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PRODUCTION STRUCTURE AND INCOME GENERATION IN UGANDA: PATHFINDER OF THE CURRENT NEGATIVE GROWTH RATE IN THE ECONOMY

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ABSTRACT

This paper provides background information necessary for the analysis of a problem revealed in the 1974/75 budget speech by the Minister of Finance, Planning and Economic Development; the problem of the rate of growth in the economy having been negative over fiscal year 1973/74. The structure of domestic production is analysed and the foreign sector is integrated in the presentation to give a complete picture of monetary income formation. Critical money income generating sectors are identified with a view to analysing at a later stage the implications of changing growth rates in these micro sectors for variations in the growth rates of aggregates. Finally, the setting of the economy in relation to the other East African economies is presented and in particular, the implications of the extremely low level of foreign reserves in Uganda for inter-territorial monetary relations and commerce arehighlighted. We conclude that contrary to the apparent dissention in top community ranks, at the grassroots,Co-operation and interdependence is getting strengthened, if only by default.

INTRODUCTION

In his 1974/75 budget speech, the former Minister of Finance Planning and Economic Development Mr. Kiyingi declared that the Ugandan economy had recorded a negative growth rate over the preceding year. Specifically this rate was - 1.8% and such a negative rate was unprecedented in the history of the republic ("first" or "second" republic). The causes of this unprecedented development as well as the implications of it are of interest to several elements in the knowledge market especially the professional economist with interest in the relationship between economic variables and politico-institutional change. This relationship that has manifested itself dramatically in the form of variations in macrovariables should be expected to have its more fundamental form in microchanges. This paper does not purport to discern any such relationships on any quantitative basis. Rather, the paper will describe the structure of the economy and the mode of income generation pointing out in a tentative form the relationship between the macrovariable, income, and certain critical microvariables especially the production and marketing of certain crops. This is meant to be background material. Then, at a later stage (not covered in this paper), we can discern and quantify plausible relationships between the so-designated critical microvariables and certain parameters over which the powers that be exercise control. In the final analysis, we may be in a position to afford a partial equilibrium type dynamic analysis that would shed light on the anatomy of the recorded negative growth rate in the Ugandan economy. We may also be in a position to infer statistically whether this marks the beginning of a new trend in macrovariables or whether these most recent national income figures actually belong in the same distribution as the recorded previous observations of the same variable.

The Composition of Gross Domestic Product

Uganda can be considered as a country that offers a good example of an under-developed country. Its economy more or less comforms to the textbook description of a low-income country. In 1970, with an estimated population of about 10 million people and total Gross Domestic Product (G.D.P.) of 8487 million shillings, output per head amounted to 848.7 shillings per annum, which is among the lowest per capita income figures in the world.

Production consists of agriculture, mainly coffee, cotton, tea sugar and food crops; cotton ginning, coffee curing, tea and sugar processing; forestry, fishing and hunting. There is a small manufacturing sector consisting of beer brewing and waragi distilling, and the manufacture of soap, cigarettes, tyres, hoes, matches, textiles, paper boxes and paper towels. Metal industries consist of just a single copper smelting plant and a single steel rolling mill. There is also a small food and dairy products processing industry. As Table 1 shows, the remainder of production consists of mining (mainly copper), generation of electricity, construction, commerce, government services and property income (rents). Table 1 furthermore gives the monetary significance of each of the G.D.P. components.

It will be observed from the data that a high percentage of G.D.P. is derived from subsistence or non-market production. For the last decade, subsistence production has on the average accounted for about 32% of total gross domestic product. Table 2 summarizes the information relating market and non-market production as percentages of Gross Domestic Product for the period 1961 to 1970. An interesting observation is that this sector seems not to be contracting vis a vis the monetary sector, which shows that both market and non-market production grow at more or less the same rate. This information further shows that Uganda's economy is underdeveloped in the classic textbook sense.

Agriculture is the dominant sector of Uganda's economy. Table 3 illustrates the importance of the primary sector by expressing its product as a percentage of Gross Domestic Product for both the monetary and the non-monetary economy at current prices. Primary production is taken to include agriculture, forestry, fishing and hunting. From the evidence presented, it can be seen that the primary sector's contribution to total monetary and non-monetary gross domestic product has fluctuated between 50 per cent and 54 per cent since 1961. If the monetary sector alone is considered, the proportion has fluctuated between 33 per cent and 38 percent over the same period. These statistics are indicative of the "stage" of economic development the Uganda economy has reached. It can also be noticed that this dominance of primary production was fundamental in the design and implementation of planned development in Uganda. The primary goal remains diversification of production besides fighting the "Economic War".

