

**State of the Nation  
Address**

By

H.E. Yoweri Kaguta Museveni  
President of the Republic of Uganda

Kampala

5<sup>th</sup> June, 2014

His Excellency the Vice President

Rt. Hon. Speaker of Parliament,

His Lordship The Ag. Chief Justice

Rt. Hon. Prime Minister,

Hon. Ministers,

Hon. Members of Parliament,

The Members of the Diplomatic Corp,

Distinguished Guests,

Ladies and Gentlemen.

**Madam Speaker,**

In fulfillment of the Constitutional requirement stipulated in article 101 (1) of the Constitution of Uganda, I stand here to deliver the State of the Nation Address, 2014. This is not a mere constitutional ritual as some people may want to perceive it but accountability on particular Government commitments since the last State of the Nation Address.

Madam Speaker, on 12<sup>th</sup> June 2014 the Minister of Finance, Planning and Economic development will present to this August House and the entire Nation the Budget FY 2014/2015. She will also detail what has been achieved and what we intend to achieve in the coming Financial Year.

The State of the Nation Address I am delivering today, therefore, gives a broader picture concentrating on the basic priority sectors which are: agriculture, industry, services and ICT.

The Ugandan economy continues to be vibrant amidst economic challenges and reforms on the local, regional and International scene.

I keep telling the audiences I address that there are the four sectors for wealth creation and access to employment. Anybody wishing to generate wealth, create self employment, employ others or access employment has no alternative but choose one of these four. The four sectors are: Agriculture, Industry, Services and ICT.

How are the four sectors performing? Agriculture is in two parts. There is the commercial and plantation farming. The commercial farming still has got challenges such as the high costs of inputs, the

under-development of water for agriculture, the low use of fertilizers and poor management skills by the farmers themselves. What is decisive for any enterprise to prosper, apart from the entrepreneur, is the market – the buyer. If enough people do not buy from you, you cannot continue to produce. That is why I am always careful to recommend to the farmers only crops and livestock products that have got a big internal, regional and international markets.

The global demand for coffee is 149.1 million bags at the value of US\$ 13.6 billion unprocessed and 32 billion processed; the value of tea is US\$ 11.4 billion with a total demand of 4 million tonnes; the total value of milk and milk products is US\$ 32.8 billion with the total quantities of 730 million tonnes; etc. These are values of these products as materials, not as finished products. The values of finished products of the items above, are as follows: If something has got a low global demand, we should know the consequences of encouraging the farmers to flock into it. Therefore, the leaders and the farmers should know that these products of our agriculture must compete regionally and globally because that is where the big market is. In order to compete, our prices and quality must be competitive. Having looked at the global prices, we should, then, work backwards and see how we can reduce our costs and improve

our yields in order to improve our profit margins within the market determined international prices. As a farmer, it is good enough for me that somebody is buying my milk and my beef. At one time, we had nobody buying our milk because the milk being consumed in the towns was coming from outside. We are now dominating the milk sales in Uganda and also exporting to the entire East African region, Nigeria, Mauritius, the Middle East and, also, India and the United States, etc. What I have said is true of bananas, etc. The relevant Government departments must, accordingly, firmly regulate these products. Otherwise, if our quality is compromised, we shall be ruined. We cannot afford a bad reputation within Uganda and outside of poor quality products on account of poor regulation.

As you can see, infrastructure in many parts of the country is improving, such as: the tarmac roads, the electricity, the telephones, etc. I am negotiating with Japan International Cooperation Agency (JICA) to buy Japanese earth-moving equipment for both roads and water excavation on a big scale. Once this deal goes through, it will help us with the roads, water excavation for earth dams and even bush clearing. The Japanese equipment is very good. I have seen its capacity on my own farms. Within our means, we are continuing to roll out the irrigation schemes. Doho

Irrigation Rice Scheme has been repaired at the cost of Shs 19.7 billion. Mobuku has also been repaired at the cost of Shs. 19 billion. The Agoro Irrigation Scheme has been completed at the cost of Shs. 27 billion. The rehabilitation of the Olweny Irrigation Scheme will commence in 2014/15 and is estimated to cost a total of 42 billion shillings. The Ministry of Agriculture, working with our brothers and sisters in Kenya, should avail affordable mini-irrigation equipment. Working with Makerere, we are also trying to develop a solar-powered irrigation pump.

