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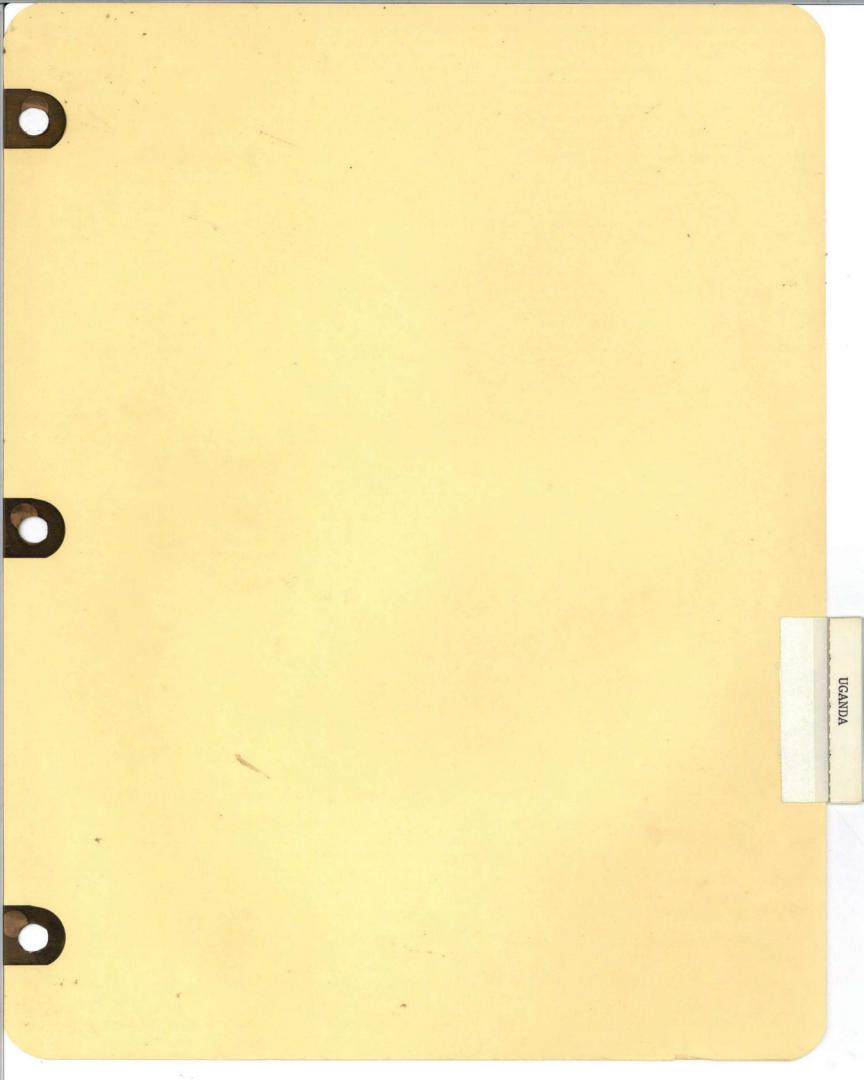
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President's papers - Robert S. McNamara Contacts with member countries: Uganda - Correspondence 01

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UGANDA

7/18/69 Paul D'Arbela, M.D., Lecturer in Internal Medicine and full-time (Aspenstaff member, Makerere University College Medical School, Kampala Eisen. Ex.) President Apollo M. Obote (Filed in & men office) 1. 1/12/70 (Kampala) 2. 1/12-14/70 Brakel MemCon on trip 1/12/70 John K. Babiiha, Vice President and Minister for Animal Husbandry (Kampala) Laurence Kalule-Settala, Minister of Finance Jephaniah M. Okae, Minister of Planning and Economic Development John Kakonge, Minister of Agriculture and Forestry William W. Kalema, Minister of Commerce and Industry Joshua Luyimbazi-Zake, Minister of Education Sam Odaka, Minister of Foreign Affairs J.N.K. Wakholi, Minister of Public Service and Cabinet Affairs E.Y. Lakidi, Minister of Labour Shaban Kurunda Nkutu, Minister of Works, Communications and Housing John W. Lwamafa, Minister of Health Eria M. Babumba, Minister for Marketing and Cooperatives Semei Nyanzi, Chairman Uganda Development Corporation, and other senior officials J.S. Laker, Permanent Secretary, Ministry of Agriculture and Forestry C.H.M. Barlow, Permanent Secretary, Ministry of Marketing and (with representatives of the Coffee Marketing Board, Lint Marketing Board, and Produce Marketing Board) E.M.S. Kate, Permanent Secretary, Ministry of Animal Industry, Game, and Fisheries (with representatives of Dairy Industry Corporation and Uganda Tea Growers Corporation) 1/13/70 Christopher Mboijana, lawyer and company director (Kampala) Alos J.M. Ssentongo, formerly Secretary to the Treasury and now businessman Roger J. Mukasa, Chairman, Coffee Board and Group Chairman, Uganda Co., Ltd. S. Ntende, businessman Mahendrakumar N. Mehta, Member of Parliament and leading businessman Jayant Muljibhai Madhvani, leading industrialist

Yusufu Kironde Lule, Principal, Makere University College Dean Nichol, Faculty of Agriculture D.G.R. Belshaw, Head, Department of Rural Economy

