uganda may be investing too much in major roads without adequate justification. We have provided for a study which may offer guidelines for future road investment. See brief on Transport - Highways.

5. The results of the recently held census has shown that Uganda has 1.2 million more people than was anticipated. Government has so far shown no desire to discuss the population question seriously.

6. Consultative Group for East Africa. Uganda's request that future formal meetings be held there.

7. East African Community. Cementing Community relations and facilitating decision-making without frequent recourse to the Heads of State.

8. Coordination of Industrial Development within East Africa. The role of the East African Development Bank and prospects for joint East African ventures.

9. Common Market Arrangements. The use of the transfer tax and its working.Contravention of Treaty Provisions and the role of the Common Market Tribunal.

Meeting with Parastatal Organizations

COFFEE MARKETING BOARD

The Coffee Marketing Board is a semi-autonomous statutory body set up by the Government. Most of the coffee processing factories are African concerns, owned either by cooperatives or growers who have formed themselves into associations. These factories must sell their processed and graded coffee to the Board at fixed prices. The Board then markets the crop, most of which is exported. Exports rose from 131,000 tons in 1962 to 165,000 tons in 1966 and decreased in the following two years. These figures include sales both to quota and non quota countries. There was a bumper crop of about 200,000 tons in 1968/69 which may create problems concerning its disposals. In the coming years exports will largely be determined by quotas under the International Coffee agreement (since non-quota sales are now more effectively controlled) and it is expected that Uganda quota will show an annual increase of 2.3/4% which is in keeping with the projected increase in world coffee consumption.

LINT MARKETING BOARD

The Lint Marketing Board is a semi-autonomous body entrusted with the marketing of Uganda's second most important export.

All District Cooperative Unions, who have a monopoly for ginning cotton, must sell all their lint and cotton seed to the Lint Marketing Board at prices fixed by the Government. The LMB handles sales mainly through auctions in Kampala but also makes some direct sales.

The central problem faced is that of keeping producer prices and ginning margins at a level which would maintain an incentive for the growers, allow sufficient margin to the ginners to enable them to continue operation, and protect the Lint Marketing Board from going into debt since the Price Stabilization Fund which was used to support prices is now exhausted.

December 19,1969

UGANDA TEA GROWERS CORPORATION (UTGC)

The UTGC is a semi-autonomous statutory body set up in 1966 under the Ministry of Agriculture to assume control over smallholder tea production, acreage under which is expected to increase from about 9,000 acres in 1968 to 14,000 acres in 1970.

Making use of extension staff seconded by the Ministry of Agriculture, UTGC has supervised planting of about 5,000 acreages during 1966-68 and has established a leaf collection, inspection and transportation service which will eventually collect all smallholder green leaf. UTGC currently uses commercial factories but is in the process of building two of its own factories which will be operated by another parastatal body - Agricultural Enterprises Ltd. (a UDC subsidiary) - under a management agreement.

Following the devaluation of the £ sterling in November 1967 and the subsequent drop in tea prices, the Government decided to guarantee a minimum payment to growers of 40 cents per pound of green leaf. With no sign of a significant improvement in world price, it may become necessary for the Government to reconsider the question of subsidy and this, of course, would have bearing on new planting by smallholders. There is also the question of the proposed International Tea Agreement. The decision on whether, and if so on what terms, Uganda should enter any such agreement will obviously be a crucial factor in the growth of Uganda's tea production.

DAIRY INDUSTRY CORPORATION

The marketing of milk is the responsibility of this corporation. In 1969 it took over the Kampala processing plant of the Uganda Milk Processing Co. and has signed a contract for the construction of a new plant with a capacity of 15,000 gallons per shift.

The main problems confronting the industry are :

(i) shortage of improved dairy animals
(ii) deficient farm management and tick-borne disease
(iii) milk marketing structure

December 19 , 1969

Meeting with Mr. Nyanzi

NYANZI, Semei, Chairman, Uganda Development Corporation; aged 37, comes from Acholi, in Northern Uganda. He was educated in Uganda, Sudan and at Edinburgh University where he obtained an MA (Honors) in Economics, a Certificate in Public Administration and a Diploma in Education.

He was headmaster of a High School and a lecturer in economics at Makerere. He was appointed Joint Chairman of UDC in early 1964 and became Chairman in October of the same year. Mr.Nyanzi is married to Dr.Juanita Kagroa, one of the first African women in Uganda to qualify as a doctor. Mr.Nyanzi had considerable difficulties with the previous Minister for Commerce and Industries but is said to have better relations with the present one. He relies heavily on Mr. Caldwell, an expatriate, who is his right hand man in the Corporation.

For information on UDC please see brief under Manufacturing - UDC.

JINJA

JINJA

Jinja, the second largest city and the industrial center of Uganda, is situated approximately sixty miles to the east of Kampala.

Jinja owes its industrial eminence to the completion of the Owen Falls Hydroelectric Station in 1953. The major industries located in the area include textiles, (Mulco Textiles, and Nyanza Textiles) breweries, sugar refining, and lately smelting of copper mined from the Kilembe mines at the foot of the Ruwenzori Range.

The Owen Falls Dam is a few miles downstream from Ripon Falls - the site of Speke's discovery of the source of the Nile which is now completely submerged. Construction on the Owen Falls hydroelectric scheme was commenced in 1949 by a consortium of four Dutch, one Danish and three British firms. The machinery and plant came from Holland, France and the United States, making the project an international one. The total cost of the project was £ St 30 million, a large part of which was raised on the London money market. A substantial proportion of the loan has already been retired. The Bank provided the equivalent of $8.0 million, mainly for transmission and distribution facilities.

MEHTA, Mahendrakumar Nanjibhai, aged 38 was born in India and educated in Uganda, India and the U.K. The family business which started with sugar now also includes power cables, steel rolling, tea, agricultural implements, textiles, engineering services, truck assembly and distribution, and real estate in East Africa, India and the United Kingdom.

MADHVANI, Jayant Muljibhai; aged 48 was born in Jinja and educated in India. He is the head of the Madhvani family which runs the family business. They have extensive industrial interests in Jinja and, to a lesser extent, in the other two East African countries. Attached is a newspaper article which might be of interest.

THE TIMES

LONDON, September 15,1969

Family* with an empire

by John Young * MADHVANIS

The visitor to Uganda need only drive the 50 or so miles from Kampala to the industrial town of Jinja to witness one of the main hindrances to the development of the country's economy—namely, the reluctance of the small farmer to exert himself. The road passes through what must be some of the richest agricultural land in Africa, heavy with moisture and greenery, yet its cultivation is for the most part still at subsistence level, with untidy plots scattered at random amid the natural vegetation.

Then a few miles beyond the Owen Falls power station, where the Nile leaves Lake Victoria on its long journey to the sea, the pattern begins to change. Neat service roads lead to large, well tended plantations with strong fences. There are sturdy cottages instead of shacks among the trees and overhead crop-sprays plume like fountains above the orderly landscape.

For this is Madhvaniland, home of what is said to be the wealthiest family in east Africa. The four sons of the late Muljibhai Madhvani between them control an agricultural and industrial empire with an annual turnover of more than £25m., employing some 20,000 people. Perhaps more than anything achieved by the Europeans, it is an outstanding example to Africans of how the immense potential riches of their continent can be exploited by hard work and imagination.

More than 50 companies, in Kenya and Tanzania as well as in Uganda, go to make up the group. Their activities range from sugar refining to steel manufacture, from brewing to textile weaving, from tea and coffee growing to the making of soap and glass. Although a citadel of free enterprise in a predominantly socialist-orientated economy, the group is complementary rather than a rival to government enterprise, and indeed on some projects it has joined forces with the state-owned Uganda Development Corporation.