TABLE 1

GROSS DOMESTIC PRODUCT AT FACTOR COST,
BY INDUSTRY (CURRENT PRICES), 1961-1970.

Millions of Uganda Shillings

Industry	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Monetary Economy:										
1. Agriculture	960	887	1,127	1,299	1,329	1,496	1,369	1,394	1,821	2,113
2. Cotton Ginning, Coffee Curing, Tea and Sugar Manufacture	98	85	138	123	103	115	120	123	149	n.a.
3. Forestry, Fishing and Hunting	42	57	47	57	53	68	71	99	110	n.a.
4. Mining and Quarrying	39	47	51	91	122	73	56	66	145	144
5. Manufacture of Food Products	21	19	18	5	29	29	29	26	30	n.a.
6. Miscellaneous Manufacturing	168	187	186	223	233	264	282	300	323	104
7. Electricity Generation	38	42	48	53	61	68	76	82	84	n.a.
8. Construction	66	63	63	75	99	90	110	123	137	150
9. Commerce	543	533	591	668	805	858	875	956	1,022	n.a.
10. Transport and Communications	155	158	174	189	208	222	236	253	279	272
11. Government Services	188	225	239	265	303	323	361	331	370	n.a.
12. Miscellaneous Services	246	270	303	328	375	422	443	513	558	n.a.
13. Property Income - Rents	176	185	188	197	204	213	220	230	241	295
Non-Monetary Economy										
1. Agriculture	1,049	1,082	1,083	1,219	1,557	1,503	1,599	1,630	1,973)	2,413
2. Forestry, Fishing and Hunting	120	123	128	132	135	140	145	150	155)	
3. Construction	22	20	21	22	27	27	29	28	30	38
4. Rent From Owner-Occupied Houses	154	148	152	173	200	201	214	212	242	248
Total Gross Domestic Product	4,085	4,131	4,557	5,129	5,843	6,112	6,235	6,516	7,329	8,487

Source: Ministry of Finance Planning and Economic Development Statistical Abstracts - Various Issues, Entebbe: The Government Printer.

TABLE 2

MARKET AND NON-MARKET PRODUCTION AND GROSS
DOMESTIC PRODUCT, 1961-1970 CURRENT PRICES

Millions of Uganda Shillings

Year	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total G.D.P.	4085	4131	4557	5129	5843	6112	6235	6516	7329	8487
Monetary G.D.P.	2740	2758	3173	3583	3924	4241	4248	4496	5088	5788
Monetary G.D.P. as % of Total G.D.P.	67	67.2	69	70	69	69.5	68.5	69	69.5	68.1
Subsistence G.D.P.	1345	1373	1384	1546	1919	1871	1987	2020	2241	2699
Subsistence G.D.P. as % Total G.D.P.	33	32.8	31	30	31	30.5	31.5	31	30.5	31.9

Source: Background to the Budge - various issues
(Entebbe: The Government Printer)

TABLE 3

PRIMARY PRODUCTION
AND GROSS DOMESTIC PRODUCT, 1961-1970
CURRENT PRICES

Millions of Uganda Shillings

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Monetary Economy:										
Primary Production	1002	944	1174	1356	1382	1564	1440	1493	1826	2113
Monetary G.D.P.	2740	2758	3173	3583	3924	4241	4248	4496	5088	5788
Primary Production as percentage of Monetary G.D.P.	36.6	34.2	37.0	37.8	35.2	36.9	33.9	33.2	35.9	36.6
Market and Non-Market: Production:										
Primary Production	2171	2149	2385	2707	3074	3207	3184	3273	3795	4526
Total G.D.P.	4085	4131	4557	5129	5843	6112	6235	6516	7329	8487
Primary Production as percentage of Total G.D.P.	53.1	52.0	52.3	52.8	52.6	52.5	51.1	50.2	51.8	53.2

Source: Background to the Budget (various issues) (Entebbe: The Government Printer)

Critical Factors in Money Income Determination

The most important influence on the level of national income, in particular money income, is export earnings. Exports form such a high proportion of income that any changes in export earnings are likely to be reflected pari passu in domestic income via the foreign trade multiplier. In particular, since coffee and cotton exports jointly account for over 70% of export earnings, it is true that the earnings of these two items would be most responsible for the level of and fluctuations in national income. In Table 4 coffee and cotton exports are shown in relation to total monetary G.D.P. for the period 1950 to 1969.