1/14/70 Erisa Kironde, Chairman, Uganda Electricity Board (Murchison Roger Wheater, Chief Game Warden Falls)

1/14/70 Alexander A. Ojera, Minister of Information, Broadcasting and (Kampala?) and Tourism

UGANDA

- 3. 1/70 Random Thoughts on visit to Uganda (Tiled in & Me Moffine)
- 4. 4/1/71 Emanuel Wakhweya, Finance Minister
- 5. 2/7/75 Emanuel Wakhweya, former Finance Minister
- 6. 5/8/81 Amb. Olara Otunnu, Dep. Permanent Representative to the United Nations

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO:

The Record

DATE:

October 9, 1968

FROM:

Howard E. Tollev

SUBJECT:

Mr. McNamara's Meeting with the Delegations from Kenya,

Tanzania and Uganda 4:30 p.m., October 4, 1968

UGANDA

- Mr. L. Kalule-Settala, Minister of Finance

Mr. A.J.P.M. Ssentongo, Secretary to the Treasury

Mr. J.M. Mubiru, Governor, Bank of Uganda

Mr. S. Nyanzi, Adviser, Chairman, Uganda Develop-

ment Corporation

TANZANIA

- Mr. A. H. Jamal, Minister for Finance

Mr. P. Bomani, Minister for Economic Affairs and

Development Planning

Mr. J. D. Namfua, Principal Secretary, The Treasury

Mr. E. I. M. Mtei, Governor, Bank of Tanzania

KENYA

- Mr. J. N. Michuki, Permanent Secretary to the

Treasury

Mr. D. N. Ndegwa, Governor, Central Bank of Kenya

Mr. J. Stewart, Economic Adviser, The Treasury

BANK

- Mr. McNamara

Mr. Knapp

Mr. El Emary

Mr. Tolley

The two main topics of discussion were:

- (a) The role of Bank's Permanent Mission in Eastern Africa and
- (b) The possibilities of further economic cooperation in East and North Africa.

Role of the Permanent Mission in East Africa

Messrs. Kalule-Settala, Jamal and Michuki each stated that they were glad that the Bank had an office in East Africa and that they found its services useful. Mr. Kalule-Settala suggested that more of the detailed discussions and negotiations on projects be held in East Africa, after general policy agreement had been reached in each case between Bank headquarters and the Government. Both Mr. Namfua of Tanzania and Mr. Ssentongo of Uganda noted that there appeared at times to be a lack of coordination between Bank headquarters and the PMEA since they sometimes received conflicting advice from the two sources. Mr. McNamara noted that differences of opinion were to be expected in an organization the size of the Bank, but that we should keep such differences within the organization.

Possibilities of further economic cooperation in East and North Africa

The three delegations expressed support for continued and expanded cooperation in the region. Mr. Kalule-Settala noted that Kenya, Tanzania and Uganda had already come a long way in this regard. He cited as an important step forward the appointment of Permanent East African Ministers by each of the Governments who spend full time dealing with regional affairs within the framework of the Treaty on East African Cooperation. Regarding the extension of cooperation to other countries, Mr. Kalule-Settala noted that Zambia and Ethiopia had already approached the East African Community but that it would take considerable time before they could be brought into the Community. In response to a query by Mr. McNamara as to why there would be a delay in admitting additional countries, Mr. Mubiru of Uganda explained that there were many complex problems involved in bringing in new members. It would be necessary to study in depth the effects on the existing members which would result from integrating new economies into the Community. He cited lack of communications and possible conflicting currency policies as problems which would have to be dealt with. Mr. McNamara said that the Bank wished to help foster in any way possible future economic cooperation in the region.

He thanked the delegation for their visit and for views that they had expressed.

cc: Mr. McNamara Mr. Knapp

Mr. El Emary

HETolley/dc



MEMORANDUM OF CONVERSATIONS IN UGANDA, JANUARY 1970 (Brakel Memo) FILED UNDER TANZANIA

Headquarters: Washington, D.C. 20433, U.S.A. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL DEVELOPMENT ASSOCIATION Permanent Mission in Eastern Africa Uniafric House - Koinange Street at Sadler Lane - Nairobi, Kenya P.O. Box 30577 - Telephone 23421 - Cable Address : INTBAFRAD Letter No. 72 January 30, 1970 Mr. Leif Christoffersen Personal Assistant to the President International Bank for Reconstruction and Development Washington, D.C. 20433 Dear Leif: I am attaching a paper which I dictated last weekend containing salient points raised during Mr. McNamara's visit to East Africa. As you will note I have tried to cover the more important points made by the various Government officials and other people Mr. McNamara met at which I was present - in particular when such points were not covered in the documents handed to us in support of their words - plus some factual information they supplied. I have not given, of course, Mr. McNamara's own reaction - unless he made certain commitments or promises (of which there are only a few examples). I have also refrained from going into the details of matters which although rather extensively

discussed at various meetings do not seem to need much elaboration at this stage, such as the railway loan problem, - which appears to be solved now - and the location of industry within the E.A. Community, which will no doubt be looked into in detail by the forthcoming industrial mission to East Africa. I did not put in anything about the Murchison Falls project either because I was not present at most of what was said on this subject in Uganda. I hope that this record, put together in rather a hurry, will be of some use to Mr. McNamara. Please let me know if there is anything else that he might want me to do on this score.

