Mid-Term Review of the Third National Development Plan (NDPIII) 2020/21-2024/25

Synthesis Report

Prepared by

August 2022

For the National Planning Authority

Contents

Acronyms

CBR	Central Bank Rate
CNDPF	Comprehensive National Development Planning Framework
DP	Development Partner
EAC	East African Community
ECD	Early Childhood Development
EU	European Union
FY	Financial Year
GAPR	Government Annual Performance Report
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
LG	Local Government
MDA	Ministry, Department, Agency
MFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NDPI	National Development Plan I
NDPII	National Development Plan 2
NDR	National Development Report
NPA	National Planning Authority
NRM	National Resistance Movement
NSSF	National Social Security Fund
OP	Office of the President
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PIM	Public Investment Management
PFMA	Public Financial Management Act
PPP	Public-Private Partnerships
SMART	Specific, Measurable, Achievable, Results-focused, Time-bound
UBOS	Uganda Bureau of Statistics
UPE	Universal Primary Education

Acknowledgements

The author(s) would like to acknowledge the support, time and resources from the National Planning Authority and staff from across Ministries, Departments and Authorities of Government who assisted in the development of this report. The high-level consultative meetings which were chaired by the Minister of Planning enriched this report. The authors are also grateful for the support, time and resources made available from other stakeholders, including the private sector, civil society and Development Partners.

Executive Summary

The Government of Uganda, through the National Planning Authority, commissioned a mid-term review of its National Development Plan III 2020/21-2024/25 (NDPIII). The mid-term review covers the period 2020/21 to 2021/22. The mid-term review, conducted by a hybrid team composed of independent consultants and NPA staff, is comprised of seven reports: Economic Management, Reprioritization of NDPIII, Policy and Strategic Direction; Program Design and Institutional Framework; Partnerships; Monitoring and Evaluation Framework; and, Local Economic Development.

The objective of this report is to present a summary of the findings from each thematic report, and provide an assessment on the performance of NDPIII, to date. It seeks to provide conclusions on how relevant, efficient and effective the plan has been, to date, in supporting Uganda's development trajectory. Recommendations, for consideration by policymakers in the remaining years of implementation are also put forward.

Key findings

The paragraphs below provide an overview of the key findings from each thematic report produced for the mid-term review of NDPIII.

Economic management

1. Performance of the real economy in the first two years of the NDPIII was below the planned targets and this had ramifications on the overall economy. Slow implementation of public investments contributed towards the low growth outturns. The NDPIII growth was assumed partly to be driven by public investments especially in the 69 core projects and other attendant projects.

2. During the first year of the NDPIII, Government pursued an expansionary fiscal policy, with the fiscal deficit rising to 9.1 percent of GDP above the NDPIII target of 7.8 percent of GDP. The higher spending was due to the unforeseen need for more government spending to mitigate the spread of COVID-19, provide adequate support to the health sector to manage the large number of infections as well as social economic assistance to the masses and support economic recovery.

3. Financing the deficit has increasingly been from domestic sources at a very high cost to government. This has increased the debt service burden and led to the narrowing fiscal space for development expenditure.

4. Monetary policy has been underpinned by the desire to maintain macroeconomic stability. Recent surge in commodity prices internationally has resulted into considerable build-up of inflation resulting into high interest rates to contain aggregate demand.

5. Uganda's external position worsened in FY 2020/21, with the current account deficit to GDP increasing drastically from 6.7 percent in FY 2019/20 to 9.5 percent in FY 2020/21. To reverse this trend there is a need to vigorously promote exports through by exploiting value chains for commodities especially in dairy, cassava, soyabeans, palm oil as well as promoting import substitution especially for the value chains of oil and petrochemicals, iron ore and steal related products as well as light manufacturing to curb on imports.

6. In light of the recent challenges due to the pandemic and surge in commodity prices, the assumptions under pinning the NDPIII have been revised. The National Development Plan under this MTR is prioritized within the context of realistically mobilising resources to finance the plan.

7. Commitment to the charter of fiscal responsibility needs to be demonstrated in the remaining half of the NDPIII. The MTR recommends using the Charter of Fiscal Responsibility as an anchor to enforce fiscal discipline. Frequent use of supplementary budgets not matched with revenue collections continue to undermine budget credibility and should be discouraged.

8. Performance of revenue collections is still below its potential. For the past two years of the NDPIII this has averaged at 13.3 percent of GDP. The revenue gap is about 5 percent of GDP an amount that can adequately cover for the current wage bill and leave room for development expenditure. A review of tax policy measures such as zero-rated commodities and enforcement of measures identified to reduce tax expenditures should be implemented.

9. A weak fiscal-social contract between citizens and government continues to limit growth of the revenue tax base. The MTR strongly recommends that government should strengthen links between tax and spending decisions, as well as budget transparency. This would be demonstrated through increased spending on activities that enhance incomes of the population.

10. In a quest to attract investments, Uganda offers generous tax incentives and exemptions albeit at the cost of further erosion of its tax base. The MTR would recommend rationalizing these tax incentives and exemptions and where necessary use them judiciously targeting productive sectors.

11. To further align the budget with the NDP, The MTR concurred with the recommendation from consultations that MoFPED should only provide budget ceilings to the programs. Program secretariats should be at the centre of allocating resources within their programs. Strengthening program cost estimation for budget preparation should be made a priority and mainstreamed within government. There is an urgent need to set up a unit (coordinated by MoFPED, NPA, Public Service and OPM) whose role is to establish the unit costs on programme inputs and the corresponding service delivery standards.

12. To enhance budget efficiency the MTR found an urgent need to introduce annual spending reviews (expenditure tracking) prior to the budget process. These reviews should be used as the basis for prioritizing resources in allocation of resources. MoFPED, NPA and OPM should play the leading role in undertaking these program spending tracking studies. Annual expenditure reviews should inform programme expenditure ceilings.

13. In light of the existing fiscal constraints, existing waste built over time under incremental budgeting, the MTR strongly recommends government to adopt zero-based budgeting (ZBB). ZBB should be applied at the level of allocating resources within the programme.

14. Frequent supplementary budgets continue to undermine planning and budgeting processes. Government should reign on fiscal indiscipline especially on the use of supplementary budgets which are not matched with revenue collections and result into budget suppression in the fourth quarter.

15. Domestic arrears have continued to rise despite Government efforts to reduce them over the years. By the end of 2021, the 2022 Office of the Auditor General Report reported a further increase in the stock of domestic arrears to UGX 4.65 trillion. Arrears pose a reputational risk to Government which can affect the country's credit risk ratings. As well, arrears directly affect private sector performance and tax compliance.

16. There are vulnerabilities with Uganda's debt portfolio. Even though some debt burden indicators remain below their indicative thresholds, they have increased compared to the previous DSAs. More risks include: (i) increasing debt service; (ii)increasing weighted

average interest rate risk owing to huge appetite for costly domestic debt; (iii) reducing average time to maturity of the portfolio; and, (iv) reducing maturity risk.

17. Government should start exploring other options to finance large infrastructure projects whose economic returns may not be viable in the short run but with enormous social benefits. Uganda is currently rated at B+ by Fitch and Standard and Poors rating agencies. At the backdrop of these ratings, the MTR recommends that the Government considers alternative financing models.

18. Credit to the private sector has increased, but at a slow rate compared to the growth over the NDPII period. Low interest credit should be promoted through further capitalization of UDB and UDC. UDC should be capitalized to enable it implement its Strategic Plan 2020-2030 by increasing the capital limit that currently stands at USHS 500bn in line with Section 17(2) of the UDC Act to USHS 1 trillion. In addition, UDC would require further human resource support to enhance its capacity to prepare bankable projects for utilization of the proposed capitalization. Government Banks (Housing Finance, Post-Bank and Pride Microfinance) should be realigned to support the objectives of the NDP plan to provide affordable credit to the private sector.

Policy and Strategic Direction

Macroeconomic strategy, Stability and Inclusive Growth

19. Poverty levels have stagnated to levels of 21 percent accompanied by lower growth. The pandemic and its after effects has worsened the levels of poverty. To reverse this trend, investment in human development and productive programs such as agroindustrialization and manufacturing should be at the core of the remaining 2 years of the plan.

20. The MTR recommends that the NDPIII should focus on incomplete strategic projects carried over from the NDPII. These projects are largely in the railway, roads, energy, and oil and gas sectors. Basing on plans to develop industrial ecosystems around iron ore, oil and gas and phosphates, there is need to continue investing strategically in electricity power generation.