Exquisite house

The senior of the four brothers, Jayant, lives in an exquisite house, which he largely designed himself, overlooking the estate where his father first started planting coffee. The drawing room is cool and ornate, peacocks stroll and squawk amid the brilliantly coloured pillars on the terrace; the garden is bright with flowering shrubs and English-style lawns and in the distance the lake shimmers in the haze. It is a setting worthy of a millionaire.

In spite of his wealth and prominence, Jayant Madhvani cannot really be regarded as a leader of the Asian community in east Africa. His outlook and interests are too cosmopolitan—he is a frequent visitor to Europe and the United States, has a son at Charterhouse, a daughter at Benenden and another son at school in Florida—for him to be identified more than remotely with the small businessmen and shopkeepers whose future is under an ever-darkening cloud.

More important still is his own reluctance to be associated with sectional interests. He sees himself first and foremost as a Ugandan, is a close friend and admirer of President Obote and a staunch member of the ruling Uganda People's Congress (he was for a time a member of Parliament). The family has also contributed substantially to educational, health and other social projects.

All this could of course be seen as just another case of an Asian trader—albeit a very large-scale trader — currying favour with a potentially hostile regime. But his commitment to Uganda seems too genuine and too wholehearted to be described as simply trimming his sails to the wind.

Moreover, he has not deserted his own people. He was visibly pleased when I told him truthfully that I thought the British Government had acted shabbily towards its own citizens in east Africa, and he clearly feels an emotional sympathy towards his fellow Asians in their present plight.

But he is the first to concede that they have in many cases behaved selfishly and shortsightedly, have taken too much from the country and not given enough in return. "I have told them this many times", he assured me. "I have urged them to open their eyes, to recognize the way things are going and to make up their minds that if they want to stay they must become citizens of Uganda. But they wouldn't listen."

Meeting with Individuals

MBOIJANA, Christopher, aged 39 was educated in Uganda, India and U.K. He was called to the bar at Lincoln's Inn, and practices as an independent lawyer. He has served on a few Government and parastatal committees. Mr. Mboijana is a progressive and is considered influential in government circles.

MUKASA, Roger Joseph, aged 44, was born at Masaka and educated at Makerere, University of Wales and the University of Cincinnatti. He started his career in 1951 as a teacher, joined the Shell Company in 1957 and moved to the Coffee Marketing Board in 1961. He became Chairman of the Board in 1963. He is a Director of the Uganda National Insurance Corporation and was the President (1964-65) of the Inter-African Coffee Organization and Chairman (1965-66) of the International Coffee Council. Mr. Mukasa has effectively represented Uganda at international coffee parleys and has managed to secure a steady rise in its quota.

SSENTONGO, Alos Jack Ponsi Mukasa, aged 40, was born at Masaka and educated at Makerere, Bristol and Cambridge University. He joined the Civil Service in 1959, attended the EDI course in 1961-62 and became secretary to the Treasury, Ministry of Finance in 1963, in which capacity he performed very efficiently. At the end of 1968, Mr.Ssentongo left the service of the Government to go into private business, but has indicated his willingness to undertake short-term assignments of a consulting nature for the Government.

December 19,1969

Makerere College

MAKERERE COLLEGE

Oldest of the three institutions which constitute the University of East Africa. In line with policy agreed sometime ago, the institution is expected to become an independent university in September 1970. Many of the present East African leaders had a part of their education at the College.

THE TIMES

LONDON, September 15, 1969

Centre of learning gains international status

by Y. K. Lule, Principal, Makerere University College

Makerere College was founded in 1921 as a government institution. Before that missionary societies had been the sole agents of formal education in Uganda. Makerere was established to fill gap left by missionary effort both in the field of higher education and in the provision of professional training; courses in medicine, agriculture, veterinary science, elementary engineering and surveying, and education were offered from the beginning. The college was destined to play an important role in the provision of higher education and the training of east Africa's high level manpower, and a large number of Old Makerereans have already made notable contributions to public service; among them two presidents, several ministers and many leading figures in government, education, medicine and other fields.

By the middle of the 1930s Makerere had emerged as an institution commanding recognition throughout east Africa. Students came from all parts of east Africa to pursue courses at the college and prepare themselves for service to their countries. When in 1939 Lord de la Warr was sent to report on possibilities establishing a higher college for east Africa, there was no difficulty in recommending Makerere for this role. In 1949 the college entered into special relationship with the University of London and started preparing its students for degrees of that university. Makerere remained the only university institution in east Africa until the working parties on higher education in 1955 and 1958 led to the establishment of University Colleges in Nairobi (1956) and Dar es Salaam (1961). In 1962 Makerere entered into partnership with the new colleges to form the present University of East Africa.

The college has retained and strengthened the international status it has achieved through involvement in the changes and developments in the east African region. As well as staff and students from this region, the college attracts a sizable population from outside east Africa, including Nigeria, Zambia, Malawi, Sudan, Egypt, Ghana, India, Australia, Continental Europe, the United States and the United Kingdom. It has grown into a truly international centre of learning, sharing pride of place with the best institutions in the university world, and commanding attention far beyond its size. Degree courses are now available in arts, social sciences, law, science, education, agriculture, medicine and fine art, at both undergraduate and postgraduate levels. New faculties and courses in engineering, forestry, dentistry, home economics and commerce and industry are planned in the near future.

Rate of growth

Makerere's rate of growth has been governed by the requirements of the region as assessed by successive governments. Progress during the war was slow but continuous. The establishment of special relations with the University of London from 1949 to 1962 laid the academic foundations of the college, although this did not at that time lead to a rapid expansion of the college. There were 222 students in 1949, and 881 10 years later. The expansion in the past few years has been the result of the impetus which political independence—with its attendant demand for high level manpower and an accelerated rate of development—has given to educational expansion generally.

Student numbers have risen from 993 in 1963 to 2,400 this year, and will reach about 3,000 in two years' time. The expansion of the past few years is also a clear indication of the responsiveness of the college to the needs of the region it serves, a characteristic which has marked its history. Student participation is also being steadily achieved: students and staff in each faculty have a staff-student committee which participates in the planning of courses and presents items to the faculty boards; students are also represented on most of the committees of the academic board.

Academic growth has been accompanied by a continuous review of the courses and activities of the college, seeking to make them more and more relevant to the special needs of east Africa, without sacrificing the standards at which work is executed. The administration of the college is already Africanized and an increasing number of headships of departments is held by Africans. The formulation of policy is passing into the hands of persons with direct knowledge of local requirements, and the set-up of the University of East Africa and the policies of the college have made possible the review of courses, teaching materials and research from an east African point of view.

While there will always be room for pure research, the bulk of research and higher studies is being directed to the solution of east African problems: in medicine and agriculture; in the arts; and in retrieving as much Uganda tradition as possible for historical purposes—a project in which the students assist during their vacations.

Since many of these problems lie in areas peculiar to east Africa, the college is in a position to make a unique contribution to the world of learning. The growing relevance of Makerere's work has not detracted from its increasing maturity and desire to participate in the extension of the frontiers of knowledge and take its place in the world family of universities.

Arua

ARUA

Arua is the principal center of the West Nile area which is situated in the north western corner of Uganda. Tobacco growing was first introduced to this area in 1944 by an European settler and now covers a region of about 1500 sq. miles which supports a population of about 200,000 . The area is fairly well connected by road to Kampala, which is about 250 miles away. The soil and climatic conditions are well suited for flue-cured tobacco production, and there is no shortage of land for extending the area under cultivation. However, scarcity of natural woodland which provides fuel for curing the tobacco does not permit a rapid increase in tobacco acreage as wood fuel plantations have to be established.

