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# Synthesis Report

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Mid-Term Review of the  
Uganda National  
Development Plan

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and REEV Consult for the  
National Planning Authority

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## ACRONYMS

BFP	Budget Framework Paper
BoU	Bank of Uganda
CSO	Civil Society Organisation
DDP	District Development Plan
EAC	East African Community
EPRC	Economic Policy Research Centre
FBO	Faith Based Organisation
GAPR	Government Annual Performance Report
GDP	Gross Domestic Product
GoU	Government of Uganda
IFC	International Finance Corporation
IGG	Inspectorate of Government
JBSF	Joint Budget Support Framework
LDPG	Local Development Partners Group
LGDP	Local Government Development Plan
LGFC	Local Government Finance Commission
MDA	Ministry / Department / Agency
MoAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MoD	Ministry of Defence
MoEACA	Ministry of East African Community Affairs
MoEMD	Ministry of Energy and Minerals Development
MoES	Ministry of Education & Science
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoH	Ministry of Health
MoIA	Ministry of Internal Affairs
MoICT	Ministry of Information and Communications Technology
MoJCA	Ministry of Justice and Constitutional Affairs
MoLHUD	Ministry of Lands, Housing and Urban Development

MoTIC	Ministry of Trade, Industry and Commerce
MoTWH	Ministry of Tourism, Wildlife and Heritage
MoWE	Ministry of Water and Environment
MoWT	Ministry of Works and Transport
MPS	Ministerial Policy Statement
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NDP	National Development Plan
NDR	National Development Report
NPA	National Planning Authority
OBT	Output Based Tool
OoP	Office of the President
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PIP	Public Investment Plan
PPP	Public Private Partnership
PSFU	Private Sector Foundation of Uganda
SACCO	Savings and Credit Cooperative
SIP	Sector Investment Plan
SMEs	Small and Medium Enterprises
STA	Science and Technology Agency
SWG	Sector Working Group
ToR	Terms of Reference
UAAU	Urban Authorities Association of Uganda
UBOS	Uganda Bureau of Statistics
URA	Uganda Revenue Authority

# EXECUTIVE SUMMARY

## Introduction

This is the mid-term review (MTR) of the Uganda National Development Plan (NDP) 2010/11 to 2014/15. Work on six thematic areas – results framework, policy and strategic direction, institutional framework, economic management, political economy and development partnership - commenced in March and draft reports were produced by mid-June. Work performed by other consultants on the cross cutting themes of gender, environment, social protection, human rights, child rights and well-being, and democracy and political governance has also been incorporated into this synthesis report.

Uganda has an established history of national plans. The Poverty Eradication Action Plan (PEAP) contributed to sustained growth in gross domestic product (GDP) and macroeconomic stability was sustained. Headcount poverty reduced from 52 per cent to 28.5 per cent. An evaluation of the PEAP identified a number of constraints to human and economic development in Uganda as well as increasing evidence of corruption and weak accountability. It was in this context that the first NDP was launched in 2010, with a focus on fast-tracking Uganda to middle income status.

The NDP explicitly acknowledges the need for economic growth to increase average income *and* provide the financial resources needed to continue to fund pro-poor social policies. The private sector is the acknowledged engine of growth whilst the State is afforded a strong central planning mandate. The NDP places 43 sub-sectors into four clusters and provides a comprehensive framework for development. Each sub-sector has a series of strategies, interventions and targets that are deemed to be consistent / necessary with the transformation of Ugandan into a more a prosperous society.

Since the publication of the current NDP, a key new strategy and policy framework document, Uganda Vision 2040, has been launched and is positioned as the Government of Uganda's (GoU's) overarching statement of national development over the long term.

## **Successes associated with the NDP**

This is the first of a series of 6 NDPs which collectively will pave the way for the attainment of objective and targets set out in the Vision 2040. Inevitably, there has been a lot of learning associated with NDP 1 and this MTR reflects on this and makes many recommendations for improvement going forward. However, it should be recognised at the outset that there have been many successes to date which include:

- The design and preparation of NDP was a strong Ugandan led exercise which involved extensive contributions, particularly from government representatives and Ugandan consultants, but also to a lesser extent from civil society and the private sector;
- The NDP is a well written document; the first half in particular provides a very coherent overall strategic and policy direction for the development of the nation;
- Over the period of implementation of the NDP to date, there has been a growing alignment of the allocation of government financial resources to the priorities set out in the Plan, such as those related to energy and transport – the trends have been in the right direction;
- Some of the ambitious NDP targets have been reached, albeit in the context of mixed performance overall;
- There is evidence of growing commitment at the highest levels for the national development objectives espoused by the NDP in terms of the content of Presidential speeches, Budget speeches and Parliament committee debates;
- Civil society, the private sector and development partners still have mixed views on certain aspects of the NDP, but understanding and agreement of the strategic and policy direction is increasing.

## **Analysis of NDP performance**

### **Overview of NDP strategic and policy direction**

The foundation underpinning the NDP is consistent and there is a fairly established strategic direction. The identification of seven key constraints to development provides focus for the various Ministries, Departments, and Agencies (MDAs) to improve performance and to

generate more sustainable results. Whilst the “egg analogy” is helpful in terms of categorisation of primary growth sectors, complementary sectors, social sectors and enabling sectors, it does not provide a rigorous framework for setting out priorities for national development. The NDP has been devoid of an over-arching ‘critical path’ for strategy in the sense of charting the way forward in concrete temporal terms, except for 15 priority ‘core’ projects which focus on the implementation of major infrastructure initiatives. However, the core projects do not have well documented key milestones / dates and only account for around 10 per cent of budgeted NDP spending. In addition, some were not ‘investment ready’ at the start of the NDP process and some progress on core projects has been slow.

There is now a growing common understanding of the NDP and evidence of increasing support for the broad policy and strategic direction it espouses. However, there is mixed alignment to the NDP objectives at a sector level. At the local level, many districts perceive the NDP to be too centrally driven, inflexible and unable to accommodate local priorities. There are also limited local resources and this constrains the ability of districts to function effectively. Further, the administrative burden for monitoring and reporting placed on districts from the Central Government is perceived as being too demanding.

### **Progress towards planned results**

The NDP has three themes – growth, employment and socio-economic transformation. It then defines 8 objectives - (i) increasing household incomes and promoting equity; (ii) enhancing the availability and quality of gainful employment; (iii) improving stock and quality of economic infrastructure; (iv) increasing access to quality social services; (v) promoting science, technology, innovation and ICT to enhance competitiveness; (vi) enhancing human capital development; (vii) strengthening good governance, defence and security; and (viii) promoting sustainable population and the use of environmental and natural resources. Compiling the data to review performance has been fraught with difficulty as there are a considerable number of inconsistencies in the data reported by the Government Annual Performance Report (GAPR), source data compiled by MDAs and that reported in international comparisons. Notwithstanding these difficulties, some headline analysis indicates that:

- The proportion of people living in poverty has slightly reduced by 2 per cent from 24.5 per cent in 2009/10 to the current 22.5 per cent;
- Over the NDP period about 700,000 jobs were created against the overall NDP target of 2,500,000 jobs. Life expectancy is ahead of the modest targets set but literacy levels are below target and Uganda's human development index (HDI) score and rank is deteriorating;
- In terms of transport, the volume of paved roads is significantly ahead of target, and there has been a significant improvement in freight cargo levels carried by rail, performance is behind plan;
- Energy indicators up to 2011/12 are disappointing and appear to be falling;
- Health and education performance is mixed - on target for some indicators but behind in others;
- All water and sanitation indicators are behind planned levels of performance.

It is not possible to make an assessment against two key NDP objectives - good governance, defence and security, and sustainable population and use of the environment, as no baselines have been defined and no targets have been set. Uganda's rapid population growth whilst potentially providing a 'demographic dividend' also presents major challenges in terms of meeting the demands for social development, tackling poverty and managing urbanisation.

With regard to the 15 prioritised core projects, there have been challenges in accessing finance and dealing with land disputes and several are likely to remain work-in-progress by 2015.

The overall conclusion from the above analysis is that, at best, performance against NDP targets has been mixed. Furthermore, the absence of recent population and poverty data raises questions on the robustness of some of the analysis. The findings of the MTR are broadly consistent with those reported in the latest Government Annual Performance Report (GAPR) which also suggests that many target levels of performance require additional effort to be realised, whilst some indicators need to be revised because they cannot easily be measured.

## **The macroeconomic environment**

During the first two years of implementing the NDP, many indicators were out of line with NDP targets including growth, revenue / GDP ratio, inflation, interest rates and export performance. The strategy was adversely affected by a series of domestic factors and external shocks which will continue to impact negatively on macro-economic performance for the duration of this NDP.

Macro-economic policy choices made over the last 3 years do not appear to have been influenced by growth aspirations of the NDP; rather policy has focused on restoring macro-economic stability. Whilst this is critical to facilitate growth over the medium term there appears to be scope for greater borrowing backed up by improvements in public financial management, investment planning and project appraisal.

## **Facilitating private sector growth**

Unlocking the most binding constraints, in particular, access to finance and infrastructure development is one of the key cornerstones of the NDP to facilitate private sector development. There has been progress on improving access to finance and the quality of the road network. Plans are in place to reduce red tape in areas like business and land registration, but progress has been slow. Key legislation to improve the business environment takes a long time to go through Cabinet and Parliamentary approval processes and the political economy of change is problematic particularly in areas like land reform.

## **Financing the NDP**

The feasibility of implementing the NDP remains constrained by the limited financing. The NDP envisaged large amounts of off-budget finance and funding from the private sector. Off-budget finance has not always been targeted well at NDP priorities and significant private sector finance has not materialised. As economic growth and tax collection have been lower than expected in the first half of the NDP period, it is unlikely there will be sufficient funding to timely implement all parts of this NDP.

There is evidence that primary growth sectors are receiving significantly higher proportions of funding over time (admittedly from a low base). However, analysis of sector funding purely on amounts allocated is misleading due to large donor off-budget support to these

sectors. On the other hand, some sectors, like energy, have not fully spent allocations as some large infrastructure projects have been delayed. Also, large in-year supplementary budgets have adversely affected funding to key NDP priorities. Furthermore, NDP projects are not automatically ranked as the highest priority projects in the annual Public Investment Plan (PIP) and in the periodic Sector Investment Plan (SIP) review processes, with the main exception of the flagship energy and roads projects.

Overall, the proportion of funds allocated to local government is forecasted to fall over the remaining NDP period due largely to higher expenditure on national infrastructure projects. This is placing a further squeeze on local government funding at a time when the number of districts and responsibilities of districts are increasing.

Development partners report that they are broadly satisfied with the scope and content of the NDP, the continued decline in donor financial assistance notwithstanding. However, donor assistance still remains a significant component of overall Government expenditure and the development budget. In recent years the overall relationship between development partners and the Government has become increasingly strained, culminating in the freeze on budget support towards the end of 2012. The decline of budget support is likely to accelerate and donor funds (especially grants and off-budget support) still appear to be skewed towards social sectors rather than realigned to the infrastructure and energy initiatives defined in the NDP. However, there are signs that non-traditional development partners such as China are increasingly funding some of the core energy and other priority projects.

The development of new innovative financing instruments has been slow and progress on harnessing private sector finance has been hindered by delays in approving the legal framework governing Public Private Partnerships (PPP), among others. There is a long term strategy to develop capital markets but there is limited awareness within the private sector of the financing opportunities offered by capital markets. There has been some progress on developing new finance raising instruments such as sovereign bonds.

## **Assessment of critical issues for better performance**

This MTR identifies the five most important categories of issue which must be addressed if this and future NDPs are to deliver the development targets which have been set for Uganda in the Vision 2040.

First, there needs to be **greater focus and priority setting** going forward. The first NDP is a very comprehensive document, which is commendable in itself, but there is little common understanding of the most important priorities. Some of the most important priorities for national development (linked to the Vision 2040) such as agricultural transformation and well managed urbanisation will require effective working across sectors and this will not necessarily be achieved through a large set of sector specific initiatives. There is a need to set key developmental outcomes such as increased labour productivity and sustainable growth and to analyse and present strategic data which gives Parliament, MDAs and Ugandans as a whole a better understanding of overall NDP priorities and progress towards them. In terms of specific policy and implementation focus going forward, some priorities will include infrastructure development, harnessing tourism potential, value addition of primary commodities, agricultural transformation, land reform, managed urbanisation, skills development, population management, environmentally sustainable growth and equitable development.

Second, it is important to **more fully align other plans and mechanisms with the NDP**. Sector investment plans are often prepared to different time scales and have variable linkage to the NDP in terms of objectives and resource allocation. Projects selected through the Public Investment Plan process do not always align well to NDP priorities. Although it is recognised by many that the NDP provides a good framework for local government level planning, development plans at the district and municipality level are not always well aligned to the NDP and there is only 2 per cent of the development budget is available to fund them. Importantly, further steps are needed to align budget allocations more closely to NDP priorities.

Third, **institutional roles and responsibilities need to be streamlined** to enhance the effectiveness of NDP implementation in particular, but also its monitoring and evaluation.

There is insufficient capacity to conduct some NDP related roles, such as to do with the coordination of implementation, and overlaps in other, for example for monitoring and evaluation. Stronger scrutiny of NDP performance is required by Parliament and Ugandans themselves, and this will require refinement of the National Development Report and other mechanisms for communicating NDP progress. More broadly, there is a need to streamline institutional roles and responsibilities across government, as has been set out as part of a major programme of structural functional reviews across Government.

Fourth, there needs to be more finance available to fund national development together with **increased efficiency and effectiveness of the use of funds**. Delays in the implementation of core and other NDP projects are due to a number of factors which need to be addressed including (i) conflicting prioritisation of programmes and projects in government; (ii) limited technical analysis and appraisal prior to inclusion of projects; (iii) limited analysis of the financing requirements of individual projects (iv) weak structures and technical capacity in MDAs to develop, manage and implement complex projects; (v) slow and cumbersome procurement.

Fifth, **greater common national ownership of the NDP** is required. There is some confusion and disagreement about the current role and purpose of the NDP. Some informants see the NDP as a strategic guide to investment, whereas others view it as the master plan which should govern all interventions and investments. Differing ideological visions and competition over decision making power between NPA and MoFPED in particular have meant that key mechanisms such as the Ministerial Policy Statements have not been fully adapted to facilitate alignment to the NDP. Whilst the President has provided some leadership to ensure that the NDP is seen as the guiding document for national development, this does not seem to be sufficient as yet to ensure that the NDP is fully embraced by the entire Government. There is a need for the NDP to move from being seen as NPA's plan to a Plan for all Ugandans, owned by all Ugandans. There should be greater involvement of non-state actors in the design and implementation of NDP2. A strong consultation and communications strategy needs to be developed and implemented.

## Key messages from the mid-term review

This report is a summary / synthesis of the work conducted between March and September 2013 to review progress on implementation of the first National Development Plan of Uganda (2010/11 to 2014/15). It assesses achievements, barriers to greater success and what can be done going forward for improvements in this and future NDPs. Six NDPs will collectively pave the way for the attainment of objective and targets set out in the Vision 2040.

There have been many successes to date. The design and preparation of the NDP has been 'Uganda led'. The document is well written and provides a coherent overall strategic and policy direction for the development of the nation. Over the period of implementation of the NDP to date, there has been a growing alignment of the allocation of government financial resources to the priorities set out in the Plan. Some of the ambitious NDP targets have been reached. There is evidence of growing commitment at the highest levels for the national development objectives espoused by the NDP. Civil society, the private sector and development partners are increasing supportive of the NDP.