Production and Productivity of Agriculture Sector

21. To enhance inclusive growth, government should continue to play a key role in the agriculture sector to enhance its production and productivity. For production, the MTR

noted that MAAIF has adopted the following strategic direction: (i) production, multiplication, distribution and certification of seeds and other stocking materials like animal breeds and fisheries to be controlled by Government; (ii) vaccinate all animals from FMD; (iv) acquire equipment for the mechanization zones; (iv) implementation of irrigation policy; (v) massive communication campaign to educate farmers; and, (vi) Government should partner with large scale farmers to enhance economies of scale.

22. The construction of 2,311 small scale irrigation schemes under the NDPIII within five years is an ambitious project and worthwhile. No noticeable progress so far has been achieved with most schemes still under design stage.

23. To enhance productivity, government should identify a new promoter for the Sikulu fertilizer manufacturing plant. In line with the Quasi-market approach and given the strategic importance of fertilizers, Government should take lead in championing this project by ensuring that the necessary financing in partnership with an implementor with proven experience is arranged.

Effectiveness of Industrialization Strategy

24. Structural transformation of the economy driven by industrialization has not been realized during the first 2 years of implementing NDPIII. Limited progress in value addition in the agriculture sector has been realized during the first two years of NDPIII. The value of production for agro-processing industries has not shown any marked increase as a result of the interventions under this large programme. There is no progress towards mineral beneficiation and manufacturing. While some semblance of light manufacturing is taking place, this is still far from making an impact and creating jobs at a large scale. The recent disruptions in supply chains and escalating costs of imported raw materials have constrained production in these industries.

25. The MTR recommends that there should be deliberate effort by government to fast track the industrialization agenda. Development of industrial parks should be at the center of promoting industrialization for the remining period of NDPIII. The challenges for establishing the industrial parks include: (i) poor coordination and limited implementation capacities among responsible agencies; (ii) high cost of land acquisition; (iii) lack of financing for most parks, and; (iv) attracting quality investors. The MTR recommends prioritizing these industrial parks with the objective of agglomerating industries related to the resource base. The PDM should provide catchment areas especially for agriculture products to feed the industrial parks.

Sequencing of Infrastructure Development Strategy

26. In view of the industrialization agenda under the NDPIII, it was assumed that the excess additional power generated would be consumed by new large industrial enterprises. While generation capacity has substantially increased, this has not transcended into lowering the cost of power especially to small and mid-sized industrial users. Expediting the development of industrial parks in tandem with attracting investors (to provide bulk consumption of energy) should be prioritized. The drive to reduce the cost of power to less than US 5 cents per KWh should continue to be vigorously pursued as a key factor for the country's industrialization.

Export Promotion and Import Substitution Strategy

27. Trade within the EAC alone remained stagnant during the first 2 years on NDPIII partly due to the closure of the border with Rwanda. Trade within COMESA has also been stagnant albeit with some improvements in far off markets like Egypt where exports such as tobacco, butter and coffee have increased. Uganda's exports are still dominated by raw commodities. The volumes and value of commodity exports remain relatively low, implying the need to address constraints to competitive trade at international and regional levels. With the EAC and COMESA trading blocs there is room for expansion of manufactured exports. The EAC market has high potential to promote industrial development in Uganda, however realizing this potential requires a lot of efforts due to the lack of complementariness in intra- EAC exports.
28. The recent admission of DRC to the EAC is a positive step towards increasing the export market for Ugandan goods. DRC provides also a wide market for manufactured goods especially cement, palm oil, rice, sugar, refined petroleum, baked goods, cosmetics and iron materials coffee, tea, mate and spices; beverages, spirits and vinegar, sugars and sugar confectionery. The MTR recommends that for the next two years—Uganda should harness this market as it has more potential especially for manufactured goods.
29. Uganda stands to benefit from the AfCFTA through boosting intra-Africa exports, increasing manufacturing exports, job creation and enhanced incomes as well as enhanced transport and logistics services in the region. The MTR notes that to benefit from the AfCFTA several challenges must be addressed including: (i) reducing the high costs of doing business (due to factors such as: high regulatory burden and increased import competition); (ii) meeting the required standards set by import countries; (iii) addressing non-tariff barriers to trade (including political barriers); (iv) enhancing economic complementarity through diversification of exports and production.

30. Government should also consider establishing an export credit guarantee scheme to support exporters against high risks of doing export business in the volatile great lakes region. In addition, government should strengthen the country's trade negotiation capacity to ensure maximization of benefits from international conventions such as WTO, EBA, COMESA, AGOA, GFT, EAC and other bilateral protocols.
31. Import substitution strategy should be at the core of addressing the widening trade balance. Focus should be on development of the value chains related to crude oil in particular the oil refinery and related petrochemical industry. As well, harnessing the iron ore value chain would save on the import bill on steel related products. Promotion of light manufacturing such as assembling electronic items would not only save foreign exchange but also lead to creation of jobs. This would require use of deliberate tax policies to ensure that products manufactured locally can compete against imported goods.

Human Capital Development Strategy

32. Based on the manpower survey, progress has been made towards addressing the manpower gaps. For instance, new courses have been established to train early childhood educators, vocational education teachers, agricultural extension workers, information technology trainers, tourism and wildlife colleges. This is a step in the right direction. This notwithstanding more needs to be done to address the manpower gaps in the new emerging sectors such as oil and gas and industrial workers.
33. Consultations with the HCD group raised various challenges that have hindered delivery of their outcomes. Key among them are the low unit costs for UPE, USE, UPOLET, Teacher Education and Vocation Education and thus affecting quality of education delivery. Inspection of schools and higher institutions of learning have been particularly hampered by budget cuts. Owing to limited resources, inspection of tertiary institutions is done at the invitation of the institution.
34. For the population, health and safety management sub-programs within HCD various challenges were raised during the consultative meeting. Key among them is the dwindling number of health workers to patient ratio now at 19/1000. This is compounded by the high demand and externalization of labor and the country loosing highly skilled medical personnel. The low per-capita spending on medicines health supplies has led to frequent stock outs. Lack of specialized skills to repair medical equipment has led to abandonment of sometimes newly acquired equipment.
35. Consultations under the MTR revealed an urgent need to expedite the health insurance bill. The target is to have the insurance bill signed into law by end of the year. The key

fundamentals for the health insurance scheme include: (i) being mandatory for all; (ii) contribution by all irrespective of income status; and, (iii) coverage will only be for basic services.

36. As reported by Gender and Social Protection subprogram, there are emerging occupational risks including the global COVID-19 pandemic, work related stress, ergonomic risks and other related health risks such as communicable diseases that are affecting labor productivity.

Strengthening the private sector to drive growth and investment

37. Factors attributed to the high cost of doing business in Uganda include; the high energy tariffs, bureaucratic business registration processes, inadequate skilled labour force, limited knowledge of business formalization procedures, and high transport related costs among others.
38. The MTR recommends expediting implementation of the existing local content policy, and other related legal and institutional framework, building capacity of local providers to compete favorably in public procurement and enforcing the implementation of the Guidelines on Preference and Reservation Schemes.
39. The MTR also recommends formulation and implementation of the competition law. This is expected to create a fair and competitive business environment as well as effectively curbing uncompetitive practices.

Quasi-Market Strategy

40. Whereas Government has embraced the Quasi-Market approach in infrastructure development, particularly in the energy sector, there are no noticeable investments in setting up large industries for employment creation and boosting exports as envisaged in the NDPII and NDPIII.
41. Government must consider embarking on at least 3 large industrial projects in the medium term. Examples of transformative projects where government should have a direct role for the remaining period of NDPIII are: Iron and Steel, Oil and Gas, petrochemicals and fertilizers plants.
42. The MTR also recommends that government promotes the use of biofuels. By establishment of large biofuels industry aimed at mixing ethanol with oil would create an enormous market for agriculture products such as maize and cassava.
43. For government to play a role through the Quasi-Market approach, the role of UDC would need to be expanded through provision of necessary human and financial resources. UDC

needs to focus more on championing large enterprises where there is clear market failures and challenges of getting the private sector to invest.

Urbanization Strategy

44. The delayed approval of the National Physical Development Plan has constrained orderly development. The MTR recommends prioritization of approving the National Physical Development Plan. The MTR recommends the need to capitalize the National Housing Construction Company and the Housing Finance Bank to provide for low cost housing and affordable mortgages respectively. Uganda is facing a huge housing deficit of more than 2.5 million units, worse than any Country in the region. Deliberate efforts during the remaining 2 years of the plan should be made to bridge the gap.
45. There is also a need to incentivize the private sector to develop low cost housing to reduce the escalating housing deficit. This should be accomplished by government developing the basic social infrastructure around developing housing estates.