A government sponsored outgrowers scheme was started in late 1940's and in 1950, it was taken over by the East African Tobacco Company (now British American Tobacco Co. (BAT)) which developed and operated a "green-leaf scheme." Under the scheme the company handed out free seedlings to farmers, supervised the cultivation and then purchased the green leaf from the farmers. Green leaf purchased was taken to centralized curing barns of the company and each barn would cure leaf originating from 40 to 80 plots spread over the area. This was the main drawback of the scheme as different types of leaf require different curing techniques and it was not possible to obtain a uniform good quality of cured tobacco.

In the mid-1950's the company experimented with the possibility of using small barns which cure leaf from 1 acre plots. The results were satisfactory and after 1957 the company encouraged farmers to build small barns to cure their own tobacco and sell cured tobacco to the Company. This was followed by the so called 'Master Growers Scheme,' in 1961 under which BAT financed directly, or guaranteed loans, for construction of permanent barns and production costs. The company also provided intensive supervision and technical advise to farmers.

BAT has been gradually transferring responsibility for management of the leaf growing industry to the growers themselves, and extension and technical services would have to be taken over by the Government.

The statistics for flue-cured tobacco production in the West Nile area are as under:

	1969
Registered Growers	12,400
Acres under cultivation	3,600
Acres per grower	0.29
Co-op Societies	20
Number of Barns	3,100
Average Yield (ng/ac)	590

A R U A

Acreage would be increased by approximately 1,400 acres under the proposed Agricultural Credit (Tobacco) Project. (Please see brief under Agriculture - Tobacco).

December 19,1969

Murchison Falls

MURCHISON FALLS NATIONAL PARK

The Park is situated in the North Western part of the country and sprawls across an area of some 1,100 square miles. The Park is divided into two by the Victoria Nile of which some sixty miles lie within the Park's boundaries.

The Falls themselves are formed by the Nile flowing turbulently through a narrow gap some twenty feet wide and crashing on to the rocks 140 feet below. The falls were discovered by Sir Samuel Baker and were named after the then President of the National Geographic Society.

The launch trip on the Nile affords ample opportunity to view hippos and crocodiles, and one can be sure of seeing elephants even on a short drive in the Park.

Information on the Murchison Falls Power Project is included in brief under "Power".

A brief biographic note on Mr. Kironde, Chairman of the Uganda Electricity Board is attached.

During the launch trip on the Nile, Mr.McNamara will be accompanied by Mr. Roger Wheater, Chief Game Warden of the Murchison Falls National Park. Mr.Wheater is young, but very knowledgeable about wildlife and tourism. He also takes a balanced view of the implications of the power project for the natural attractions in the Park.

December 19,1969

KIRONDE Erisa, Chairman Uganda Electricity Board, is a Muganda. He was educated at Makerere and Cambridge, and was subsequently a lecturer at Makerere until 1962 when he was appointed Chairman of the UEB, and a member of the Planning Commission. He is said to be a close personal friend of Dr. Obote and enjoys his confidence. He has at times reacted fairly violently to criticism of the Murchison Falls project, and is reported to have said that various people overseas want to make Uganda into their "private zoo". He is a non technical man in charge of an electrical undertaking, and is generally held in high regard.

8

AGRICULTURE

I LIVESTOCK

A. Past Lending

Beef Ranching Development Project - Credit No. 130 UG for US$3 million Signed October 5, 1968.

The project is a part of a long term beef cattle development program and is aimed to provide long term credit for beef cattle development by Uganda Livestock Industries (ULI), a quasi-government organization, and by private ranchers and cooperatives for the purpose of increasing quality beef, improved heifers for breeding and feeder steers for fattening. The project would also contribute to upgrading of the national herd, improved production and disease control practices, as well as training of Ugandan personnel in livestock development. Investment is confined to six large ranches of 38,000 to 45,000 acres each and about 50 small ranches of 3,000 acres each. Progress under the credit is generally satisfactory and it is expected that 75% of ranch development funds would be committed by end of 1969.

Salient Issues: Recruitment of technical staff to assist the Project Director in the Technical Services Unit continues to be a problem. Qualified, experienced staff are already employed by some Ministries but transfers from these Ministries to the Project have to be approved by the Public Service Commission and this has not worked out satisfactorily. Prompt action is required since lack of staff holds up processing of rancher loan applications and supervision.

B. Current and Prospective Operations:

Proposed Second Livestock Project: We were originally considering the possibility of financing a dairy project which would augment production of liquid milk, shortfall in which is currently met by imports. To encourage domestic milk production, producer prices have been set at an artificially high level which may prove difficult to maintain in the long run. In view of this factor we believe that it is necessary to study the pricing and marketing facets and perhaps it would be wiser to initiate our involvement in this field with a dairying subproject within an overall livestock development project. There is considerable enthusiasm for further investment in beef ranching operations which would be specifically oriented to emerging ranching enterprises rather than parastatal bodies such as the ULI as in the first operation. Based on our discussions with the Government and PMEA it appears that an integrated second phase livestock development project with components for dairy farming and beef ranching would be the most desirable and feasible. It is hoped that project formulation and preparation with assistance from Headquarters and PMEA can lead to appraisal in late 1970. A Project Preparation Commission is being formed by the Government to coordinate preparation work.

II TEA

A. Past Lending

Uganda Tea Growers Corporation (UTGC) Project - Credit No. 109 UG, for US $3.4 million, signed on September 15, 1967

The project is part of the smallholder tea development program of the Government of Uganda and the UTGC. It consists of a field sector and a factory sector. The field sector covers the planting of some 9,700 acres of smallholder tea in the five year period 1966-70 and includes provision of services to these smallholdings. The factory sector, which is not financed by the credit, covers the extension of existing factories and/or the construction and operation of new factories as needed for processing of smallholder tea. The project is expected to bring about 5,500 smallholders into the cash economy. Most of the tea produced would be exported, and it is estimated that the net increase in exchange earnings due to the project would average US $1.8 million per year rising to about US $3.4 million per year after about 1986.

Current Status: The project continues to be generally satisfactory in the field, though on the factory side there have been delays in making available processing facilities. The general problem is the lack of positive management in UTGC, which, while being a semi-autonomous body, is very heavily dependent on the Ministry of Agriculture for direction and initiative.

B. Current and Prospective Operations

Second Smallholder Tea Project: Project preparation work with assistance of Bank staff is underway. It will, however, be difficult for the Government to present a further project to IDA and even more difficult for IDA to appraise it until the Government has arrived at a policy towards the proposed International Tea Agreement, an informal agreement for 1970 quotas being at an advanced stage of negotiations. It is believed that the position may not be cleared up before the middle of 1970. It is expected that savings of approximately $1.0 million will be available under the existing credit, and this could be utilised for financing the planting of an additional 3,000 acres for the 1971 season so that consideration of the follow up project could, if necessary, be postponed until some guidelines emerge from the present discussions to control the trade in tea.

III TOBACCO

A. Past Lending - Nil

B. Current and Prospective Operations

Proposed Agricultural Credit (Tobacco) Project for US$4.0 million

Tobacco is the fourth most important cash crop after coffee, cotton and tea, and its development is in keeping with the aim to diversify the country's agricultural base. The project has been appraised and a report is under preparation.

The proposed credit of US$4.0 million would finance 55% of the project costs estimated at US$7.3 million. At present, tobacco provides a livelihood for some 20,000 small farmers who produce 2.7 million kg. of flue cured leaf of which 0.7 million kg. is exported to earn the country approximately $1 million. As a result of the project, the number of growers would rise to 26,000, producing 5.3 million kg. annually of which 2.4 million kg. would be exported to earn US$2.8 million. The project aims to increase production by extending the area under cultivation as well as improving productivity.