The eight key messages from this MTR are:

- 1) The current NDP is very comprehensive, which is admirable to an extent, but this has reduced the sense of priority. For the next NDP, there needs to be a better defined sequencing plan with clear milestones for each year, linked particularly to the implementation of core projects. There is scope for increasing the number of core projects, which account for only 10 per cent of the finances for the first NDP, or for selecting priority sectors for funding.
- 2) The broad strategic and policy direction of the current NDP is valid in terms of linking to Vision 2040. The policy and strategic direction of the country entails the following: Private Sector led growth in a quasi-market approach; equity and poverty reduction; macroeconomic stability; addressing infrastructure deficit; value addition; skills development; regional integration; socio-economic transformation; democratic governance, rule of law, peace and security and socio-economic development. Going forward, there needs to continue with the same policy and strategic direction with better

focus on: consolidation of value addition for primary products; skills development; private sector growth; reduction of infrastructure deficit gap; macroeconomic stability; regional integration; and peace and security.

- 3) The seven binding constraints to the implementation of effective development, which are set out in the NDP, are valid and more work is needed to address them. For better implementation of the current NDP, priorities include the need to fast-track procurement and land management reforms in particular.
- 4) It is of critical importance to strengthen all aspects of alignment with the NDP. This covers the need to fully synchronise sector investment plans and local government development plans with the NDP, to improve the workings of the output budget tool, the Public Investment Plan and other mechanisms to align financial resources behind priorities, and to ensure that the NDP both informs and is informed by political priorities for the development of Uganda.
- 5) Institutions are not adequately coordinated to ensure the delivery of the NDP. Major reasons for this include lack of capacity to deliver some roles (such as coordination of implementation) and overlaps in others (such as monitoring of implementation). This Review suggests for the clear coordination mechanisms be instituted to synchronize planning, implementation, monitoring and evaluation.
- 6) Significant investment is needed to realise ambitious development goals and there is some scope for more accommodating fiscal policy to support this. However, this should not be done without confidence in the absorptive capacity of the economy and maintaining a stable macroeconomic environment.
- 7) Development partners will remain an important source of national development partner funding for the current and next NDP and innovative funding mechanisms need to be developed. Oil revenue will not come on stream until the latter part of the current decade. Although it will provide a step change in resource availability, it is not likely to completely substitute for external development assistance, at least not several years.

8) The current NDP is unique in that it addresses both growth and poverty reduction. However, there is evidence that income inequality has been raising in Uganda and the next NDP needs to do more to ensure that the benefits of development are more equally distributed around the country and that there is inclusive growth.

The rest of this report is structured as follows: chapter 1 results framework; chapter 2 policy and strategic direction; chapter 3 economic management; chapter 4 institutional framework; chapter 5 political economy; and, chapter 6 development partnership.

# 1 Results Framework

## 1.1 Key Findings

**Performance against the majority of NDP theme and objective indicators has generally been mixed and largely below expectations.**

Since July 2010, Uganda has faced economic challenges in common with other parts of the world which has had a negative impact on the overall growth rate which fell from 6.7 per cent in 2010/11, to 3.2 per cent in 2011/12.

Despite this, exports have strengthened from 10.8 per cent of GDP to 16.1 per cent over the same period. There is poor access to employment data in Uganda and it is not possible to make any robust analyses of trends in the overall labour market (formal and informal). 2011/12 saw a 60 per cent increase in the volume of freight traffic on Lake Victoria and a 14 per cent increase in the volume of air cargo, but a 0.5 per cent fall in rail freight. Installed electricity capacity increased from 492 to 778 kWh over the two years to June 2012. The proportion of people living in urban areas increased from 13.0 to 14.7 per cent, well ahead of the NDP target of 12.0 per cent. There are some very encouraging signs in the ICT sector, with for example, the number of mobile phone subscriptions in Uganda rising from 12.8 million in December 2010 to 16.7 million in December 2011. Over the same period, fixed line subscriptions increases from 327,000 to 465,000 and tele-density rose from 41.4 to 52.1.

A few successful health sector results have given further positive messages about the provision of social services moving from 2010/11 to 2011/12. These include an increase in the proportion of baby deliveries in health facilities from 39 per cent to 41 per cent (up from 33 per cent in 2009/10); a rise in the proportion of approved health posts filled from 56 per cent to 58 per cent; and an increase in the number of health facilities with no stock-outs of tracer drugs from 43 per cent to 70 per cent. There was also an encouraging increase in access to safe water in urban areas from 66 per cent to 69 per cent, but a slight fall in rural

areas' access to safe water from 65 per cent to 64 per cent. However, despite a fall in the per cent age, absolute population growth meant that almost 600,000 additional rural Ugandans received access to safe water in 2011/12. The proportion of households with access to safe and effective sanitation has stagnated at around 70 per cent for three years, and there have been some worsening trends in the pupil to latrine ratio in schools.

Worryingly, there have been several reported major reversals of some key human development and socio-economic trends between 2010/11 and 2011/12, such as:

- A decline in life expectancy from 54.0 to 52.2 according to one data source;
- A drop in the Human Development Index from 0.446 to 0.422;
- A fall in the Global Competitiveness Index from 119<sup>th</sup> to 123<sup>rd</sup> place;
- A stagnation of income per capital in constant prices at US\$ 487 in 2011/12 and US\$ 485 in 2010/11, but down from US\$ 506 in 2008/09;
- A small 1 per cent increase in the total enrolment into primary schools (but not high enough to match population growth);
- A decline in P3 literacy levels from 57.6 per cent to 47.9 per cent and in P6 literacy levels from 50.2 per cent to 41.3 per cent;
- A fall in the contraceptive prevalence rate from 33 per cent to 30 per cent;
- A reduction in the immunisation coverage of infants with the DPT3 vaccine from 90 per cent to 83 per cent.

There are also remaining challenges to reversing the spread of environmental degradation in Uganda. Forest cover and wetland cover (two important indicators in the NDP results framework) have fallen significantly over the past few years. Forest cover was a stated 18 per cent in 2009, down significantly from 50 per cent in 1990 according to GAPR 2011/12 and wetlands cover down from 16 per cent in 1994 to 11 per cent in 2008. Significant improvement is needed in more regular monitoring and evaluation of the most important aspects of environmental sustainability.

### **Baseline and target setting in the NDP results framework needs improvement**

Around half the baselines and many annual targets are missing for the NDP performance indicators, making it difficult to assess progress in many important areas. A few targets appear strange as they show less ambitious performance than current levels. One or two targets, for example the 100 per cent access to safe water in urban areas are clearly unachievable without financing levels well in excess of this NDP. It might also be better going forward, to aim to measure fewer things, making sure that good data are available.

**Population growth is a major constraining factor to the achievement of several key development targets**

Uganda's population is growing at an estimated rate of over 3 per cent per year, making it one of the fastest growth rates in the world. There is the potential to reap a 'demographic dividend' at some point, if a well skilled labour force can contribute to economic growth, supporting a relatively small proportion of elderly people outside of the workforce. But this is by no means a certainty and there are currently significant challenges. For example, providing health care services to a growing number of women and children, educating an extra million or so children each year in primary schools, providing water supply to more and more people, and generating enough jobs to enable significant numbers of farmers to move out of subsistence agriculture. At the same time, there is significant unmet demand for family planning and this is a strong case to say that this should take centre stage in the results framework and in development initiatives more generally. There is also the need to encourage and support young people to get employment skills and to link this to the unmet demand for family planning.

**There is widespread agreement on the importance of equitable development around Uganda, but little recognition of this in the results framework**

The PEAP placed a major focus on poverty reduction. The NDP looks more at economic growth with the spread of benefits in terms of jobs and socio-economic development. The strategic direction of the NDP includes the provision of large scale infrastructure projects which will catalyse industrial development and economic growth. There are large amounts of money dedicated to this national level projects which, together with recent increases in the number of district level administrations in Uganda, has reduced the proportion of resources

being available for service delivery at the local level. The Government and development partners are supporting development in the poorer parts of Uganda through large projects such as PRDP, but there is still a danger that economic growth will create greater inequalities in Uganda and there is some evidence that this is happening. Monitoring equity in national development needs to be a core part of the results framework going forward, with strong disaggregated analysis by region of all key development indicators and consideration of a new indicator which measures changes in the distribution of wealth / poverty by region in Uganda.

**Weak public sector management, poor accountability for results, corruption and mind sets are still major constraints to national development**

These issues are at the core of two of the most binding constraints to development identified in the NDP. Slow progress is being made to strengthen public sector management with proposed institutional reforms remaining unimplemented, procurement processes remaining slow and inefficient, corruption remaining widespread and attitudes remaining entrenched. Some good steps are being taken such as the more widespread introduction of performance contracts across the public service, but there is a need to introduce much stronger incentive and sanction mechanisms to reward good performance and to deal with inefficiencies and corruption. The next NDP might consider innovative ways to reward good performing MDAs based on the achievement of NDP driven results.

**The implementation of core projects and other development investments is being seriously constrained by limited access to finance and land disputes.** One of the best things of the NDP has been to prioritise 15 core projects for implementation during the 5 year period. This has provided an element of focus and common understanding and agreement of some major development priorities. Unfortunately, it has not been as straightforward as originally envisaged to complete these projects due mainly to challenges in accessing finance and dealing with land disputes. Several of the core projects are likely to remain work-in-progress by 2015. Lessons are being learned and it will be possible to more carefully select priority projects for the next NDP which are more 'investment ready' at the start of the period and are more likely to be fully implemented and beneficial to the development of the nation.

**Development planning is considered in piece-meal way and many potential synergies and intra-sector efficiency gains remain untapped**

The first NDP is an impressive attempt to bring together the development priorities of Uganda behind an overall strategic direction. The egg concept has been used to distinguish sector contributions as either primary growth, complementary, social or enabling. This has helped to structure a set of initiatives geared towards overall national development, but more could be done to enable the synergies between / across sectors to be realised. This would be easier if there was a set of overarching drivers of prioritisation and resource allocation that cut across sectors, for example the transformation of agriculture, skills development and urbanisation.

**There remains huge potential for streamlining the strategic direction for national development in Uganda and there have been some steps in the right direction**

It is clear that there is significant scope for national development in Uganda and the Vision 2040 provides an inspiring view of the future of the nation. The journey will not be easy, but there are some initial signs of progress such as in the areas of tourism and ICT. There is also without doubt large scope for development in other areas such as supplying more water for production (which is only a fraction of the potential) increasing farm yields (which are often significantly lower than farm trials), developing human resource capacity (from a relatively low base) and increasing regional trade. It is therefore crucial that the Vision 2040 is made the focal point for all sector investments plans, medium term expenditure frameworks and annual public sector budgetary allocations, as well as civil society organisation (CSO) and private sector investment priorities.

**The current levels of funding for national development are not enough to achieve many of the NDP targets**

The on-budget NDP cost envelope over the 5 years was estimated at UGX 51,000b and the on-budget MTEF managed by MoFPED is expected to reach around UGX 47,000b. But this does not give the full picture of required funding as the NDP also assumed UGX 20,000b of off-budget finance and UGX 17,000b of funding which would be generated elsewhere, primarily from the private sector. Coupled with the fact that economic growth and tax take

has been lower than expected in the first half of the NDP period, the overall picture suggests there will not be enough funding to implement all parts of the NDP. The situation in some sectors is even more striking, for example in the water and environment sector where water coverage targets seem very ambitious.

**There is misalignment between sector financial allocations in the NDP and the MTEF, but some recent trends are in the right direction**

Over the 5 years to 2014/15, the NDP allocates significantly greater proportions of funding for health, education, tourism trade and industry, works and transport, and agriculture than what MoFPED has done and has been planning to allocate so far. The experience in the last three years is that MoFPED MTEF has allocated significantly greater proportions of funds for public administration, legislature, public sector management and security. However, there is some evidence that the alignment is getting closer over time. There is also strong evidence that primary growth sectors are receiving significantly higher proportions of funding over time, but admittedly from a low base.

**There are major differences in the ratio of financial releases to budgets across sectors**

It is dangerous to base analysis of sector funding purely on amounts allocated as there can be very big differences between what is budgeted and what is spent for several reasons. Firstly, some sectors like energy have not spent full allocations as some large infrastructure projects have been delayed due to land disputes and slow procurement. Secondly, there have historically been large supplementary budgets which have typically seen extra allocations during the course of a year to sectors like defence and public administration.

**There is not always a strong linkage between NDP priorities and projects that appear in the Public Investment Plan**

There is certainly some misalignment *between* sector financial allocations within the NDP and allocations within the MTEF. However, a bigger issue is the misalignment of allocations *within* a sector. Indicative analysis suggests that only a relatively small proportion of NDP priority sector projects are funded through the Public Investment Plan, and even if NDP projects are funded, this is not based on any firm prioritisation process.

**Administration costs are taking a growing proportion of development spending, leaving less for the delivery of services at local government level**

Funds are allocated to local governments in Uganda for 8 of the MoFPED sectors – agriculture, works and transport, education, health, water and environment, social development, public sector management and accountability. In 2010/11, the amount of funding released to local governments was UGX 1,507b, rising only slightly to UGX 1,595b in 2011/12, implying a significant fall in real terms when there was double digit inflation. Overall, local government received 19 per cent of the budget in 2010/11, rising to 21 per cent in 2011/12, but this is forecast to fall to around 18 per cent in 2012/13. This can be partly explained by the plans to spend more on national infrastructure projects, but it does imply a further squeeze on local government funding at a time when service delivery can be very challenging at the local level. Over the first three years of the NDP implementation, education is seen to be the only sector witnessing an increased proportion of funds going to local governments. Another recent development has been the increase in the number of districts which has inevitably increased the costs of administration of services and reduced spending on service delivery. The overall results framework for the NDP can be simplified and used as the primary barometer for national development

There has been some admirable work to make the NDP results framework comprehensive and it clearly links to the theme – objective – key result area / critical constraint logic of the main NDP document. There have, however, been some challenges to obtain baselines and to set target levels of performance for many indicators. There are also some overlaps in the indicators in the different levels of the results framework, and arguably some key areas of development outcomes have been omitted. The NDP is so central to the development of Uganda, linking as it does to the Vision 2040, that the results framework can be strengthened to become the most important framework for assessing socio-economic progress in the country.

**The NDP is effectively a Government plan, focused on results of MDAs and local governments only, and can be expanded in its scope**

It is widely recognised that the first NDP is effectively a Government of Uganda development plan, primarily setting out what GoU will do to develop the nation. Future plans can incorporate much more developmental action from civil society and the private sector as its conception moves more towards a plan which the whole country can get behind. The results framework will need to reflect this, for example by analysing indicators such as water supply, education and health by service delivery entities of government, CSOs and private providers. It will be a challenging task to collect this data and steps will be needed to incentivise non-state actors to provide it. The roles of individual households, communities and the private sector in achieving the Vision 2040 results need to be emphasised more in future NDPs, as it is true that without strong buy-in and committed efforts from non-state actors, much of the socio-economic and development targets aspired to in the Vision 2040 will remain unattained.

## **1.2 Key issues**

### **1.2.1 Generating more financial resources to finance priority national development results**

The first NDP and the Vision 2040 have some ambitious development goals and targets which will require an extensive amount of investment. The main source of revenue for most countries is from the domestic tax base and it is worrying that Uganda collects such a low proportion of GDP as taxation compared to many other countries. There is scope in Uganda to develop more innovative public-private-partnership (PPP) financing arrangements, to renegotiate funding relations with development partners and to endeavour to better focus the efforts of NGOs on more coordinated national development.