The agricultural sector grew by 1.5% per annum this financial year in spite of these challenges. As I keep telling you, the agriculture of Uganda is still handicapped by the 68% of the households that were still in subsistence farming according to the census of 2002. If all these homesteads were converted to commercial farming, the size of agriculture would be much bigger. In the Manifesto of 1996, the NRM put forward a four acres plan for these homesteads that have got that size of land. Using the yardstick of the financial returns per acre per annum and of sufficiently large global demand mentioned above, we recommended the following enterprises: clonal coffee – one acre; fruits (oranges, mangoes and pineapples) – one acre; bananas or any other food crop (cassava, Irish potatoes or

upland rice) – one acre; and elephant grass for zero-grazing Friesian cattle – one acre. On these, you should add poultry for layers of eggs and pigs as backyard activities. These do not require much land. Those near the swamps should engage in fish farming. Many can participate in apiary for honey. In some areas, they grow tea. With 3 acres of tea, one can get about Ug. Shs 13.5million per annum. In the case of those with less land than the four acres, there is the option of mushroom growing as well as vegetable growing in addition to poultry and piggeries. In the case of the latter two (poultry and piggery), you would use animal food bought from the others. With one room-full of mushrooms, using shelves one on top of the other, you would earn Ug. Shs. 20 million per annum. One acre of onions would give you Shs. 24.8 million per annum; an acre of tomatoes would give you Shs. 14 million per acre per annum; an acre of cabbages would give you Shs. 20 million per acre per annum. The global demand of mushrooms is 3.5 million tonnes, valued at US\$10 billion.

The political class, the religious leaders, the cultural leaders and even the peasants themselves have been slow in grasping this issue of enterprise selection for the peasants with small pieces of land and for the need to convert from subsistence farming to commercial

farming. The peasants that have woken up to this need, have had the problem of planting materials and breeding materials. NAADS that has been given huge resources to do this, spends most of the Shs. 203 billion we give them each year on salaries and seminars. They only spend Shs. 57 billion on buying materials for plantation and breeding. The rest is spent on salaries and seminars. We are determined to totally restructure NAADS in the coming financial year. Many farmers have woken up. When they get planting and breeding materials, they look after them well, for the majority of cases.

In this financial year, although starting late, I experimented with the deployment of UPDF officers in our former war zones. There are 25 former war-zones. These are: Bumbo; Mayuge; Awere: Atiak; Birembo; Mukono – Namugongo; Black bomber (Matugga-Migadde); Mondlane (Kalasa-Makulubita); Lutta (Semuto area); Kabalega (Kapeeka –Kasiiso area); Nkrumah (Bukomero); Nkrumah (Lwamata); Nkrumah (Kiboga); Nkrumah (Kyenkwanzi); Nkrumah (Kyamusisi); Lutta (Sekanyonyi); Ngoma; Mwanga (Bamunanika); Rwenzori (Kasese); Rwenzori (Kabarole); Rwenzori (Bundibugyo); etc. etc. Using only a total of 9 billion shillings in the two rainy seasons of the last 9 months, the commanders deployed in these



areas, have distributed: 11 million seedlings of coffee; 2 million seedlings of tea; 464,137 seedlings of oranges and mangoes and 1,412 tonnes of maize and beans, etc. If the soldiers can do this using so little money, why should NAADS and all those associated with it fail with these hundreds of billions? It is really embarrassing for all those involved. The good news is that the money is there and has been there. It is just a question of getting the right channels for this money to reach the peasant farmers. Above, I have just talked about NAADS money. There is also the money of micro-finance. Every year, we provide Ug. Shs. 16 billion for this. There is also the money of the youth. Every year we provide Shs.32 billion for this. There is money for NUSAF. Every year we provide Shs.53 billions for this. There is PRDP. Every year we provide Ug. Shs. 73.9 billion for this. There is the restocking money. Every year we provide money for this. The problem is not shortage of money. It is the shortage of reliable agents for conveying this money to the people. To show you the scale of this money, if we used only Shs. 100 billion of this money in one year, at a cost of Shs. 310 per coffee seedling including transport, we would plant 322 million new coffee trees of the clonal type – far in excess of the 220 million old coffee trees. By just planting new coffee trees, even without expanding the acreage, using the 100 billion shillings which is less than 50% of what we give NAADS each year, with good

crop husbandry, our annual coffee production would go from the present 4 million bags of 60 kgs each to, at least, more than 10 million bags. That would make Uganda second only to Brazil in the global coffee production.