I now plan to arrive in Washington on February the 15th and will give you a call soon after my arrival if only to hear how your unexpected trip to Norway for such sad reasons worked out.

All the best.

MECEINED Yours sincerely.

c.c. Mr. Lejeune

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President has seen

because of the high level of salaries to be paid. They also referred to the need for maintaining some degree of standardization which the Bank should take into account in applying the rule of international competitive bidding.

- (f) Mr. Simba of the E.A. Development Bank said that his Bank for the next 2 years or so was not in need of financial assistance from the World Bank Group. Technical assistance, which the IBRD had already given quite liberally was another matter. At the moment he particularly needed a legal expert -Mr. Webbl/. The E.A.D.B. is not allowed to finance tourism or infrastructure or to lend to other financial institutions, but has to confine itself to lend to manufacturing industry, including agricultural processing etc. Total commitments during 1969 were almost Shs. 37 million; for 1970 a similar amount or a little more is expected. By the end of 1970 the results of a study on industrial development requirements and possibilities in the three countries of E.A., which E.A.D.B. has initiated, should be ready, which should provide a basis for setting up a long term lending program and for discussions with the World Bank Group about possible assistance from their side. The present professional staff of E.A.D.B. consists of 6 expatriates plus 7 local officials.
- (g) The E.A. Airlines Corporation are not planning any large scale expansion program. They wish to consolidate their new lines to HongKong and Copenhagen. They have been discussing the possibilities of association with Zambian Airlines. Apparently Ethiopia is not interested in such an association. They have a total of 4,200 employees which is considerably more than either of the two other companies. The need for the establishment of a training centre at a cost of some £250,000 was mentioned. It was made clear that if only because of the relative small amount involved this was a matter for UNDP rather than IBRD consideration.

III. UGANDA

1. In the meeting with Ministers dealing with economic development matters and chaired by the Vice-President of Uganda, the Minister of Planning and Economic Development mentioned the long time it took, in his view, to prepare projects and subsequently for the Bank to take action on them (for example the agricultural credit project for which the first request had been made in 1964/65 and

^{1/} Mr. Webb's secondment for 6 months to the E.A.D.B. has meanwhile been arranged; he is due to start around March 25, 1970.

on which no final decision has yet been reached). He would appreciate the Bank's Regional Office to be considerably strengthened and to be given certain powers of decision in order to help expedite matters. He also asked about possibilities for local currency financing. The Minister of Agriculture and Forestry emphasized the need for training an efficient extension service. The output of the country's two agricultural colleges as well as of agricultural specialists from Makerere University should be increased (in 1969 there had been 91 "diplomates" in agriculture plus 12 B.Sc's.). The extension service now consists largely of Ugandans but is still much too thinly spread, while in areas such as research Uganda is still virtually totally dependent on expatriates, largely British ("some diversification seems desirable"). He also mentioned the need for expanding quarantine facilities for importing plant materials; these are now concentrated in the E.A. Agricultural Research Institute in Kenya; the establishment of national quarantine facilities may have to be considered. Subsequently the Minister talked for some length about the desirability for the Bank to agree to the abolition of the 7 cts. levy on tea growers to pay for the services supplied to them by the Uganda Tea Growers Corporation !! (Mr. McNamara made it clear that abolition of the 7 cts. levy by itself would not solve anything because the cost of the services of the Tea Growers Corporation would have to be met somehow; it would only shift the burden; not remove it). The Minister also said that Uganda was active in the field of rural development by promoting farm cooperatives, by providing amenities to rural areas (schools, electricity, etc.), by giving credit to farmers who occupy plots of land cleared for cultivation by the Government, etc.

- 2. The Vice-President stressed the importance of beef ranching and dairy development. A livestock development project is now being prepared at a total cost of \$13.9 million of which 27.5% would be foreign exchange, for submission to the Bank Group. If implemented it should achieve an increase in annual production of \$3.85 million.
- 3. The Minister of Works thought the Bank to be too rigid in its standards for road lendings. The Uganda authorities should be left more freedom in selecting those roads which they consider to have high priority even if other than purely economic yardsticks are applied. As an example he mentioned the bituminization of a certain stretch of road which the Bank had thought to be of insufficient priority. He also stressed the importance of investment in feeder roads.

^{1/} This subject was brought up several times at subsequent meetings in Uganda. In the course of the discussions it became evident that, partly because of relatively low quality, Uganda tea has difficulty to stay competitive in the world markets. The growers receive a subsidy of 10 cts. per 1b. of green leaf (originally introduced because of the devaluation of the British pound); at the same time they pay a levy of 7 cts. per 1b. to the Uganda Tea Growers Corporation.