The project involves strengthening the cooperative movement, to which all tobacco growers belong, in order to provide a suitable channel for providing credit to such growers. It would include the provision of short and medium term production credits to tobacco growers, and medium term credits to cooperatives for the establishment of the facilities required to service their members efficiently. Provision would also be made for the establishment of additional central tobacco storage facilities, for the reorganization and improvement of Government's extension services for tobacco farmers, and for the preparation of further agricultural projects aimed at a larger number of farmers and a wider range of agricultural production.

The appraisal mission is likely to point up the need for retention of three expatriates with tobacco cultivation and administrative experience for a period of four years. They would be required to fill the position of the Project Director and as managers of the two more important Cooperative Unions. Their need is recognized explicitly in the project submission by the Government.

December 19, 1969

THE REFUGEE SETTLEMENT PROBLEM

In mid-1968 there were approximately 55,000 refugees from Rwanda, Sudan and Congo living in Uganda. When the refugees first arrived in Uganda, the Government had hoped that conditions in their home countries would permit the refugees to return fairly shortly. In the light of this belief, organized effort to settle the refugees was kept at a minimum. The refugees themselves believed that they would be returning home shortly, thus there was little effort on their part to make a permanent home in Uganda. As the years passed, however, it became clear that the refugees might stay in Uganda for a considerable period of time, perhaps for good, and that more intensive efforts would be needed to make these people self supporting.

The immediate need in this respect was for improvement of health and water supply facilities, primary schooling facilities, and the initiation of agricultural development in the border areas to ensure at least a subsistence level of existence for the refugees.

The Government of Uganda approached the United Nations in 1962 for assistance in settling the Rwanda refugees. This was followed in 1964 with a request for assistance in dealing with the Sudanese refugees; and in the same year refugees from the Congo arrived in substantial numbers. The United Nations High Commissioner for Refugees has provided emergency relief assistance to meet this problem, but a long term solution to assimilate the refugees into the country and to provide them with a standard of living comparable to the local people is yet to be found. There have been discussions between the United Nations, OXFAM, PMEA and ADS regarding the possibility of a zonal rural development scheme which would emphasise multisectoral development in specific zones of the country in context with the refugee settlements organized till now. As yet, no concrete plans have taken shape as there is a split in the Cabinet on the basic issue of refugee settlement.

A long-term solution to the refugee problem could be found only in the field of agriculture, and projects to settle refugees in different parts of the country would have to be implemented.

The need to cater for the refugees has already involved the diversion of a not insignificant amount of effort and resources on the part of Uganda.

December 19, 1969

IRRIGATION

A number of pilot irrigation projects are either being implemented or are under active consideration. The UNDP financed Mubuku project has been extended twice, but there has so far not been any conclusive evidence that irrigation could have a major impact under Ugandan soil and climatic conditions, except perhaps for citrus crops, rice and to a lesser extent sugarcane and cotton, particularly since substantial scope still exists for rainfed cultivation. The results of a review of Mubuku by the Government based on a FAO technical study are not yet known.

Irrigated Rice Scheme

The Uganda Development Corporation (UDC) with the assistance of PMEA has been investigating the possibilities of irrigation in rice growing areas in the country. The Nyamugasani area in Western Uganda has been identified for initial field trials, preparation for which is expected to be underway in early 1970. Concurrently detailed topographical and soil surveys will be conducted over an area of about 10,000 acres. Should the results of the first phase be satisfactory this would be followed by engineering and design for irrigation of 6000 acres of a commercial rice estate in late 1970. Depending on progress in this regard, a project package could be submitted for our financing in the mid 1970's.

December 31, 1969

ANNEX A

AGRICULTURE IN UGANDA

SUMMARY AND CONCLUSIONS

1. The growth of the agricultural sector has slowed down during the past three years. In comparison with the growth of about 5.5 percent a year achieved during the period 1962-65, growth in the following three years has only been about 3 percent a year.

2. The slow growth during the period 1966-68 is the result both of adverse weather and the decrease in the output of cotton - one of the two major crops - resulting mainly from a drastic reduction in 1966 of the price paid to producers. There are indications that growth will be significantly higher in 1969, in view of the bumper coffee crop and some recovery in cotton production.

3. The output of tea and tobacco has risen steadily over the past few years, and hold promise of making an important contribution to the diversification of output in the years to come. The output of sugar and groundnuts has also risen, although further increases would be limited by market constraints. Progress in the production of milk has been very encouraging, and Uganda is steadily moving towards self-sufficiency in this item. The foundation has been laid for developing the country's immense livestock potential, which will not only enable Uganda to meet its internal needs for meat, but also to develop exports to some of the neighboring markets. There is an upward trend in fish production, and a considerable potential exists. While the quantitative significance of items other than coffee and cotton are as yet limited, there are good prospects that their share of agricultural output will steadily increase.

5. The volume of exports can be expected to increase generally in accordance with the estimates made by the 1966 mission, except perhaps for a shortfall in cotton and increases in tea and tobacco.

6. Imports of agricultural commodities into Uganda are small. Further reductions can be expected, particularly for milk and milk products, meat, oils and rice.

7. During the past two years, the Government has taken a number of measures to improve efficiency in production and marketing within the agricultural sector. These include:

(a) measures to increase the output of Agricultural Assistants, and thereby improve the composition of the staff of the extension services;

(b) the establishment of a new Ministry of Marketing and Cooperatives to deal with marketing problems besetting some of Uganda's crops; the establishment of a Produce

Marketing Board to deal specifically with minor crops, and of a Dairy Industry Corporation to organise the production and distribution of milk and other dairy products;

(c) efforts to improve the structure of the Cooperative Movements in the light of the report of the recent Committee of Enquiry;

(d) the reorganization of the Tractor Hire Service;

(e) the decision to slow down the establishment of Group Farms.

8. Some problems which continue to need attention are:

(a) the need to set up effective planning units in the Ministries concerned with the agricultural sector;

(b) a thorough investigation of the market prospects of crops other than coffee and cotton, as a basis for a policy on diversification of output;

(c) the adoption of a price policy which, while stimulating production, will not create unmanageable surpluses;

(d) improvement in the machinery for the preparation and execution of projects, and for a regular review of programs and policies; and

(e) closer contact between the staff of the Ministries concerned with agriculture, and the Ministries of Finance, and Planning.

6

E D U C A T I O N

A. Past Lending

Uganda Education Project Credit No. 101 UG for US $10 million signed on April 21, 1967

The credit was to help finance a major educational expansion program involving 39 General Secondary Schools. The project consists of the construction and equipment of general secondary schools, student hostels and staff houses. The project will add approximately 13,900 places to the 23,000 places available at secondary level. While progress on the construction part of the project is generally satisfactory, procurement of equipment is lagging behind schedule.

B. Current and Prospective Operations

A reconnaissance mission is currently in Uganda to discuss with the Government the UNESCO Project Identification Report which could form the basis for a second education project. A recent manpower survey shows that the most urgent needs are for technicians and skilled workers for commerce and industry and for teachers to teach technical and agricultural subjects. It is hoped that a second education project would help meet these needs. The main problems concerning development of education in Uganda appear to be:

(i) need to plan further developments to make the system more economical, considering the already heavy burden of educational expenditures accounting for approximately 30% of the recurrent budget;

(ii) excessive orientation of secondary education towards academic studies and insufficient emphasis on technical and agricultural qualifications (a part of the first project aims at introduction of practical subjects in school curriculum).

It is hoped that on the basis of recent discussions with the Government a project preparation mission can be scheduled for early 1970.