Environmental Concerns

46. There is concern on the rapid degradation and loss of wetlands especially in the areas of Busoga, Tororo, Kigezi, Bukedi and some areas of Ankole. The extent of decline varies from over 53.8 percent in the Lake Victoria basin to 14.7 percent in the Lake Albert drainage basin. The key drivers for the encroachment on wetlands include population increase growing at 3.2 percent and the need for cheap industrial land.
47. To further conserve the environment, the MTR recommends to unconditionally vacate wetlands encroached on. Factories should be given 10 years to relocate after identifying alternative land. Cultivation along the shores of the lakes (200 meters) or river banks (50 meters) should also be discouraged. As well, infrastructure developments (residential or commercial) built in wetlands should also be vacated.
48. The MTR also noted that the natural forests are being depleted. According to NFA estimates, over 80,000 hectares of Uganda’s forest estate is lost annually. To address this challenge, natural forests encroached on should also be vacated immediately and unconditionally. Encroachers on forest reserves which were not natural should be encouraged to undertake agro-forestry activities.
49. Government should also embrace a programme of planting trees alongside it’s infrastructure development such as national and local feeder roads. In addition, government should popularize tree planting for each household—more so for trees that can be intercropped with for example coffee and banana plantations.

Results framework

50. Overall, 17 percent of the NDPIII results were achieved by end of the second year. This performance is attributed to challenges of fully transitioning to the programme approach, covid-19 effects and the existence of data gaps as well as weak planning and budgeting for core projects.

51. Poverty and inequality remain critical development challenges for the country. Whereas the proportion of people living on less than a dollar per day marginally improved to 20.3 percent in FY20219/20 from 21.4 percent in FY2016/17 (UNHS, 2019/20) and 41.8 percent of the population was living below the international poverty line of USD 1.9 in FY2019/20 and a significant part of the population remains vulnerable.
52. The quality of life of Ugandans still falls short of the minimum standards despite growth in the income per capita. The growth in incomes has not translated to improved access to quality basic services such as education, health care, and equal opportunities. The Uganda Human Development Index marginally adjusted from 0.528 FY2019/20 to 0.524 in FY2021/22. The homicide rate per 100,000 people increased from 10.52 percent in FY2020/21 to 11 percent in FY2021/22 above the NDPIII target of 10 percent.

Objective 1: Enhance value addition in Key Growth Opportunities

53. The average monthly nominal household income for an employee in Uganda marginally improved to UGX. 200,000 in FY2019/20 from UGX 176,000 in 2016/17. The ratio of manufactured exports to total exports stagnated at 13.5 for the first two years of the NDPIII. This performance is however below the plan's target of 14.9 percent by end of the second year.
54. The foreign exchange earnings from Tourism slightly improved to $1.32 billion from $1.2 billion in FY2020/21 below the Plan's target of $1.6billion. Similarly, the tourism sector's contribution to GDP marginally improved to 3.1 percent from 2.9 in the same period and below the Plan's target of 7.9percent.
55. Internet and mobile telephone penetration still remain low in Uganda in comparison to Kenya with 122 percent internet penetration and 133 percent mobile penetration, Rwanda with 64.4 percent internet penetration and 84.2 percent mobile penetration, and Tanzania with 50 percent internet penetration and 91percent mobile penetration.

Objective 2: Strengthen private sector capacity to drive growth and create jobs

56. Uganda's saving as a percentage of GDP marginally improved from 19 percent in FY2020/21 to 19.2 percent, surpassing the NDPIII target of 16.8percent. The private sector credit and its contribution to GDP improved to 8.5 percent and 15.2percent from 7.1 percent and 14.4 percent in FY2020/21, respectively.

Objective 3: Consolidate & increase stock and quality of Productive Infrastructure

57. The Energy Generation Capacity was reported at 1,254.2 indicating a below NDPII target performance. The percentage of households with access to electricity increased to 28 percent in FY2020/21 from 23 percent in FY2017/18 although far below the Plan target of 40 percent. Internet penetration rate (internet users per 100 people) was 46 percent above the Plan target of 30 percent.
58. The proportion of paved roads to total national road network increased from 21.1 percent in FY 2017/18 to 33 percent inFY2020/21. The percentage of roads in fair to good condition increased to 69 in FY 2020/21 from 67 in FY 2019/20.

Objective 4: Enhance productivity and wellbeing of Population

59. The life expectancy at birth was 63.3 years below the target of 64.6 years in FY2020/21. The Infant Mortality Rate/1000 was 43 against the FY 2020/21 target of 41.2. Maternal Mortality Ratio/100,000 was 336 against the target of 311 for FY2020/21. The Neonatal Mortality Rate (per 1,000) was 27 against the FY target of 24. The Total Fertility Rate and U5 Mortality Ratio/1000 were 5.4 and 64, respectively (Statistical Abstract, 2020). This was against the respective targets of 5 and 42 for FY2020/21. The proportion of stunted children U5 was 29% against the target of 27 for the FY 2020/21.
60. The primary to secondary school transition rate was 61 percent against the target of 65. The survival rate for primary was 34.2 percent against the target of 40 percent for the FY2020/21. The quality adjusted years of schooling was estimated at 4.5 against the FY target of 4.6. The literacy rate was 73.5 percent against the target of 74.1percent for the FY. The electricity consumption per capita (Kwh) was 108.8 kwh against the target of 150 kwh for the FY.

Objective 5: Strengthen the role of the State in guiding and facilitating development

61. The ratio of tax to GDP reduced to 11.4 percent in FY2021/22 from 11.99 percent in the FY2020/21, which was below the Plan's target of 12.3percent for the period. This performance is on account unmet revenue targets

62. The share of central government transfers to Local Government stagnated at 13.7 percent over the two years of NDPII below the Plan target of 20.1 percent for the review period.

Core projects

63. Out of the 69 NDP III core projects, 20 projects are under implementation, 14 projects are still under preparation (Proposal, Profile, Pre-Feasibility, Feasibility), 14 are at the project concepts stage and 21 are still at project idea awaiting approval from the Development Committee (DC) by end of the second year of the NDPIII.

Progress on Presidential Directives

64. The 23 presidential directives and guidelines are 90.1 percent aligned to the NDPIII. Overall, 13 percent of the Presidential directives and guidelines have been achieved, 9 percent are above average, 17 percent at average, majority 35 percent below average and 26 percent not achieved. The presidential directives 8, 14 and 17 were fully achieved while 6, 10, 12, 15, 22 and 23 were not achieved.

Programme Approach and Institutional Framework

65. The programme approach is aimed at enhancing synergies and reducing "silo" approach to planning, budgeting and implementation across government. By reducing the silo approach, the programme approach aims to reduce duplication and wastage of resources. The adoption of programme approach to planning has gone a long way to create awareness among Ministries and Departments (MDA) and other key stakeholders about the need to increase coordination to more effectively and efficiently achieve delivery of common results. A cross section of stakeholders consulted appreciated programme approach to planning but expressed the need for further deepening of understanding and appreciation.

NDPIII Programme design

66. The current design of programmes appears sufficient in providing a framework for the required collaboration and teamwork for achievement of common results. Indeed, it has provided a framework for production of Programme Implementation Action Plans (PIAPs) that were the basis for budgeting towards achievement of identified results in line with joint results frameworks. The design also enabled testing of the coordination frameworks such as Programme Working Groups (PWGs) and their secretariats, which has enabled the MTR to identify the actual challenges and opportunities.

Coordination of NDPIII Programmes

67. The PWG processes have not materialized as most programmes (16 out 20) are not operational and their respective secretariats are invisible. The Office of the Prime Minister (OPM) has the primary coordination and implementation role for the NDPIII but the institution has been limited in this regard against a landscape of weak capacities and un-streamlined institutional arrangements. However, the MTR established that OPM was eager to work on the various challenges to NDPIII programme coordination, including recruiting the Coordinators.
68. The MTR noted that at MDA and Program levels, the planning units which work as secretariats for Lead Ministries lack the required clout and authority to convene other Ministries; and in addition, lack staff, tools and funds to perform the coordination roles. To this end the MTR recommends that the planning units at lead ministries should be strengthened by availing them with the requisite resources.

Development planning

69. NPA has been overwhelmed by capacity building needs and demands from MDAs and LGs towards preparation of PIAPs and aligning work plans and budget framework papers to the programmes. As a result, MDA and Programme level PIAPs were developed with NPA playing the leading role due to the absence of programme-based strategic planning processes. In view of the above, the MTR has recommended sequenced production of plans in line with the bottom-up and top-down process adopted by Cabinet as part of the CNDPF in 2007. The review therefore proposed the Planning Calendar.
70. The MTR established overwhelming demand for preparation of regional plans that are supported by spatial planning approaches. This is attributed to challenges encountered in block farming, bulking for international marketing and development of economic physical infrastructure.