- 8 -

- 4. The Minister of Marketing and Cooperatives mentioned Uganda's problems in tea and coffee growing due to the fall in world market prices. Diversification to other products is required. Thus far this has been particularly successful with respect to tobacco; the present export of Uganda of flue-cured tobacco is about one million kilograms; the target for 1980 is 4 million kilograms. At the moment an expansion of the tobacco area by 4,700 acres is planned for 4,000 additional smallholders at an estimated cost of some \$8 million. Exports of cotton lint are charged with a tax while the prices to the growers which apparently in the past had included an amount of subsidy from a price equalization fund which has now depleted are too low to provide them with much incentive.
- 5. The Minister of Industry commented on the respectable growth achieved in industry development at the rate of 10% in recent years (even though this rate was still somewhat below the planned target of 12.5% per year). The much larger E.A. Community market can be helpful in promoting further expansion which will have to go beyond the limited domestic market. Proper study of the possibilities there is needed, however; otherwise, as in the case of textiles, over-investment may occur in each of the three countries. UNIDO has been asked to look into the textile manufacturing situation; the results of this work may provide guidance for other industries as well. Uganda encourages private enterprises in appropriate cases but where the profit motive does not work adequately the state takes the lead through UDC. The Minister mentioned the need for World Bank Group financial assistance to the Development Finance Company of Uganda in which Britain and Germany already participate.
- 6. The Minister of Education asked whether it was possible for the Bank to limit tendering for furniture, under the first education credit, to Ugandan firms. He also confirmed that the Cambridge examination is now being replaced by an East African Certificate of Examination under the auspices of the E.A. Examination Council.
- 7. In subsequent discussions with the management of UDC, it was ascertained that UDC has majority shareholdings (to an amount of Shs. 157 million) in 35 "subsidiary" companies, in addition it holds minority shareholdings in 20 "associated" companies (to an amount of Shs. 30 million). The turnover of these companies in 1968 was Shs. 400 million; their profit before taxation was Shs. 43 million.

I/ He also gave some figures on the percentage of school age population going to various types of schools, as did education officials we saw in Tanzania and Kenya. I am enclosing a paper produced in PMEA before Mr. McNamara's visit which gives some details based on data available as a result of the work of our education missions. Since it covers all three countries it might be of interest to Mr. McNamara.

Their total fixed assets amounted to Shs. 540 million. UDC's total investments, including Shs. 82 million in loans, now amount to Shs. 269 million. They expect to invest an additional Shs. 123 million during the next 3 years, namely Shs. 49, 53 and 20 million respectively in 1970, 1971 and 1972. UDC prefers ventures jointly with private, including foreign, investors if they can be found. The Development Finance Company of Uganda, which works solely for the private sector and usually invests in medium and smaller size manufacturing industries, while UDC invests with the larger and heavier industries, works together closely with UDC; they have the same chairman. UDC received its latest injection of capital from the Government in 1968; they now need a further injection of loanable funds in which they hope the IBRD Group will participate. At present their debt-equity ratio is 4:1. EDI has helped a great deal in training UDC staff but there is still need for more engineers and accountants including financial analysts. (Mr. McNamara mentioned the planned EDI industrial projects course for E.A. to be held in Nairobi next summer). The Ford Foundation is providing a small team of experts for on-the-job training. The Government has the power to make UDC participate in enterprises against UDC's own judgement but has used this power only very sparingly.

- 8. Subsequent meetings with representatives of agricultural marketing and production boards, in the presence of the Permanent Secretary for Agriculture, brought out the following main points:
 - (a) There are plans to increase cotton production from 445,000 bales (of 185 kg) the highest level achieved in the recent past to 575,000 bales in early 1970 and to 1 million bales in 1980. Primarily by increasing productivity through such means as the use of new varieties and modern inputs.
 - (b) Coffee production will have to be further curtailed if the international coffee agreement is renewed in 1970. The target is to uproot 10,000 acres which will have to be changed to other agricultural crops including livestock. In addition some areas now under Robusta coffee should be changed to growing Arabica which gives lower yields and higher prices.
 - (c) The Produce Marketing Board which has thus far marketed only tobacco is now taking over a great number of other agricultural products such as maize, onions, groundnuts, chillies, potatoes, etc., plus all produce from the cooperative unions. Experience still has to be built up and no decisions have yet been taken regarding basic marketing and price policies, the possibility of building up price equalization funds, etc.
 - (d) The total amount of credit for productive purposes to cooperatives is Shs. 16 million; in addition commercial banks make available short term production credits to private farmers.

- (e) The average size of farm holdings in Uganda is about 9 acres.
- (f) As to dairy, at the moment Uganda is a net importer from Kenya. There is therefore scope for a substantial increase in dairy production estimated to require some 700 new farms of varying sizes. A project is being prepared which, it is hoped, the World Bank Group will help finance.
- In a meeting with private business, no clear cut information could be obtained as to what the Government sees as to the role for private and Government owned enterprise respectively; (the matter was the subject of "considerable political rethinking"). The need for better management training was stressed. The question was raised whether "soft" loans made to the Government could be passed on in that form to private industries. The problems arising from the high freight rates imposed by IATA on air transport of high value products to other African countries were briefly discussed. Production of certain agricultural commodities would benefit particularly from a more competitive, less discriminatory rate system. There was also some discussion on the high degree of protection on textiles (it was said that Uganda produced fine yarns which were then used domestically for making relatively coarse fabrics) and of the relatively moderate degree of protection (15 to 33%) for most other industrial products. The lack for any kind of capital market was deplored. Cooperative taxs in East Africa as a whole are relatively moderate (40%).
- In a meeting at Makerere University the question was raised whether the next Bank project could include help to the University in improving its services for agriculture (including veterinary services and forestry) and business administration. At the same time it was explained that for the next few years a certain reduction in the number of agricultural graduates was expected because the University would now be catering for the needs of Uganda only rather than, as in the past, for those of the whole of East Africa. Some 40 to 60 agricultural graduates per year are needed according to the Government's manpower calculations (on the basis of the FAO Indicative Food World Plan some 100 graduates per year would reportedly be required). The supply of qualified secondary school leavers is large enough now to make possible an intake of at least 80 per year. Two new departments in technology are being set up: one for electro mechanics and one for civil engineering, including architecture. In Uganda everyone qualified is offered fully free education in the University; 90% accepts. The University has been involved in some studies related to the need for and the promotion of rural development which is urgent since urban growth in Uganda now amount to about 7% per year.