### **1.2.2 Focusing more specifically on the most important priorities for national development**

The first NDP is a very comprehensive document. This is one of its strengths, but it is also one of its weaknesses in the minds of some. The core projects provide good focus and the next NDP needs to expand on this to provide a clear sense of development priorities. For instance, it will be very helpful both from an implementation management and a public

relations / communications perspective to set out the key development milestones which are aimed for at the end of each year for the next and subsequent NDPs, showing how these clearly pave the way on the critical path towards the Vision 2040.

### **1.2.3 Strengthening mechanisms for allocating resources to the key development priorities**

In addition to generating more resources, existing and future resources need to be used more efficiently and effectively. Part of this is again assessing the allocation money between sectors, but it is more important to make sure that resources get targeted to priorities within sectors (for example by strengthening the links between the NDP and the PIP process), and to generate much more cross-sector synergy and effectiveness (for example by allocating at least a proportion of funds for broader development initiatives supported by several sectors). Several of the development goals of Uganda require effective implementation across more than one sector and will require a process of joint outcome mapping between sector MDAs and NPA to track progress towards them. Some good examples are the:

- Tourist sector which, to develop to its full potential, also needs targeted investment in airports and air services, roads, the electricity grid, vocational training, export promotion and environmental protection;
- Agriculture sector which requires coordinated provision of extension services / information access, water for production, supply of phosphates / fertilisers, land reform, credit and roads;
- Oil and gas sector which needs appropriate road and rail transport infrastructure, technology, good governance, peace and security, environmental management and specially trained human resources;
- Manufacturing / industrialisation which requires the provision of land, transport infrastructure, vocational training, raw materials from the agriculture sector and social services for workers and their families;
- ICT sector which requires targeted investment in high speed ICT infrastructure, education and training, and industrial development.

The Minister of State for MoFPED (Planning) in a speech on the challenges and measures to improve service delivery on 13 March 2013 concluded by stating that “the challenges...are deeply rooted and systemic...It is imperative that a new approach is sought and vigorously applied...Building on the gain of The Sector Wide Approach, establishing a cluster mechanism would enable greater harnessing of synergies between sectors”.

#### **1.2.4 Speeding up the implementation of core / priority projects**

The Vision 2040 document also identifies a set of core projects which it sees as fundamental to the development of Uganda. Some of these, such as irrigation schemes, the phosphate industry in Tororo, an iron ore industry, a standard gauge rail network, an oil refinery and associated pipeline, HEP projects and science and technology parks are included in the 15 core projects of the current NDP. Some of these will need to continue / be expanded in future NDPs whilst others will need to come on board in a carefully prioritised and sequenced manner. Other core projects in the Vision 2040 include a hi-tech ICT city, the development of five regional cities and five strategic cities, four international airports, a national multi-lane road network linking cities, skills development centres, a nuclear power plant and national referral hospitals in each regional city. These projects emphasise the future planned importance of urbanisation in particular. The Vision 2040 also proposes the establishment of a Uganda infrastructure fund which would presumably be used to fund a proportion of these core projects.

#### **1.2.5 Addressing the critical development constraints in a more focused and effective manner**

The first NDP sets out a strongly argued case for the recognition of seven types of binding constraints – weak public sector management and administration; inadequate financing and financial services; inadequate quantity and quality of human resources; inadequate physical infrastructure; gender issues, negative attitudes, mind-set, cultural practices and perceptions; low application of science, technology and innovation; and inadequate supply and limited access to production inputs. The Vision 2040 document takes a slightly different, but related, assessment and lists constraints in Section 1.4 as:

- Low competitiveness;
- Limited Government investment;

- Weak public sector management and administration ;
- Ideological disorientation;
- Low industrialisation and value addition;
- Corruption;
- Slow accumulation of modern infrastructure;
- Inadequate human resource;
- Low levels of saving and inadequate revenue collection;
- Unfavourable demographics profile.

It will be useful to reassess the categorisation of the critical constraints for the next NDP and to develop initiatives to tackle them, phasing attention to and resourcing for proposed solutions in the most efficient and effective ways.

### **1.2.6 Tackling the District level funding and capacity challenges**

It is evident that reduced amounts of finances are reaching local governments for service delivery and investments due to a proliferation of districts and associated increased in administration costs on the one hand and the fact that larger amounts of resources are being dedicated to national development projects, particularly in energy and transport. Major issues to address going forward include how to agree development priorities at the local level that are aligned to the national plan and Vision 2040, how to allocate and manage the effective use of funds in the decentralised system and how to ensure that there is equitable development across Uganda.

### **1.2.7 Improving the quality of strategic development data collection and analysis**

There are many entities collecting and analysing development results data in Uganda, though many of them are impromptu and some are unofficial. There is however, a major lack of reliable data for measurement and analysis of progress in some fundamental areas of the NDP, especially outcome focused ones such as:

- The overall number of new jobs being created in more formal and informal sectors, analysed by geography, sector, skill level etc.
- The value added and competitiveness changes that are needed in key growth sectors such as agriculture, tourism and manufacturing;
- The efficiency levels in the economy.

There is an opportunity for the NPA to play an important role here, analysing trends in the most important development data and conducting / commissioning studies to understand causes and to provide guidance to sectors on how to change policy and programming to have greater developmental impacts for Uganda. There is also an opportunity to align the indicators in the NDP with JAF indicators, producing a small consistent set built up from both sources, and bringing in a few new outcome-based strategic development indicators (including some that may need to be mapped jointly by more than one MDA). This alignment would do a lot to focus GoU and development partner thinking and attention on the NDP and also has the potential to harness greater amounts of donor funding for the NDP. There is also another potential opportunity in aligning NDP indicators with the periodic surveys undertaken by the Uganda Bureau of Statistics (UBOS), including synchronising the timing of the most relevant surveys to correspond with the NDP M&E framework.

### **1.2.8 Making the NDP more inclusive, simpler and easier to fund**

People we interviewed expressed several different interpretations of what the NDP currently is. For example, many at the NPA see the NDP as a very comprehensive national plan which informs all sectors and all local governments on what they need to do over a five year period with minimum scope for deviation. Others in Government suggest that the NDP provides a strong strategic steer to sectors which guides them in what they do, but does not dictate to them. Most DPs see the NDP as something they align to, but mainly because the NDP is such a broad document that almost everything they do is referred to. NGOs and private sector entities give a mixed response in their views about the NDP, but agree that it is primarily a Government development document and they would like the next NDP to become a broader Uganda development document.

In fact, it is broadly recognised that the current NDP is primarily a Government plan which sets out how sector MDAs will contribute to the development of Uganda. For the ambitious Vision 2040 to be realised, this will involve a concerted effort of not just Government, but also civil society and the private sector. A key challenge will be to harness the comparative advantages of each major grouping, to share more performance data and to develop the nation in a more coherent and coordinated manner along a well-defined critical path for national development.

The last PEAP differed from the current NDP in several ways. One of these was that the PEAP was structured into pillars which made it easier to communicate and understand. An option for going forward would be to agree on pillars for the next NDP which would then be aligned to objectives, priorities, indicators and funding mechanisms. If done well, this has the potential to secure greater commitment and finances for NDP2.

### **1.3 Recommendations for the remainder of the first NDP period**

Consideration of the key issues set out above leads to the following recommendations for the remainder of the first NDP:

- Strengthen systems for the cost-benefit analysis of development projects, building up capacity in NPA in particular to facilitate this across the different sectors;
- Identify and agree the three most important national development priorities (in terms of key projects / initiatives) for each of the current 16 MoFPED sectors; make sure these are feasible for completion in the remaining NDP period and by so doing create an interim mechanism to align the NDP priorities more closely with MTEF priorities;
- Set up a strong system for monitoring progress on core projects / national development priorities, making sure that this combines key milestone tracking, risk management, financial monitoring and results;
- Review the Chart of Accounts used by MoFPED so that it can accommodate all major items / requirements of the development priorities;
- Hold discussions between NPA and MoFPED (in September 2013) to agree on key development objectives for the remainder of this NDP which will be used for the establishment of sector outcome statements in the next round of Ministerial Policy Statements and Budget Framework Papers and for prioritisation of projects in the next PIP;
- Agree on sector budget allocations for 2013/14 and 2014/15, with clear trend for increasing alignment to the NDP;
- Hold discussions between NPA and OPM and pilot a more NDP centric GAPR for 2013/14, improving this in 2014/15;

- Hold discussions between NPA and the LDPG and agree on a revised JAF reporting framework linked more closely to the NDP;
- Consult and agree on the results framework to be used for the next NDP, making this more streamlined and focused on the most important strategic objectives for 2015/16 to 2019/20 linked to the Vision 2040;
- Consider developing something like the ‘Top 10’ or ‘gold medal’ development indicators to focus minds and public attention – each of these can then be thoroughly analysed by geographical region, gender, income group etc.;
- Hold discussions between NPA, UBOS and OPM to streamline and improve surveys for development data collection, making sure that the Population Census is conducted as soon as possible and strengthening regular collection of employment, poverty and environmental data in particular;
- Run a series of events for SWGs, explaining the need to align sectors to the NDP (and hence the Vision 2040) and set wheels in motion for the development of SIPs for all sectors from 2015/16 to 2019/20 aligned to the overall NDP results framework.

## 1.4 Recommendations for the next NDP

Some of the key issues identified in this report have an important bearing on the development and implementation of the next NDP. These include:

- Consider establishing a more focused theme for the next NDP, aligned to the Vision 2040 and with sequencing of implementation on a more clearly defined critical path to overall national development;
- Consider focusing on a smaller set of no more than 6 strategic development objectives which are all outcome focused and cut across multiple sectors; and set no more than 3 ‘gold medal’ indicators for each one (maximum 18 in total), with ideally an overall ‘Top 10’ indicators to focus minds and public attention;
- Do much more to focus on an understanding and communication of national development as measured against the ‘gold medal’ indicators, ensuring that data is

available and analysed by District, region, gender, income group etc. for each one where applicable;

- Consider the implementation of innovative systems that link MDA performance rewards to the achievement of NDP objectives and targets;
- Build research capacity at the NPA through adoption of development research as a core function of the organisation, and commissioning and conducting special studies focused on key development constraints and opportunities related to the delivery of cross-sector strategic objectives and outcomes;
- Ensure that all aspects of the planning, budgeting, financing and implementation of development projects are fully aligned to the NDP so that, in particular:
  - All activities, outputs, outcomes and indicators in Budget Framework Papers and Ministerial Policy Statements (and by implication in the Output Based Tool or any replacement) are 100 per cent aligned to a stated NDP priority;
  - The PIP only contains projects which are set out in the NDP;
  - Sector investment plans are fully aligned to the PIP (and therefore to the NDP).
- Make the 5 year NDP fully synchronised with other major planning and financing mechanisms so that it matches with a 5 year MTEF, a 5 year PIP and 5 year SIPs which all start and end at the same time as the NDP;
- Consider a fundamental change to how resources are allocated , by introducing a full or a partial programme-based budgeting approach so that money can be allocated to cross-sector outcomes like skills development or agricultural transformation, allowing greater coordination across sectors and greater efficiency of the use of resources;
- Introduce an annual NDP stock-take process with some limited scope for modifying the plan during the course of its implementation, whilst it keeps major national development priorities constant;
- Use the NDP as the 'centre piece' for all major national level performance monitoring, evaluation and reporting – this will require fundamental reform of the GAPR, changes to the format for sector performance reports and refinement of JAF reporting, linked to the other recommendations set out above.

# 2 Economic Management

## 2.1 Key Findings

### 2.1.1 Macroeconomic performance and policy

The evidence presented in section 2 suggests that the NDP is not currently on track to achieve its key macro-economic objectives and targets. Many indicators are out of line with NDP targets including growth, revenue/GDP ratios, inflation, interest rates and export performance. Public investment, public expenditure and fiscal policy have been inconsistent with plans in the NDP for much of the period although there was closer alignment in the last year. Key reasons why the strategy went off track were policy choices made at the beginning of the NDP and external shocks in 2010/11. Domestic policies that were pursued and did not fully support the NDP included rapid growth in money supply and increases in public expenditure to finance the elections and defence spending including global recession. External shocks included commodity price increases coupled with rapid depreciation of the exchange rate (influenced by capital outflows). This together caused inflation to escalate to 30 per cent in October 2011.

Following the introduction of new monetary policy instruments<sup>1</sup> in mid-2011, interest rates reached 23 per cent by November 2011. This policy was very successful in adjusting inflationary expectations and restoring macro-economic stability but it sent a “chilling effect” on the economy. Inflation fell back to 5.5 per cent in 2012 and the Central Bank rate was reduced to 12 per cent but commercial bank lending rates did not follow suit and continued to remain high. Tight monetary policy combined with unplanned fiscal tightening led to growth falling to 3.2 per cent in 2011/12. When donors suspended budget support in 2012 further fiscal adjustment was required. According to the 2013/14 macro-forecasts the economy is set to recover with growth increasing to just under 6 per cent by the end of the

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<sup>1</sup> In 2011, the Central Bank introduced a new monetary policy stance called inflation targeting. The tool used was the Central Bank Rate (CBR). This tool provides for an inflation target against which economic activity is signalled.

NDP period. Inflation is expected to remain in single digits. However, borrowing and the fiscal deficit are projected to be significantly below NDP forecasts. Although general economic prospects for the remainder of the NDP implementation period are now more positive it will be very difficult to make up lost ground during the remaining period.

**When the NDP was formulated the assumptions and forecasts included in the macro-economic strategy were deemed ambitious but not wholly unrealistic.** The most ambitious assumptions were the expected efficiency gains in government and reallocation of expenditure towards infrastructure development particularly roads. Progress on efficiency gains has however been limited owing to the limited savings attained from sectors like public administration and defence. Policy for much of the period has focused on restoring macro-economic balance. Whilst this is critical to facilitate growth over the medium term, there is scope for greater pragmatism backed up by improvements in Public Financial Management, investment planning and appraisal.

**The NDP is premised on the need to strategically balance macro- economic stability and growth.** The government's medium term macro-economic objectives reflect this. However, the mix of policy instruments especially in 2010/11 and the corrective measures that followed did not support growth. Relatively loose fiscal policy combined with rapid growth in the money supply and private sector credit in 2011 contributed to rising inflation. The introduction of a new monetary policy instrument in July 2011 and the subsequent increase in interest rates were necessary to bring down inflation but this had a detrimental impact on the real economy.

**Fiscal policy has been relatively conservative for much of the period.** Although public expenditure increased in 2010/11 this was mainly due to higher than anticipated spending on elections and defence. There is evidence of more expansionary fiscal policy in 2012/13 and for the remainder of the NDP period. It will be critical to structure any additional borrowing to minimise potential crowding out effects. Higher borrowing can only be justified if existing funds are spent efficiently and effectively on high priority growth enhancing projects (e.g. infrastructure). This will require much tighter investment planning and rigid control of public expenditure.

**The high level budget process and NDP have not yet been effectively integrated.** The development of the NDP was very much a joint process involving NPA, MoFPED, BoU, Sector Ministries and Districts. However, this close cooperation has not been sustained in the course of NDP implementation. Some alignment is occurring at a very high level (e.g. prioritisation of spending on infrastructure). NPA have not been involved at strategic points during the budget preparation process. Spending decisions at the sector level are not routinely informed by progress on NDP implementation and priorities in advance of budget preparation. One underlying reason is the lack of full alignment of budgetary systems including the OBT, SIPs, BFPs, MPSs, Chart of Accounts and DDPs.

