

Address by

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President of the President of Uganda

At the  
46<sup>th</sup> Independence  
Anniversary of Uganda

*Working for the common good of Uganda:  
A Necessary Requirement for the Protection of and  
Solidification of our Independence*

Kampala

9<sup>th</sup> October 2008

On this occasion of celebrating the 46<sup>th</sup> Independence, I would like to point out that, initially we lost a lot of time. You remember, just four years after independence we had the 1966 crisis and we started having problems. In 1971, Idi Amin came in and the situation worsened. In 1979 we got rid of Amin but the situation did not improve. We had another round of fighting until 1986. Therefore, Uganda, like many other African countries, lost time; we did not modernize and transform the society. However, since 1986, although we still had challenges like terrorism in Northern Uganda, like the problem in Eastern Congo, we, nevertheless, have started moving.

The National Resistance Movement (NRM) Government pledged that we would achieve Prosperity for All through peace and security; socio-economic transformation; democratic governance; and regional integration as stated in the NRM Party Manifesto during the 2006 General Elections. The NRM Government's mission is to enhance the pace of socio-economic development through implementing far reaching changes in the livelihoods of the people of Uganda by transforming the Ugandan economy and households through increasing national output and household level production, productivity and incomes as well as achieving the structural transformation from a peasant economy to a commercialized rural middle class economy.

### **Economic Performance**

Despite some regional and international development challenges such as the current financial crisis that started in the United States, the Uganda economy remains strong. Our economy grew by 9.8% in financial year 2007/08, compared to 7.9 percent in 2006/07. This high growth was registered in manufacturing; wholesale and retail trade; transport and communications; and financial services. Exports of merchandise goods increased by 65% from US\$1.343Bn in FY 2006/07 to US\$ 2.209Bn in 2007/08; and coffee exports, mainly to the region, increased by 53% from US\$228.5m in 2006/07 to US\$ 348.6m in 2007/08.

Tourism continues to do well as reflected in the arrivals at the airport, which increased by 22.5% from 359,189 in 2006/07 to 439,889 in FY 2007/08. The boom in the tourism sector is also reflected in the increasing number of hotels, restaurants and other related facilities.

The strength of our economy is also partly reflected in the level of our international reserves which increased to US\$2.73 billion in June 2008. In order to remind those that do not know those who do not know how far we have come, in 1985/86 our reserves were less than US\$ 20 million or equivalent to only two weeks of imports at the time. In other words, our reserves in 1986 when we took power could not sustain our import requirements for more than two weeks if we had no other sources of foreign exchange like aid. The economy depended almost entirely on donor aid. I am pleased to say that that the situation is now completely different, with the impressive performance of our exports. Our reserves today are equivalent to about 7 months of imports of goods and services.

## **Socio-Economic Performance 1985-2008**

**Uganda: Selected Social and Economic Data 1985 – 2008**

	<b>Financial Years</b>	<b>1985/86</b>	<b>1995/96</b>	<b>2001/02</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
<b>1. Economic Performance</b>							
	GDP at market Prices (U. Shs. Billions)	3,541	6,898	11,775	18,172	20,953	24,069
	Real GDP Growth	0.6%	9.8%	5.7%	10.8%	7.9%	9.8%
	Agriculture's Share of GDP	53.9%	44.5%	35.7%	24.1%	22.5%	21.4%
	Services' Share of GDP	36.1%	39.1%	35.8%	47.2%	47.4%	49.0%
	GDP Per Capita (US\$)	264	300	332	357	424	493
	GDP Per Capita (PPP)	560	960	1270	1390	1700	

	Total Exports of Goods and Services (US \$ mns)	505	762	699	1,524	1,998	2,294
	Non Coffee Merchandise Exports (US\$ mns)	n/a	358	385	702	1,011	1,116
	Remittances (US\$ mns)	n/a	119	403	530	659	786
	Foreign Direct Investment (US\$ millions)		60	190	261	433	537
	External Debt Stock (US\$ millions)		3,516	3,825	4,464	1,467	1,900
	Revenue Collection (U. Shs. Billions)			1,246	2,231	2,711	3,159
	International (Foreign) Reserves (US\$ millions)	16	493.7	766	952	2,091	2,730
	Private Savings (% of GDP)		21%				
	Total Investment (% of GDP)		18%		24%	26%	27%
	Private Investment (% of GDP)		12%		19%	20%	21%
<b>2. Social Sector Performance</b>							
	Persons below the Poverty Line			38%		31%	
	UPE Enrolment	2,117,000	2,636,409	6,900,916	6,609,677	7,537,971	8,051,816
	Secondary Enrolment	160,000	256,259	539,786	728,562	954,328	1,059,244
	Deliveries in Health Facilities			19.00%	29.00%	41%	
	Trained staff in Health Facilities			46%	68%	68%	