OFFICE MEMORANDUM

TO: The Record

DATE:

July 22, 1971

FROM:

Michael L. Lejeune

SUBJECT:

UGANDA - Visit by Minister of Finance

- 1. On April 2, 1971 Mr. Emanuel B. Wakhweya, the Minister of Finance of Uganda, paid a courtesy call on Mr. McNamara on the occasion of his visit to the Bank to negotiate an IDA Credit for the Second Education Project. Mr. McNamara had met him previously in Uganda when he was Permanent Undersecretary of the Treasury.
- 2. Mr. Wakhweya described briefly the financial difficulties facing Uganda and the measures he was proposing to overcome them.
- 3. Mr. McNamara asked about the effect on the East Africa Community of the reluctance of Tanzania to accept General Idi Amin as the legitimate successor to Mr. Obote. Mr. Wakhweya said that this was indeed a difficult situation but that despite the differences between the two countries, the Community at the working level was continuing to function. He felt that with the passage of time the difficulties would be overcome, as whatever were the differences between the two Presidents, all three countries of East Africa were determined to see the Community continue. He quoted several examples of how the officials of the Community were continuing to meet and carry out their duties.

4. No matters of operational significance arose.

cc: Mr. McNamara's office (2) Div. B. Eastern Africa

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 30, 1971

FROM:

Michael L. Lejeune

SUBJECT: UGANDA: Visit by the Minister of Finance

1. Negotiations for an IDA credit of \$7.3 million for a proposed Second Education Project in Uganda started this week. This is the first operation to be negotiated with the new Ugandan Government since Major General Idi Amin seized control on January 25. The leader of the delegation is the new Minister for Finance (and Governor for the World Bank Group), Emanuel Wakhweya, who has asked if you will see him. He tells me that he is arranging to see IMF, the State Department, AID and the Export-Import Bank while in Washington. He leaves on April 3.

- I suggest that you see Wakhweya briefly. He is well known to us as former Secretary of the Treasury and as such we considered him the ablest and most level headed of the top financial civil servants in East Africa. I do not know yet what he may wish to discuss with you. I assume that one reason he wants to see you is to establish his credentials. Another may be to refurbish Uganda's image with the Bank Group, following a period of poor financial management and the pursuit of ill-prepared measures, including extensive nationalizations, with which I believe Wakhweya was out of sympathy. He may make only a general plea for increased Bank Group support, but I plan to meet with him privately and will alert you to any particular points he is likely to raise.
- I attach a biographical note and a brief on recent developments in Uganda.

Attachments

cc: Mr. Knapp Mr. Cope You met Wakheya in byanda a year asso and will remember, when you cee him, that you had just

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Biographical Note on the recently appointed Minister for Finance of Uganda, the Honorable Emanuel B. Wakhweya

Mr. Wakhweya is highly regarded by members of the Bank staff with whom he has come into contact in his former capacity as Secretary to the Treasury, and he is reasonably well acquainted with the Bank's approach and procedures. Mr. Wakhweya is 35 years old and was educated at St. Peter's College, Tororo, and the University of Delhi. He is a career civil servant and is considered both at home and abroad as being very able and constructive. Positions previously held include Assistant Secretary and Deputy Secretary in the Ministry of Finance. In 1967, he became Deputy Governor of the Bank of Uganda, but returned to the Finance Ministry as Secretary to the Treasury in early 1969.

After his appointment as Minister for Finance in the new Government of Major General Idi Amin, Mr. Wakhweya has made a number of statements which indicate that the Amin Government may have some second thoughts on the nationalization measures begun under the previous regime in May 1970. In particular, Mr. Wakhweya stated that the policies of the Obote Government had "shaken the confidence of private investors", and that the new Government would adopt a more flexible policy with regard to privately owned enterprises with whom compensation terms had not yet been agreed or with whom negotiations had not yet progressed to advanced stages.