I have dwelt on agriculture because it is the sector that is most easily accessible to the majority of Ugandans. Even the ones without land can borrow or rent from the others. It takes a few months from planting to harvesting (18 months for coffee, two months for tomatoes, etc). God has really favoured Africa and, especially, Uganda. However, many Africans are never keen to accept God's blessings. Within 2 months, 3 months, 4 months, 6 months, 18 months, depending on the crops, a farmer can go from planting to harvesting. Yet, there are challenges such as drought, pests, fungi, etc. However, there is a solution for any of those challenges. We only have to do a bit of sweating. In the Book of Genesis: Chapter 3 verse 19, it says: "*By the sweat of your brow, you shall eat bread, till you return to the ground, for out of it you were taken; for you are dust and to dust you will return*".

Having said all that, however, it is necessary to remind ourselves that a modern economy cannot depend on agriculture alone. Gone are the days of the physiocrats in France who believed that all value came from agriculture. Hence, we must go the second sector – industries – manufacturing – big factories and small ones. Industry now employs 841,704 persons. The annual rate of growth of the industrial sector has been 5.6%. With the commissioning of Bujagaali, there has been alleviation of power shortage although the price of electricity is still high. We are determined to provide electricity for manufacturing at 4 US cents per unit whatever the challenges. This is what I agreed with the coffee processor and the new textile manufacturers that are beginning to flock in the country as the factories migrate from China on account of the rising labour costs there. Those who, out of context, agitate for higher salaries should bear this in mind. Uganda cannot miss this round of industrialization for any reason. Apart from industries coming from outside, I want to inform the country that our young scientists, graduating from universities, are happily entering the manufacturing fields. As you could see from the shows in Kumi – 8<sup>th</sup> of March – Women’s Day; – Rubaare, Ntungamo – 1<sup>st</sup> of May, Labour Day; and only the other day at Namulanda for the youth, the Ugandan scientists have the knowledge to produce anything from food processing, ceramics, herbal medicine, machine parts,

light engineering, wood products, etc. etc. Our scientists at Makerere have already produced electric automobiles and I tasked them to work on solar water pumps. My office has collected all the names of the people involved. We shall fund them using these huge sums of money that go to waste in the hands of all sorts of actors. It is so pleasing to see that Ugandan scientists can manufacture almost anything provided they are funded. With the emphasis we have put on electricity, the roads and the railway, we shall be able to lower the costs of doing business in this economy and, therefore, make our products more competitive.

The third sector – services (hotels, transport, banks, professional services, etc) this year grew by 5.6%. With peace, this sector has become very useful in our economy. It employs 2,684,290 persons and accounts for 45.4% of our GDP. Given the uniquely good climate of Uganda, very few countries in the world can compete with us in this area. We only need to control the problems of: corruption, pollution and deforestation. It is only these three that can undermine our unrivalled advantage for services, especially tourism. In the year 2012, Uganda was declared the best tourism destination in the whole world. Between 11<sup>th</sup> and 16<sup>th</sup> November, 2014, we are going to host the Conference of the World Association of Tourist Operators. However, when I see, through the window of

the plane, the green algae in the water around Entebbe, I do not feel happy. The Minister of the Environment must strive to find ways to stop the following:

- (i) The pollutants that go into the lake;
- (ii) Cutting forests up to the edge of all lakes;
- (iii) Digging on the banks of the River Nile;

It is high time that Ugandans remember and appreciate these precious gifts from God. If they don't get the care they need and deserve, they can all disappear. We should remember what Jesus said in Mathew 7:6, *"don't give what is holy to the dogs, nor cast your pearls before swine, lest they trample them under their feet, and turn and tear you in pieces."* When we destroy our God given environment, we will be like those pigs.

I must salute the Director of the National Forestry Authority (NFA). It seems he has somewhat woken up. In the recent past, I have flown over Mabira forest, Budongo forest, the forest around Butiiti in Kabarole and Semliki forest. It seems the encroachment has declined. I flew for dozens of minutes over this large area of thick forest. How beautiful it is. Let the Minister of the Environment similarly wake up in respect of the shores of Lake Victoria and the banks of river Nile. Our uniqueness, in the service sector can only

be enhanced by protecting these treasures – the lakes, the rivers, the mountains, the wetlands and the National Parks.

The ICT sector is growing at 15% annually for last 2 years. It has got capacity to employ many people. The ICT is crucial for communication among people, for data processing and for automation. It is crucial, therefore, for industrial production and communication. It, therefore, will create a lot of jobs. Already about over 1 million persons are employed in the ICT sector both direct and indirect.

In the area of Business Processing Outsourcing (BPOs), we already have 54 companies operating in Uganda and they are employing 4,250 persons. Given that our youth speak English well, a lot more youths can get employed in this sector. This is where an accountant can work for a company in North America and convey the results of his/her work over the internet and be paid. Recently, while in Europe, I discussed with some entrepreneurs that can help us expand this business. It is an area of great potential.