December 18, 1969

THE TIMES

LONDON, September 15,1969

Education an all-out effort

Helen Hope (formerly Lady Cohen)

The history of Uganda's educa-
n and social services is one of
raordinarily rapid develop-
nt, though this is sometimes
erlooked by people who are
htly conscious of how much
l remains to be done. Educa-
n arrived with the mission-
es earlier in Uganda than in
ier east African countries, and
iools were established well
fore the Uganda Agreement
s signed in 1900. These tended
wever to cater for the sons
d daughters of chiefs and
embers of the royal families
d were limited to a few access-
e areas.

Educational methods were of Victorian evangelicism, hough remarkable begin-
ngs were made in medical work
rly in the century, much of the
od work of the early missionar-
was marred by interdenom-
ational rivalries. In spite of
ese limitations, many Ugan-
ans became literate and devout,
nd the foundations were laid for
iture developments both in edu-
ational and medical work.

By the 1920s missionary funds
ere no longer adequate to
naintain and still less to expand
ervices in health and education.
The Government decided to take
ver a direct responsibility for
ducation, by underpinning mis-
ionary activities financially and
y establishing its own schools
nd colleges. One such institution
vas the Technical School, estab-
ished in 1921, which became
Makerere University College in
1950 and is now a rapidly ex-
panding branch of the University
of East Africa, awarding degrees.

One sign of the deep determination of the Government of independent Uganda to educate its citizens is the fact that it now spends about 29 per cent of its annual recurrent revenue on education. The 1922 figure was 1 per cent. Yet in spite of this tremendous effort the University of East Africa remains almost completely dependent on foreign aid for capital expenditure. Makerere now has a Ugandan student body of 1,400 and costs well over £1m. a year to run. Most of the staff are still expatriates, though qualified African staff are recruited wherever possible. Girl students, a stared-at rarity in the early fifties, now crowd into three-bedded rooms in the university women's hostel, which is long overdue for expansion. About 2,500 Ugandans are studying in overseas institutions for higher education, the vast majority in Britain.

Wider opportunities

This fantastic leap forward in the past 30 years at university level is paralleled in other levels of education. Until the early fifties secondary education had been concentrated mainly on Buganda. It then became government policy to spread educational opportunity more fairly through the whole country. There are now 41 secondary schools producing four times as many successful G.C.E. students as in 1955. Enrolment is increasing by about 25 per cent a year. The target of 35,000 secondary school places by 1971 is likely to be overshot.

Government scholarships now enable clever children from poor homes to enter Makerere or technical colleges. Up to 100 Ugandans a year, including a growing number of girls, enrol as medical students, while the Faculty of Agriculture takes 40 or so students—a vital group in a country where 97 per cent of the people still depend on the land for a living.

Although progress is impressive it is estimated that 50 per cent of Uganda's children still get no form of education, and less than 10 per cent more than four years. This situation may get worse since about 42 per cent of Uganda's citizens are under 15. Yet the appetite for education in Uganda is voracious at all ages and social levels. There are some villages where almost every child over the age of three can be seen poring over a book trying to master the 3 Rs in order to stand a chance of obtaining a coveted place in the overcrowded primary schools. Nursery schools are now the rage, both to enable educated mothers to get out to work and to get the children off to a good start in the highly competitive educational race.

In medicine progress is also being made. Government hospitals deal with 1,500,000 cases a year, private hospitals with another 400,000. The latest five-year plan provides for 22 new hospitals in rural areas to be built by 1971. There are to be provided with lecture halls and out-patient clinics where the preventive aspect of health is to be emphasized.

Rural community centres will also, it is hoped, provide a stimulus for a campaign for better housing in the country areas. Linked with health education this should eventually do more for the welfare of the people than elaborate hospitals in the cities. With only one doctor for every 20,000 people, the Government rightly recognizes that a health education drive in which less highly trained personnel and laypeople can take part is vital if preventable illness is to be tackled.

Illness through ignorance

No account of educational and social developments in Uganda would be complete without describing the contribution which African women themselves are making. Much illness and unnecessary suffering in Africa is caused by ignorance, not by poverty. To combat this educated African women, sponsored by clubs and women's organizations and backed by the Government, are getting out into the villages to demonstrate to mothers (and increasingly to fathers) that deficiency diseases such as *kwashiokor* in children are avoidable if weaning schedules are followed, that blindness is avoidable if simple precautions are used and that, by the use of readily available foods and materials for hygienic houseplanning, standards can be raised at no substantial cost.

Teams of girls from Gayaza High School go into the villages to give cookery and first-aid instruction as part of the extension of their school work. Mothers are taught to build simple sun-baked mud stoves to keep the fire off the floor, and the toddlers out of danger in the dark huts. All this work, though perhaps not so prestigious as the splendid buildings of Mulago Hospital, makes a significant contribution to the wellbeing of Uganda families and helps to reduce pressure on expensive hospital beds.

Work for Progress, Uganda's 1966-71 development plan, lays down in practical and intelligent terms what has to be done in the fields of education and social welfare. The target date for the complete Ugandanization of these services is 1981. In the meantime the people of Uganda need not only sympathy but development aid and skilled workers from overseas to help them in their battle to reach the standard of living which they desire and deserve.

10

MANUFACTURING - UDC

The Uganda Development Corporation has been instrumental in developing industry in Uganda and has either initiated or participated in most industrial development in Uganda. The current Development Plan states that UDC is to remain the Government's main weapon for accelerating industrial development.

The UDC was established in 1952 as a 100% government owned Corporation with an initial capital of UShs 100 million. UDC grew through the formation of additional subsidiaries and joint ventures with private enterprises. UDC's growth and profitability was remarkable, and it was considered as being one of the strongest development finance institutions in Africa. To a large extent this was attributable to good management and an unusual degree of freedom from Government pressure. Around 1967, however, the profit record suffered a setback due to unfavorable marketing conditions and the devaluation of the pound sterling. Government intervention in UDC's investment decisions is also said to have increased sharply in recent years and to have become an important factor in its performance.

The possibility of Bank assistance to UDC was first raised during Mr.Mathew's visit to Uganda in May 1969, and was further discussed informally during the Consultative Group meeting in Paris in July 1969. During the Annual Meeting, Mr. Nyanzi, UDC Chairman, made specific application for a Bank loan to UDC and held a number of meetings with Area and DFC department. At our request, data and projections have subsequently been sent to the Bank by UDC and these are now being studied.

The Bank faces two basic issues in considering a loan to UDC:

(a) While the Bank has permitted the use of a dfc loan for ~~government~~ enterprises this has always been in the nature of an exception and has represented only a minor portion of the entire ~~dfc loan~~ and of the overall activity of the dfc. In the case of UDC, which is a government-owned, promotionally oriented holding company, we must expect that a major portion of a possible Bank loan would be used for loans to UDC's own subsidiaries which consequently are not private. Although UDC has sold some shares in its subsidiary companies to private holders, it is difficult to foresee any significant increase in such sales, and in any case it appears to be the Government's intention that UDC should retain a controlling interest in most of its subsidiaries. This whole problem will have to be considered in the full context of what constitutes a sound industrial development policy for Uganda;

(b) A related problem is the question of the independence and adequacy of management. The Government is known to have given UDC very direct instructions not only on matters of policy but on specific aspects of individual investment projects, as well as on

Evidence? And advice?

internal administrative matters including recruitment of staff. While such interference is said to have been reduced, it remains a question mark.

The information recently supplied by UDC is being studied with a view to finding out whether we can appropriately provide financial assistance to UDC as an institution and/or to certain of its subsidiaries. If our examination of this data leads to the conclusion that a case for Bank lending exists, we hope to so inform UDC shortly and then to follow this with a mission as soon as our staff schedule permits.