Political Developments in Uganda

- 1. A faction of the army seized power in Uganda on January 25, 1971 and established a military government under Major General Idi Amin. Although there were clashes for some days between General Amin's forces and troops loyal to President Obote, General Amin appears to be in firm control and likely to remain so provided he can retain control of the armed forces. The extent of his popular support is unclear, but there is no evidence of any significant support for Mr. Obote, who is now in Tanzania, and there had been scant respect for the majority of his Ministers.
- 2. On February 2, General Amin dissolved Parliament, dismissed the Cabinet, assumed all executive and legislative powers and announced that he would rule by decree until the country could be returned to civilian rule; all political activity has been banned for two years. He has appointed a largely civilian Council of Ministers, eight of them senior civil servants. Day-to-day administration, and communications with the Bank, have continued substantially uninterrupted. The overall impression gained from reports of the new Government's political posture indicate some moderation in the so-called "move-to-the-left" initiated under the Obote Government. One concrete example of this is the Government's intention to review the proposals for nationalizing those companies with which compensation terms have not yet been agreed or with which negotiations are not yet far advanced. Reestablishment of confidence among private investors appears to be a central theme of the new Government's policy.
- Only a few countries, who include Britain, Ghana, Australia 3. and Malawi, have so far officially recognized the new regime in Uganda. Some other African Governments, in particular Nigeria, have recently demonstrated signs of friendship through public statements. While Kenya has remained silent on the subject of recognition, Tanzania, Uganda's other partner in the East African Community, Somalia and Zambia have stated that they have no intention of recognizing the new Government. This factor, together with the presence of a second Ugandan delegation sent by President Obote, created an impasse on the issue of Ugandan representation at a recent meeting of the Organization of African Unity (O.A.U.). This matter will be discussed again at a heads of state meeting of O.A.U. in June. Tanzania's attitude obviously raises doubts about future cooperation within the East African Community, a matter of general concern to the Bank Group in view of the substantial lending program to the Community.

- the new Ugandan Government as one with which normal business may be conducted. Some countries such as the United States have thus far avoided formal recognition of the Government, but have begun to reestablish normal working relations on the premise that the new regime is in effective control of the country. Recent informal contacts with the U.S. State Department indicate that relations between the United States and Uganda are now almost back to normal. The Uganda Government has announced its intention to honor all existing obligations.
- Disbursements withheld on existing loans and credits to Uganda when the military coup occurred have now been resumed. A livestock appraisal mission, which was delayed for a short time, has just returned from the field after a generally satisfactory visit. Before presenting the proposed Second Education Project to Executive Directors we would satisfy ourselves that there are no legal or constitutional obstacles created by the coup.



Biographical Sketch: The Honorable Emanuel B. Wakhweya

Mr. Wakhweya is 38 years old and was educated in St. Peter's

College, Tororo, the University of Delhi and the University of Pittsburgh.

He was a career civil servant and is considered both at home and abroad
as being very able and constructive. Previously held positions include

District Officer, Assistant Secretary and Deputy Secretary in the Ministry
of Finance. In 1967 he became Deputy Governor of the Bank of Uganda,
but returned to the Finance Ministry as Secretary to the Treasury in
early 1969. In the latter job he became well acquainted with the Bank's
approach and procedures. In the earlier period of his appointment as
Minister of Finance after the coup, Mr. Wakhweya's moderating influence
was reflected in the Government's decision to review the nationalization
measures begun under the previous regime. His attempts, however, to
control and reduce military spending and maintain budgetary and fiscal
discipline were not successful.

Mr. Wakhweya realized the futility of his efforts by the middle of 1972 but was unable to resign at that time owing to fears concerning his own security and that of his family. Despite a great deal of personal abuse during the last four years, Mr. Wakhweya maintained his integrity. If and when sanity returns to Uganda, Mr. Wakhweya will almost certainly be called upon to play an important role in the reconstruction of his country.

FORM NO. 12 (10-73) INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

1818 H STREET, N.W., WASHINGTON, D.C. 20433, U.S.A.

PERSONAL HISTORY

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|---|-------------------|-----------------------------------|-------------------------------------|
| 1. PERSONAL DATA: | | | Date of Application 6. 2 /5 |
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| 2. EDUCATION: - List Schools or Ot | | | |
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^{3.} FIELDS OF SPECIALIZATION (if any):

4. EMPLOYMENT RECORD: List all employment (including military and self employment). Start with your present position. If you need additional space use the Supplemental Sheet . For Sector of Organization indicate one of the following: 1 = Government; 2 = Other Public Authority; 3 = Private; 4 = International; 5 = Academic. Title of Your Position Month Starting Minister of Finance £3000 Fixe £3000 Name and Present Address of Supervisor Name and Address of Organization Ministry of Finance P. To Box 103, Entebbe, Uganda Employees Supervised by You May we communicate with your present Telephone Number Entelle 2833 No W Duties: (a concise description of the nature and types of work undertaken, and the level of responsibilities) All Ministerial responsibilities Over-all responsibility for the preparation of the Government Budget and Control of Public Expenditure. Ever all responsibility for Monetany policy Member of the Finance Council of the East African Community. Member of the Communications Council of the East African Community. Member of the Planning & Consultative Council of the East African Community. Member of the Common Market Council General for Ufanda in the 1BRD and 147

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Member of the East African Tax Board

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FORM NO. 12 CONT.(Supplemental Sheet) (10-73)