**There is positive progress on aligning macro-economic modelling frameworks used by NPA, the MOFPED and Bank of Uganda.** When the NDP was conceived the model used was very different to the financial programming model used by the Bank of Uganda. There were extensive consultation and agreement on the NDP model and forecasts. However, the annual budget and MTEF continue to be based on the MOFPED and Bank of Uganda models rather than the more complex general equilibrium model used in the NDP. There are plans in place to merge these models and this will make it easier to align NDP and annual macro-economic planning frameworks going forward.

### **2.1.2 Public expenditure management**

**For the first two years there was limited alignment of the MTEF and budget implementation with the NDP.** Based on an analysis of allocations and actual expenditure in the course of the NDP period there has been mixed progress on alignment of NDP with the budget. Whilst allocations to many key sectors have increased significantly in nominal terms, eight out of sixteen sectors have consistently attracted funding below projected NDP allocations. Supplementary budgets have had a negative impact on budget implementation and credibility. There has been considerable improvement in budget alignment in 2012/13. It should also be noted that the NDP medium term expenditure framework was also largely diverging from the past trends and allocations which greatly complicated the implementation of the NDP.

**Expenditure management systems and sector planning systems are not closely aligned with the NDP.** At present the output based tool is based on a rolling 3 year planning framework

compared with the 5 year fixed NDP framework. This makes it difficult to align the two processes. In addition OBT outputs do not fully map onto the strategic objectives included in the NDP as they are defined differently and sometimes relate more directly to previous sector plans. Sector plans in cases where they are available also often have different time horizons to the NDP which also makes it difficult to fully align them with NDP objectives. In addition, the IFMIS chart of accounts, MPSs and the BFPs are not fully aligned with the NDP.

**Weak investment planning and lack of integration of NDP priorities into the annual PIP and SIP process has limited alignment.** A large number of core projects were included in the NDP but not all of these were thoroughly assessed prior to their inclusion. NDP core projects are not automatically ranked as the highest priority projects in the annual PIP and SIP processes. The exceptions to this are flagship energy and roads projects. Other factors that influence the decision making process around which project receive funding, include sectors' views of priorities, the MoFPED's view of priorities and higher level political decisions. The lack of a clear framework on the criteria used to include projects in the PIP has contributed to the misalignment of the PIP with the NDP. A planned review of the PIP process led by NPA working with the MOFPED provides an opportunity to reflect on how to improve links between the NDP and routine investment planning going forward.

There was a very high level of ambition regarding the number of core projects that could be implemented in the course of the NDP and many of these projects have not moved forward as planned. This is due to a number of factors: (i) lack of planning, prioritisation and sequencing of investments; (ii) limited technical analysis and appraisal prior to inclusion of projects in the NDP which delayed implementation; (iii) limited analysis of the financing requirements of individual projects in advance of inclusion in the NDP; (iv) weak technical capacity in MDAs to develop, manage and implement complex projects; (v) slow procurement. Notwithstanding these problems, there is also an apparent practice by the GoU to introduce spending activities which are politically influenced that are outside the planning processes. This has compromised on the available resources for the projects that were identified in the NDP.

### 2.1.3 Growth and socio-economic transformation, promoting competitiveness and private sector development

#### Sector Growth Performance

**Growth outcomes over the past three years have been way below from what was envisaged in the NDP.** The poor performance in growth has partly been a combination of external factor and domestic factors. The volatility of commodity prices combined with a reduction in export demand due to the global recession contributed to the slow growth of the economy. On the domestic front, the corrective measures that were put in place to contain inflationary pressures combined with the unpredictable weather conditions also contributed significantly to the slow growth of the economy. The slowdown in growth was largely driven by the services sector which contributes about half of total GDP. Key sectors that contracted within services included financial and real estate. The composition of GDP remains the same with services contributing about 50 per cent of total GDP and agriculture and industry contributing 24 and 26 per cent respectively.

**The agriculture sector continues to face challenges of unpredictable weather conditions, declining productivity and limited mechanization. As a result the sector continues to perform significantly below expectations growing on average at about 1 per cent.** Agriculture is the major employer in Uganda and has the most potential for value addition in the short to medium term. Growth and productivity in agriculture is highly dependent on climatic conditions. The continued sluggish performance of this sector remains a cause for concern. If it continues to operate below its potential then it will be very hard to achieve inclusive growth or make progress on socio-economic transformation. For the period 2011/12 and 2012/13, food crops which account for 50 per cent of total agriculture and key to the food basket as well as exports especially within the region contracted by 1.7 per cent in 2011/12 and only grew by 0.2 per cent in 2012/13 respectively. The contraction was largely attributed to the severe draught in 2011/12. The level of agricultural exports, including maize, beans, and flowers, increased significantly during the first half of 2012/13, largely due to higher international prices and increased volume of trade.

**Overall the level of growth in the sector has not been enough to compensate for the reductions in growth in other sectors especially manufacturing and services.** There are many

factors that constrain agricultural performance including lack of coherent land reforms, dysfunctional land market, lack of mechanization, weak infrastructure to support and enhance productivity (storage, irrigation etc.), access to high quality inputs, lack of agriculture financing and weak marketing infrastructure.

**For 2010/11 and 2011/12, the manufacturing sector faced various challenges which included power shortages and higher electricity prices, financing constraints resulting from tighter liquidity, and lower demand from global markets.** The low electricity generation which was combined with expensive thermal generators being switched off due to insufficient funding resulted into increased tariffs. This considerably increased the cost of manufacturing. However, there has been some strong recovery of the sector with growth estimated at 6.8 per cent in 2012/13. This is consistent with the growth in electricity provided which could have helped to unlock one of the key binding constraint for industry. The recent completion of Bujagali Hydropower Dam and other mini-hydropower stations has greatly improved the availability and stability of electricity.

**The overall weak performance of the economy in 2010/11 and 2011/12 was due to a decline in growth of the most dominant services sector.** The under-performance in this sector was partly driven by domestic developments especially the tight liquidity conditions that characterized the period due to the corrective tight monetary policy stance that was being pursued. Financial and trade services decelerated due to increasing uncertainty in the business environment. Notwithstanding these negative developments, services have since recovered, albeit still low compared to previous years. The recovery has been mainly driven by transport, communications and financial services. Financial services have particularly been boosted due to increased loan uptake after a recent reduction of interest rates. In addition the outlook for the real estate sector remains positive with increased financing by commercial banks.

### **Socio-Economic Transformation**

**The recent sluggish growth has not been associated with significant improvement in income levels and socio-economic transformation as was envisaged in the NDP.** This is partly because the structural transformation taking place in Uganda is through the expansion of non-tradeables especially services at the expense of the tradeables sectors especially

agriculture and industry. **Due to the high population growth rate estimated at 3.2 per cent and the modest growth achieved over the past two years, per capita GDP declined to US\$ 453 compared to US\$ 506 in 2010.** The targeted per capita income by 2017 should qualify the country to be of a middle income status. However, given current the range of challenges to be addressed to accelerate growth and pressures of high population growth, it will be very difficult to achieve middle income status by 2017 notwithstanding the expected oil resources.

**The rapid growth of exports as a sign of transformation has also been limited over the past two years.** Uganda's export basket remains narrow and dominated by primary products (around 85 per cent), including coffee, fish, tobacco, gold, and flowers. Reliance on these exports has made the export sector vulnerable and Uganda has faced a significant long-run term decline in its terms of trade. **Other indicators of socio-economic transformation include the level of urbanisation.** Vision 2040 describes the importance of urbanisation and development of regions. Uganda also has one of the lowest urbanization rates in Africa (16 per cent). More needs to be done to urbanize Ugandan cities by increasing their economic activities so as to attract more labour and related infrastructure and institutions. Action to develop "regional economic hubs" would concentrate services and facilitate trade into new markets.

### **Competitiveness**

**Overall it is evident that there has been progress on action to improve competitiveness but there have also been some steps backwards and businesses continue to find the operating environment in Uganda challenging.** The global competitive index suggests that there has been some improvement in the competitiveness of Uganda. Improvements include business sophistication, macro-economic environment, labour market efficiency, financial market development and goods market efficiency. Areas where Uganda's position deteriorated included public institutions, health and primary education, higher education and training and technology uptake. This implies that there is a continued need to improve public sector management, deliver basic services effectively and improve skills and innovation. Other indicators where Uganda has registered slow progress include resolving insolvency, dealing with construction permits, getting electricity and registering property.

**There are significant initiatives in place to enhance the business environment.** There has been good progress on improving roads, transport and access to ICT. Telecommunications is facilitating development in many ways. It is improving access to information and perhaps even more critically, access to finance. Continued public and private sector investment in these areas and support for innovation around use of mobile technology will continue to generate high returns in terms of economic development and inclusive growth. Steps have been taken to reduce red tape in areas like business and land registration by automating land and business registration. However, challenges remain as key legislation to improve the business environment takes a long time to go through Cabinet and Parliamentary approval processes. In addition, lack of comprehensive land reform remains a large constraint for investors.

### **Private Sector Development**

**The private sector remains a key driver to Uganda's economic growth and socio-economic transformation as highlighted by the NDP.** The sector is largely dominated by micro small and medium Scale Enterprises. Of these about 1,100,000 are enterprises employing approximately 2.5 million people. It is estimated that the sector contributes about 75 per cent of the country's GDP. Key activities of the sector include agriculture, trade, construction, manufacturing, services such as hospitality and entertainment industry, finance, health, education, professional services and information communication technology related business. Employment by sector reveals that 66 per cent are in the primary Sectors (Agriculture, Fisheries, Forestry etc.), 28 per cent in Services, while 6 per cent were involved in Manufacturing. In addition, 76 per cent of Uganda's labour force is self-employed while 24 per cent are employed by others.

**Despite the importance of the sector many businesses are currently operating below capacity due to low demand followed by unreliable supply of production inputs and lack of working capital.** The high cost of credit coupled with poor infrastructure and limited access to credit is considered to be one of the main non-regulatory factors which constrained growth of the private sector. Over half of the businesses in the survey indicated that interest rates had a negative impact on business operations. Volatility of exchange rates also resulted in payment delays where customers had been negatively affected by exchange rate losses. In

terms of quality of services the private sector also indicated that electricity, railway transport and health care were the most poorly delivered. The most effectively delivered services were banking services, air transport and insurance services.

**In summary the private sector is still faced with several constraints to growth.** The general view was that the cost of doing business has gone up due to rising energy costs, relatively expensive communication costs (and mixed availability across the country), high transport costs and punitive taxes due to narrow tax base. The top 3 constraints identified were energy/infrastructure (access and cost), lack of public sector accountability and limited access to affordable finance.

#### 2.1.4 Financing of the NDP

**Lack of financing remains a problem for the successful execution of NDP.** When conceived the NDP had anticipated significant increases in domestic revenue mobilisation as a proportion of GDP which has not been realised. Donor support has reduced and development of new innovative financing instruments such as infrastructure bonds has been slow. Cost of finance and availability of long term finance remains a major problem. The spread between Commercial and Central Bank lending bank rates is very high due in part to high financing, operating costs and an increase in non-performing loans. Small businesses are not fully aware of financing opportunities or are not equipped with the skills or collateral to access loans. A functioning Credit Reference Bureau has reduced risk for banks but perceived risk remains high especially for the small business sector and agricultural businesses.

**Domestic revenue mobilisation has been hit by disruptions to growth.** The revenue/GDP ratio is forecast to be 13.5 per cent in 2012/13 compared with the NDP forecast of 14.1 per cent. Areas where policy reforms have been slow include: extension of VAT to the retail sector; streamlining and reductions in tax exemptions which distort the current system and greater focus on broadening the tax base and enhancing non tax revenues.

**The challenge on domestic resource mobilisation is to balance tax collection with private sector growth and development.** A large part of the private sector which is informal remains untaxed. The tax burden therefore disproportionately affects the formal sector firms. A major

downward shift in the Doing Business Report ranking on tax suggests that taxation is perceived as a growing problem for businesses in Uganda.

**Progress on development of innovative financing mechanisms has been slower than expected.** Progress on harnessing private sector finance in support of NDP implementation has been slow partly due to slow progress on finalising the legal framework governing Public Private Partnerships (PPP). However, a policy has been adopted and there is a good understanding of what needs to be done to make the new law effective. There are examples of success on PPPs. Perhaps the most dynamic examples include Bujagali dam and the health sector where a range of pilot projects and partnerships have been developed to improve service delivery and enhance public awareness on health issues. It will be important to learn from PPP success stories going forward. There is potential to harness new private sector financing for NDP implementation. However, this will require strong leadership at the highest level to fast track the regulatory framework for private financing, capacity building in government to ensure PPPs are well managed and regulated and better strategic planning to determine financing requirements and potential sources of finance.

**Capital markets have continued to develop despite the slowdown in growth.** Capital markets provide new opportunities for long term financing for the private sector and potentially government. However, at present there is no long term strategy to develop capital markets and limited awareness within the private sector of the financing opportunities offered by capital markets. There has been slow progress on developing new instruments such as long term bonds although the Bank of Uganda is now working with the MoFPED and Capital Markets Authority to make this happen. Similar bonds have been used as a source of funding for government investment projects in other countries including Kenya. It is a potential source of funding for PPPs and/or high return infrastructure projects. The regulatory authority that will oversee pension funds is now in place. This improved regulatory framework should improve access to pension funds through capital markets. The Government needs to move quickly to design appropriate financing instruments that meet international standards. It is unlikely that this type of financing instrument will be available to support investment under the current NDP.

## 2.2 Recommendations for the current NDP

### Macroeconomic policy and public expenditure management

The macro-economic framework governing the NDP requires strategic coordination of fiscal and monetary policy objectives to achieve both growth and macroeconomic stability. The monthly coordination mechanism established in 2012 between the Bank of Uganda and the MoFPED provides a strong basis for evaluating policy options and trade-offs going forward. It will be important that this technical committee has focused discussions on striking a balance between maintaining macroeconomic stability and sustaining growth in the year ahead on how to refine and improve the inflation targeting instrument as part of the preparations for the next IMF Policy Support Instrument. The adjustment costs especially for growth of reducing inflation should be balanced properly with the need for macroeconomic stability. It is also important that NPA should be part of this coordination committee.

**It is recommended that the MOFPED working with the Bank of Uganda and NPA agree what additional measures need to be taken to justify expected higher levels of spending to support NDP implementation.** These additional measures should focus on some of the following areas:

- A strategy to improve domestic resource mobilisation;
- Greater rigour in public expenditure management and enhancing budget discipline at all levels of government to enhance budget credibility;
- Demonstrated improvements in absorptive capacity: this will require decisive action to improve procurement and skills development to improve technical and financial management of large projects;
- More rigorous procedures to appraisal of projects to ensure that projects in the NDP are investment ready.
- Robust financing strategies for any existing and new projects which weigh up the pros and cons of alternative sources of finance including crowding out effects (if financed through higher domestic borrowing).

