

Draft

**Speech by Hon. Syda N.M Bbumba, Uganda
Minister of Finance, Planning and Economic
Development at the Launching of the 2009 African
Economic Outlook
Imperial Royale Hotel, Kampala
July 23, 2009**

Colleagues Honourable Ministers

Hon. Members of Parliament

Excellencies Ambassadors and Heads of Missions

The Representative of the Governor of Bank of Uganda

Management and Staff of the African Development
Bank

Distinguished Guests

Ladies and Gentlemen

I am greatly honoured to be here today for the
launching in Uganda of the 2009 African Economic
Outlook, which contains analysis of economic

performance of African economies and projections. The 2009 Outlook is a joint collaboration between the African Development Bank, the Organization for Economic Cooperation and Development (OECD), and the United Nations Economic Commission for Africa (UNECA). At the outset, I want to take this opportunity to commend the excellent work of the African Development Bank, which has strengthened the research capacity of this premier multilateral financial institution, and therefore enhancing its knowledge base for the benefit of our African countries. For those who have been following the performance of this Bank will agree with me that, the Bank has greatly improved in a number of areas, including in the diversification of its lending and non-lending portfolio. Here in Uganda, the Bank has financed a number of projects in the areas of energy, health, agriculture, roads, water, education, environment, microfinance, markets development, and has also provided general budget support to the Government. In this respect, on behalf of the

Government and on my own behalf, I want to thank the management of the ADB and most especially the President of ADB Dr. Kaberuka, for supporting our development programs.

This launch of the African Economic Outlook today comes at the time of the global financial crisis and global recession. Many economies of particularly rich countries have been devastated by the massive loss of jobs as a result of the global recession. Some African countries have also been negatively affected, particularly those that are heavily dependent on a few export commodities and those which are net food importers. But on the whole, African countries have not been as devastated as the case is in many advanced economies of the world. The African Development Bank has estimated that the global recession will have minimal effects on some African economies, such as the East African Region, which is projecting reduced but still strong economic growth.

According to the African Economic Outlook, until the onset of the financial crisis and recession, countries in Sub-Saharan Africa enjoyed some of their highest growth rates in decades, partly due to improved domestic policies and political stability. Although a few economies in Africa including South Africa are projected to contract in 2009, the region as a whole will continue to register positive growth averaging 2.8% per annum in 2009 and 4.5% in 2010. The East African region is projected to record the highest growth rate of 5.5% in 2009 and 5.7% in 2010. Our own economy is projected at a real growth rate of 6% per annum this financial year, which is consistent with the projection by ADB of 5.6% in calendar year 2009 and 6.1% in 2010. The limited impact of the global recession on the East African sub-region is attributed to diversification of their economies, underscoring the importance of diversification and regional integration in sustaining high economic growth. Sub-Saharan African countries

as a group are projected to grow at 2.4% in 2009 and are expected to have the fastest recovery during 2010, with a growth of 4.7%.

There is also optimism that the global economic downturn has reached the bottom and there are some early signs of recovery in the world economy, with emerging economies such as China leading the recovery.

While many of our economies have experienced reduced remittances, and decline in portfolio investment as a result of the global recession, at the same time, we continue to see foreign direct investment growth in some African countries, which gives us opportunity to strategically re-position ourselves in the new world economy. Thus the current global economic crisis should be seen as an opportunity for us to diversify our economies, to improve our export base, and in the process increase our resilience to external shocks. As a strategy, we must vigorously promote intra-regional

African trade, which currently remains an untapped potential. An important element in harnessing the African economic potential and intra-regional trade is strengthening measures for value addition, instead of trading in raw commodities. Through value addition, we will increase returns and also create jobs for our populations, and consequently improve accelerate the pace of poverty reduction.

The Uganda Government has taken action to realize this potential and will continue to do so in the years ahead. The overall thrust of the Government interventions is to reduce the cost of doing business in the country and to promote regional trade. To realize these objectives, Government has set up clear strategic interventions both at macro, sectoral and firm levels to improve productivity and market access by investing in the roads infrastructure, energy generation and transmission to increase power availability and reduce the cost of energy, telecommunications, increased access to

internet based services and provision of affordable business finance especially for agriculture as well as long-term investments.

In order to tap into the potential regional markets provides, and to increase food security, the Government in putting increased attention to increasing production, productivity and value addition in the agricultural sector. This financial year, I announced in the budget a provision of Ushs 30 billion for underwriting the risk for commercial bank lending to agriculture in order to boost agricultural production and value addition including support to agro-processing. The details on how this will be operationalized are being finalized. We also have proposals of establishing agricultural insurance modalities, which will contribute to reduce risks and costs of lending to the sector. For the livestock sub-sector, we are giving priority to pests and disease control as well as improving breed through NAADS.