Mike to John

A list of the UDC' major subsidiary companies is shown below:

1. Agricultural Enterprises Ltd.
   (this company in turn has 8 subsidiaries)

2. Nyanza Textile Industries Ltd.

3. Uganda Cement Industries Ltd.

4. Uganda Consolidated Properties Ltd.

5. Uganda Hotels Ltd.

6. Uganda Crane Industries Ltd.
   (This is a holding company which was formed for the purpose of selling off certain stocks held by UDC.)

11

P O W E R

A. Past Lending

Uganda Electricity Board Project Loan No. 279 UG for US $8.4 million signed March 29, 1961

This was the Bank's first operation in Uganda, then a British Protectorate. The loan was for the expansion and extension of the transmission and distribution facilities for power generated at Owen Falls (near Jinja) and to build two small hydro plants and one small diesel plant. The project provided electricity supplies to outlying areas of agricultural and other economic importance. Performance under this loan has been satisfactory.

B. Current and Prospective Operation

Murchison Falls Project

After President Obote's statement in late 1968, of the government's commitment to proceed with the project, it has become a politically touchy issue and it would be painful for Mr. Obote to back down on it. This also promises to be a contentious issue which could strain relations between the Bank and Uganda, should we be unable to finance this scheme for Commissioning by 1976.

There have been two main issues involved in the debate over this project.

(i) Possible effect on wild life and tourism in the Murchison Falls Park area.

This matter has been aired extensively in the local press and in correspondence. Mr. McNamara has received a number of letters from various organizations and distinguished persons to request that we refrain from encouraging such development. We have been assured that the Government intends to ensure preservation of the wild life and the natural attraction in the area and plans for the scheme have been designed with this point in mind. The power station will be underground and we understand that the general area in which the dam and substation will be situated is visible from only one short stretch of road on the access to the Falls from the south, at a point where it winds around the top of a hill at a distance of a little over a mile from the dam site. From observations made at the dam site it is apparent that the dam as now proposed will be hidden from viewers on this road by an intervening hill. However, the tops of some steelwork structures in the overground substation and also the first three or four transmission towers are likely to be visible from this road. It is not expected that these structures will be silhouetted against the skyline and if suitably painted, they should be scarcely visible to

Int Law + do [illegible]? conserva-tionists agree the naked eye from such a distance. Nevertheless, if considered to be objectionable, they could be made invisible to tourists merely by rerouting about one mile of the murram access road round the other side of the hill mentioned above. The Bank's Public Utilities Projects Department believe that there is no reason why it should not be possible to construct and operate the Murchison Falls project without interference with amenities of the Game Park provided proper care is exercised during the design stage. The cost of any provisions designed to ensure this are not likely to have any substantial effect on the economics of the project so far as can be estimated at this stage.

Mike to write paper? [illegible] & [illegible] Minister with an "authority" — what about disturbing the animals

(ii) Economic justification for commissioning the project by 1976

The understanding between Kenya and Uganda for coordinated development of power, as worked out under the chairmanship of Lord Hinton, was based on the reports of the Consultants which put forth a number of alternative schemes for coordinated development. Scheme 4B was preferred by the two coutries and under this scheme the Murchison Falls project was scheduled for commissioning by 1976. The timing of the various projects within the scheme was based on load growth forecasts available to the Consultants in 1967/68, and it was realized that while adoption of the scheme was an agreement on basic strategy, the details as to timing and other matters may need to be revised in the light of changing circumstances.

The timing of a new major power project in Uganda could undergo a change if Uganda is able to negotiate some modification of the present agreement governing the bulk-supply of power from Uganda to Kenya. The agreement which came into force in 1958 is for a period of 50 years, and requires that from now until 2008 Uganda provide a minimum of 30MW of power at agreed rates. Kenya has built a special transmission line at a cost £ St. 3 million for the purpose of importing this power. In the discussions which have already taken place among the two countries, Kenya has indicated its agreement to Uganda supplying power below the 30MW minimum limit, provided the latter compensates the former for its losses. If Uganda could gradually secure the full use of the power which it is currently supplying to Kenya, and further, if it could subsequently also import power from Kenya for a time, it should be possible to postpone the commissioning of the Murchison Falls project until about 1979 or 1980, i.e. about 5 years later than the date now proposed. Assuming a construction period of about five years, our consideration of the project could be deferred by about 4 to 5 years. This procedure would also tie in with the latest information which we have received from U.E.B., which indicates that forecasts of power requirements may have to be lowered by about 20-25 percent. The delay in embarking on the Murchison Falls project would also enable Uganda to give further consideration to the methods by which it could meet its longer-term power needs.

The Ugandans seem bent on going ahead with the scheme on the grounds that there are implications other than pure economic ones which the Government has to take into consideration, and we understand that they are shopping around for other sources of finance either bilateral or commercial. A number of countries have indicated their desire to participate in financing the project.

December 18, 1969

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TOURISM

The Country Program Paper (page 8) summarises the current state of this sector.

The Summary and conclusions contained in the tourism annex to the Bank's latest Economic report on Uganda is attached.

ANNEX C - TOURISM

SUMMARY AND CONCLUSIONS

i. Tourist traffic to Uganda has increased appreciably in recent years, though the statistics of visitor arrivals are incomplete and do not provide a reliable series. There are good prospects for continued growth in the context of the expansion of tourism to East Africa as a whole. Given rising incomes in the principal market countries of Europe and North America, the prospective further reduction in the costs of air travel and the fast expansion of air charter traffic, a continued growth in tourist arrivals to East Africa at a rate of 15 percent to 20 percent annually seems probable if tourist facilities are expanded on an appropriate basis.

ii. The Uganda authorities have formulated a broadly satisfactory program of investments to meet the expected growth of traffic over the remaining years of the current Five Year Plan. This program envisages expenditures of Sh 26 million on hotels and lodges and about Sh 14 million on the development of wildlife areas. Large expenditures will also be incurred on infrastructure investments, particularly highways and a new runway at Entebbe airport. Much of the required finance has already been obtained, notably for the major infrastructure investments, and financing is in sight for a major part of the planned investment in hotels and lodges. However, the financing of the hotel program is not yet complete and progress here is urgent if the planned expansion is to be realized by 1971.

iii. The economic return on investments in tourist facilities in the past has not in all cases been satisfactory, due partly to excessive capital costs and partly to the provision of capacity considerably in excess of demand at the time when provided. While returns in the private sector have often been favorable, returns in the public sector have been small or even negative. It is essential that, in planning new hotels and lodges, capital costs should be brought down to more realistic levels. While maintaining adequate standards of comfort, it should be possible to bring down the average cost per bed to about Sh 40,000 from the Sh 60,000 spent on park lodges in recent years. If the lower figure is attained and if the capacity increases are adjusted closely to the growth in demand, tourism can make a valuable contribution to the Uganda economy.

THE TIMES

LONDON September 15,1969

Cinderella of east African tourism

by John Young

Africa, and east Africa in particular, is so vast, so varied and in places so staggeringly beautiful that it is almost impossible to draw comparisons. Memories of some enchanted evening in a game reserve, watching hundreds of wild animals wend their way down to the waterside, can be eclipsed a couple of mornings later by the vista of a mountain landscape that leaves even the most talkative tourist speechless.

Nevertheless I must confess a special attachment to Uganda. Ever since the dark, damp morning when I arrived overnight from the turmoil of the Nigerian war and drove from Entebbe to Kampala through the gathering magic of an African dawn, it has symbolized for me most of the continent's happier aspects.