**The budget preparation process should focus more explicitly on aligning resources to support NDP implementation.** In particular, the budget process should be fully aligned and guided by the NDP. For the remaining period of the NDP, there should also be some attempt

to align the BFP to the NDP. One option would be for NPA liaising with OPM and MOFPED to lead on development of a short position paper that summarises progress and identifies top priorities for the year ahead. This could draw on information on performance from sectors and where possible districts. To have strategic impact it would need to be reviewed by Cabinet in advance of preparation of the Budget Framework paper submitted to Parliament in December each year. NPA could also play a role in scrutinising Ministerial Policy Statements and the PIP for alignment with NDP priorities.

**Accelerate action to improve budget credibility, transparency and public financial management.** There is a need to establish a “Contingencies Fund” that would essentially replace supplementary budgets. This will improve transparency and control of spending and should halt use of supplementary budgets which currently undermine budget credibility.

### **Financing of the NDP**

**The current debt sustainability analysis shows that there is significant room for borrowing especially for productive investments.** For the fiscal year 2013/14, the government has already taken a step in this direction by preparing to issue sovereign bonds to finance its development agenda. However, this approach has to be enforced without compromising the sustainability of debt.

**Increase efficiency gains.** Establish an efficiency and value for money programme across government to ensure scarce public sector funds are being spent effectively on the right things. Ministries should be encouraged to fund a proportion of new spending priorities through efficiency savings. There should be a firm commitment to reduce spending on public administration. This will require decisive action to streamline government structures and reduce duplication of functions. Restructuring of the public sector and scaling back local government senior staff could also enhance efficiency gains.

**There is an urgent need to fast track domestic resource mobilisation** to finance the development needs of the NDP. This is particularly so given that the financing of the budget from donors continues to decline. Expansion of the tax base would include enhancing the registration businesses especially in the informal sector. In addition streamlining of tax exemptions would help to enhance tax collection and minimize abuse of the tax system.

**There is a need to fast track approval of the Public Private Partnership Bill.** This would involve developing and implementing an action plan to establish the appropriate institutional and regulatory framework to lead, support and regulate PPPs. There is also need to build awareness and capacity in key sector ministries on PPPs on how to manage contracts and partnerships with the private sector. It might also be beneficial to establish one body that coordinates all the PPPs rather than every Ministry seeking out relevant private sector partners.

## **2.3 Recommendations for the next NDP**

### **Macroeconomic Policy and Public Expenditure Management**

**Use of the same modelling framework by the NPA and MOFPED and BOU would enhance ownership of the macroeconomic framework across the three institutions.** Work is already in place to review and improve the economic modelling framework used by MOFPED and BOU for macroeconomic forecasting. NPA is also involved in the process. Ideally a single model/approach should be developed that is suitable both for annual forecasting and multi-year forecasting so the same model can be used to develop the framework for the next NDP.

**For the future NDP, there is a strong need to ensure that the NDP guides and is aligned to the SIPs and the DDPs which are the basis for the BFPs and hence the National Budget Framework Paper.** For this to materialize, MDAs and districts should be provided ample time to prepare their SIPs so that these could be used as part of a two way process to inform development of the new NDP.

**There is a need to ensure that all expenditure management systems are well aligned to the new NDP.** The expenditure management systems that need to be reviewed and used to align more closely to the NDP include the OBT, the IFMS Chart of Accounts and Ministerial Policy Statements. There is need to explore the scope for programme based budgeting and setting priorities that might cut across various sectors. For example a high level objective might be to enhance productivity in primary sectors. Action required would cut across sector ministries and complementary sectors.

**After the planned review of PIP, there is a need to develop a long term investment planning framework that will help target high priority projects to be included in the next NDP. This should comprise 3 levels of projects. Tier 1 projects will be high priority projects carried over from the last NDP. Tier 2 would be new high priority investment ready projects. Tier 3 would be priority project in the pipeline. This new planning framework should ensure all selected projects are costed and sequenced in line with availability of finance and absorptive capacity.**

### **Growth, Competitiveness and Private Sector Development**

**Given the high proportion of the population in agriculture, the challenges of the sector need to be addressed if growth is to remain inclusive.** Some of the key challenges and constraints that need to be prioritized include coherent land reforms, promote mechanization of the sector, support the infrastructure and enhance the productivity of the sector (e.g. storage, irrigation etc.), provide effective extension services to all farmers and increase necessary inputs (for example seed varieties that can withstand changing weather conditions). In addition, implementation of the fertilizer plant in Tororo through the PPP arrangement would greatly enhance the productivity of the sector.

**While there has been some progress in addressing some of the key binding constraints, more effort should be put in addressing some of the key concerns of the private sector identified in this report.** Key among them is the poor infrastructure in the energy and transport sectors. Other constraints include the high cost of financing, volatile exchange rates and the overall poor quality of services provided by government. The low capacity utilisation in the industrial sector is also a reflection of low demand and high operating costs linked to weak supporting infrastructure.

Urgent action needs to be undertaken to address the growing concern that Uganda is increasingly becoming a difficult place to do business. Some of the areas identified include: Uganda being one of the most difficult place to start a new business; difficulties in getting construction permits; installing electricity and trading across borders. Progress should be accelerated on streamlining regulations and systems and improving one stop facilities for investors and businesses so they can get all the required documentation and permits quickly

to start a business. All institutions and local authorities would closely work with one stop facilities to streamline and simplify doing business in Uganda.

## 2.4 Financing the next NDP

**Financing strategies including sources of finance should be specified more precisely in the next NDP.** In the short term we have recommended an assessment of the pre-conditions required to increase government borrowing. This should be completed quickly and should inform development of a forward looking strategy for domestic and external borrowing which also ensures debt sustainability over the medium term.

**The next NDP should focus on building consensus on a medium term strategy to broaden the tax base** which will aim to bring more informal sector businesses into the tax net. This should be backed up with a strong NDP communication strategy which spells out action planned to improve value for money, quality of service delivery, infrastructure development and anti-corruption measures in the public sector. Tax administration should continue to be improved but with a stronger focus on enhancing client services and minimising the burden of tax collection, particularly for small businesses. Specific measures in this strategy might include:

- **Broaden scope and improve incentives to enhance collection of non-tax revenues.** This could be explored further with the MoFPED in the course of NDP preparation. There may be scope to expand user fees or charges for government services in exchange for higher quality service delivery. More research and analysis would be needed on good practice and how best to encourage MDAs to collect non-tax revenues if they cannot retain these earnings directly.
- **Government wide action required to make it easier for businesses to formalise and operate competitively. This could include** embedding improvements to simplify business registration. Review use of presumptive tax measures to reduce the tax burden on small businesses and provide better tax education for small and informal businesses.
- **Explore the feasibility of introducing local government revenue** raising measures to enhance resources for local development e.g. through property taxes

**Leadership, oversight and promotion of PPPs.** This would build on short term measures to build the institutional and regulatory capacity to manage PPPs. It should ensure this knowledge and expertise is embedded in government. Lessons derived from successful implementation of PPPs should be promoted across government. An investment promotion strategy should be developed with UIA which focuses in particular on promoting potential PPPs as well as wider investments which complement new NDP priorities.

**Promotion and implementation of innovative financing mechanisms.** This should build on proposed short term measures to liberalise pension funds and to introduce new forms of bond financing to support infrastructure investments and PPPs. These will need to be tightly managed, regulated and actively promoted. These should be linked to the highest return investments to build confidence in these new instruments.

# 3 Institutional Framework

## 3.1 Key findings

The MTR noted the need to strengthen the current institutional architecture in ways that improve its efficiency and effectiveness. It is recommended that the public sector identifies and reduces unproductive functions to ensure these functions and mandates are harmonized, with optimal levels of staffing. In addition, Government should implement recommendations of institutional reviews of sector MDAs that were undertaken under MoPS during the NDP period.

There is need to streamline and strengthen the reporting mechanism for the CSOs by re-aligning it to be under the MoGLSD. In addition, a platform should be established to produce a national oversight report constituting key oversight players including NPA, Parliament and NGO Forum. The report should annually be presented to the Plenary of Parliament by the overall chair to the oversight committees of Parliament. This annual oversight report will facilitate follow-up of key recommendations and findings on national development issues.

There is lack of a platform to engage the media. In this regard, the MTR recommends that the media, which is a vanguard of democracy, does more to educate and create awareness among the citizens of Uganda on national development.

## 3.2 Mechanisms for NDP implementation, monitoring and oversight

The MTR noted that Cabinet Secretariat is mandated to provide support to Cabinet by ensuring the consistency of new policies with existing ones to avoid duplication and undertaking analysis of policies in order to provide further guidance on their application. It is therefore recommended Cabinet Secretariat is strengthened in terms of staffing levels and increased collaboration with the NPA.

The MTR team agrees with Parliament that there is need for further engagement between NPA and Parliament to enhance oversight and accountability functions of Parliament. It will also be necessary to build further awareness and capacity of parliamentarians to enhance their appreciation of the new planning dispensation, including the means and how they can

play their roles effectively through their committees to ensure alignment of government business with the NDP.

It was observed by the MTR that NDP has not effectively influenced the allocation of national resources. However, the close relationship between the NRM manifesto and the NDP has enabled unconscious resource allocation to NDP priorities, although this has generally eluded funding of programs to unlock the key binding constraints.

There is need to strengthen the capacity of the NPA with a view to establish effectively manned desks in charge of the various sectors. The MTR noted that the current effort to coordinate planning and implementation of the NDP by the NPA are haphazard due to limited staffing and general capacity inadequacies (technical, financial, logistical and administrative). In addition, the current structure of the NPA needs to align to both the NPA Act and the NDP.

The MTR identified that Sector MDAs remain institutionally weak due to significant lack of harmonization of structures and the high level of both fragmentation and duplication, among others. There is a need to establish optimal levels of structures and staffing levels for effective deliver of the NDP. In addition, there is need to inculcate good will from technocrats within the public sector and among the political leadership regarding the reforms. This may best be achieved through re-orientation training and capacity building programs.

In addition, there were widespread observations from the MTR respondents over the inadequacy of financing of local governments. Special emphasis should be placed on the adequacy of financing under the unconditional grants to include the management functions of planning, supervision and monitoring of service delivery. There is also a need to explore the option of community contributions levy to enhance local revenue for service delivery. Furthermore, there should be rationalisation of the expenditure assignments so that those functions that have been decentralised and cannot be served by districts are lifted either to the regional level or back to central government.

The MTR noted that CSOs continued to play a significant role in service delivery over the NDP period. There is need for a mechanism within CSOs to report on their performance and contribution the NDP as well as further alignment of their activities to the NDP.

In general terms there seems to be a limited understanding of the role the media could play in national development and constituting a forum to encourage the media to advance the

benefits of the NDP. There is need to take advantage of the proliferation of private radio stations and the media to increase their contribution to national and local development.

### **3.3 Key Institutional Changes Required for Effective NDP Design, Implementation, Monitoring and Evaluation, and Oversight**

#### **Roles and Mandates for Planning and NDP Design**

The MTR established that there is lack of clarity on the role of setting national priorities particularly for the national budget, PIPs, SIPs, and DDPs, which has led to poor harmonization and inconsistency among the various plans, including the national budget. Going forward, setting of priorities with the view to realizing effective implementation of the NDP will require clear policy and legal framework.

The MTR observed that parallel planning programs continued to be undertaken by MoFPED, often without involvement of the NPA. There is need to provide firm political guidance that ensures strengthening of the NPA by avoiding duplication and fragmentation of planning roles. There is also need for strong political will and action that entrenches medium and long range planning in the minds of technocrats, politicians and the general public to appreciate in the country's planning dispensation.

#### **Roles and Mandates for Implementation**

It was observed that over the NDP period, deliberate focus of the budget on the NDP was only clear in the case of the 15 core projects leaving the rest on the strategies unattended to and with sectors continuing with 'business as usual'. The MTR also noted that as the NDP period progressed, there has been increased appreciation of the need to align planning and budgeting systems, tools and policies to the NDP for achievement of the desired socio economic transformation. It will be necessary that collective actions of politicians and technocrats are undertaken to ensure deliberate mainstreaming of the NDP in implementation processes.

Over the NDP period, OPM continued to coordinate implementation of the public sector programs and policies without major review of its institutional structures to focus on the NDP. It is recommended that in order to effectively undertake coordination of implementation of the NDP, OPM will require to take charge of the roles of quality assuring and validating

sector and district work-plans, BFPs, and Policy Statements. In addition, OPM should in effect be responsible for approving sector and district quarterly and annual work plans and providing approvals to MoFPED for quarterly release of funds to districts and sectors. In order to effectively carry out its mandate on coordination of NDP implementation, OPM requires strengthening in terms of staffing levels and logistics under the Directorate of Policy Coordination and Implementation, which is the most critical function under OPM.

The MTR noted that while MoFPED continued to undertake the role of budget monitoring, this role needs to be harmonized with that of budget performance monitoring which was envisaged to be undertaken by OPM in line with the NDP.

The MTR findings indicated that there was lack of mobilization of the private sector to rally behind programs and strategies outlined in the NDP. The private sector, however, continued to be the strongest factor behind the country's growth rates achieved over the NDP period due to its resilience and adoption of new innovations. There is therefore a need to put in place a mechanism that facilitates dialogue between the private sector and the NDP managers spearheaded by the Chairperson of the NPA. Similarly there is need to work out mechanisms for CSOs' engagement to public sector service delivery while avoiding duplication of effort.

### **Roles and Mandates for Monitoring and Evaluation**

The MTR noted that there were numerous efforts to assess progress of the NDP. This is however still hindered by the lack of an NDP-specific monitoring and evaluation system. It is therefore recommended that a monitoring and evaluation system should be established to facilitate monitoring the NDP and reduce duplication of reporting and fatigue on planners. In addition, there is also need to ensure clarity of leadership on all M&E (for public and non-state actors) to avoid duplication and wastage of resources.

The MTR observed that the challenges of harmonizing roles and functions for M&E are not necessarily as a result of lack of legal and policy frameworks. The MTR recommends that Parliament reviews the current situation and further clarifies, in legal terms, the roles of NPA, OPM and MoFPED in relation to M&E. It may be worthwhile to consider switching the role of Coordination and Implementation from OPM to NPA while re-assigning the leadership on M&E from NPA to OPM.

### **Roles and Mandates for NDP Oversight**

NDP highlights oversight as a mandate of the Presidency and Parliament supported by various statutory bodies. The MTR identified that oversight over the NDP has had a number of challenges, which include inadequate capacity of NPA and other statutory bodies to timely provide quality requisite reports to inform the oversight function. It is therefore recommended that NPA and other statutory bodies that support oversight be strengthened including creation of a platform for responsible agencies to prepare an annual oversight report to be presented to the Plenary of Parliament. In addition, it is recommended that Parliament considers creating a Sessional Oversight Committee.

The MTR observed the inadequate institutional framework to support the oversight roles and functions of the Presidency. The MTR recommends strengthening of the Presidential oversight function by relocating the NPA to be under the direct supervision of the President. The MTR assessment based on pros and cons deduced that it will be objective and a move in the right direction to relocate the NPA to the Office of the President, under direct supervision of H.E the President and with a Senior Minister in charge of Planning and Economic Development.

# 4 Political Economy

## 4.1 Key Findings

### **Political leadership for implementation of the NDP**

Since the inauguration of the NDP, the President and Cabinet have provided significant leadership to ensure that the NDP is seen as the guiding document for national development. The President has used various opportunities such as state of nation address to parliament to communicate to the nation the centrality of the NDP as the roadmap for Uganda's development. However, there is need for more focused political guidance on implementation of the NDP.