## **Food Prices and Inflation**

In spite of these positive developments, there are some challenges that emanate from the recent developments in the world economy as well as regional challenges and opportunities. Ugandans are facing rising fuel and food prices as a result of rising oil prices on the international market and high regional demand for our food produce. While oil prices remain high, there are signs that they may be coming down a little bit. This should be reflected in a decline in fuel prices. The major causes of high food prices is the high demand for our farm produce and the high transport costs as a result of high fuel prices and not well-maintained roads. Regarding the high regional demand for food, I urge Ugandans to take advantage of this and produce more for the market. However, Ugandans must be careful not to sell everything they have and remain with not enough food for their families; and also keep some for planting, particularly cereals. Our economy has been affected by high prices in other countries such as Kenya, from which we import some of our household goods. Since we import some of our consumer items, the high prices in the countries from which we import is also reflected in higher prices of our domestic goods.

The situation of the rising food prices has two edges to it: it is the urban population, who do not farm, that are negatively affected. However, for the rural population, who are farmers, like myself, the rising food prices are in their favour. I would, therefore, urge the urban population to make use of their land in the countryside to do some farming in order to supplement their incomes. This situation is in our favour, especially we in Uganda; you should take advantage of these high food prices as a means to get out of poverty.

## **Investment and Private Sector Credit**

Private sector investment as a percentage of GDP has increased from 12% in 1995/96 to an estimated 21% of GDP in financial year 2007/08; while total investment including public investments such as roads, electricity, etc has increased from 18% of GDP in 1995/96

to an estimated 27% of GDP in FY 2007/08. The robust growth in private investment is also reflected in the expansion of private sector credit which is estimated to have increased by 48% during financial year 2007/08. Although still inadequate for the rural areas, the Government policy of promoting competition has resulted in a rapid expansion of financial services in urban areas and has reduced interest rates slightly. Besides the increased coverage of financial services, Ugandans now have the options of benefiting from a range of financial products and services.

### **The Financial Sector**

Ugandans are aware of the current financial crisis that started with problems in the US housing market. I want to assure Ugandans and investors that there is no need for panic because our financial systems are strong and sound. Our financial sector has been effectively regulated and banks have been following prudent lending procedures. This is not to say that there will be no effect at all; however, the immediate spill-over effects are likely to be minimal in the short-run.

Given that Uganda's economy is fairly integrated into the global economy, in the medium to long-term we may be affected if the world economy goes into recession. This would reduce the demand for our exports particularly to the European and American markets. The advantage we have here is that our export destinations have been diversified, with a large proportion going to regional markets. A potential reduction in foreign aid is not likely to affect us much because our domestic revenues now fund a bigger portion of our expenditures and grants from donors have been reduced to only 28%. Therefore, most of our priority programmes will be implemented as planned. You should, therefore, not worry about the financial crisis of our development partners who were giving us aid. That is history. 72% of our budget is financed by our own savings. We are now in position to advise our development partners who are facing crisis, because some of the reasons for this crisis are well-known. Their situation will not have a significant effect on our economy.

With respect to high interest rates, Government has identified the major constraints to reducing interest rates and is working to address them. These measures, among others, include:

- (i) reducing the cost of doing business by improving the infrastructure including improving power supply, railways, roads and internet backbone; and
- (ii) putting in place a Credit Reference Bureau which is being implemented by Bank of Uganda where information of borrowers will be collected and kept in a databank to help banks determine the level of risk of borrowers.

High default rates among bank borrowers make the few that pay also pay for those who defaulted. Hence, high interest rates for the few that pay.

### **Exchange Rates**

The Uganda shilling has depreciated more recently *vis-a-vis* the dollar, but this follows a long period of the strengthening of the shilling which has hurt some exports such as fish. A more depreciated shilling will be good for competitiveness of our export sector which has been suffering from a strong shilling. The policy of the Government on the exchange rate is that its level will be market determined and the Government would only come in to smoothen out short term volatility that may hurt our economy.