Of course it is no Utopia. Like its neighbours it has deep and persistent problems — political and economic, racial and tribal. But unlike Kenya or Zambia, for example, it seems to wear its troubles lightly. Its people are gay, friendly and anxious to please; even among the ranks of the bureaucracy there is a relative absence of the sort of pompous arrogance and deliberate obstructiveness that can make dealings with African governments a nightmare of frustration.

Essential character

Kampala, the capital, is a delightful city. As the former seat of the Baganda kings, its roots go deep into the country's past and, in spite of the advent of tall, modern buildings and other foreign influences, it has managed to retain an essentially African character. Spread generously over a cluster of small hills, it has an almost perfect climate, its height above sea-level being just enough to temper the worst of the heat without producing the sort of chill that can envelop Nairobi at certain times of the year.

Its diversions and points of interest are limited and unlikely to detain the average tourist more than a day or two. But prices are cheap, night clubs lively and uninhibited and hotels generally of a high standard. The largest of these, the Apolo, which was opened last year, had a somewhat unfortunate reputation at first, but I can truthfully say that when I stayed there last month the service was among the best I have encountered anywhere in the world.

The Lake Victoria Hotel at Entebbe, a sleepy little town that is the former headquarters of the colonial administration, is another pleasant spot to spend a night or two. But it can never hope to be much more than that. The real lure for tourists from Europe and America lies farther afield, in the great national game parks that have in the past few years come to be recognized as some of Africa's most readily exploitable assets.

Of these, easily the most popular is the Murchison Falls park, the main attraction being a trip by launch up the broad expanse of the Nile to the point where the current permits no further progress. From here it is possible to gaze at the impressive cataract formed by the river contriving to force its way through a 20ft. gap in the cliff face, although within the past few years a splinter movement has found an alternative route and the future of the falls is also threatened by a planned hydroelectric scheme.

The park is justly famous for the number of hippopotami and crocodiles to be seen along the river banks, and for the huge herds of elephant and buffalo which roam the bush. The tourist authorities feel that it claims a disproportionate share of visitors and efforts are being made to publicize the counter-attractions to Queen Elizabeth park in the south-west of the country and Kidepo vallley in the north.

Queen Elizabeth park lies almost in the shadow of the remote and mysterious Ruwenzori Mountains—the Mountains of the Moon—which rise to more than 16,000 ft. and whose lower slopes contain some of the weirdest vegetation on this planet. But their snow-covered peaks are usually hidden by cloud.

Scenically this park, with its lakes and volcanic craters, has possibly even more to offer than Murchison Falls. Its tree-climbing lions are a well-advertised attraction, although like all lions they are notoriously elusive. Both here and in the Semliki valley near by our extensive search by air and on the ground failed to reveal more than a solitary specimen patrolling a remote skyline.

The Semliki reserve, at the south end of Lake Albert, is a green and lovely place and permits a limited amount of hunting. From here one can drive up a vast escarpment, with magnificent views on the way, to the rain forest where grinning, pipe-smoking pygmies make a small fortune from selling souvenirs to tourists and charging fees to amateur photographers. A new lodge is planned to replace the present comfortable but limited accommodation in the reserve.

Extensive beaches

In spite of its many attractions, Uganda remains the Cinderella of east Africa as far as tourism is concerned. In part this is due to the fact that both Kenya and Tanzania can offer extensive coastal beaches to complement visits inland to the game parks. By contrast the huge expanse of Lake Victoria, although it has some potential for water sports, is unsafe for bathing because of the risk of bilharzia infection.

Critics of the Government's tourism policies claim that lack of initiative is also responsible for Uganda failing to claim her rightful share of the booming traffic in holiday visitors. They argue that tourism offers by far the best immediate prospects of foreign exchange earnings, but that the Government is prepared to spend only a fraction of the sum it allots to such allegedly impractical and idealistic projects as the development of cattle ranching.

The most famous dispute, and one that has created a minor international furore, concerns the proposal to build a hydro-electric power station on the Nile above Murchison Falls. Opponents of the scheme claim that it will not only seriously disturb the animals in the park but is also likely to ruin the falls as a spectacle and thereby destroy Uganda's most valuable tourist asset. They also argue that the Government would be economically better advised to concentrate on smaller, more localized power stations which would serve the country's needs better than a single grandiose project.

The flood of protest letters from all over the world has aroused a bitter reaction from many Ugandans who accuse the protesters of being more interested in animals than people. In this, as is the case with many such disputes, there is a strong element of racialism. At its worst it amounts to a feeling on one side that Europeans should stay out of African affairs and on the other that Africans are unworthy of their priceless heritage.

The electricity board has wisely paid little heed to such emotional reactions. The chairman, Mr. Erisa Kironde, concedes that the scheme's opponents have a case but argues that their fears are exaggerated and based on unprovable assumptions. Moreover he asserts that all possible alternatives have been examined but none of them has proved practicable. He has undertaken to work closely with scientists and zoologists, and the board plans to construct a scale model to determine the likely visual effect on the falls. But in any case, having received Government approval,construction is scheduled to start next summer.

By way of an answer to charges that it is neglecting Uganda's tourist potential, the Government last year published a White Paper outlining its proposals. Although this document is open to charges of generalization and wishful thinking, it anticipates expenditure from the national budget of more than £2.5m. before the end of June, 1971, excluding sums spent on developing infrastructure. It also provides for setting up a long-overdue national tourist board, which duly began operations at the beginning of July.

Help with the pictorial preparation of this Special Report was given by the Faculty of Agriculture, Kampala, F. Hartmann, A.R.P.S., Marion Kaplan, Ministry of Information, Broadcasting and Tourism, John Mowlem & Co., Uganda Development Corporation, and E. R. Watts.

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TRANSPORT

I HIGHWAYS

A. Past Lending

(i) First Roads Project, Credit No.108 UG for US $5 million signed July 28, 1967

The credit was to help finance the detailed engineering and construction of approximately 100 miles of main and feeder roads and the detailed engineering of a further 460 miles in the same categories. All these roads from an integral part of the road program contained in the Governments Five Year Development Plan.

(ii) Second Roads Project, Credit No. 164 UG, for US $11.6 signed September 29, 1969

The roads to be constructed under this credit were engineered by consultants under the previous roads project financed by IDA (Credit No.108 UG). The project consists of construction/reconstruction of approx. 665 km. of primary, secondary and agricultural roads, detailed engineering of about 700 km. of additional roads and retention of consultants for a highway investment and maintenance study.

Current Status: Construction work under the first project (Credit No. 108 UG) on the primary road and the agricultural roads is behind schedule due to difficulties with contractors. Work is now expected to be completed by January 1971 instead of December 1969 as originally scheduled.

The Credit (No.164 UG) for the second roads project was declared effective on December 1, 1969, and work on recruitment of expert staff for technical assistance has been started.

In the highways sector in general we have felt that maintenance requirements are not adequately covered by the budgetary allocation, and this was stressed during negotiations for the last credit, and followed up suitably. We have also felt that adequate emphasis has not been placed on the secondary and feeder roads network. It is expected that the highway maintenance and investment study will provide recommendations for the organization, staffing and equipping of an adequate maintenance unit and will indicate the order of priorities for the various gaps which remain to be filled in the country's road network.

B. Prospective Operations

It is expected that a third highways project for FY 1973 will be formulated on the basis of the findings of the highway maintenance and investment study to be carried out under the second roads project.

II RAILWAYS

The East African Railways Corporation (EARC) provides rail services within the country as well as the vital link to the port of Mombasa in Kenya. The Uganda-Kenya line has become heavily congested with increased traffic emanating from Uganda and Kenya and the East African Community and EARC have recently negotiated a loan with the Bank to finance the railway development program which covers increase in the capacity of the Uganda-Mombasa line.