### **State capacity to deliver structural transformation**

Capacity ought to be considered as a potential constraint at systemic, institutional, organisational and individual levels. The MTR established lack of capacity in terms of insufficient human resources particularly in local governments, lack of equipment and logistics to implement programmes and lack of appropriate management information systems. A cross-section of surveys also established that services are valued only to the extent to which people have paid either officially or unofficially for them (IG 2013, EPRC 2013, UBOS 2013). This creates a crisis of confidence for institutions to provide services. The biggest challenge to addressing accountability is the institutionalization of corruption, which has become a way of life. Government needs to develop and inculcate a value system that cherishes ethics in public service delivery. In terms of going forward, implementation of the NDP would be enhanced by increase of state capacity to deliver structural transformation, including; attracting and retention of qualified human resources; appropriate funding for logistical support to implementation of programmes and developing appropriate management information systems. On enforcing accountability, there is need to make corruption a high risk venture. This can be done through prosecution of corrupt officials, imprisonment, and recovery of ill-gotten wealth through corrupt practices

### **Partnerships**

The NDP represented a shift towards a more government-led development agenda. During the NDP consultation process, there was less formal space for CSOs and the private sector

to engage with, and influence the process. It is however fundamental given the importance of the dual focus of the NDP – to address both economic growth on the one hand and human and social development on the other, with the implication that the private sector and civil society ought perhaps to be seen as strategic partners for government. This can be achieved through strategic engagement of the private sector through PPP.

## **Equity**

Evidence indicates that despite recent progress in reducing poverty, a significant number of 'poor' remain. Further, there has been concentration of growth in specific areas hence, the need for strategies aimed at inclusive growth. While there has been some progress on this objective, including developing a social protection policy, cash transfer programmes targeting the most vulnerable are yet to be rolled out across the country. It is important to consider a wider range of mechanisms to avoid the increasing number of people sliding back below the poverty line partly due to exclusion from economic opportunities and public services.

## **4.2 Options for going forward**

### **Addressing constraints to state capacity**

State capacity, in terms of decentralised service provision, corruption and management of oil, is a key challenge to NDP implementation. In particular, for local governments to effectively deliver on their key role, key constraints around the level of nature of funding need to be addressed. The Local Government Finance Commission plans to commission a comprehensive study of local government finances. This will possibly create direction for an initiative to replace the Fiscal Decentralisation Strategy which is widely seen as moribund. Critical to any initiative will be a mechanism for strengthening fiscal decentralisation where devolved functions match the disbursed resources and available capacity among local governments.

Regarding anti-corruption initiatives, there appears to be a number of positive trends. Increased funding is going to key bodies such as the IG, the judiciary and particularly the revitalisation of anti-corruption court. These are important developments that contribute to closing the gap between crime and sanctions.

### **Utilising partnerships**

To ensure buy-in of NDP, there appears to be an opportunity, to involve external stakeholders such as CSOs, development partners, and the private sector, in the formation of the next NDP. Further, a coordination platform could be established during implementation where external stakeholders, particularly CSOs, can engage with GoU to coordinate efforts for maximum impact. The NPA could have a role facilitating such a coordination platform. This is in-keeping with the NPA Act which states that a primary function of the NPA is to liaise with civil society to identify gaps in Government policies and programmes (Part 7) f). The NDP would benefit from a communication and engagement strategy that targeted a range of stakeholders from MPs and technocrats, the CSOs, the private sector and citizens in general. At the local level, the Barazas process could also be analysed as a means of raising awareness about what citizens should expect from the NDP.

### **Balancing growth and poverty reduction**

While poverty rates have reduced significantly in recent years, the number of poor remains high. Such groups would benefit from targeted assistance. As earlier mentioned, one option would be social protection programmes which are already included in the NDP but have not yet been rolled out throughout the country. The Senior Citizens' Grant is a step in right direction. The major challenge is that this scheme is currently donor funded which may not be sustainable.

### **Ensuring equity between leading and lagging areas**

There is wide variation between regions in development outcomes and the quality of services. Further, growth has been concentrated in certain geographical areas. The next NDP should consider an approach to addressing regional imbalances, e.g. through equalisation policies focusing on increasing equity between economically lagging and leading areas. Social policies such as provision of education and health infrastructure are critical in addressing such imbalances.

### **Positioning Uganda for regional integration**

Lack of regional integration was highlighted by government as reflected in the 2013 President's State of nation address. One of the key bottlenecks to growth as highlighted by the President is slow progress on regional integration. Key constraints, such as NTBs and high transport costs, need to be addressed. Additionally, a recent World Bank report (2013) states that Uganda would benefit by focussing on trade beyond EAC markets, in addition to continuing with EAC integration, and also moving beyond food crops to goods with more value addition.

# 5 Development Partnership

## 5.1 Key Findings

### Recent trends in Uganda's overall development partnership

In both real terms and as a per cent per cent age of GDP, development assistance has continued to decline during the NDP period, but in nominal terms it has remained constant and for the short to medium term, donor financing remains very important in Uganda's development. Finance provided "on budget" still constitutes over 20 per cent of overall government expenditure and over 40 per cent of the development budget. In addition there are substantial resources provided by donors outside the government's budget framework. This "off budget" support constitutes over one third of all donor financing.

The contribution development partners are making to the NDP has been constrained by a set of factors that together serve to undermine the development partnership and the impact of aid. In particular:

- The NDP's aim to manage development assistance in the context of a new Partnership Policy that would codify commitments on both sides of the development partnership has not yet been fulfilled. A policy has been drafted and presented to Cabinet but there appears at present to be little momentum to take it forward.
- Development partners concerns about governance and corruption have become increasingly serious in the context of a series of high profile corruption cases and donor questions about performance and results, highlighted by a set of persistent problems dominating dialogue in the JBSF. The imposition of a freeze on budget support towards the end of 2012 in the wake of a major fraud involving theft of donor finance for the peace, recovery and development programme in northern Uganda may have been a watershed. Levels of budget support, the NDP's preferred instrument for development assistance, although still significant, have been in decline and will almost certainly decline further.

### *Development Partner Alignment*

Development partners were not as closely involved in the preparation of the NDP as they were previously in the preparation of successive Poverty Eradication Action Plans (PEAPs). But all Uganda's main donors claim strong alignment with NDP priorities in both their strategy documents and through their programming.

These claims to some extent reflect the broad range of NDP objectives and importantly depend on the government's own sector strategic investment plans and the Joint Budget Support Framework aligning effectively behind the NDP. They are also in part weakened by persistent under-spending against commitments and the channelling of major resources "off budget" which are more difficult to manage in line with government priorities. Nonetheless it is clear that:

- During the NDP there has been a clear re-allocation of both "on budget" and "off budget" project aid in favour of infrastructure and energy investments in line with the NDP's aim to broaden Uganda's development strategy from poverty reduction to structural transformation to raise growth and living standards. Although health has been the largest single sector recipient of project aid during the NDP period (23 per cent) the share of infrastructure and energy together has risen from 21 per cent in the two years prior to the NDP to 29 per cent during its implementation.
- Although progress against many NDP objectives has been disappointing donor support has been associated with important aspects of the progress that has been made. Development assistance has continued to help underpin the implementation of a number of key sector strategic plans. The large multilateral donors in particular have set aside resources for some of the NDP's core projects. The Joint Budget Support Framework has helped emphasise the achievement of results. And a number of donor technical assistance programmes are building the capacity required for effective NDP implementation (e.g. through improved financial management, and monitoring and evaluation).

### *Harmonisation, transaction costs and mutual accountability*

Without a Partnership Policy in place it has been difficult for the NDP to be a focus for progress on the wider agenda for improving aid effectiveness. Although donors still participate actively in sector working group and budget processes the quality of dialogue is under scrutiny and donor engagement appears less influential than in the past. Progress is slow in increasing the use of country public financial management and procurement systems as the reliability of these systems is questioned. A decline in the use of programme based approaches (including budget support) appears to have led to a fall in development partner

use of common arrangements and procedures. Commitments to better co-ordination between donors through a more rational division of labour based on comparative advantage seem no longer important and progress that was made in rationalising individual donor engagement at sector level seems to have been reversed. Although the JBSF has provided a partial framework for mutual accountability, the quality of dialogue in the JBSF is portrayed as weak. Targets for development partner accountability have been difficult to agree. The joint memorandum of understanding that is meant to govern the JBSF has not been signed.

### *Development assistance from non-traditional partners*

Support from non-traditional partners is growing in importance and likely to continue to grow further, but currently it still constitutes less than 10 per cent of all Uganda's support from donors. Much of the aid from non-traditional partners is provided as loans which have less concessionality than grant aid. Much of it is still tied. In the past non-traditional partners have also not fully engaged in the processes established for donor co-ordination and alignment with government priorities. At the same time, however, support from non-traditional sources has important advantages for the government over the assistance it receives from traditional partners. The provision of support for large infrastructure investments may be one particular area in which non-traditional partners have a comparative advantage. China in particular has demonstrated its willingness to set aside finance for key NDP investments.

## **5.2 Recommendations for the remainder of the first NDP**

Going forward there are risks to the financing of the NDP if current difficulties in the relationship between donors and government persist. Traditional development partners are expected to stay engaged but might fragment in their approaches and could increasingly use off budget channels that may be more difficult to align with the NDP. Non-traditional development partners are an increasingly important source of finance but still provide a relatively small proportion of donor finance. In due course government revenue from the commercial exploitation of Uganda's oil resources could total around \$2 - \$3 billion per year during peak production. At the top of this range this is approximately double current levels of development assistance. But revenue from oil is not expected to start to flow until 2018 at the earliest and there are significant risks that production will be delayed beyond this point.

From the current starting point, ensuring that Uganda's development partnerships make a strong contribution to the achievement of NDP objectives going forward will require action by both government and donors.

A key initial step will be strong government leadership to reassess, review, update and finalise the draft Partnership Policy to provide a robust framework for the management of aid in support of NDP implementation. The draft needs revision, to take cognisance of changing aid architecture, both at the international and national levels. For instance, at the national level there are diverse views on the primacy of budget support (which appear to be increasingly shared by both government and development partners), but this should be possible without compromising the basic principles on which international agreements to enhance the impact of aid are based.<sup>2</sup> An agreed framework for the management of aid in Uganda will re-affirm both parties' commitment to these principles and reduce the risk they become peripheral and not at the centre of the relationship. The monitoring framework envisaged for the Partnership Policy will provide a basis for assessing each party's performance

Within the framework of a new partnership policy it is possible to identify a number of aspects of the relationship between government and donors that require immediate attention to improve the impact of aid. In particular:

- Government action to improve and secure the reliability of public financial management and procurement systems is essential to firmly address donor concerns about putting resources through government channels and to address the risk that off budget support (which is more difficult to align to the NDP) increases. Existing reform efforts need to be accelerated and expanded to quickly close gaps. The September 2012 Public Financial Management Performance Report ("PEFA") highlights the key weaknesses that need to be addressed.
- In a context in which it seems inevitable that budget support in its current form is likely to continue to diminish, government and development partners need to work together to identify alternative aid modalities that both maintain the advantages of programme based approaches while including controls that effectively protect resources against fiduciary risks. There are joint donor funding arrangements that have been used in the past in a number of sectors that might be revived and adapted.
- Joint funding arrangements may be especially valuable for the funding of large transformational investments e.g. in transport and energy that will help both large and

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<sup>2</sup> The current draft of the Partnership Policy highlights the principles of alignment, managing for results, accountability, value for money, transparency and predictability, reducing transaction costs, co-ordination and inclusivity.

small donors invest in these areas and guard against the risk that project funding becomes fragmented and scattered. In the context of the NDP there is a strong case for development partners prioritising funding for infrastructure projects that have been well appraised and are ready for implementation.

- Within sector working group processes, government and development partners should work together to improve the alignment of sector strategic investment plans with NDP priorities. This should include the alignment of both “on budget” and “off budget” development assistance. The government should consider a firmer approach to managing aid that is not aligned with the NDP (which might involve its rejection). The government should be able to say “no” to assistance which does not support national priorities and which will not be reflected in the government budget. The government should attempt to bring maximum aid into its budget.
- Government and Uganda’s development partners also need to work together to engage non-traditional development partners more effectively in sector working group processes to help co-ordinate their support within the NDP framework. There is scope for traditional and non-traditional patterns to work much more closely together than at present (perhaps in arrangements where grant finance is blended with loan finance).
- MoFEPD needs to accelerate the introduction of its new aid management system to help improve aid transparency and the government’s ability to more effectively manage development assistance in support of its plans. Development partners in turn need to address concerns about their aid reporting and management, especially by providing more comprehensive and timely information, including about their “off budget” support, and by keeping this information up to date as plans change.
- Government should lead a new donor division of labour exercise that will address the apparent trend towards an inefficient spread of effort and resources. The NDP can help provide a framework for this exercise.<sup>3</sup>
- Government should emphasise on linkage of all ODA to the NDP priorities. All the donor funded programmes must be linked to the NDP and no resources should be allowed in the country unless they are linked to the implementation of the NDP priorities. Government therefore should improve on project appraisal, selection and design and avoid supply driven interventions.

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<sup>3</sup> This will need to take account of government concern in some sectors that rationalisation of donor engagement will lead to a small number of development partner exerting too much influence.

- Government, in collaboration with development partners, needs to consider the future of high level dialogue and the mutual accountability framework. The Paris Declaration commitment to mutual accountability highlights the importance of performance assessment and strong policy dialogue. The institutional structure established for government performance assessment in the Office of the Prime Minister should probably be reassessed with a view of developing a more robust framework for mutual accountability in the context of implementing the NDP, encompassing all development partners. The framework should bind both parties accountable to each other. Government as well as development partners should be sanctioned for poor performance and be incentivised for good performance.
- Create an institutional arrangement for the PIP to efficiently guide the direction of aid to finance the NDP. This should include a Development Committee to make key decisions.
- Ensure mandatory assessment of sector preparedness for project implementation before sanctioning a new project. The assessment may include among others readiness and comprehensiveness of project designs, arrangements for land acquisition / access in case of infrastructure projects, commitment to provide counterpart funding, readiness to meet disbarment triggers etc. This will go a long way to address the problem of under-spending against commitments. The low absorptive capacity by MDAs has undermined the contribution that development partners are making to the NDP.

### **5.3 Recommendations for the next NDP**

Much of this agenda will continue to be relevant as the next NDP is designed and implemented. But there are three additional recommendations that are specifically relevant for the next NDP.

The first is that development partners should be more closely engaged in its preparation than they were in the preparation of the current plan. Closer consultation with donors will provide a basis for detailed discussions over government expectations about the way in which aid should be aligned behind NDP objectives including both the modalities for delivering aid and its sector focus. Development partners will have the opportunity to be clear about likely levels of aid as the next NDP is implemented and Uganda's case for aid begins to diminish. There will be scope to establish a greater shared understanding than exists in the context of the current NDP.

Second, as the next NDP is implemented it will be essential to look forward to the future of aid when oil production begins and revenue from oil becomes part of the government's

financing framework. As that point is reached Uganda's case for aid will begin to change very quickly. The need for financial support will recede sharply (subject to the details of its plans for using oil revenue alongside other sources of finance to support its macro-economic and development objectives). But the case should still be strong for technical assistance that continues to support the design of policies focused on growth and poverty reduction and which helps to build capacity and institutions required for implementation and transformation.

The third is that in order to help take forward its "Vision 2040" the Government should commence a dialogue with development partners on how they might support the longer term agenda which this document sets out including its plan of social transformation.