It will be noticed from the data that coffee and cotton export earnings were over 30% of the total money gross domestic product. This figure was as high as 50% in the early 1950's. Cotton exports alone were as high as 34% of money G.D.P. in the 1950's but now range between 5% and 10%.

The Major Export Commondities

As was stated earlier, coffee and cotton by far dominate export trade. This has been the case since the beginning of monetary production in Uganda during the First World War period.

Coffee

Coffee is Uganda's largest export crop, on the average accounting for 4% of total world coffee exports and about 47% of total export earnings of Uganda. Most of the coffee is of the rebusta variety (about 90%), which is grown mainly in the central plateau region of East and West Mengo and Masaka and Ankole. A small but growing quantity of high-quality arabica is produced in the mountain region of the east and the west. Coffee producers enjoy a guaranteed producers' price which is annouced at the beginning of the season. Coffee is marketed by the Coffee Marketing Board.

Since coffee production until recently exceeded substantially Uganda's export quota under the International Coffee Agreement, Uganda Governments have pursued a policy of agricultural diversification over time aimed at increasing production of the high-quality arabica variety and other substitute crops. Some acreage withdrawn from robusta coffee cultivation has been devoted to livestock raising.

TABLE 4

COTTON, COFFEE EXPORTS AND MONEY G.D.P. — CURRENT PRICES
1950-1969

Millions of Shillings

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Monetary G.D.P.	1086	1676	1766	1526	1856	2040	2056	2188	2120	2160
Coffee and Cotton Exports as percentage of Money G.D.P.	46.09	50.53	47.79	37.14	37.02	35.80	34.05	35.70	36.76	31.59
Cotton Exports as percentage of Money G.D.P.	30.75	34.24	33.91	22.01	22.50	16.06	18.76	15.97	17.11	14.29

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
	2216	2740	2758	3173	3583	3924	4241	4248	4496	5088
	28.81	27.38	26.41	32.25	28.5	24.2	23.6	23.4	22.5	20.2
	13.47	14.91	7.69	11.11	8.8	8.6	7.2	7.1	6.6	5.0

Source: Uganda Statistical Abstracts (various Issues)
Ministry of Finance Planning and Economic Development, Entebbe.

Cotton

Cotton cultivation, which is generally not mechanized, is undertaken by a large number of small peasant farmers on plots varying between one-half acre to ten acres. Cotton, mostly of Middling Plus quality with a staple length of one to $1\frac{1}{4}$ inches, is planted in May/June, harvested in October/November, and marketed between December and April of the following year. Cotton producers benefit from a guaranteed producers' price. Beginning with the 1969/70 season, producer prices are announced at harvesting time and not as previously at the beginning of the planting season. Cotton exports rank second to coffee, acounting for an average of 18 per cent of total exports although this figure is declining fast. Most of Uganda's cotton output is exported but, in recent years, an increased portion (18 per cent in 1968/69) has been sold to the expanding local textile industry.

The importance of both coffee and cotton in export trade for the last two decades is shown in table 5. It will be observed that up to the beginning of this decade, both commodities accounted for over 80% of the foreign exchange earnings and, since 1960, they have accounted for well over 70% of total exports. It also apparent that of these two crops, cotton was the more important up to 1956 but was superseded by coffee. Nevertheless, it has since remained a second most important foreign exchange earner, and still absorbs more labor than any other crop.

Other Important Export Commodities

Copper

Copper is Uganda's third largest export commodity, contributing an average of 7.2 percent of total exports during the 1967-69 period. The output of blister copper, which is extracted at the Kilembe mines, increased from 14,000 metric tons in 1967 to 16,000 metric tons in 1969. Under a five-year contract, Japan had guaranteed to buy all copper produced at the Kilembe mines. The future of copper, however, is uncertain, as the known deposits are not enough to sustain production at the existing level for over 15 years. Prospecting for more mineral deposits continues. But controversy over future ownership of the shares in the mines has retarded the rate of capital development.