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OFFICE MEMORANDUM

TO: Files

DATE: May 14, 1981

FROM: Ellen Johnson-Sirleat

Loan Officer, EAIDA

SUBJECT: UGANDA - Ambassador Otunnu's Visit with Mr. McNamara

- On May 8 Ambassador Olara Otunnu, Uganda's Permanent Representative to the United Nations, on behalf of President Obote, called upon Mr. McNamara to brief him regarding Uganda's reconstruction efforts. Present at the meeting were: Messrs. Wapenhans and Lafourcade, Mr. Kibiritsi from the Uganda Washington Embassy and Ms. Johnson-Sirleaf.
- Ambassador Otunnu expressed gratitude to Mr. McNamara for the opportunity to meet with him and for the cooperation which Uganda has received from the Bank since independence. He stated that the new Government, headed by President Obote and with a five year mandate given by the majority through democratic means, is keen on addressing the persistent economic problems which have been left behind by the contemptible Amin regime. To this end the Government had invited the Fund to assist in formulating a program of financial recovery. The Program, which includes critical policy measures, is now under implementation. Increases in prices of certain produce and selected consumer goods had already been announced and an adjustment in the exchange rate is scheduled to go into effect on June 1. The Bank has been kept advised on these developments and has been requested to lend its support. Specifically, the Government would like the Bank to send economic and sector missions to review overall performance of the economy and the effectiveness of the measures to be implemented. It is hoped that the Bank would assist particularly in the areas of agriculture, industry, transport, and technical assistance. Further, and as an immediate step, the Government requested a further release of \$30 million under the Reconstruction Credit.
- Noting the important assistance which Uganda received from friendly governments and institutions following the Bank-Coordinated Donors Conference held in Paris in November 1979, Ambassador Otunnu stated that Bank assistance to Uganda is also critical and urgent because of the signal effect this has on other donors. Thus the Government's effort to rehabilitate the economy as a means of addressing the security and political uncertainties would lean heavily on the external assistance which it receives. As regards the security situation, the Ambassador indicated that the Government continues to be concerned about the guerilla actions of opposition groups and is moving to combat this. The problem seems to be confined to the Kampala area. In this connection he noted that the withdrawal of the Tanzanian troops is in accordance with the understanding reached between the two countries over a year ago. The Ugandan Government felt confident that they could manage the situation and expected major improvements to result from the progress made on the economic front.

- 4. Mr. McNamara thanked the Ambassador for his statement and indicated that the Bank is anxious to move ahead in helping Uganda to recover from the economic chaos which had plagued the country. He said an economic mission would certainly be mounted, most likely in early August, after which sector and project missions could be programmed. In the meanwhile, the balance of the Reconstruction Credit proceeds could be released to assist the Government in its reconstruction efforts. However, since full implementation of the required policy measures is only three weeks away, the Bank felt it was appropriate to release the funds at that time. He further indicated that the Bank would continue to encourage other donors to support Uganda in its efforts.
- 5. In response to Ambassador Otunnu's request for IFC assistance to help Uganda develop a mixed economy in which the private sector would play a definitive and important role, Mr. McNamara indicated that although in the short run the Bank would likely have maximum leverage, IFC would help in mobilizing private initiative and investment.
- 6. In closing, Ambassador Otunnu expressed the gratitude of the Ugandan Government for Mr. McNamara's reassurance and indicated that they would do all that they could to create and maintain the environment for effective implementation of the program of economic recovery.

Cleared with and cc: Mr. W. Wapenhans (EANVP)

cc: Messrs. McNamara, Qureshi (SVPFI), Stern (VPO), Lafourcade (EXC), Alizai (IFC)
Adler (EAPDR), Kraske (EAlDR), Gulhati (EANVP), Gruss (LEG),
Miller (CTR), Loos (RMEA), Grenfell (IRD - UN - New York),
Mrs. Boskey (IRD), Sandberg (EALDA), Maane (EALDR), Baird (EALDA),
Mss. Berger (EALDA), Milloy (EALDA)

EJohnson-Sirleaf:dsl

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 7, 1981 THROUGH: Mr. Ernest Stern, Senior Vice President, Operations,

FROM: Willi A. Wapenhans, Regional Vice President, EAN

SUBJECT: UGANDA - Visit by Ambassador Otunnu

- Ambassador Olara Otunnu of Uganda has an appointment with you on May 8 at 6:30 p.m. Ambassador Otunnu was appointed Uganda's Deputy Permanent Representative to the United Nations in September 1979 and full Permanent Representative in August 1980. He currently serves on the Security Council in this capacity.
- 2. The Ambassador will raise with you President Obote's request (contained in the attached letter dated April 24) for a release of the remaining balance of the Reconstruction Credit. The Reconstruction Credit was approved by the Board on February 19, 1980 and signed on April 2, 1980. The Credit of \$72.5 million includes a \$17.5 million participation by the Netherlands' Government and along with it a \$20 million EEC Special Action Credit and a Canadian Grant of Can\$3 million. The total amount of approximately \$95.5 million was to be released in two tranches. A first tranche of \$55 million was to be made available upon effectiveness; the second tranche to be released as and when the Government had made satisfactory progress in carrying out needed economic policy reform. This was meant to include especially a significant devaluation.
- Almost immediately after the Credit became effective on May 1, there was a change in Government which caused us to impose an informal suspension on the use of the Credit. Given the Government's unwillingness to take decisive action on the exchange rate and other matters, we eventually agreed to release \$25 million for specific, identifiable purposes clearly related to the rehabilitation effort. We expected that the balance of the first tranche and the second tranche would be released soon after the election of a new Government and the introduction of the necessary economic and financial reform measures.
- The elections held last December brought to power the United Peoples Congress headed by former President Milton Obote. There continues to be widespread dissatisfaction with the manner in which the elections were handled by the Military Commission which favored Obote. As a result, several opposition movements have been organized causing the political and security situation to remain uncertain.
- Nevertheless, after initial hesitation the Government has now decided to introduce the long overdue major economic and financial reform measures. These are detailed in a Letter of Intent addressed to the IMF.