## **DEVELOPMENTS IN SELECTED PRIORITY AREAS**

### **Infrastructure Development**

Uganda's gap in infrastructure has now reached a level that will constrain the economic growth that we have experienced so far and yet we need to enhance the pace of economic growth and development. In each of the infrastructure sub-sectors, development of projects needs to be enhanced to meet immediate and future demands.

### ***Energy Infrastructure***

In the Energy sector, I am pleased to inform you that the Bujagali Hydro project is proceeding ahead of schedule and will be due for commissioning in early 2011. I have instructed the Minister for

Energy and Mineral development to expedite the construction of the Karuma Hydro power dam with a capacity of at least 400 MW.

I have heard from some sources that there will be too much energy in Uganda if this energy of Karuma, together with that from Bujagali and other planned hydro investments is available. This is certainly a wrong and myopic view of the development that we need to undertake to transform the Ugandan economy and the livelihoods of Ugandans. Currently less than 10% of Ugandan Households use electricity, not only reflecting on a poor state of the livelihoods of many Ugandan households but also the danger to the environment through use of biomass (firewood) to satisfy household energy needs. Further still, greater energy demand will arise from the transformation of many Ugandan households into economic generating units in order to increase their incomes in the most productive way.

From a strategic perspective, as an example, I am also aware that in order to augment much needed cement production in Uganda and the East African region, the large limestone deposit in Karamoja, for instance, will require more electricity.

Many strategic ventures will require electricity and, therefore, we must not relent on expediting the construction of these hydropower dams in the immediate future. My policy, to which I am unalterably committed, is to make sure that electricity supply is ahead of demand rather than supply chasing demand. I really do not want anybody (players here in Uganda or friends) to come and tell me not to build more dams. We are going to build these dams. We made a mistake once, caused by the 6<sup>th</sup> Parliament and some of our friends; that mistake will never happen again. With this drive for electricity, this economy will take off in a very short time. We have educated all our children; we have got 9 million children in the primary and secondary schools alone. One third of the population in Uganda is now in school and at University. Where will they work? That is why we need electricity quickly and improved transport (roads and railway) so that the costs of doing business in Uganda go down.

### ***Transportation Infrastructure***

With respect to roads, the NRM Government has ensured the rehabilitation of the national road network is done over the last twenty years. Today a substantial increase in national modern paved road network is required in order to ensure the take-off of the Uganda economy and its people. The NRM Government has initially provided US\$ 200 million annually, to deliberately increase the road infrastructure stock specifically commencing with the vital Northern Transport Corridor that links the major areas of national economic activity through modern and efficient transport facilities. These additional resources (additional to the annual road sector budget of US\$490m) will be used to build an additional 700-800 km of roads as part of the National Transport Corridor, while existing resources will be used for on-going rehabilitation, resealing and maintenance.

As part of the focus on development of the Northern Transport Corridor and critical National Transportation Infrastructure, the following modern road development will commence in Financial Year 2009/10 utilizing a special fund at the Bank of Uganda (our savings):-

- a. Construction in FY 2009/10 of the dual carriage express-ways for the following routes:-
  - i. Kampala – Masaka
  - ii. Jinja – Bugiri
  - iii. Bugiri – Malaba/Busia
  - iv. Mbarara-Kabale-Katuna
  - v. Kampala – Gulu
  - vi. Gulu –Bibia; and
- b. Commencement of construction of the dual carriageway of the already designed 21 km Kampala Northern By-pass.

While modern roads are being designed and constructed, it is imperative that we augment the stock of other transport infrastructure including rail, water and air transportation. I am directing the Minister of Finance to make additional allocations starting in Financial Year 2009/10 to develop such

infrastructure. Design and Construction of the following projects must, therefore, commence utilizing the special fund resources:-

- a. Reconstruction of
  - i. Kampala – Jinja Rail Link
  - ii. Jinja – Tororo Rail Link
  - iii. Kampala – Kasese Rail Link
  - iv. Tororo-Soroti-Gulu Rail Link
  - v. Gulu –Pakwach Rail Link
  
- b. Technical and Financial Feasibility for the following Railway Projects:-
  - i. Gulu-Bibia- Juba Rail Link or Packwach-Juba Rail Link
  - ii. Pakwach/Kaiso-Tonya - Kasese Rail Link
  - iii. Kasese – Kabale/Goma Rail Link
  - iv. Soroti-Moroto Rail Link
  
- c. Design for Ferry Services on Lake Kyoga on:-
  - i. Kayunga-Kamuli-Serere route
  - ii. Nakasongola-Masindi Port-Apac route
  
- d. Design for expansion of the following airports:
  - i. Gulu Airport
  - ii. Kasese Airport

Finally, I am aware that all these projects will require substantial financial resources that the Government budget alone cannot finance and also require greater capacity to ensure timely completion of projects. I am, therefore, directing the Ministers of Finance and Transport and Works to develop implementation modalities such as Public Private Partnerships that will deliver these projects quickly, more efficiently and within costs. I am also aware that there are private financial resources that can be utilised to support the infrastructural developments the NRM Government intends to undertake. I am directing the Minister of Finance of expedite the necessary policy and legal framework for Parliament's consideration of these modalities.