TABLE 5

COTTON, COFFEE AND TOTAL DOMESTIC EXPORTS

1950-1969 --- CURRENT PRICES

Million of Uganda Shillings

ITEM	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Total Domestic Exports	621	993	1016	759	914	933	808	917	908	842
Coffee Exports	167	273	247	231	270	403	314	432	417	374
Coffee Exports as % of Total Exports	26.8	27.5	24.3	30.5	29.5	43.2	38.9	47.1	45.9	44.4
Cotton Exports	334	574	599	336	418	328	386	350	363	309
Cotton Exports as % of Total Exports	54.0	57.4	60.0	44.3	46.4	35.0	47.7	38.1	39.9	36.7
Coffee and Cotton Exports as % of Total Exports	80.8	84.9	84.3	74.8	75.9	78.2	86.6	85.2	85.8	81.1

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
	832	784	753	1030	1289	1254	1319	1293	1309	1398
	340	280	403	544	708	608	696	692	715	780
	40.9	35.7	53.6	52.8	54.9	48.5	52.8	53.5	54.6	55.8
	299	334	165	286	318	336	307	303	296	251
	35.9	42.6	21.9	27.8	24.6	26.7	23.3	23.5	22.6	18.0
	76.8	78.3	75.5	80.6	79.5	75.2	76.1	77.0	77.2	73.8

Source: Ministry of Finance, Planning and Economic Development Background to the Budget., Entebbe. The Government Printer, (Several Issues).

Tea

Tea is Uganda's third most important cash crop, and fourth major export. It is grown largely at high altitudes in the western region. It accounted for 5.9 per cent of 1969 exports, compared with 3.5. per cent in 1963. Tea acreage has increased rapidly from 24,000 acres in 1964 to 41,000 acres in 1969 and an estimated 47,000 in 1970. Production increased from 7,600 metric tons in 1964 to about 15,200 in 1968 and 17,600 metric tons in 1969. The expansion in production in 1969 was due in part to higher yields, mainly on estates, and from the continued expansion of smallholder tea production. Although most of the production continues to come from the large commercial estates, increased participation by peasant farmers in the so-called "outgrower scheme" encouraged by the Uganda Tea Growers' Corporation has resulted in a marked increase of their share in total output. From a negligible level in 1966, acreage cultivated by them had reached 13,250 acres in 1969 and their numbers had grown to 5,024. The major problem facing the scheme is the small profit margin allowed farmers under the Uganda Tea Growers Corporation marketing arrangement.

Most of Uganda's tea is sold by auction in Nairobi and the rest in London. The Uganda Tea Growers' Corporation markets the tea produced by smallholders. The large tea estates export their tea directly. The Uganda Tea Board is in charge of promoting the interest of all tea growers but does not undertake marketing operations.

World tea prices have generally declined in recent years. Following the devaluation of the pound sterling, the price in local currency of tea declined further. The outgrower scheme, still in an early stage of implementation, has been more affected by these developments than the larger estates. In order to mitigate the unfavourable impact that the recent declines in tea prices might have on future output and the profitability of these small growers' production, the Government says it is subsidizing the Uganda Tea Growers' Corporation to pay a minimum price of U Sh. 0.40 per pound. Despite a 16 per cent increase in production, tea growers' incomes rose by only 4 per cent in 1969, reflecting a further decline in 1969 prices in export and producer prices outside the smallholding sector. Prospects for tea are, however, much better than those of coffee and, to a lesser extent, cotton. Although there has been a discontinuity in the compilation and release of certain relevant data by Ugandan authorities, nevertheless, the recent prices at the Nairobi auction show that the prospects for Uganda's tea have improved tremendously.

Minor Export Commodities

Less important exports are hides and skins, and animal feeding stuffs. Sugar, cooking oil, soap and cotton piece-goods are exported mainly to the East African community partners. Recent data on the trade of commodities such as sugar and cooking oil is difficult to obtain as most of these are traded "under the counter".

Import Commodities

Imports consist for the most part of machinery and equipment, manufactured consumer goods, fuel, and medical supplies. Gross capital formation, of which about 65% is usually undertaken by the public sector, amounts on the average to 16% of monetary G.D.P. Capital development has a very high import content as the local manufacture of capital goods is infinitesimal and negligible. More recently, major import items have included military hardware and oddly enough such items as sugar.

Budget Revenue and the Role of the Public Sector in the Generation of G.D.P.