While talking about the industrial sector, I did not talk about minerals. You are aware of the petroleum and gas that we shall be able to start extracting from the ground by 2017. As you may be aware, we have already found 3.5 billion barrels of petroleum in 40% of the potential area. Exploration in the rest of the area is continuing. Our negotiations with the oil companies had delayed because there were contentious clauses, happily, we have agreed with the oil companies on the MOU. We can, therefore, proceed to negotiate on the details. Our crude oil will be used in the refinery to produce final products, part of it will be exported as crude and part of it will be used for electricity generation. The gas will be used for electricity generation and for assisting in extracting the crude. If we have enough quantities of gas, it will be used in steel manufacture, using our huge iron-ore deposits in the Kabale-Kanungu areas and in the Sukuru hills near Tororo. Apart from oil and gas, the government conducted exploration in many part of the country and discovered the following minerals in the following quantities:

- (i) Iron-ore - more than 200 million metric tonnes of proven ore in Kabale and Kanungu areas;
- (ii) Phosphates - 230 million metric tonnes of proven Ore in Sigulu hills, Tororo;

- (iii) Cement - more than 300 million tonnes of Limestone in Karamoja areas in addition to the one in Hima;
- (iv) Aluminium clays - more than 3 billion tonnes of ore in Makuru areas in Bugweri;
- (v) Copper - more than 9 million tonnes in Kilembe areas;
- (vi) Cobalt - more than 5.5 million tonnes in Kisoro areas;
- (vii) Wolfram - more than 800,000 tonnes, in some parts of Kabale;
- (viii) Tin - more than 1 million tonnes in Ruhaama Ntungamo areas;
- (ix) Gold - more than 8.2 million ounces in different parts of the country
- (x) Vermiculite - more than 54.9 million tonnes in some parts of the country;
- (xi) Columbite-tantalite (Coltan) 133 million tonnes
- (xiv) Rock salt and brine - 22 million tonnes in Katwe and some parts of the country
- (xv) Uranium - in some parts of the country



Pressure is already on for exporting these minerals in unprocessed form. I will never accept these pressures. This is because even the traditional peasants in Uganda have enough economics in their heads to know that when you produce the *mbiire* (*embidde* – the bananas for brewing beer), you brew the beer yourself (*tonto* – *Lwaagwa*). You do not produce *embiire*, sell them to your neighbor, who, then, brews the beer and sells it to you. Most of these minerals will be processed here and will also be mixed with other minerals so as to produce intermediate products, such as alloyed steel and, where the economics allows, final products. Uranium, in the medium and long-term, could rescue us in the field of energy. We have a lot of it and nobody is touching it now on my orders. Meanwhile, like we did for petroleum, we have sent out our scientists for more advance training in nuclear physics. They will form a nuclear energy unit in the Ministry of Energy. Uganda does not have a lot of hydro-power even if you add all the sites that are not yet exploited: Kalagala, Isimba, Karuma, Ayago, Murchison falls, Kiba, Korianga, Agago, Muzizi; and over 40 small hydro-power sites. We shall have some more energy from the geo-thermal (may be 1,000 megawatts or there about). Yet a developed Uganda needs a lot energy – 50,000 megawatts or more. Where shall we get this level of energy from? If the cost per unit for solar energy goes down,

then the solar energy will be the solution. Meanwhile, I prepare the country for the option of the nuclear energy.

***Economic Growth Performance:***

The composite growth for the whole economy has improved even before the bottlenecks have been removed.

The size of the Ugandan economy is expected to increase to Uganda Shillings 63.329 Trillion, equivalent to US Dollars 25.3 billion. The size of the economy has increased by 5.7% in the current financial year. This Economic Growth rate is comparable to the 5.8% growth achieved in FY2012/13, despite constraints outside Government's control.

These constraints included unfavorable weather conditions in many parts of the country in the second half of 2013, which negatively impacted agricultural production. In addition, the ongoing instability in South Sudan, which had become one of Uganda's export destinations, is also a factor impeding faster growth of the economy. Despite these constraints, output growth during FY 2013/14 still represents a strong performance. Growth was largely driven by strong performances in mining and quarrying, cash-crop production, informal manufacturing, wholesale and retail trade.

Price Inflation has also remained under control during most of the year and is expected to be 7.9% percent at end of June 2014.