Aligning the Budget to NDPIII

71. Effort was made by both NPA and MFPED to align the national budget to NDPIII by providing processes and guidelines aimed at linking the budget to the Plan through PIAPS. The MTR noted that Progress has been registered in aligning MDA and LG plans to budget. Compliance level over the last four years has averaged 60.3 percent, the many underfunded priorities notwithstanding.

72. The MTR established that the creation of PIAPs was expected to be a cure to the absence of programme-based institutional strategic plans and respective results indicators at the various levels. The MDA and LG results frameworks are required to inform the programme-based system. However, the strategy proved problematic due to lack of programme planning capacity in both MDAs and LGs. By the time of the MTR, LGs were yet to produce programme-based BFPs, despite being allowed to undertake budget expenditure.
73. The MTR established that whereas attributes like Programme/Sub-Programme and approved NDPIII projects are integrated into the IFMIS/Chart of Accounts, the interventions which are the key unique identifiers of the NDPIII are not part of the budget execution system. In order to improve the alignment of the budget to NDPIII the MTR recommended the following:

- That all NDPIII interventions ought to be paraphrased, given unique digits (coded) and integrated into the IFMIS, with or without funds allocated to them.

- The IFMIS/Chart of Accounts should separate Programme and Sub-Programme slots and codes and not to use the two terms alternately. This will enhance compliance to programme approach.

- The IFMIS/Chart of Accounts ought to adopt the same meaning to the use of the term 'Output' as the PBS.

- The number of Votes should be reduced to minimize fragmentation, in line with the

74. The MTR recommends introduction of a new budgeting process involving allocation of ceilings at programme, including indicative allocations to sub-programmes, to enhance operationalization of the programme approach. This process will also provide lessons for implementation of the zero-based budgeting. It is recommended that Parliamentary budget appropriations should continue to be by Vote.

Legal and Regulatory Frameworks

75. The MTR highlights the need for amendment of the PFMA Act, 2015, to ensure it recognises the programme approach
76. Overall oversight and implementation of the NDP was intended to be under the leadership of H.E the President. A mechanism was established by NDPIII under the Apex Platform

to facilitate production of a national oversight report to be presented to H.E the President. The MTR recommends adoption of definite timetable for the annual APEX activities should be tabled for approval by Cabinet. In addition, under a collaborative framework coordinated by Apex, public resources should be followed up to ensure that they have been put to effective use. This collaborative effort should include OPM, OP, MoFPED and NPA and this should be done on a quarterly basis.

Development partnerships

77. **Partnerships are critical levers to the delivery of global, regional and national development agendas.** They are identified as important in the delivery of the Africa Union (AU) 2063 agenda, East African Community (EAC) Vision 2050, Sustainable Development Goals (SDGs) and Uganda's Vision 2040. The Third National Development Plan -NDP III (2020/21-2024/25) emphasizes the relevance and importance of multi stakeholder development partnerships towards the delivery of the plan objectives. The plan recognises the important role of Development Assistance, private sector and NGO financing towards the delivery of development priorities. In particular, more than a third of the plan's financing is expected from private sector.
78. **Fully fledged realisation of effective and multi stakeholder partnerships remains a challenge.** The Mid Term Review (MTR) of second National Development Plan (NDP II) presented a mixed picture, with still challenges of efficiency and effectiveness in aid coordination and delivery to Government of Uganda. In particular, there is absence of Development Partners division of labour and lack of mutual accountability.
79. **NDP III conceptualises partnerships from broad realm of development stakeholders including but not limited to CSOs, Development Partners (also known as donors) and Private Sector.** This NDP III MTR extends the scope of review to all partnerships (Development Partners (DPs), CSOs, and private sector partnerships) and aimed to assess the progress made against the set objectives and results, identify challenges and emerging issues, and recommend specific actions to address them in the remaining NDP-III period and for the design of NDP-IV (2025/26-202/25).
80. **Multi stakeholder partnerships and engagements are weak and the Division of Labour amongst DPs is vividly absent.** DP harmonisation continues to happen through the LDPG, but this body remains more of an information sharing and dialogue platform. It periodically engages with GoU at the MoFPED level through the Economic Management Group and the National Partnership Forum led by OPM. The existing

coordinated partnership forums LDPG, PWGs, PSF[1] and or the NGO Forum are primarily discussion groups-not for decision making fora—and generally the actions of their members are not binding.

81. **There is no effective mechanism for partnerships mutual accountability in place.** The level of effectiveness and efficiency are in part constrained by lack of the joint assessment framework, and the Government Annual Performance Report (GAPR) has not been an effective anchor for mutual accountability. The general increase in ODA disbursements levels over the first two years of NDP III implementation compared to NDP II period is in part attributed to increased disbursements also related to COVID19. This was vivid in accountability sector where increased balance of payments support was provided by the IMF.
82. **Overall there is need to have mechanism to facilitate regular Government-led dialogue with development partners and other actors including representatives of private sector and civil society be instituted.** Government has a critical role to strengthen the means of implementation and revitalize the global and national partnership for sustainable development. The proposed revitalisation of NPF mechanism by ensuring that the new players (including non- traditional donors) participate for better results can provide a space for regular updates on priority issues, including sharing key planning and budgeting documents in a timely matter and ensuring adequate and coordinated support while not leaving any sector, programme or area untackled.
83. **Strengthen the operation mechanism of the National Partnership Forum by adopting a framework for mutual accountability.** The starting point is having partnership framework indicators (also integral in the NDPs M&E frameworks) which should be monitored and reported on periodically also as part of the Government Annual Performance Reports and NDP certificate of compliance reports.
84. **Promotion of an Integrated Data Tracking mechanism of all partners' financing and other forms of support towards National Development Activities**. As part mutual accountability commitments, there is need to encourage DPs to increase their reporting of off budget support in to the AMP and also feasibly expand the AMP to capture private funding and CSO/NGO financing.

[1] https://www.psfuganda.org/

Local Economic Development

85. Since 2014, the government has been grappling with implementation of the LED as an approach for poverty reduction. A number of actions have been taken to operationalize the policy. A dedicated department of LED has been created in MoLG to coordinate LED promotion in the country; a National LED strategy has been developed as an arching framework to guide MDAs and LGs in formulation of their LED strategies and initiatives. Flagship projects my MDAs as well as LGs have been implemented, largely targeted to economic recovery of northern Uganda, a region which continues to register high poverty levels, despite multiple interventions.
86. LED structures have been established in LGs. The department of Trade, Industry and Local Economic Development (TILED) headed by the District Commercial Officer was created in 2018 to coordinate LED. However, in most of the local government, the department has not been facilitated to perform its roles. There is gross lack of technical, human and financial resources to effectively coordinate LED in the LGs. LED committees and Forums have been established in a number of LGs to coordinate LED activities in the LGs and to provide space for private sector and communities to interface with government on matters of growing their local economies. However, the national level coordination structure has not been fully established and operationalized.
87. Although very few, good cases of LED initiatives by LGs have remained undocumented and yet a lot could be learnt from them. There are successful value and market systems developments that have been supported under donor financing, National Agricultural Advisory Services (NAADS) and Operation Wealth Creation (OWC) where the poor have been integrated.

PDM implementation status

88. PDM implementation structures right from the national to the parish level have been established and guidelines issued. A general PDM implementation guidelines was issued to provide the PDM conceptual framework, PDM principles, the 7 Pillars and their delivery mechanisms, stakeholder roles and responsibilities, and the results framework. In addition, pillar specific operational guidelines have been issued for Pillars 1, 3, 5, 6 and 7. Local

government had recruited parish chiefs and formed parish development committees in all their parishes.

89. Community mobilization has been widely conducted and orientation conducted right from the national to parish levels. Most parishes have formed SACCOs and enterprise groups. Countrywide district mobilization & sensitization was carried out led by Cabinet to a total of 17,872 local elected and appointed leaders. Community information systems and data collection exercise is being undertaken. As at 12/08/22, household data had been collected from 4,050,988 households with 41.34% coverage (MoFEP 2022).
90. Financial inclusion pillar has been rolled out. The capacity of District Commercial Officers to support the Financial Inclusion Pillar in 5 was undertaken and PDM SACCO registered under the Cooperative Societies Act as at 12th August 2022 was at 78.67%. a good number of them have set up on IFMS (MoFEP 2022).
91. However, a number of gaps and weaknesses were also identified during local government consultations. Among them include poor sequencing caused by delays in key activities. The parish baseline data collection carried out after formation of SACCOs and enterprise groups and yet, the data should have informed the selection.