The government's taxation and expenditure policy bears directly on the level and composition of G.D.P. On the budget revenue side, seven major sources are officially classified. These are: (i) direct taxation, comprising income taxes, export taxes and "other direct taxes"; (ii) indirect taxation, comprising import duties, excise duties, licenses and "other indirect taxes"; (iii) interest, dividends and profits; (iv) transfers, comprising transfers from households, from the Uganda Government, from local governments and from abroad; (v) sales of goods and services; (vi) financial transactions, and finally, (vii) sales of fixed capital.

Table 6 shows the amount of budget revenue from various sources. The relative importance of each item is shown by the "percentage" column for each financial year between 1962/63 and 1969/70.

It is easily noticeable from Table 6 that the bulk of government revenue comes from indirect taxation, namely customs and excise duties. These two items account for more than 50% of budget revenue. The other major sources of revenue are export duty (on coffee and cotton), and income and corporation taxes; both taxes being direct taxes. Sales tax, which was introduced in the 1968/69 budget, has since become a another important source of revenue, accounting for about 16% of the total revenue each year. Development tax was abolished in 1971 by

TABLE 6

SOURCES OF RECURRENT GOVERNMENT BUDGET REVENUE

1962/63 - 1969/70

Millions of Uganda Shillings

Revenue Source	1962/63 Actual	1962/63 % of Total	1963/64 Actual	1963/64 % of Total	1964/65 Actual	1964/65 % of Total	1965/66 Actual	1965/66 % of Total
Income and Corporation Taxes	74,192	18.5	74,776	14.8	85,107	13.5	91,080	15.2
Development Tax	-	-	-	-	-	-	-	-
Estate Duty	906	0.2	649	0.1	785	0.1	604	0.1
Cotton Export Taxes	32,172	8.0	36,595	7.2	40,587	6.4	32,230	5.4
Coffee Export Taxes	32,645	8.2	119,820	23.7	151,731	24.0	66,085	11.0
Copper Export Taxes	-	-	-	-	-	-	-	-
Export Duty on Hides & Skins	891	0.2	780	0.2	922	0.1	1,087	0.2
Customs Duty	180,766	45.2	179,107	35.4	231,567	36.7	256,289	42.7
Excise Duty	61,687	15.4	76,246	15.1	98,265	15.5	116,777	19.5
Transfer Taxes	-	-	-	-	-	-	-	-
Consumption & Service Taxes	-	-	-	-	-	-	10,192	1.7
Sales Tax	-	-	-	-	-	-	-	-
Licenses & Fees	16,826	4.2	17,183	3.4	22,523	3.6	25,449	4.2
Total Taxes	400,085	100.0	505,281	100.1	631,487	100.0	599,794	100.0
Interest	8,2[illegible]2	-	6,335	-	7,873	-	8,746	-
Miscellaneous Receipts	30,661	-	30,164	-	37,768	[illegible]	38,250	-
Total Recurrent Revenue	438,978	-	541,780	-	677,128	[illegible]	646,790	-

Revenue Source	1966/67 Actual	1966/67 % of Total	1967/68 Actual	1967/68 % of Total	1968/69 Actual	1968/69 % of Total	1969/70 Actual	1969/70 % of Total
Income and Corporation Taxes	126,484	16.4	151,808	18.3	145,644	15.3	175,300	17.3
Development Tax	31,931	4.1	50,611	6.1	24,500	2.6	25,000	2.5
Estate Duty	615	0.1	43	-	-	-	-	-
Cotton Export Taxes	43,757	5.7	42,988	5.2	39,810	4.2	39,00	3.8
Coffee Export Taxes	116,808	15.1	131,575	15.8	111,795	11.7	140,300	13.8
Copper Export Taxes	-	-	1,231	0.1	-	-	19,000	1.9
Export Duty on Hides & Skins	1,460	0.2	1,010	0.1	1,336	0.1	1,500	0.1
Customs Duty	259,870	33.7	254,847	30.7	281,387	29.4	240,000	23.6
Excise Duty	137,508	17.8	148,251	17.8	151,108	15.8	170,000	16.7
Transfer Taxes	-	-	867	0.1	2,661	0.3	4,000	0.4
Consumption & Service Taxes	25,883	3.4	19,352	2.3	3,896	0.4	3,060	0.3
Sales Tax	-	-	-	-	156,893	16.6	165,030	16.2
Licenses & Fees	26,598	3.4	27,979	3.4	32,835	3.4	33,906	3.3
Total Taxes	770,914	100.0	830,562	100.0	955,535	100.0	1,016,126	100.0
Interest	9,035	-	5,264	-	3,887	-	1,885	-
Miscellaneous Receipts	37,284	-	46,445	-	49,762	-	n.a.	-
Total Recurrent Revenue	817,233	-	882,620	-	989,410	-	n.a.	-

Source: Background to the Budget (various issues) (Entebbe: The Government Printer) the military government but re-introduced it at the 1974/75 budget.