## **Human Development**

The NRM Government places utmost priority on the development human capital. The provision of universal Health care and Education, together with safe Water and Sanitation countrywide are, therefore, paramount.

## ***Education***

The NRM Government has pioneered the Universalisation of Education at both Primary and Secondary levels in recent times in Sub-Saharan Africa. Consequently, all Uganda school going age children now have an opportunity to receive 11 years of free education at primary and secondary levels. The introduction of the Universal Secondary Education (USE) program in 2007 underlines the commitment of the NRM Government to ensure equitable access to secondary education for all students who have successfully passed the primary leaving examination (PLE). Universal Secondary Education marks a significant transition from elite to a mass system of secondary education just as the NRM Government did with UPE at the primary level. There are now 8 million children at primary school level and over 1 million students at secondary school in the 2007 School Year, compared to only 2.6 million in primary in 1995 and 728,000 in 2006 before these programmes began.

With the successful commencement of Universal Primary and Secondary Education, the NRM Government will now focus of improving quality, efficiency and learning outcomes for our children who go through the Education System. The USE programme implementers must now focus on reducing large class sizes through construction of more classrooms, recruiting and training more teachers and providing adequately for textbooks, science equipment and supplies in order improve the quality of secondary education.

The reform of Secondary Education must also ensure that there is the efficiency in the use of public resources. I am directing the Minister of Education to ensure that unit cost of construction of classrooms and other learning places are reduced to reasonable

levels to allow more units to be built with the level of resources. In the absence of reduced unit costs I will employ other means to ensure value for money in school construction. I also support the idea of applying double shift policy in USE schools to allow increased use of the same facilities by more students and teachers. This must also be done in tandem with the reform of the curriculum to provide for fewer core subjects to be taught and the reduced time for a shift at school.

We now have 62 (both Government and private) technical schools in Uganda. We intend to increase them to about 90, one per district. These technical schools should teach the traditional technical subjects: woodwork, metal work, ceramics, brick-laying, electrical studies, motor-mechanics, etc, as well as new subjects such as food technology, industrial chemistry, ICT, etc.

### **Security**

As far as security is concerned, the metamorphosing of the Uganda People's Defence Forces (UPDF) into a bi-service force has provided Ugandans with a powerful hammer that they can use to deal with terrorists and other traitors. We have dealt with cattle rustlers in Karamoja. The ceremony which was going on here of the change of flags was not a mere show. It was symbolic; it demonstrated the change from the guerrilla army that moved on foot to the modern one. Our level of professionalization now enables us to reach our enemy, anywhere within, in a very short time and deal with him. Kony is hiding in Garamba; you should not think that he is on holiday. If he tries to come to Uganda, we shall deal with him expeditiously. Other urban-based terrorists may try to infiltrate in the towns. We shall, however, be able to deal with them using our vast security network we used during CHOGM and on many other occasions.

### **Poverty Eradication**

All the families in the rural areas should join the Prosperity for All (PFA) to get rid of poverty. National Agricultural Advisory Services (NAADS) secretariat, the Uganda Investment Authority (UIA), Ministries of Industry and Finance should ensure that all

agricultural products of Uganda that are not eaten fresh are processed. This will make our export earnings go up by a factor of ten.

Next year the economy will be reinforced by the processing of petroleum and gas in the Mwitanzigye area (Lake Albert). With increased electricity supply and more minerals that the recent aeromagnetic surveys have indicated, Uganda's growth rates will be in double-digits.

I conclude, therefore, by first of all, congratulating all of you for celebrating the 46<sup>th</sup> anniversary of Uganda's Independence. Secondly, I exhort you not to allow yourself to be sick from avoidable sicknesses such as AIDS, so that you enjoy the coming prosperity of Uganda. "*Mutatsiga ebyaganika*", as the Banyankole say. It means: "Do not go away when good things are beginning to happen".

I thank you.