They include significant producers'price increases (coffee and cotton by 186% and 150% respectively) and a quadrupling in the price of petro-leum to reflect foreign exchange costs. In addition, Government salaries and wages, which are totally out of line with the cost of living, would be raised by an average 25%. In keeping with the Letter of Intent, these decisions were announced by the President in a major speech on May 1 and are to be followed on June 1 with a further set of measures focussing on the exchange rate and including a relaxation in the system of price controls of essential consumer goods. These measures are to be backed by complementary measures aimed at reducing the large budget deficit and controlling the growth in domestic credit and foreign borrowings. The IMF is prepared to support the program through a one-year standby program which allows the use of Fund resources up to a total of SDR 157.5 million, including SDR 45 million under the compensatory financing facility.

- 6. We feel that the measures now proposed by the Government address the central problems of the Ugandan economy. The effectiveness of the reforms now contemplated will depend significantly on the availability of foreign exchange to bring about an improvement in the supply situation. It would be in keeping with the objectives of the Reconstruction Credit to support the proposed reform measures.
- Associated with the success of the reform program. The uncertainty of the political situation and the continuing disruptions of normal activities as a result of persistent law and order problems raises the question of whether the proposed reform measures will be allowed to be meaningful and effective. The IMF and Bank staff who visited Uganda recently believe that there are reasonable prospects for progressive improvement and for financial stabilization and economic reform. Thus, we believe that the risks associated with the reform are tolerable. We propose to release the full remaining proceeds of the Credit as soon as the measures outlined by the Government in the Letter of Intent to the IMF are implemented in full early June and to reply to President Obote's letter accordingly.
- 8. Throughout the period of extreme foreign exchange stringency, Uganda has maintained its responsible attitude towards its obligations to the Bank Group. There has been an accumulation of arrears recently, but in response to our reminders, the Bank of Uganda has settled these payments including Uganda's share of the East African Community debt. One payment for L stg 12,540 due in February and another for L stg 39,688.06 which fell due in April remain unpaid. The Government has initiated action to settle these outstanding payments and we will insist that they are current before we release the Reconstruction Credit.

- 9. The Ambassador may also urge that the Bank continue to support Uganda by considering additional projects. In addition to the Reconstruction Credit, we have ongoing a Technical Assistance Credit of SDR 6.4 million which was approved by the Board on December 2, 1980 and signed on January 21, 1981. A Water Supply Engineering Credit for SDR 7.1 million was approved by the Board on March 19 and is scheduled to be signed on May 7. In response to the Government's invitation, we expect to mount an economic mission some time in August, the findings of which will be reflected in the CPP. However, this mission and further sector missions which we will have to undertake to develop a lending program responsive to Uganda's needs will depend on a significant improvement in the security situation.
- E. Johnson-Sirleaf/J. Kraske:dsl



24th April, 1981

Mr. Willi Wapenhans, Vice-President, Eastern African Region World Bank.

Dear Mr. Vice- President,

I would like to provide to you in confidence the brief summary of the financial programme which the Government of Uganda has undertaken to adopt as a means of addressing the serious economic problems which have continued to affect our country. We expect that with these measures, our reconstruction efforts will be made more effective and we hope that we can count on the full support of the World Bank in this regard.

Specifically we trust that the Bank will give immediate relief by release of the remaining proceeds of the reconstruction credit so as to impact the supply of basic commodities, a condition which, as you know, is crucial to successful implementation of the financial programme.

Due to the inability to determine at this time the proper rate of devaluation, the Government intends to allow the Uganda Shillings to float in a market consisting of commercial banks with the ultimate objective of arriving at the appropriate parity.

Prices and Wages:

In early May, the Government intends to increase the prices of petroleum products and a few other selected commodities. The prices of the remaining items will altimately be decontrolled.

In so far as producers prices are concerned, the minimum prices of coffee and cotton will also be raised by 186% and 150% respectively.

As to wages in the public sector, we expect to make a modest increase, the rate of which has yet to be determined.

The programme anticipates improvements in revenue collection and control of expenditure with a view to reducing the size of the budget deficit to about 40% of expenditure as compared with 70% in previous years.

Balance of Payment:

All of these measures would be aimed at significant improvement in our balance of payment so as to keep the deficit to the credit estimate of 150 Million.



- 2 -

However, this can only be achieved if the World Bank lends its support by making available the funds of reconstruction credit which have been taken into account in making these estimates. It will also be necessary to identify the means whereby the remaining gap can be financed and I hope that we can call upon the Bank to assist us in mobilizing such funds.

I need not emphasise that immediate improvement in supply of consumer . goods is a crucial element in our programme and we are now mobilizing all our efforts to ensure that they are available.

We have already discussed some aspects of our plans with the Bank's representative, Mrs. Johnson-Sirleaf, who will disclose all these details to you.

I rould like on teledif of the ocvernment to invite the Bank to send an economic mission to review our performance and implementation of the measures discussed with Mrs. Johnson-Sirleaf sometime towards the end of May.

I also hope that you may find it convenient to pay us a visit personally so as to see for yourself how much efforts we are making to reconstruct our battered economy.

Hors Sincerely, Assiston Obote. A. MILTON OBOTE, PRESIDENT