Area-Based Commodity Cluster development

92. Commodity clusters have been prioritized according to the ecological zones with each region specializing on production of specific commodities where they have comparative and competitive advantage over other. Under the area-based commodity approach the following regional value chains have been supported by government under Public Private Partnership (PPP) with financial support through Uganda Development Corporation (UDC). However, this list is not exhaustive. (i) Dairy value chain support which includes milk coolers, mini-processing facilities, organization and strengthening of farmers, etc, boasting of 483 milk collection centers countrywide with a total installed capacity of 1,938,522 liters. (ii) Atiak sugar value chain support to Amuru Cooperative Society of planned Ughs 60Bn to plant 7,000 acres of sugarcane to supply to the factory. But was able plant 2,500 acre and Ughs 17Bn. (iii) Yumbe mango processing factory, with installed capacity of 6MT/hr, funded by UDC to a tune of Ugsh 8.9bn, under construction, (iv) Kayunga pineapple processing factory, with installed capacity of 12MT/hr. (v) implementation of Nwoya fruit factors of 12MT/hr installed capacity at Ugsh 19bn has not taken off and (vi) Kapeeka fruit process factory, capacity of 2MT/hr processing line.

Regional development and affirmative action program

93. There are so many programmes under the regional development and affirmative action implemented mainly in the north, north-western, north-eastern and eastern regions. A few of them were selected to be examined in the MTR. These include Northern Uganda Social Action Fund (NUSAF3) which was launched under NDPII but completed during NDPIII from 2016/17 to 2020/21, focusing on (i) Labor Intensive Public Works, (ii) Disaster Risk Financing; and (iii) The Livelihood Investment Support in 8 sub-regions and 66 districts). The outputs were 3459 community assets including Roads, Forestry, Environment, nursery beds and water sources were created. Some of the results were reduced vulnerability from 65% to 53% while improving resilience from 35% to 47% .
94. Uganda Support to Municipal Infrastructure Development Program (USMID-AF)-2019/20-2023/24. Focuses on institutional strengthening and good governance; planning and financial management; infrastructure provision and local economic development (22 municipalities selected across the country). among others the outputs include 8 signalized junctions and 2,259 solar streetlights, while ongoing works includes 89.8km of roads and associated infrastructure.
95. Markets and Agricultural Trade Improvement Programme Project-2 (MATIP2). Nine (9) out of the planned 12 markets have been completed and 8 of these are fully operational. Construction of shelters, installation, testing running and commissioning of high-level value addition facilities for Arua and Busia Markets.
96. Development Response to Displacement Impact Project (DRDIP) addresses impacts of refugees on host communities, address social, economic, and environmental needs of the host communities (15 refugee hosting districts[2]) has led to increased access to basic services of participants by 52.3%. , reduction in Pupil-Classroom Ratio (PCR) from 114 to 71; Pupil to Stance Ratio (PSR) from 75 to 38, and the Pupil to Desk Ratio (PDR) from 6 to 4. The number of inpatients increased by 35% (from 18,440 to 24,969); attendance of OPD increased by 59%
97. Project for the Restoration of Livelihoods in the Northern Region (PRELNOR) 2015/16-2021/22 focused on rural livelihoods: Market Linkages and Infrastructure and Project Management and Coordination. Under which 1,800 farmer group were trained on action planning (100% of the project target); mentored 10,000 households and 1,226 farmer

[2] Adjumani, Arua, Hoima, Isingiro, Kamwenge, Kikuube, Kiryandongo, Koboko, Kyegegwa, Lamwo, Madi-Okollo, Moyo, Obongi, Terego and Yumbe

groups and constructed 4,000 domestic cookstoves for vulnerable households among others.

1.0 Introduction

98. **The Government of Uganda, through the National Planning Authority, has commissioned a mid-term review of its National Development Plan III 2020/21-2024/25 (NDPIII).** The mid-term review covers the period 2020/21 to 2021/22. In line with Uganda's Comprehensive National Development Planning Framework (CNDPF), the NDPIII is the third in a series of six five-year plans aimed at achieving the Uganda Vision 2040. NDPIII was developed by the National Planning Authority in close consultation with a range of stakeholders across Government, civil society, the private sector and Development Partners. NDPIII's goal is to increase household incomes and improve quality of life of Ugandans. The plan builds on lessons learned and results achieved under NDPI and NDPII.. NDPIII is envisaged to be financed by both public and private resources; 67% from Government (external and domestic financing), 33% from private contributions.

99. **The goal of the NDPIII is to increase household incomes and improve the quality of life of Ugandans**. This goal is pursued under the overall theme of Sustainable Industrialization for Inclusive growth, employment and sustainable wealth creation. The key objectives of the Plan are:

(i) Enhance value addition in key growth opportunities;

(ii) Strengthen the private sector to create jobs;

(iii) Consolidate and increase the stock and quality of productive infrastructure;

(iv) Enhance the productivity and social wellbeing of the population; and,

(v) Strengthen the role of the state in guiding and facilitating development.

100. For successful implementation of the NDPIII, the following key development strategies are being pursued: i) Agro-Industrialization; ii) Fast-Track Oil, Gas and Mineral-Based Industrialization; iii) Import Substitution/Promotion of Local Manufacturing; iv) Export Promotion; v) Harness the Tourism Potential; vi) Provide a suitable fiscal, monetary and regulatory environment for the private sector to invest; vii) Increase local content participation; viii) Institutionalize infrastructure maintenance; ix) Develop intermodal transport infrastructure to enhance interoperability; x) Increase access to stable, reliable and affordable energy; xi) Leverage urbanization as a driver for socio-economic transformation; xii) Improve access and quality of social services; xiii) Institutionalize human resource planning for the economy; xiv) Enhance skills and vocational

Development; xv) Promote Science, Technology, Engineering and Innovation as well as ICT; xvi) Increase access to social protection; xvii) Promote development-oriented mind-set; xviii) Increase government participation in strategic sectors; xix) Increase Resource Mobilization for Implementation of National Development Programmes; xx) Re-engineer the Public service to promote investment; and xxi) Enhance partnerships with non-state actors for effective service delivery.

101. The Plan is premised on the following assumptions (i) macroeconomic stability; (ii) peace and security; (iii) availability of resources; and, (iv) using the programmatic approach to deliver the common results.

102. **The objective of this report is to present a summary of each thematic report, provide an assessment on the performance of NDPIII, and identify priorities for the last two years of the plan.** It seeks to provide conclusions on how relevant, efficient and effective the plan has been in supporting Uganda's development trajectory. Recommendations, for consideration by policymakers in the remaining years of implementation and in NDPIII are also put forward. The report draws upon the findings and conclusions contained in each thematic report. As such, there is considerably more detail in each thematic report than is contained in this synthesis report. This report also drew on findings from 52 Districts.

103. **This report is structured into three parts**. Part one presents a background to the topic and the methodology used to collect and analyse information. Part two presents key findings in the following thematic reports: Economic Management, Prioritization of NDPIII, Policy and Strategic Direction; Program Design and Institutional Framework; Partnerships; Monitoring and Evaluation Framework; and, Local Economic Development. Part three provides conclusions and recommendations. This report is extremely timely as the Government of Uganda attempts to put the economy back on the higher growth trajectory as envisaged prior to COVID-19. This document is intended to guide this initiative.

2.0 Methodology

104. To prepare this *synthesis* report, the consultants drew upon the findings, conclusions and recommendations contained in each mid-term review thematic report. Conclusions from visits to the Districts are also considered. Given the varied nature of topics covered by the thematic reports, Chapter 3 of this reports presents the findings in the context of each report.

105. This process was kick started with a launch of the MTR by Hon. Amos Lugoloobi the Minister of State for Planning. This launch drew participation from government, development partners, the youth, civil society and private sector. This work also draws from the high-level policy meetings which were held with Cabinet Ministers who are programme political heads and chaired by Minister of State for Planning. To prepare each *thematic* report, a team of consultants worked with NPA staff under the hybrid approach to synthesize documents and data from government, development partners, private sector, civil society as well as all the high-level meetings. In addition, semi-structured interviews were held with Government staff and other stakeholders (private sector, civil society, development partners and academia) who are involved in the delivery of NDPIII. Semi-structured interviews and document analysis were framed around the guiding questions for each thematic report. The mid-term review team also undertook fieldwork to 52 selected local governments and conducted a series of workshops to validate findings. The guiding questions for each thematic report were set-out in the original terms of reference for the mid-term review and Inception Report.