Roads infrastructure is an important component in the cost of doing business, access to domestic markets and promotion of regional trade/integration. In this regard, a number of roads and rail networks that will be critical in realizing our goals in the medium term have been identified. These include the northern corridor (Malaba/Busia – Kampala – Mbarara – Katuna) and the attendant roads from Tororo to Lira and Kampala to Nimule via Gulu. The commitment of Government has already been expressed by the allocation of Shs 1.1 trillion last financial year, and allocated an additional Shs 1.2 trillion in this financial year 2009/10

Apart from budget provisions, Government has carried out a number of institutional reforms including the establishment of the Road Fund and the Uganda National Roads Authority (UNRA) to improve the management of major road projects.

Plans are also underway to revive the southern trade route through Tanzania and we shall do everything

possible to increase the speed of implementation. In addition, we are planning to increase the gauge of all rail networks in the region, which should improve the efficiency of the system. This financial year Government has given priority to the preparation of the Railway Master Plan which will guide investments in this critical subsector.

In the energy sector, progress on the 250MW hydropower plant at Bujagali is well ahead of schedule while fast tracking of Karuma is a government priority. Government has set aside reserve funds to expedite the implementation of Karuma Hydropower project, and construction work will start as soon as new designs aimed at higher generation capacity are ready.

As you are aware, Government has several other smaller plants and construction of transmission lines through the Energy for Rural Transformation (ERT) project, in partnership with the private sector. In the medium term,

we plan to complete over 900 km of additional power lines across the country.

The theme of the 2009 Economic Outlook we are launching today is "*Innovation, Information and Communication Technologies in Africa*", noting that Sub-Saharan African Countries, on average, have the lowest internet penetration rate in the world. Hence, the Outlook underscores the increasing criticality of ICT in enhancing the productivity of African economies and also their integration into the global economy. The good news is that Africa is now addressing this constraint through projects such as the Eastern Africa Submarine Cable System (EASSY), and SEACOM, a private sector project linking South Africa and India through Tanzania.

Here at home, the Uganda Government has given priority to increasing telecommunications coverage and internet access through partnership with the private sector to improve connectivity, both in the domestic

economy and globally. Already, significant progress has been registered in the telecommunications sector, and increased competition has reduced the telephone charges as well as increased the products available, including tele-banking and e-banking. These products are helping to expand financial services to rural areas at reduced cost. Implementation of the second phase of the National Transmission Backbone Project to cover over 1,500 km of optical fibre will start this financial year, which will complete the interconnectivity of most parts of the country. This network will be linked to the Eastern Africa submarine cable in Kenya. These investments will ease the cost of data and information transmission and enhance business efficiency and profitability, in addition to enhancing regional integration.

Regarding trade under the customs Union, a number of protocols are being negotiated with a view to removing tariff and non-tariff barriers to trade and movement of persons within the region. I announced in the national

budget in June a reduction of tariffs in line with the East African Customs Union requirements, which should help to advance harmonization of fiscal and monetary policies within East Africa. Further actions and studies will be required, particularly in the areas of taxation and the Customs Union legal framework, and the Government of Uganda is committed to this regional integration process.

Of course all the actions I have outlined above must be taken in a stable macroeconomic environment. Despite the global recession and a few episodes in some key macroeconomic parameters such as the exchange rate and inflation, Uganda's economic fundamentals remain sound and strong. On the exchange rate, evidence suggests that the trade weighted real exchange rate vis-a-vis currencies of our trading partners which measures trade competitiveness has remained broadly stable, despite movements in the nominal exchange rate. More recently, we have also observed a slight strengthening of the shilling against the US dollar. Inflation which

increased to double digit during last financial year is now coming down and is expected to fall back to single digit this financial year. Since much of the inflation we have experienced has been largely imported and also due to the high regional demand for Uganda's food produce, the Government strategy to reduce inflation is to increase agricultural production to meet the demand. There were calls to impose export bans on our food products, but we decided against this because this protectionist action would have been counterproductive. Although the African Economic Outlook highlights the risk of potential reversals in the socio-economic gains of recent years, I want to assure Ugandans that this will not be the case here because of our sound policy framework, coupled with the interventions I have just highlighted.

In conclusion, the outlook for the Ugandan economy is positive although the economy will have some limited effects of the global recession which have already been