An attempt has been made by the Statistical Division of Uganda's Ministry of Finance, Planning and Economic Development to assess the role of government activity in the generation of Gross Domestic Product. On the average (for the period 1961 to 1970), the public sector has accounted for 14% of G.D.P. and the fluctuation of this statistic is very small. This proportion ranges from 12.6% in 1961 to 14.9% in 1968. Table 7 shows the major public economic subsectors and their estimated G.D.P. equivalent.

It will be observed that public economic activity is classified into two categories viz: "Public Enterprises" and "General Government activity". The former group represents the activities of the parastatal bodies, whose share capital is completely paid up by the government. But these bodies formulate and effect policy without direct reference to Government although this can no longer be said to be the case under the current reorganisation phase. Their staff are not civil servants. The big manufacturing sector, transport and communications sector, electricity and water supply sector represent the activities of the Uganda Development Corporation, the East African Railways and Harbours Corporations, and the Uganda Electricity and Water Boards respectively.

The second major subsector in Table 7 labelled "General Government" represents the direct activities of the various government departments. This is mainly wages and salaries to civil servants and the armed forces. This subsector is by far more important in the generation of G.D.P. than the combined activity of public enterprises. The fact that the public sector accounts for only 14% on the average should not mislead anybody into thinking that it is relatively unimportant. In terms of monetary income and employment the public sector's role is even more pronounced. Investment activities in this sector account for about 65% of gross capital formation and the government is still the largest single employer of labour in the country.

TABLE 7
THE SHARE OF THE PUBLIC SECTOR IN THE GENERATION
OF GROSS DOMESTIC PRODUCT, 1961 - 1969
CURRENT PRICES

Millions of Shillings

Item	1961	1962	1963	1964	1965	1966	1967	1968	1969
Public Enterprises:									
Agriculture................	3	3	3	3	4	7	8	9	11
Manufacturing..............	35	39	46	52	65	77	65	73	80
Electricity and Water Supply	40	45	51	56	63	72	81	90	92
Commerce..................	9	10	10	13	15	20	18	28	34
Banking and Insurance.......	1	1	1	1	2	8	16	20	16
Transport and Communication.	42	43	48	50	55	60	60	64	79
Building and Construction...	-	-	-	-	-	4	4	5	7
Rent......................	57	60	61	65	66	70	72	79	83
Total Public Enterprise	187	201	220	240	270	318	324	368	402
General Government:									
Public Administration and Defense.................	188	225	239	265	303	323	361	331	370
Education.................	56	67	77	89	102	110	120	140	170
Health....................	44	48	53	59	63	68	70	79	86
Water Supply..............	5	4	8	9	12	9	10	9	10
Construction..............	33	32	32	32	33	31	37	39	38
Manufacturing.............	2	2	2	2	2	2	2	2	2
Forestry..................	3	3	3	3	3	3	4	4	4
Total General Government	331	381	414	459	518	546	604	604	680
Total G.D.P.	4085	4131	4557	5129	5843	6112	6235	6516	7329
Total Public Sector Generated G.D.P. as % of Total G.D.P.	12.6	14.2	13.8	13.7	13.4	14.1	14.9	14.9	14.7

Source: Background to the Budger (Annual), various issues
(Entebbe: The Government Printer)

Employment and Wage Structure

It is estimated that 90 percent of the labor force is employed in the subsistence sector where underemployment is widespread. In 1961, employment in the monetized sector reached 294,500 persons. The growth of the labor force in this category is not very predictable, as in recent years it has ranged between 4.5 per cent per annum (1961) and 9.7 per cent per annum (1968).

Tables 8 and 9 respectively show the growth of employment and annual wage bills in the monetized economy by subsectors for the period 1965-1969. Each magnitude is subdivided into its public and private sector component.