3.0 Economic management

106. **Performance of the real economy in the first two years of the NDPIII averaged 4 percent and was below the planned target 5.2 percent which had ramifications on the overall economy.** Despite the realised real GDP growth being lower than the planned targets during the two years of NDPIII implementation, the economy is slowly recovering albeit the current challenges emanating from the external shocks. In light of the recent challenges due to the pandemic and surge in commodity prices, the assumptions under pinning the NDPIII have been revised. Discussions with the fiscal and monetary authorities also signal towards conservative estimates of growth. Based on the prioritization of resources within the plan the MTR projects growth to average 5.2 percent during the period 2022/23-2024/25. The growth and fiscal indicators are informed by the reprioritization process whose priorities are summarized in Chapter 4. Summary of the indicators is provided in Table 1:

Table 1: Macroeconomic assumptions

Indicators	**2023/24**	**2024/25**
Growth	5.01	5.37
Inflation	5.0	5.0
Overall fiscal deficit/GDP	3.81	3.32
Revenues/GDP	15.3	15.8
Expenditures/GDP	19.08	19.1

Source: NPA

107. **Slow implementation of public investments also contributed towards the low growth outturns**. The NDPIII growth was assumed partly to be driven by public investments especially in the 69 core projects and other attendant projects. As at March 2022 out of the 69 core projects, only 33 projects (48 percent) were under implementation with only 4 projects (6percent) on schedule while 29 (42 percent) were behind schedule. Some of the projects that are behind schedule include: the oil refinery; the East African

Crude Oil Pipeline (EACOP); standard gauge railway; rehabilitation of the meter gauge railway; and a number of road infrastructure projects such as the Kibuye- Busega-Mpigi Highway, Kampala-Jinja Express Highway among others. The MTR recommends expediting implementation of strategic core projects—as this would directly contribute to the recovery process.

108. **Uganda is yet to attain middle income status using Gross National Income as an indicator[3].** NDPIII aimed at transforming Uganda to attain lower middle-income status, with a targeted GDP per capita of USD 1,198 by 2024/25. The NDP III ambition was to attain GDP per capita of USD936 in 2020/21. However, available data from UBOS revealed that GDP per capita increased to USD1,051 in 2021/22. To attain middle income status would require sustained increase in real growth for the next two years. The MTR also recommends that UBOS should also start measuring and reporting GNI as its internationally accepted as an indicator to measure income status. There is also a need to use other measures such as Human Asset index and Economic Vulnerability index for the future assessments of the plan in 2024.

109. **During the first year of the NDPIII, Government pursued an expansionary fiscal policy, with the fiscal deficit rising to 9.1 percent of GDP above the NDPIII target of 7.8 percent of GDP.** This was mainly driven by the rise in government expenditure to 23.3 percent of GDP as compared to the planned spending of 20.8 percent of GDP in FY 2020/21. The higher spending was due to the unforeseen need for more government spending to mitigate the spread of COVID-19, provide adequate support to the health sector to manage the large number of infections as well as social economic assistance to the masses and support economic recovery. Consequently, the debt ratios are projected to increase from 41percent of GDP in FY 2019/20 to 52.7 percent of GDP in 2021/22 and 53.1 percent of GDP in FY 2022/23, much higher than the NDPIII target of 45.7 percent of GDP and higher than the debt benchmark of 50 percent of GDP[4]. Furthermore, the ratio of interest payments to domestic revenue increased from 16.9 percent in FY 2019/20 to 20.6 in FY 2020/21, rising further above the 15 percent benchmark. The higher debt service burden has considerably reduced the available fiscal space of the budget.

[3] Middle income status requires sustained increase of Gross National Income for three years between $1,036 and $4,045 .

[4] Source: Annual Consolidated Internal Audit Report FY2021/22.

110. **Resources should be allocated to growth enhancing programmes**. As shown in Table 2 below, in FY 2021/22 the governance and security programme received 16.7 percent of the budget followed by human capital development at 16.5 percent and interest payments at 16.2 percent. The recent budget of FY2022/23 portrays a similar trend where the priority is governance and security allocated 20 percent and human capital development (which includes education, health, and water and sanitation subprograms) are allocated 21 percent. Integrated transport and energy which remain key enablers to enhance productivity are allocated 18.4 percent. Allocations to the programmes supposed to be growth enhancing like agro-industrialization, mineral development, private sector development and manufacturing receive 9 percent of the total budget. Resources should be geared towards the productive programmes to resuscitate growth and create jobs. Investments under the PDM should also be growth enhancing rather than being a cash transfer. To enhance efficiency gains, there is a need to undertake intensive follow-up of resources through the Apex platform. This follow up of resources should be championed by OPM, OP, MoFPED and NPA. This could be done on a quarterly basis to ensure that resources are put to effective use.

Table 2: NDPIII and Budget Allocations 2021/22-2022/23

PROGRAMMES	FY 21/22 UGX billions		FY 22/23 UGX billions		FY 21/22 Percent Allocations		FY22/23 Percent Allocations	
	NDP3	NBFP	NDP3	NBFP	NDP3	NBFP	NDP3	NBFP
Agro-industrialisation	1,721	1,410	1,732	1,799	3.5	3.4	3.1	5.6
Mineral Development	515	49	651	36	1.0	0.1	1.2	0.1
Sustainable Development of Petroleum Resources	683	106	852	149	1.4	0.3	1.5	0.5
Tourism Development	613	179	731	182	1.2	0.4	1.3	0.6
Natural Resources, Climate Change, Environment, Land and Water Management	1,899	462	2,088	890	3.8	1.1	3.8	2.8
Private Sector Development	544	559	653	661	1.1	1.4	1.2	2.0
Manufacturing	481	54	594	79	1.0	0.1	1.1	0.2
Integrated Transport Infrastructure and Services	3,827	3,988	5,385	4,856	7.7	9.7	9.8	15.0
Energy Development	943	900	1,159	1,108	1.9	2.2	2.1	3.4
Digital Transformation	645	79	727	218	1.3	0.2	1.3	0.7
Sustainable Urbanisation and Housing	825	63	952	428	1.7	0.2	1.7	1.3
Human Capital Development	5,901	6,832	6,029	6,920	11.9	16.5	10.9	21.4
Innovation, Technology Development and Transfer	594	271	582	24	1.2	0.7	1.1	0.1
Community Mobilisation and Mindset Change	722	57	811	73	1.5	0.1	1.5	0.2
Governance and Security	6,951	6,892	5,786	6,480	14.0	16.7	10.5	20.0
Public Sector Transformation	3,476	325	3,847	208	7.0	0.8	7.0	0.6
Regional Balanced Development	3,889	1,215	4,228	1,066	7.8	2.9	7.7	3.3
Development Plan Implementation	1,883	1,100	1,916	1,028	3.8	2.7	3.5	3.2
Administration of Justice		221	768	384	-	0.5	1.4	1.2
Legislation, Oversight & Representation		698	881	687	-	1.7	1.6	2.1
Interest Payments Due	13,651	6,675	14,742	5,088	27.4	16.2	26.7	15.7
Other Non-discretionary spendng		9,159			-	22.2		
TOTAL	**49,763**	**41,296**	**55,114**	**32,361**	100.0	100.0	100.0	100.0

Source: MoFPED and NPA

111. **Financing the deficit has increasingly been from domestic sources and this has come at a very high cost to government.** The NDPIII's plan to finance the planned deficit of 7.82 percent and 6.18 percent of GDP in FY 2020/21 and FY 2021/22 was to source a

large proportion of financing from external sources, particularly 5.48 percent of GDP and 4.12 percent of GDP respectively from external sources while the rest was to be financed from domestic sources. The deficit financing strategy has greatly differed from the NDPIII with more financing sourced from domestic sources as compared to external sources which has had negative ramifications to private sector development. In particular, domestic financing constituted 4.6 percent of GDP as compared to the external financing that was estimated at 4 percent of GDP in FY 2020/21. Similarly, of the total 7.3 percent of GDP deficit financing in FY 2021/22, 4 percent was sourced domestically while 3.3 percent of GDP was external financing. Of the total domestic financing resources, 2.4 percent of GDP was bank financing while 1.5 percent of GDP was non-bank financing (Table 3). The MTR established that high domestic borrowing was partly driven by financing of the huge supplementary requests against substantial revenue shortfalls.