In recent years Uganda has been considering the need for it to ensure an alternative outlet to the sea, and in this respect the possibility of using the port of Tanga in Tanzania has been mentioned. Such a development would involve extensive development work at the port of Tanga as well as the establishment of a rail link from Musoma in Tanzania to Arusha where the line could be linked to the existing one to Tanga.

If these plans take a concrete shape it is doubtful whether Kenya would agree to a Community owned corporation undertaking a program which in its view could be considered unnecessary.

III AIRPORT

Uganda has undertaken the building of a new runway at Entebbe at an estimated cost US $11.0 million with contractor finance. There are also plans for a new terminal building at the airport. Although a new runway was required at this time, the high standards being adopted may not be justified.

IV OIL PIPELINE

Uganda is considering the possibility of setting up an oil refinery, and the Governments of Kenya and Uganda have been discussing the possibility of constructing a pipeline from Mombasa to Uganda which would be used by both of the countries. We understand that a consultant recommended by UNIDO is to be appointed to study this scheme.

ANNEX B - TRANSPORT

SUMMARY AND CONCLUSIONS

i. Uganda's internal system is, with some exceptions, sufficient in extent and in adequate condition to meet present and foreseeable needs. The capacity of the vital railway line to the sea, through Kenya and the port of Mombasa needs to be considerably increased, since combined Kenya and Uganda traffic is increasing and costly congestion and delay must be avoided. In this connection, the Bank is currently reviewing a loan application by the newly created East African Railway Corporation (EARC). If approved by the Bank, the major part of the proceeds of this loan will be spent in increasing the capacity of the Uganda-Mombasa railway line.

ii. Road conditions, while still generally good, have deteriorated during the last years as a result of inadequate maintenance, especially with respect to periodic regravelling and bituminous resealing. Financial allocations for maintenance have not kept up with traffic growth or the increasing cost of labor, materials and equipment. Accordingly, the mission recommends a substantial increase in the road maintenance budget, especially for regravelling.

iii. During the next Plan period, some main road sections will require selective improvement as traffic densities exceed their capacity. In some areas of high agricultural production, the secondary and minor networks are inadequate for present traffic. Greater emphasis should be given to their investment needs during the next Plan period. However, there is a need for comprehensive assessment of these requirements and for better liaison between authorities responsible for transport and those responsible for the productive sectors.

iv. The existing organizational structure of the Ministry of Works, Communications and Housing (MCW) suffers from a number of deficiencies, while the shortage of qualified staff has added to the problem. The present staffing situation is having a detrimental effect on all the principal functions performed by the MCW, namely maintenance, construction, execution and supervision and, above all, on planning. The present staffing situation also acts as a major constraint on the volume and efficiency of the MCW's operations.

v. There is no planning machinery to make an economic assessments of investment programs, and the planning backlog is large. A technical assistance program which would form part of a Second Highway Project currently under consideration by IDA is aimed at providing an interim solution to the staffing problem of the MCW, and to train Uganda nationals who will take over at the end of the program. In addition, a road investment and maintenance study is being included in the project in order to lay the foundations of a road development program in the next Plan, based on economic criteria.

vi. The execution of the Second Five-Year Plan for 1966/67-1970/71 is considerably behind schedule. Recently revised forecasts show that only 80 percent of the original financial and 45 percent of physical targets would have been reached by the end of the planning period. Because of lack of adequate staff, the original plan was trimmed down without a systematic examination of priorities.

vii. Airport investments will be more than twice the Five-Year Plan forecast, mainly because the Government decided to build a new runway at Entebbe Airport, instead of improving the existing one as had earlier been envisaged. The new project will cost almost twice as much as the originally planned improvement to the existing runway.

viii. Investment forecasts concerning Uganda's national share in jointly-owned East African facilities, namely airways, telecommunications, and railways will be slightly exceeded, i.e. it will be Sh 494 million compared with a forecast of Sh 480 million for the Second Five-Year Plan period.

ix. The mission focused mainly on the future investment needs for transport facilities under the direct control of the Uganda Government viz. airports and roads. After completion of the Entebbe airport project, only several much smaller projects remain to be considered.

x. Based on a detailed examination of individual projects for which funds have been committed, the mission estimates that Sh 7 million will be spent on road investments during 1969/70 and Sh 72 million during 1970/71, Sh 70 million in 1971/72 and Sh 29 million in 1972/73. 1972/73 is, therefore, the first year for which there is a substantial freedom of choice for considering new projects. Because of the existing backlog in highway planning, it is difficult to be specific about the project context of the next Plan except in general terms already indicated in (iii). To these possibilities should be added the investments in urban transport facilities for Kampala.

xi. Specific project possibilities will become clearer once the results of the road investment and maintenance study are available. There are, however, two general points which need to be emphasized in this connection. These are that considerable foreign assistance is required in order to achieve annual investment expenditure levels of Sh 70/80 million after 1971/72. Secondly, higher investment and increased maintenance expenditures cannot be achieved unless the staffing and organization problems of the Ministry of Works, Communications and Housing are resolved.

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W A T E R   S U P P L Y

A. Past Lending - Nil

B. Prospective Operations

Kampala and Jinja water supply and sewerage is a study under a UNDP Special Fund Project administered by WHO. The study is being carried out by a group of U.K. consulting firms and a consultant from the Bank visited Uganda in August - September 1969 together with an Expert Panel assembled by WHO to review the work of the consultants.

The work of preparing a Master Plan for water supply and sewerage is proceeding satisfactorily, and we have reason to hope that a bankable project will emerge for our financing in FY 1973 as indicated in the lending program. The project is expected to be part of the first phase of the Master Plan to meet the needs for water supply in Kampala/Jinja area until about 1980.

Concurrently a study of water supply requirements for the rest of the country and the institutional framework for administering the service is being carried out by NEDECO. These two studies when completed are expected to provide us with a fairly comprehensive picture of this sector.

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MULCO TEXTILES LTD.,Jinja

1. IFC investment: $3.2 million, signed April 1965, to finance Uganda's second integrated textile mill with an annual capacity of about 15 million yards. Owned 80% by the Madhvani Group, which is the largest producer of sugar in East Africa, and 20% by IFC and participating banks.

2. Operating Results: Mulco had substantial operating losses during its first two years of operation (1966 and 1967), broke even in 1968, and is likely to make a small profit in 1969. The initial technical problems of the mill have largely been overcome, but during the past two years Mulco has suffered from severe marketing problems. Sales amounted to only 70% of production in 1968. This year sales should amount to about 90% of production, as the mill has begun to produce more sophisticated printed textiles for which market prospects are quite good. However, the mill has almost 6 months inventory of textiles on hand and may have to cut production down to two shifts, as its major competitor has done.(the government-owned Nytil mill). Mulco has been unable to meet the maturities on the IFC loan because of its poor operating record and the need to finance inventories and the equipment required for producing better quality textiles. The loan maturities have so far been paid by Mulco's sponsor, the Madhvani Group.

3. Prospects: Capacity for the production of cotton textiles is likely to exceed demand for some time to come in East Africa. Mulco was established with the view of exporting 60% of its output to Tanzania and Uganda. However, the imposition of 20% transfer taxes by Tanzania has closed this market. Tanzania is now self-sufficient in cotton textiles. Kenya only has one substantial cotton textile mill in operation, but two others are being implemented which will make Kenya self-sufficient in cotton textiles as well. The Uganda mills will have to rely increasingly on producing the more sophisticated textiles that are still being imported if they are to avoid operating at less than capacity.

IFC.
December 19,1969