From the data in Tables 8 and 9, it is noticeable that agriculture, forestry, fishing and hunting was up to 1969 as large an employer of labor in the monetary economy as the services sector. Yet total wages paid by the services sector were, on the average, three times as much as was paid in the agriculture, forestry and fishing sector. Furthermore, manufacturing is the third largest employer of labor, followed by government and construction, in that order. The relative importance of the manufacturing and government sectors, from the point of view of employment, matches their relative importance in the total wage bill. But construction, which is the fifth largest employer of labor, lags behind commerce in total wages despite the fact that commerce is sixth in labor employment.

On the whole, the annual wage bill rose by 42 per cent between 1965 and 1969. During the latter year, it increased by 8.9 per cent, reflecting an increase of 4.2 per cent in the average wage, as well as a rise in the level of employment. During the four years ended 1969, about half of the increase in earnings was on account of increasing wage rates, particularly through the minimum wage legislation of 1964 and 1965, the remainder being due to changes in employment distribution toward higher-paid jobs.

Although employment opportunities since 1966 for skilled and semi-skilled workers in the U Sh. 200-499 per month wage group has increased in both the private and public sectors, the rate of increase in the skilled and managerial posts earning U Sh. 500 and over per month has been considerably faster, averaging 23 per cent and 16 per cent annually for the private and public sectors, respectively. This reflected the implementation of the Obote Government's policy of Ugandanization, which resulted in rapid promotion into highly paid jobs.

TABLE 8

EMPLOYMENT IN THE MONETIZED ECONOMY BY SECTORS, 1965-1969

Thousands

SECTOR	1965			1966		
	Private Sector	Public	Total	Private Sector	Public	Total
Agriculture, Forestry, Fishing & Hunting................	42.6	8.4	51.0	46.5	8.4	54.9
Mining and Quarrying..........	6.3	0.1	6.4	6.4	0.1	6.5
Manufacturing[1]................	37.6	0.2	37.8	40.4	0.3	40.7
Construction...................	10.7	21.8	32.5	9.0	20.2	29.2
Commerce.....................	12.4	0.1	12.5	14.0	0.1	14.1
Transport & Communications....	3.7	6.5	10.2	3.8	6.0	9.8
Government Administration.....	-	39.5	39.5	-	35.7	35.7
Services.....................	33.3	18.4	51.7	34.2	21.0	53.2
Total[2]	146.7	95.0	241.7	154.3	91.7	246.0

1967			1968			1969		
Private Sector	Public	Total	Private Sector	Public	Total	Private Sector	Public	Total
45.8	8.8	54.6	56.5	9.6	66.1	58.1	9.3	67.4
6.7	-	6.7	7.8	0.1	7.9	6.2	0.1	6.3
44.0	0.3	44.3	39.1	0.3	39.4	42.0	0.4	42.4
9.6	22.8	32.4	12.9	29.1	42.0	13.1	29.3	42.4
14.0	0.1	14.1	13.7	0.1	13.8	14.7	0.1	14.8
3.9	6.8	10.7	4.2	6.9	11.1	4.5	7.3	11.8
-	33.5	33.5	-	37.6	37.6	-	39.6	39.6
38.1	22.4	60.5	38.9	25.1	64.0	42.1	27.7	69.8
162.1	94.1	256.8	173.0	108.8	281.8	180.7	113.8	294.4

Sources: (1) Uganda Statistical Abstract (annual), various issues (Entebbe: The Government Printer). (2)
(2) Background to the Budget (annual), various issues (Entebbe: The government Printer).

[1] Includes cotton ginning and coffee curing.

[2] Totals may not equal sums of components due to rounding.

TABLE 9
ANNUAL WAGE BILL (WAGES PAID) IN THE MONETIZED ECONOMY, BY SECTORS, 1965-69

Millions of Uganda Shillings

SECTOR	1965 Private Sector	1965 Public	1965 Total	1966 Private Sector	1966 Public	1966 Total
Agriculture, Forestry, & Fishing	57	24	81	80	27	107
Mining and Quarrying...........	24	-	24	25	-	25
Manufacturing[1]................	129	2	131	125	2	127
Construction....................	32	46	78	30	47	77
Commerce........................	82	-	82	97	1	98
Transport and Communications....	16	28	44	18	27	45
Government Administration.......	-	148	148	-	140	140
Services........................	146	90	236	159	113	272
Total[2]	486	338	824	534	357	891