Table 3: Deficit Financing (% of GDP)

Description	2018/19		2019/20		2020/21		2021/22	
	NDPII	Outurn	NDPIII	Outturn	NDPIII	Outturn	NDPIII	Proj. Outurn
Financing:	4.91	4.9	7.48	7.1	7.82	9.0	6.18	7.3
External Financing (Net)	2.81	2.8	4.86	4.0	5.48	4.0	4.12	3.3
Disbursements	3.72	3.7	5.4	4.6	6.29	5.0	5.2	4.3
Budget Support Loans	0.14	0.1	2.73	1.7	2.7	2.2	2.04	1.8
Project Loans	3.58	3.6	2.66	2.8	3.59	2.8	3.15	2.5
Armotization	-0.91	- 0.9	-0.53	- 0.6	-0.81	- 1.0	-1.07	-1.0
Domestic Financing (Net)	0.92	1.9	0.91	3.4	1	4.6	1.03	4.0
Bank Financing (Net)	0.96	1.0	1.3	2.1	1.33	1.6	0.81	2.4
Non-bank Financing (Net)	0.9	0.9	0.92	1.3	1	2.9	0.8	1.5

Source: NPA and MoFPED 2022

112. **Debt service as a percentage of total revenue stands at 30.7 percent in FY 2023/24 and 31.3 percent in 2024/25**. In absolute terms debt service stands at 8 trillion out of the 25 trillion collected in taxes taking over 30 percent. Interest to revenue is 19.6 percent in 2023/24 and 18.3 in 2024/25. In addition, the total wage bill and non-wage statutory is 8.4 trillion which is also 32 percent of the tax revenues. The budget is therefore highly committed and has considerably narrowed the available fiscal space for development spending. The MTR calls for an urgent need to undertake austerity measures to reign on the levels of spending across all levels of government This should include restructuring government to reduce the current wage bill. While recent wage enhancements are

justifiable, there is need to phase wage increases overtime in line with the available resource envelop. By enhancing the monitoring mechanisms of disbursed funds this would also result into savings of the available resources.

113. **Commitment to the charter of fiscal responsibility needs to be demonstrated in the remaining half of the NDPIII**. The intentions of the Charter are to provide Government's fiscal policy objectives in the next five years that will ensure sustainable delivery of the country's goal of socioeconomic transformation resulting in increased household incomes and improved quality of life of Ugandans. The MTR recommends using the Charter of Fiscal Responsibility as an anchor to enforce fiscal discipline. Frequent use of supplementary budgets not matched with revenue collections continue to undermine budget credibility and should be discouraged.

114. **The MTR notes with concern the further narrowing fiscal space available for development spending.** Interest payments in the total budget now amount to 16 percent of the total budget. While infrastructure development has been at the core of fiscal policy for the past 12 years and justifiably so—the MTR notes there is need to reprioritise infrastructure projects within the programs with a possibility of phasing them over a longer time if government is to meet its targets in the charter of fiscal responsibility.

115. **The NDPIII revenue strategy was aimed at improving compliance and efficiency in tax revenue collections by implementing the Domestic Revenue Mobilization Strategy (DRMS**). The Plan's focus was to strengthen administrative efforts to improve revenue performance in line with the country's potential revenue by providing better training and resources to URA to modernize and expand ICT capability and other necessary tools. Progress on the DRMS reforms has been mixed with some reforms yet to be implemented. Key reforms outstanding include: (i) review and rationalizing of the value-added zero-rated items; (ii) review the exemptions under both personal and corporate income tax heads; and, (iii) review and rationalize all the tax incentives provided in the tax code. For the tax payers, appreciation and adoption of the EFRIS system and full integration with systems used by companies is moving at a slow pace.

116. **Performance of revenue collections is still below its potential**. The past two years of the NDPIII this has averaged at 13.3 percent of GDP. It is estimated that the revenue gap is about 5 percent of GDP. This translates into UGX 8 Trillion shillings which covers the total wage bill of UGX 7 billion and leaves room for development spending. In addition,

compared to the neighboring countries in the region, Uganda's revenue collection effort remains low.

117. **Tax revenues have remained stagnant owing to the restriction of the tax base largely on industry and services sectors and limited collection from agriculture related activities**. This has resulted into a high tax burden of complying tax payers in industry and services, leading to closure of enterprises as informed by representatives of traders. While the agriculture sector remains largely subsistence with farmers operating at a small scale, MTR also found that commercial agriculture is also emerging and largely untapped as a tax base. To avoid setting up regressive tax policy measures targeting the agriculture sector, government should register large commercial farmers with the objective of supporting them and widening the tax base. MTR also recommends that a review of some sectors and their contribution to the tax base such as pharmaceutical products, agricultural chemicals and animal drugs should be undertaken.

118. **In a quest to attract investments, Uganda offers generous tax incentives and exemptions albeit at the cost of further erosion of its tax base**. Key among them are summarized in Box 1. The value of revenue foregone from tax expenditures are estimated at UGX 2,478 bn or 1.56 percent of GDP for the fiscal year 2021/22. The total amount of tax collected during 2021/22 is estimated at UGX 20,877 bn implying that tax expenditures are 11.9 percent of total tax collections (Table 4). The MTR recommend rationalizing these tax incentives and exemptions and where necessary use them judiciously targeting productive sectors. A comprehensive assessment of the beneficiary companies in terms of their contribution towards other taxes, employment and exports where applicable should be undertaken. This would require also strengthening the monitoring mechanisms for the beneficiaries.

Box 1: Investment Tax Incentives and Exemptions

- Investors who make investments of at least USD 50 million for foreigners or USD 10 million for residents are granted a 10-year corporate income tax holiday.
- Manufacturing: a 10-year tax holiday is granted to exporters of finished consumer and capital goods, so long as at least 80% of produce is exported.
- Agro-processing: investors engaged in agro-processing and fulfilling certain narrow criteria are granted an income tax exemption.
- Petroleum and mining: special income tax deductions and exemptions are applied to companies in this sector, such as 100% depreciation of assets acquired for exploration.
- Discretionary exemptions granted to individual companies, which essentially function as private contracts between government and a third party, as well as effective exemptions where Government agrees to pay tax on behalf of a company.

Table 4: Summary of Estimates of Revenue Foregone by Tax Head FY19/20-FY21/22

	FY18/19	FY19/20	FY20/21	FY21/22
Total (UGX bn)	1,703	1,891	2,164	2,478
Total (% GDP)	1.29%	1.35%	1.46%	1.56%
% Total Tax Collected	10.25%	11.29%	11.24%	11.87%
VAT (UGX bn)	415	743	923	1,151
VAT (% GDP)	0.34	0.53%	0.62%	0.72%
Customs (UGX bn)	266	322	352	411
Customs (% GDP)	0.22%	0.23%	0.24%	0.26%
Income Tax (UGX bn)	231	473	449	416
Income Tax (% GDP)	0.19%	0.34%	0.30%	0.26%
Excise (UGX bn)	405	351	438	498
Excise (% GDP)	0.34%	0.25%	0.30%	0.31%

Source: MoFPED

119. **MTR recommends full implementation of tax expenditure rationalization plan FY23/24-FY25/26 which includes**: (i) repealing tax expenditures on capital incomes and unify the tax rate on capital income; (ii) Not to continue providing exemptions for SACCOs; (iii) remove exemptions on supplies of some machinery, tools and inputs for agriculture; (iv) rationalizing excise rates on Tobacco and Wine, motor vehicles and remove excise duty exemptions to investors in excisable goods such as cement; (v) remove exemptions and zero-rates on supply of hotel accommodation, supply of milk supply of fabrics and garments, supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending, supply of billets for further processing, supply of computer software and supply of any goods and services to contractors of hydro-electric power; (vi) repealing provisions in Tax Procedures Code that gives Minister discretion for the government to pay tax on behalf of certain tax payers; (vii) repeal the 10 year tax exemptions; (viii) consider lowering the CIT rate if there is sufficient broadening of the Corporate Income Tax base; and, (ix) removal of exemptions and zero-rates on supply of agriculture inputs, supply of any inputs (feasibility studies and designs, construction materials, earth moving equipment) to a developer of an industrial park or free zone.

120. **To further align the budget with the NDP, The MTR concurred with the recommendation from consultations that MoFPED should only provide budget ceilings to the programs.** Program secretariats should be at the centre of allocating resources within their programs. This is how program secretariats would need to meet and prioritize their spending. To achieve this, it will require fully functioning programme secretariats to be in place and which are resourced annually through the budget. The estimated cost of running a secretariat is UGX 2.5 billion shillings annually.

121. **A weak fiscal-social contract between citizens and government continues to limit growth of the revenue tax base**. The MTR strongly recommends that government should strengthen links between tax and spending decisions, as well as budget transparency. The MTR also notes that some progress has been done in developing and implementing a comprehensive tax expenditure framework to properly evaluate all tax reliefs and allowances. The MTR recommends that wider consultations on tax policy design should be prioritized prior to drafting tax policies into laws and to avoid tax policy reversals.

122. **Strengthening program cost estimation for budget preparation should be made a priority and mainstreamed within government.** The MTR found that they are several costing centers resulting into different versions MTEF based at the NPA and MoFPED which are later compared for alignment. The assumptions underlying the allocation of resources within the PIAPS are not guided by any unit costs—but rather by expenditures on similar activities or actions in the past. There is an urgent need to set up a unit (coordinated by MoFPED, NPA, Public Service and OPM) whose role is to establish the unit costs on programme inputs and the corresponding service delivery standards.