# 6 Policy and Strategic Direction

## 6.1 Key Findings and Recommendations

The analysis of the NDP policy and strategic direction covers the review of performance against elements constituting the country's policy direction in the domestic setting and the international economic arena. The analysis constituted a review of progress, achievements and challenges regarding: private sector led growth–quasi- market approach; equity and poverty reduction; macroeconomic stability (monetary policy that supports growth and fiscal expansion to finance the NDP); addressing infrastructure deficit; value addition for increased exports and job creation; wealth creation through harnessing primary growth sectors; and skills development. Others are: regional integration; peace and security; democratic governance and rule of law; efficiency in the public sector; and public and private sector financing. Others include: regional integration; peace and security; democratic governance and rule of law; business approach in public sector management to enhance efficiency; and public and private sector financing.

The MTR deduced that on the whole, the generation of policy and strategic direction for the country is fragmented and lacks a framework for coordination of setting up national cross cutting policies and strategies. An institutional and legal framework is required that defines over-riding choices and aspirations in terms of development, governance and global positioning. A body should be established with a mandate to provide a central locus for national guidance on policy and strategic direction. Such a body should be able to vet all national policy reforms and choices at the highest level in national interest without political interference. The policy and strategic direction should continue to pursue a quasi-market approach which includes a mix of government investments in strategic areas and private sector market driven actions. New innovated ways should be adopted to ensure realization of a 'business approach' in execution of public sector policies and programs.

### 6.1.1 Alignment of Policies and Strategies

#### Education

There is a challenge of high youth unemployment largely emanating from lack of skills and limited employment opportunities. The strategic direction should be skills development at all

levels to enhance youth employability and increased value addition within the country for faster job creation.

## **Health**

The quality of health services remains low at various health centres across the country. There are emerging inconsistencies between the constitution and the middle income country health aspirations. There is therefore need for constitutional review to realign the constitutional health sector objectives to the aspirations of the NDP and Vision 2040.<sup>4</sup> Furthermore, the strategic direction should be to move towards provision of universal health insurance.

## **Agriculture**

There is need to ensure availability of improved, affordable and accessible farm inputs. In addition, establishment of an agricultural development bank with national shareholding would go a long way in addressing gaps in agricultural financing. Furthermore, there should be a deliberate effort to provide agricultural insurance tailored to cushioning farmers against agricultural risks and vagaries of weather.

## **Environment**

The environment has largely been challenged by encroachment on natural resources emanating from population pressures for farm land and bio-fuel. Weaknesses also remain in enforcement of environmental law and regulations. Equally of concern, is the high cost of electricity which has led to encroachment on natural resources. Much as there is a land policy, there is need for effective implementation of policies and strategies to address lack of access to land by government and industrialists, which has led to further pressure on wetlands.

## **Land Management**

There is need for constitutional reforms in relation to land tenure, access and utilization. Secondly, there is need for rigorous enforcement of existing legislation to protect encroachment on marginal areas such as wetlands, forests and other valued ecosystems. In terms of water and sanitation, there is need for creation of a body to regulate national

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<sup>4</sup> The constitution provides for only basic health care while the aspirations for upper middle income countries are way beyond basic health care.

sanitation service delivery, since currently sanitation service delivery is highly fragmented across various sectors.

### **Social Protection**

Limited financing for the key drivers of social protection notably provision of services for the marginalized groups; functional adult literacy among others remain the key challenge. The strategic direction for social protection needs to include identification of sustainable financing to these key challenges.

### **Trade, Tourism and Industry**

The cost of doing business remains high. There is need to improve economic infrastructure and reduce bureaucracy and its associated costs. There is need to provide more incentives to attract private sector investment and spur business competitiveness of the country. Due to the strong linkage of the country's industrial base to agriculture, there is need for government to deliberately support value addition to agricultural products for faster industrialization. There is also need to fast-track the exploitation of potential minerals, especially iron ore and oil and gas. As a strategy it would be important to ensure construction of the oil refinery to tap the benefits of associated industries, while iron ore will have a great impact on industrialization drive of the country.

### **Works and Transport**

A re-focus needs to be put on rehabilitation of existing railway network, notwithstanding the on-going plans for building of the regional standard rail gauge. This will increase durability of the newly constructed/rehabilitated road network. In terms of air transport, plans are underway to revitalize the Uganda national flag carrier- the Uganda Airlines. It will be important to fully assess the viability of this project in relation to the desire to provide direct contact between Uganda and the global source-markets.

### **Justice Law and Order**

Parliament has continued to be strengthened to play its roles of: legislation, oversight and ensuring public accountability. On the other hand, the Judiciary has been strengthened through the appointment of judges for the Constitutional Court and Court of Appeal. The judiciary however continues to suffer from a backlog of cases and under performance in dispensing justice due to underfunding. The debate regarding the size and representation of

special groups needs to be concluded so that an optimal size of Parliament is arrived at for more effective service delivery and oversight.

### **Local Government**

As a way forward there is need to rationalize administrative units in relation to service delivery levels. Emphasis ought to be put on pooling resources by establishing regional administrative infrastructure which can be used by several districts. Regarding mobilization of local resources it may be worthwhile for Government to revisit the policy on the defunct graduated tax and establish an improved form of community development tax.

### **Regional and International Cooperation**

Uganda has been at the fore front of fast-tracking the EAC Common market that includes the following milestones: the EAC Customs Union; work towards one common currency; and EAC Central bank. A mechanism for assessing the benefits of the country from engagements in various regional and international cooperation is required. In addition, there is need to determine a critical path for investments that will enhance competitive positioning of Uganda to maximize benefits from particularly the EAC.

## **6.1.2 Improvement of NDP Design and Implementation**

### **Institutional framework for design and implementation of policy and strategic direction**

The NDP alone is inadequate to provide the development policy and strategic direction to the ministries and sectors. There is need to clearly institutionalize the issue of setting the development policy agenda. There is therefore a need to review the NPA Act, 2002, with a view to integrate and institutionalize the role of setting the development policy agenda.

### **Legal and regulatory environment**

The MTR has established that there are inadequacies in policy, legal and regulatory frameworks as a key constraint to achievement of the NDP objectives. These inadequacies encumber setting and implementation of policy strategic direction for the country. There is need to ensure legal and regulatory frameworks that are supportive of national development.

## **Decentralization**

The challenge of Uganda Decentralization Policy is lack of sufficient guidance from the centre on initiation of policies and legal frameworks at the local level in pursuance of the national policy and strategic direction. There is need to strengthen capacity at the districts to undertake effective analysis and harmonization of ordinances and bye-laws for their faster implementation.

### **6.1.3 Political economy for policy and strategic direction**

Whereas the NPA provides overall guidance on the NDP, there is need for consensus building on the top down and bottom up planning paradigm for ownership and inclusive development. The MTR also observed that while Uganda has maintained high growth, there is need to ensure regionally balanced development. This could be achieved by promoting industrial clustering and transforming agriculture. The MTR appreciates the timing of the NDP as it comes a year to the national elections. However there is need therefore to harmonize the NDP start period with the electoral processes in the country. Particularly, the next NDP should start effectively on July 2016 instead of July 2015. This will enhance alignment of the Plan political manifestos for a coherent policy and strategic direction in the country.

### **6.1.4 Regional and international development**

Uganda has committed herself to various regional and International Conventions, Agreements and Treaties. However, a number of commitments appear not to be consistent with the domestic legal and regulatory frameworks and the overall policy and strategic direction. Prominent among these include:

- a) Maputo Declaration that requires spending 10 per cent of the national budget on agriculture;
- b) The Abuja Declaration that requires Uganda to spend 15 per cent on health;
- c) Kyoto Protocol on climate change;
- d) Montreal Protocol on eradication of ozone layer depleting substances

One key area identified in as far as legal and regulatory frameworks are concerned include instances where Uganda has already committed itself to international dispensations that are not in tandem with national fiscal policy and strategic direction.

# 7 Achievements of the NDP with regard to cross-cutting issues

## 7.1 Gender

The NDP identified gender inequality as one of the binding constraints to Uganda's development, stating that gender issues and gaps still persist in various sectors of the economy. Under the principle of promoting balanced development, the NDP re-expresses government's commitment to international instruments which guarantee equality of opportunity for both women and men. Further, it underlines gender mainstreaming as fundamental to the planning process.

In terms of results, the findings reveal that the country has made some strides in promoting gender equality and women empowerment during the NDP implementation period. There is noticeable achievement in women's participation in the political space, mainly as a result of implementation of affirmative action. In addition, gender inequalities are slowly but systematically being addressed in a number of public service delivery areas including education, health, justice, legislature, water and sanitation and social development among others. However, a lot remains to be done to attain women's economic empowerment particularly reducing hurdles of access productive assets especially land.

## 7.2 Social protection

A number of achievements have been made in provision of social protection during the first two years of the NDP. This includes the development of a draft social protection policy framework, the successful piloting of the Senior Citizens' Grant which now reaches 74,151 beneficiaries and the passing of the Uganda Retirement Benefits Regulatory Act 2011. Further, funding commitments to 'social protection for the vulnerable' have been increasing in MTEF budget allocations during the NDP period. However, the actual release and

expenditure patterns from the annual performance budget reports show quite a different pattern, with the amount released decreasing steadily during the NDP period. Therefore, while financial commitments were made at the outset, they have not been achieved and this has resulted in the inability to fulfil social protection targets.

### **7.3 Environment**

The MTR observed that over 98 per cent of Uganda's population depends on biofuel for cooking, which is largely responsible for the depletion of community forests in the country. It was further observed that there has been political interference in the management of the forestry sector, particularly with regard to degazettement of reserves with preferences to resettlement of the landless growing population and for agriculture. It was also noted that this interference has been orchestrated notwithstanding various legislations including the Forestry Act, 2001 and the NEMA Act, with disastrous consequences such as landslides and other climatic change effects in various parts of the country. In both cases, key mechanisms within the policies and laws have been defied by the civic and political leadership. A feature of this has been the failure of the State to enforce existing laws and regulations due to vested interests of the political class.

There is also rampant encroachment on wetlands across the country due to population pressure. Similarly, there is widespread pollution of water bodies emanating from poor disposal of non-biodegradable materials and industrial effluent.

The above notwithstanding, Uganda has made notable progress in adopting renewable energy with the Government, cutting taxes on solar equipment and supporting the proliferation of energy efficient stoves and briquettes by the NGOs and the private sector. Further, the Strategic Environment and Oil Spill Contingency Plan for the Graben has been developed and contributes to improved environmental impact assessments for the respective oil and gas activities in the area and ensures harmonious co-existence between these activities and the pristine environment in the Albertine Graben.

### **7.4 Human rights**

The Human Rights Commission has been active in highlighting human rights abuses where they have occurred and ensuring compensation to victims. A number of challenges however encumber the operations of bodies responsible for protection of human rights which include

inadequate funding and backlog of compensations to victims of human rights abuses. There is also a lack of wider conceptualization of fundamental and other human rights and freedoms that require protecting and promoting such as protection of the natural resources, balanced and equitable development, the right to development and the role of persons in development.

## **7.5 Child rights**

The NDP sought to enhance children's access to education, health, and protection against abuse. During the NDP period, the government continued the implementation of the National Action Plan for children, which among others, upheld the Universal Primary Education programme as a priority. In attempt to enhance the protection of children, government strengthened community policing department, with mandate to expeditiously enforce child rights.

Over the NDP period, the country has focused on addressing the following: the rampant child abuses, particularly child sacrifice, rape and defilement; high school dropout, particularly for girls, largely emanating from inadequate appreciation of retention of girls in school, preference of early marriages and poor sanitation/lack of private facilities for girls.

## **7.6 Democracy and governance**

Over the NDP period, the judiciary in particular, was strengthened with appointment of more judges for the High Court, Court of Appeal/ Constitutional Court and Supreme Court. However, a number of challenges were noted, including backlog of cases, inadequate funding and logistical support. There is need to strengthen local council courts and alternative dispute resolution mechanisms to reduce the pressure on the traditional judicial courts.

On the other hand, although the legislature continued to undertake its mandate of overall oversight/accountability, legislation and representation and capacity continued to be built, the large size of parliament, absenteeism of members of parliament and inadequate office space and other logistics have hindered effective execution of this mandate.

Over the NDP period, the executive has continued to play its role of formulating and implementing policies. There are however challenges with backlog of policies, strategies and decisions at Cabinet level. Cabinet secretariat is however working on the proposal for Cabinet to begin operating under committees for faster handling of business. At the MDA

and sector levels, weaknesses (structures, systems, procedures, human resource capacity, and inadequate remuneration, among others) within the public sector continued to slowdown the achievement of targets and goals. At local government level, inadequate financing of devolved functions, low capacities (human resources and logistics) and lack of a clear framework for synergies with the centre are some of the outstanding challenges that require to be addressed.

Electoral processes are a key factor in strengthening democracy and political governance. During the NDP period, there have been successful Presidential, parliamentary and local government elections held under the multi-party dispensation. However, a number of challenges remain to be addressed such as the review of the electoral laws and the long overdue local council elections.

Regarding protection of fundamental human rights and freedoms, the human rights commission has been active in highlighting human rights abuses where they have occurred and ensuring compensation to victims. A number of challenges however encumber the operations of bodies responsible for protection of human rights which include inadequate funding and backlog of compensations to victims of human rights abuses. There is also a lack of wider conceptualization of fundamental and other human rights and freedoms that require protecting and promoting such as protection of the natural resources, balanced and equitable development, the right to development and the role of persons in development.

# 8 Summary of Recommendations and Proposed Actions

## 8.1 Overview

This section presents a summary of the key issues and actions to be taken as a result of this MTR. The actions are divided into thematic areas, but it should be noted that some of them cut across the theme. There is a separate action plan document which also includes indicative timings and responsibilities for actions.

## 8.2 The Action Plan

The summary of the action plan is shown below.