SECTOR	1967 Private Sector	1967 Public	1967 Total	1968 Private Sector	1968 Public	1968 Total	1969 Private Sector	1969 Public	1969 Total
Agriculture, Forestry, & Fishing	78	27	105	87	31	118	89	33	122
Mining and Quarrying	26	-	26	31	-	31	23	-	23
Manufacturing[1]	140	52	142	160	2	162	176	2	178
Construction	35	52	87	44	61	105	3	56	109
Commerce	110	1	111	115	1	116	127	1	128
Transport and Communications	19	30	49	21	31	52	21	35	56
Government Administration	-	147	147	-	163	-	-	180	180
Services	182	125	307	190	133	323	220	150	370
Total[2]	590	384	974	648	423	1,071	709	453	1,166

Source: Uganda, *Statistical Abstract* (annual), various issues (Entebbe: The Government Printer). *Background to the Budget* (annual), various issues (Entebbe: The Government Printer).

[1] Includes cotton ginning and coffee curing.

[2] Totals may not equal sums of components due to rounding.

Minimum wage rates are guaranteed by law for most workers. Minimum wages were increased in 1965 by 25 per cent and 53 per cent to U Sh 150 and U Sh 130 per month, depending on the geographic location. In addition, the 1965 legislation introduced a new minimum wage of U Sh 75 per month applicable to agricultural estates employing more than 50 persons, and to specific agricultural estates employing more than 50 persons, and to specific agricultural processing industries irrespective of the number of employees. Recent trends, however, show that despite impressive gains in money wages, real wages are fast falling for the majority of wage and salary earners due to the unprecedented rate of inflation the economy is experiencing.

Conclusion

From the information given in this paper, it is clear that the Ugandan economy has an agricultural base whose monetary component is dominated by a few traditional cash crops (coffee, cotton, tea, sugar and tobacco) and a large range of traditional food crops. Of late, however, because of a number of factors,ranging from food shortage due to inefficiency in internal food commodity distribution to pricing policy that has made traditional food crops good cash earners (relative to coffee and cotton), there does not exist a static relationship between subsistence production and production for cash.

A final feature of the economy that must be viewed in a non static set up is the relationship with the other East African Countries Kenya and Tanzania. The three form the East African Community, which came into existence by the signing of the Treaty for Co-operation in December, 1967. The treaty modified the Customs Union arrangement that dates far back to 1923. Income tax, customs, and excise duties have always been similar in the three countries. In addition to these, there is an impressive range of services which are operated jointly on an East African basis; these include railways and harbors, posts and tele-communications, airways, revenue collection, research and statistical services, and the East African Development Bank, which is an inter-country industrial development and distribution agency. The three partners boast the biggest volume of interterritorial trade in Africa.

Of late, however, several developments have occured that must be mentioned. Firstly, because of political and military tension between some of the partner states (Uganda and Tanzania), there is less explicit mutual consultation between the three presidents that form the Community's "Authority". Secondly, the tension and non-co-operation at the official level has led to the tendency to decentralise the operations of some of the oldest community operated agencies. In 1973 for example, the East African Income Tax department split and each member country operates a separate department.

At the non-official decision making level however, opposite tendencies seem to be in evidence. There seems to be more interdependence between East Africans than has ever been witnessed before. For example, with the political and military upheavel in Uganda that dates back to January 1971, there has been a growing number of Ugandan personnel living and working in the other two partner states. Furthermore, with the depletion of foreign exchange at the Bank of Uganda, most of Ugandan imports come from Kenya where it is possible for individual businessmen in Kampala to make bi-lateral payments swoping arrangements with Kenyan businessmen operating in Kampala without passing through any Central banks. Because of the widespread nature of these private deals, there has developed what I believe to be the largest ever parallel market (black market) in currencies ever witnessed in the history of the common market. Furthermore, because of the potential magnitude of the trade imbalance against Uganda, even a cursory look at the parallel currency market will reveal that Uganda currency has effectively been devalued by about 50% since 1971. In addition, with the serious shortage of certain essential commodities in Uganda and the consequent inflation, several Ugandans either depend on privately arranged shopping trips to Nairobi or else depend on their Ugandan relatives living in Kenya to send some supplies secretly across the border. In short, while the prospects for co-operation at governmental level appear bleak, interdependence at the grassroots level seems to be boosted, if only by default.

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