### ***Economic Growth and Welfare:***

The economic performance reveals the resilience of the Uganda economy that has resulted from the consistently correct policies of the NRM Government over the last twenty eight years. Consequently, the proportion of people living below the poverty line has further declined from above 56% in 1992 to 24.5% percent in 2009/10; and now to 19.7% in 2012/13. Uganda has, therefore, already surpassed the first MDG target of halving the proportion of the population living in extreme poverty by 2015. Some parts of the country have got even better performance figures. When the other areas catch up, Uganda will enter the Middle Income status.

The share of population with access to electricity, for instance, has risen from under 3% in 1986 to 10% in 2009 to 14% in 2013. In rural areas, the share has risen from 0% to 7% over the same period. The NRM Government has set a target of 40% for electricity access by 2022. Over the next ten years, Government plans to increase access to Electricity in Rural areas to 26% of the total rural

households. Similar examples abound in areas such as access to water, Primary, Secondary and Tertiary education; These indicators are therefore not mere talk, but actual reality on the ground.

The above sectors of the economy cannot grow if we do not address the issue of infrastructure – the roads, electricity, the railway, the ICT backbone, etc. I am very happy with NRM Members of Parliament (MPs). They have rallied around my long held view that infra-structure development and security are primary. That is why in the budget of 2013/014, Roads and Energy account for Shs.4,186.4 billions and Defence and Security account for Shs 1,048.5 billions. That will remain the orientation of our future plans. We are adding the development of the standard gauge railway from Mombasa-Kampala-Kigali-Juba, working with Kenyan brothers, brothers from South Sudan and from Rwanda as well as our Chinese friends. Low costs of production will attract more manufacturers and service companies. You have already the seen results of this type of prioritization in budgeting. New areas that had no electricity do so now – Moroto, Nakapiripirit, Amudat, Otukei, Moyo, Bibia, Bundibugyo, etc. The same has happened with roads.

There is nothing that pleases me more than seeing new tarmac roads – especially those done with the Uganda Government money such the nearly finished Kampala –Masaka road, Mbarara-Kikagati, etc.

The other area of emphasis is skills for the youth. Since some time ago, we have been emphasizing that science knowledge and technical skills are crucial. That is why, since August, 2006, we had decided that 70% of Government scholarships for universities will go to science students, however, Cabinet approved 53%. I have been interacting with the youth – especially the university graduates. A new awakening is apparent. Three trends are noticeable. Trend one is that science graduates are going into starting manufacturing enterprises in association with others or singly. Trend two is that those who did general arts degrees are going into farming and other enterprises. Trend three is that some of the scientists are being absorbed into the new companies that are opening up. I was most pleased to see the young graduates of electrical engineering running the machines at the new Bujagaali power station.

One of the greatest stimuli for our economy to continue growing the global economic problems notwithstanding, is the regional market. It says in the Book of Galatians chapter 6, verse 7, it says that *“whatever a man sows, that is what he will reap”*. When a nation has no vision, it perishes, it says in another portion of the Bible. Our emphasis, with our brothers and sisters in the region, on regional integration has paid the Ugandans most handsomely. Uganda exports to the region goods and services to the tune of US\$1.36 billions. We also buy from the region goods and services to the tune of US\$ 671millions.

Finally, all this would not happen if Uganda was not peaceful. I salute the UPDF, the Uganda Police, the Intelligence services and the vigilance of the population of Uganda for the peace that is prevailing in every corner of Uganda – Karamoja included. Everything else depends on this.

In the coming session of Parliament, the Government will present to you for consideration, the following bills:

1. Land Lord Tenant Bill
2. Uganda Land Commission Bill
3. Retirement’s Benefits Liberalization Bill 2013
4. National Legal Aid Bill (2013)

5. Universities and other Tertiary Institution Act (2011) Amendment Bill
6. Physical Activity and Sports (PAS) Bill, 2014
7. Appropriation Bill (2014)
8. The Finance Bill 2014
9. Indigenous and Complimentary Medicine Bill
10. Mental Health Bill
11. National Health Institute Bill
12. Uganda Heart Institute Bill
13. National Health Laboratories Services
14. Toxic Chemical Prohibition & Control Bill
15. Overseas Properties & Immunities Bill
16. Foreign Service Bill
17. Local Government (Amendment) Bill 2014/15
18. Constitution (Amendment) Bill(s)
19. Bills for Amendment of Electoral Laws:
  - Presidential Election Act, 2005
  - Parliamentary Elections Act 2005
  - Electoral Commission Act, Cap 140
  - Local Government Act. Cap. 243
  - Political Parties and Organizations Act, 2005
20. Geneva Conventions (Amendment) Bill
21. National Legal Aid Bill, 2013

I thank you very much and hope that this was a fruitful session.

5<sup>th</sup> June, 2014

- UICC, Serena