Key Issues	Summary Actions
<b>Results Framework</b>	
Ensuring better alignment between the NDP, Public Investment Plan, Sector Investment Plans, District Development Plans, Ministerial Policy Statements and other mechanisms such as the Output Based Tool and the Chart of Accounts	<ol style="list-style-type: none"> <li>1. Create a committee with representation from MoFPED, NPA and OPM to agree guidelines to ensure that all mechanisms for planning, budgeting, financing and implementation of development projects are fully aligned to the NDP</li> <li>2. Specify the per cent per cent age allocations for all sectors and top priority projects for inclusion in next NDP</li> <li>3. Make sure SIPs are developed for all sectors for the period 2015/16 to 2019/20 to allow better alignment to the NDP</li> <li>4. Use the NDP as the driver of outputs and outcomes as part of the OBT</li> <li>5. Assign responsibility for reviewing SIPs, LGDPs and BFPs to NPA while providing NPA with powers to undertake this role through revision of the NPA Act</li> </ol>
Fast tracking implementation of NDP priority projects	<ol style="list-style-type: none"> <li>6. Engage MDAs to identify projects that are behind schedule as well as the associated challenges</li> <li>7. Develop a strategy to address the constraints to implementation that are identified by MDAs</li> </ol>

Key Issues	Summary Actions
	<p>8. Develop a strategy for reducing the time involved in project financing, appraisal by the Development Committee, procurement and contracting processes, referring to the Kenyan experience</p> <p>9. Set up mechanisms to better monitor core projects, including regular review of milestones and risks to success</p> <p>10. Inform the public about the priority projects for the remainder of NDP1</p> <p>11. Specify core projects for NDP 2 with scope to increase overall funding (currently around 10 per cent of the total NDP budget)</p>
Improving inter and intra sector efficiency and effectiveness in planning and delivering NDP results	<p>12. Conduct a review of Sector Wide Approach / Sector Working Groups and the way they enhance inter-sectoral efficiency and links for NDP implementation and assess the scope for cross-sector funding mechanisms</p> <p>13. Develop a strategic development planning guide to be followed by MDAs in drawing up their SIPs</p> <p>14. Consider setting up a Fund to finance separate, major cross-sector projects</p>
Strengthening local government priority setting and increasing the proportion of resources available to finance local priorities	<p>15. Develop local government planning and financing guidelines that are aligned to the NDP and SIPs</p> <p>16. Assess the constraints to local government financing as part of the preparation of the next NDP and consider funding needs for urbanisation and other relevant aspects of Vision 2040</p> <p>17. Involve local governments more effectively in the planning for the next NDP</p>
Refining indicators and targets for measuring NDP progress	<p>18. Identify and select a small number of strategic objectives and key performance indicators (KPIs) for the next NDP</p> <p>19. Develop appropriate baseline figures for all KPIs</p> <p>20. Determine vision-relevant targets for each KPI at each 5 year NDP end</p> <p>21. Define how each KPI will be analysed to give geographical, gender, income group etc. equity measures</p> <p>22. Refine the timing and content of UBOS surveys so that KPI data requirements are met, including the collection of baseline data and annual data</p>

Key Issues	Summary Actions
<b>Economic Management</b>	
Improving budget credibility and utilisation	<p>23. Improve public expenditure management to enhance budget discipline</p> <p>24. Take steps to enhance absorptive capacity, including improved procurement procedures</p> <p>25. Expedite enactment of the PFA Bill, including the clause on supplementary budgets</p> <p>26. Agree an overall fiscal strategy, linked to EAC commitments and agreements</p>
Strengthening the financing of the NDP	<p>27. Implement issuance of sovereign bonds to finance the development agenda without compromising sustainability of debt</p> <p>28. Develop and implement a strategy for widening the tax base</p> <p>29. Establish an efficiency and value for money programme across government to ensure public sector funds are spent effectively, including the setting of efficiency targets for all MDAs</p> <p>30. Fast-track domestic resource mobilisation through enhancement of business registration and streamline of tax incentives</p> <p>31. Fast-track approval of the PPP bill and establish appropriate policy, institutional and regulatory framework for PPPs</p> <p>32. Broaden the scope and improve the incentives to enhance collection of non-tax revenues</p> <p>33. Look into the feasibility of introducing local government revenue raising measures to support local economic development</p> <p>34. Implement pension reforms</p>
Fast tracking the finalisation and use of harmonised economic modelling frameworks across institutions	<p>35. Use one modelling framework by NPA, MoFPED and Bank of Uganda for NDP 2</p>
Aligning budget and expenditure management systems	<p>36. Agree improved systems to align SIPs and DDPs to the NDP</p> <p>37. Agree improved systems to align OBT, IFMS CoA, and Ministerial Policy Statements to the NDP</p>
Enhancing the long term investment planning	<p>38. Categorise projects into different tiers: projects carried forward from the current NDP; new projects; projects in pipeline, and</p>

Key Issues	Summary Actions
framework that will help target high priority projects for the next NDP	<p>ensure that projects are 'investment ready' before inclusion in the NDP</p> <p>39. Strengthen capacity to improve cost-benefit analysis of investments</p>
Removing barriers to private sector growth, especially for Ugandan SMEs	<p>40. Finalise SME policy, laws and regulations</p> <p>41. Introduce new financing mechanisms aimed specifically at SMEs</p> <p>42. Determine and implement incentives and policies for private sector growth</p>
<b>Development Partnerships</b>	
Fast-tracking the passage of Uganda partnership policy with development partners	<p>43. Review and update the partnership policy</p> <p>44. Strengthen relationships with non-traditional development partners</p>
Increasing the alignment of development partner funding with specific sector projects within the NDP framework	<p>45. Strengthen mechanisms for dialogue with all development partners</p> <p>46. Establish a new harmonisation process (including division of labour) to address the current inefficient spread of aid across sectors</p> <p>47. Engage all DPs in the drafting of the next NDP; development partner input should be sought after arriving at priority areas of funding for the next NDP</p> <p>48. Produce regular and timely reports of annual and medium term commitments and disbursements linked to the NDP</p> <p>49. Implement reforms to improve government financial systems that minimise loss, embezzlement or misuse of development partner funds</p>
Reversing the decline in external assistance, especially budget support	<p>50. Conduct research on alternative funding mechanisms</p> <p>51. Introduce innovative aid modalities as an alternative for budget support</p>
<b>Political Economy</b>	
Political leadership for implementation of the NDP	52. More focused political guidance on implementation of the NDP from the President and Cabinet
Addressing constraints to state capacity	53. Enforcing accountability through addressing corruption and making corrupt practices a high risk venture through prosecution, imprisonment and recovery of ill-gotten wealth

Key Issues	Summary Actions
	<p>54. Develop and inculcate a value system that cherishes ethics in public service delivery</p> <p>55. Matching the disbursed resources from the centre in line with the devolved functions of local governments</p>
Balancing growth and poverty reduction	56. Rolling out social protection programmes across the country
Ensuring equity between leading and lagging areas	<p>57. Equalisation policies focusing on increasing equity between economically lagging and leading areas</p> <p>58. Affirmative action programmes</p> <p>59. Include strategies to address regional imbalances in development and persistent chronic poverty in the next NDP, referring to research on linking leading and lagging areas, as well as relevant Vision 2040 issues such as strategic cities, urban corridors and equitable development</p> <p>60. Develop a spatial dimension to the next NDP</p> <p>61. Conduct an assessment of the impact of the SCG social protection programme with a view to rolling the programme out nationally if it produces the intended results.</p>
Positioning Uganda for regional integration	<p>62. Addressing key constraints such as NTBs and high transport costs</p> <p>63. Positioning Uganda through value addition through exploiting competitive advantage</p> <p>64. Synthesise research for the best way of effective utilisation of regional integration</p> <p>65. Prioritise niche investment sectors for regional integration</p> <p>66. Incorporate strategies for effective regional integration in the next NDP</p> <p>67. Develop a cross-sector platform in the next NDP to address constraints to regional integration (addressing key issues such as high transport costs and persistence of no- tariff barriers)</p>
<b>Policy and Strategic Direction</b>	
Institutional Framework for Setting Policy and Strategic	68. Establish /designate a body to provide a central locus for national guidance on policy and strategic direction and vet all national policy reforms and choices at the highest level in national interest

Key Issues	Summary Actions
Direction	
Analysis of Policy and Strategic Direction	69. Operationalize a ‘business approach’ in execution of public sector policies and programs through adoption of innovative methods
Alignment of Policies and Strategies	<p>70. Education: Develop and expedite a national skills needs and manpower survey and promote skills development at all levels to enhance youth employability and increased value addition within the country for faster job creation</p> <p>71. Health: constitutional review to realign the constitutional health sector objectives to the aspirations of the NDP and Vision 2040 and move towards provision of universal health insurance</p> <p>72. Agriculture: ensure availability of improved, affordable and accessible farm inputs, establish an agricultural development bank with national shareholding and provide agricultural insurance tailored to cushioning farmers against agricultural risks and vagaries of weather</p> <p>73. Environment: need for effective implementation of policies and strategies to address lack of access to land by government and industrialists</p> <p>74. Land Management: rigorously enforce existing legislation to protect encroachment on marginal areas such as wetlands, forests and other valued ecosystems, need for constitutional reforms in relation to land tenure, access and utilization</p> <p>75. Social Protection: include identification of sustainable financing to these key challenges to social protection</p> <p>76. Trade, Tourism and Industry: provide more incentives to attract private sector investment and spur business competitiveness of the country; improve economic infrastructure and reduce bureaucracy and its associated costs; support value addition to agricultural products for faster industrialization; fast-track the exploitation of potential minerals, especially iron ore and oil and gas and ensure construction of the oil refinery to tap the benefits of associated industries</p> <p>77. Works and Transport: revitalize the Uganda national flag carrier-</p>

Key Issues	Summary Actions
	<p>the Uganda Airlines and rehabilitate the existing railway network</p> <p>78. Justice Law and Order: put in place measures to reduce case backlog and reduce size of parliamentary representatives</p> <p>79. Local Government: revisit the policy on the defunct graduated tax and establish an improved form of community development tax; pooling resources by establishing regional administrative infrastructure which can be used by several districts and rationalize administrative units in relation to service delivery levels</p> <p>80. Regional and International Cooperation: determine a critical path for investments that will enhance competitive positioning of Uganda to maximize benefits from particularly the EAC and put in place a mechanism for assessing the benefits of the country from engagements in various regional and international cooperation</p>
Improvement of NDP Design and Implementation	<p>81. Institutionalize the issue of setting the development policy agenda.</p> <p>82. review the NPA Act, 2002, with a view to integrate and institutionalize the role of setting the development policy agenda</p>
Legal and regulatory environment	<p>83. Put in place legal and regulatory frameworks that are supportive of national development.</p> <p>84. Decentralization: strengthen capacity at the districts to undertake effective analysis and harmonization of ordinances and bye-laws for their faster implementation;</p>
Political economy for policy and strategic direction	<p>85. Build consensus on the top down and bottom up planning paradigm for ownership and inclusive development</p> <p>86. Promote regionally balanced development through planning and affirmative actions</p> <p>87. Promote industrial clustering and transforming agriculture</p> <p>88. Harmonize the NDP start period with the electoral processes in the country</p> <p>89. Develop and enforce guidelines on how to link all political manifestos with the NDP</p> <p>90. Ensure that the NDP internalises the political aspirations as reflected in the manifestos of political parties</p>
Presenting a clear critical path of national development	<p>91. Conduct research into how best to use a 'flagship' approach to national development</p>

Key Issues	Summary Actions
	92. Agree the theory of change to achieve Vision 2040 93. Set out key milestones for each of the next 5 NDPs 94. Consider adopting a ‘platforms’ approach for the next NDP which sets out the key area of reform for each 5 year period.
Improving competitiveness and value addition in the agricultural sector	95. Synthesise research on how best to prioritise policy reform in agriculture 96. Strengthen the value chain for the 10 priority products 97. Agree a NDP2 policy declaration on how to boost agricultural competitiveness and value addition
Reforming the land tenure system to facilitate uptake of local and foreign investment	98. Synthesize study recommendations on what is needed to reform land tenure 99. Fast-track land tenure reform, referring to the new land policy
Developing a clearer strategy for managed urbanisation in line with one of the most important directions set out in Vision 2040	100. Synthesis research and conduct new research to understand urbanisation challenges and how to manage urbanisation more effectively 101. Incorporate strategies for managed urbanisation in the next NDP
Improving the equity of national development	102. Develop strong equity indicators and relevant data collection systems 103. Roll out the social protection programme nationally
<b>Institutional Framework</b>	
Uganda’s Institutional Architecture	104. The public sector should identify and reduce unproductive functions to ensure that these functions and mandates are harmonized, with optimal levels of staffing 105. Implement recommendations of institutional reviews of sector MDAs that were undertaken under MoPS during the NDP period 106. Produce an annual oversight report to facilitate follow-up of key recommendations and findings on national development issues by Parliament 107. The media becomes a vanguard of democracy and enhances education and awareness among the citizens on national development
Mechanisms for NDP implementation, monitoring	108. Strengthen Cabinet Secretariat in terms of staffing levels and increased collaboration with the NPA

Key Issues	Summary Actions
and oversight	<p>109. Build capacity of parliamentarians to enhance their appreciation of the new planning dispensation including ensuring alignment of government business with the NDP</p> <p>110. Strengthen the capacity of the NPA with a view to establish effectively manned desks in charge of the various sectors</p> <p>111. Ensure that the NDP influences allocation of budgetary resources</p> <p>112. Align NPA structure to both the NPA Act and the NDP.</p> <p>113. Inculcate good will from technocrats within the public sector and among the political leadership regarding reforms</p> <p>114. Enhance financing of local governments to include the management functions of planning, supervision and monitoring of service delivery under unconditional grants</p> <p>115. Explore the option of community development levy to enhance local revenue for service delivery</p> <p>116. Rationalise expenditure assignments so that those functions that have been decentralised and cannot be served by districts are lifted either to the regional level or back to central government</p> <p>117. Design mechanisms for CSO reporting on NDP contribution</p>
Key Institutional Changes Required for Effective NDP Design, Implementation, Monitoring and Evaluation, and Oversight	<p>118. Put in place clear policy and legal framework for setting budget priorities</p> <p>119. Cabinet should provide firm political guidance to strengthen NPA by avoiding duplication and fragmentation of planning roles</p> <p>120. OPM should take charge of the roles of quality assuring and validating sector and district work-plans, BFPs, and Policy Statements</p> <p>121. OPM should approve sector and district quarterly and annual work plans and provide approvals to MoFPED before quarterly release of funds to districts and sectors</p> <p>122. Strengthen OPM's Directorate of Policy Coordination and Implementation in terms of staffing levels and logistics</p> <p>123. Harmonize the role of budget performance monitoring at OPM with the role of budget monitoring at MoFPED</p> <p>124. Put in place a mechanism that facilitates dialogue between the</p>

Key Issues	Summary Actions
	<p>private sector and the NDP including division of labour on PPPs</p> <p>125. Establish mechanism for CSOs' engagement in public service delivery</p> <p>126. Establish an NDP M&amp;E System to facilitate monitoring the NDP and reduce duplication of reporting and fatigue on planners</p> <p>127. Parliament should review the current situation and further clarify in legal terms, the roles of NPA, OPM and MoFPED</p> <p>128. NPA and other statutory bodies should create a platform to prepare an annual oversight report with Parliament</p> <p>129. Strengthen Presidential oversight function by relocating the NPA to be under the direct supervision of the President</p>
Increasing the technical and political clout to oversee and guide the country around NDP implementation	<p>130. Strengthen the capacity of the NPA to support local government and sector planning</p> <p>131. Establish and make operational the Forum chaired by the President to review progress on NDP implementation</p> <p>132. Build capacity in the NPA to undertake the coordination of implementation role, and revise the NPA Act to give NPA power to review SIPs, SBFPs, LGDPs and LGBFPs</p> <p>133. Move responsibility for leading developing the Public Investment Plan from MoFPED to NPA, with continued MoFPED involvement</p>
Presenting NDP results more clearly and scrutinising NDP performance	<p>134. Refine the structure of the National Development Report to differentiate it more from the GAPR and to incorporate development achievements by state and non-state actors</p> <p>135. Review the number and scope of existing monitoring reports with a view to proposing a more streamlined alternative</p>
Implementing a consultation and communication strategy for the next NDP	<p>136. Prepare a communication strategy for the NDP</p> <p>137. Implement the communication strategy</p>
<b>Cross-cutting issues</b>	
Measuring the integration of cross-cutting issues in NDP design	138. Create indicators in the NDP results framework for cross-cutting issues
Ensuring that cross-cutting	139. Integrate the human rights based approach in the next NDP

Key Issues	Summary Actions
<p>issues are fully included in the implementation of the next NDP</p>	<p>140. Ensure environmental impact assessments are undertaken across all relevant sectors; integrating these and other environmental safeguards fully into the policy, planning and budgeting cycle</p> <p>141. Mainstream gender issues into the implementation of all NDP initiatives</p>