123. **To enhance budget efficiency the MTR found an urgent need to introduce annual program spending reviews (expenditure tracking) prior to the budget process.** These reviews should be used as partly the basis for prioritizing resources in allocation of resources. Spending review refers to the systematic scrutiny of existing expenditure to identify, in particular, options for cuts by drawing on both program evaluations (the review of specific services provided by government) and efficiency reviews (which focus on reducing the cost of delivering services). Without spending review, the risk is that programs which are ineffective, low-priority or which have outlived their usefulness will continue to draw on public resources. Positive feedback under the spending reviews will also motivate MDAs to lift their performance towards programme outcomes. In this context, spending reviews should be integrated within the budgeting process and cycle and

should be conducted annually. Given the enormous work of undertaking these reviews annually—there could be a discretionary targeted approach where programs expected to yield significant savings are reviewed. MoFPED in liason with NPA should play the leading role in undertaking these program spending reviews.

124. **In light of the existing fiscal constraints, existing waste built over time under incremental budgeting, the MTR strongly recommends government to adopt zero-based budgeting (ZBB).** Budget efficiency will be achieved through adoption of zero-based budgeting. For government use, this planning and budgeting technique endeavours to redirect efforts and funds from lower priority current programs to higher priority new programs, improve efficiency and effectiveness, and reduce spending. As well, ZBB are set to prevent regular budget creeping behaviour that emphasizes inflationary adjustments. Therefore, for budget to be translated into concrete development and growth there must be a real forecast of goals or targets at all the tiers of government. The ZBB should be applied within programmes while allocating resources across the interventions.

125. **Frequent supplementary budgets continue to undermine planning and budgeting processes.** The number of supplementary requests have continued to increase from from 177 in the FY 2017/18 to 1,011 in the FY 2019/20 and leaped to 1,322 by first half of the FY 2021/22. Total supplementary expenditure by the central government increased from 1,682.81Bn in the FY 2017/18 to Shs. 4,270.48Bn in the FY 2021/22. The MTR also noted that 75 percent of supplementary expenditures were predictable and could have been planned for in the budget. This points to the fact that there is a missing link between planning and budget processes. In addition, 91% of supplementary expenditures have been financed by mainly suppressing MDA expenditures. This undermines the spirit of planning and budgeting. The MTR recommends adherence to the PFM act especially by properly planning for predictable expenditures. The 3 percent provided for under the PFM act should only be used with clear sources of funding to avoid budget suppression.

126. **Domestic arrears have continued to rise despite Government efforts to reduce them over the years**. By the end of 2021, the 2022 Office of the Auditor General Report reported a further increase in the stock of domestic arrears to UGX 4.65 trillion. The rise in arrears has been mainly attributed to fiscal indiscipline, poor financial management and weak system controls (MoFPED, 2021). The large amount of domestic arrears poses a risk towards fiscal sustainability as it disguises the actual size of the fiscal deficit, and reduces the impact of fiscal policy (MoFPED, 2021). In addition, arrears pose a reputational risk to

Government which can affect the country's credit risk ratings. Arrears have also affected performance of private businesses and tax compliance.

127. **There are vulnerabilities with Uganda's debt portfolio.** Even though some debt burden indicators remain below their indicative thresholds, they have increased compared to the previous DSAs. More risks include: (i) increasing debt service; (ii)increasing weighted average interest rate risk owing to huge appetite for costly domestic debt; (iii) reducing average time to maturity of the portfolio; and, (iv) reducing maturity risk. The debt service as a proportion to total budget is also indicative of narrowing gap to accumulate further debt. There is limited space for further borrowing based on the DSA done by MoFPED. Based on the ratio of PV of debt to exports, further excessive borrowing will push the country to a high-risk category between the period 2022 and 2026.

128. **As government embarks on fiscal consolidation to meet its targets in the charter of fiscal responsibility there is a need to reprioritize spending**. As highlighted in the background to the budget, the first call on resources over the remaining period of the NDPIII will target the following interventions that: (i) have higher multiplier effects and dependencies; (ii) directly linked to addressing household poverty and food security; (iii) are in position to aid quick economic recovery (directly impact production and consumption); and, (iv) in alignment with the operationalization of the Parish Development. In light of this criteria, the MTR undertook simulations where there is some prioritization of resources and focusing more on agro-industrialization, road maintenance energy (transmission and substations) and water for production. This simulation results into a higher growth path within the available resource envelop and without necessarily resulting into higher debt. Exports under this scenario also increase by an average of 6.7 percent improving the debt liquidity indicators (debt to export ratio) for Uganda's capacity to pay debt.

129. **Government should start exploring other options to finance large infrastructure projects whose economic returns may not be viable in the short run but with enormous social benefits.** Uganda is currently rated at B+ by Fitch and Standard and Poors rating agencies. At the backdrop of these ratings, the MTR recommends that the Government considers alternative financing models. These include issuing long-term Infrastructure Bonds. Government has finalized the infrastructure bond framework that will operationalise and guide issuance. Government should also mobilize large surplus institutions to finance infrastructure projects, such as pension funds, particularly the

National Social Security Fund (NSSF). Other emerging financing options which are particularly targeting green growth investments should also be explored. An example in this context include the Green Bonds a type of fixed income instrument, specifically, earmarked to raise funding for climate and environmental smart projects. Public Private Partnerships have been embraced in the previous plans as a mode of financing to complement traditional sources particularly tax revenues and borrowing. The MTR noted that there are still challenges for Uganda to benefit from PPPs given their complexity. Skills development in project finance, legal provisions for contracts, contract monitoring based on outcomes should be prioritised. PPPs organized by communities should be encouraged by government. Lastly, to fully benefit from Islamic Finance, government of Uganda will require reviewing the existing legal, and institutional framework to identify constraints and devise measures to overcome them. The MTR also noted other emerging forms of financing particularly pre-financing projects. Discussions with various authorities pointed to various risks for this form of financing and being more costly to government than direct borrowing.

130. **Credit to the private sector has increased, but at a slow rate compared to the growth over the NDPII period**. The period July 2019 to date demonstrates the extent to which government has aggressively been borrowing from the domestic market at the expense of private sector credit growth and also way out of line with other monetary aggregates. The MTR notes that this is a worrying trend that needs to be reversed if government is to promote private sector development as well as support macroeconomic stability.

131. **Fiscal expansion over the past three years that has resulted into rapid increase of public debt is restraining implementation of monetary policy.** Given the current level of debt service, this constrains the conduct of monetary policy, inducing the central bank to pay growing attention to reducing the costs of servicing the public debt, especially domestic debt. Notwithstanding urgent and unplanned for expenditures which usually emerge through supplementary budgets and financed through domestic borrowing, there is a need to enhance better coordination between fiscal and monetary authorities as the monetary policy space to maintain macroeconomic stability is being narrowed by such actions.

132. **Monetary policy has been underpinned by the desire to maintain macroeconomic stability.** The Bank of Uganda (BOU) has been implementing monetary policy under an Inflation Targeting Lite (ITL) monetary policy framework. BOU monetary policy

framework has ensured price stability during the first year of the NDPIII implementation. Recent surge in commodity prices internationally has resulted into considerable build-up of inflation. Inflation outlook continues to be uncertain owing to the following factors: (i) global inflationary pressures owing to high world food and energy prices; (ii) tight monetary policy being pursued by advanced countries which could intensify portfolio outflows from frontier markets such as Uganda; (iii) high prices in global markets which could further weaken the Uganda shilling, and; disruptions in global supply chains. These risks have further dampened the prospects for higher economic growth, weakened consumer confidence and led to higher exchange rate volatility. To address these challenges of worsening economic outlook, the monetary authorities tighten monetary policy by raising the CBR to 8.5 percent.

133. **Uganda's external position worsened in FY 2020/21, with the current account deficit to GDP increasing drastically from 6.7 percent in FY 2019/20 to 8.0 percent in FY 2021/22**. In particular, the trade deficit widened widened by 7.3 percent of GDP in FY 2021 from 6.4 percent of GDP in 2020/21. There was a drastic increase in the growth of exports receipts in 2020/21 to US$5,278 millions from US$ 3,807.1 million in FY 2019/20. The rise in exports receipts was driven by the rise in Gold exports receipts which increased by 101 percent. Export receipts declined to US$ 3,836 million in FY 2021/22 mainly due to the halt in gold exports by exporters as a result of a levy of five percent on every kilogramme of refined gold and 10 percent on unprocessed gold for export imposed by Government in 2021. Imports increased by 15 percent in FY 2021/22, to US$ 7136.7 million relative to the FY 2019/20. International reserves have declined during the first two years of the NDP from 4.9 to 3.65 months of imports of goods and services. To improve the current account, the MTR recommends development of the value chains where Uganda has a comparative advantage in the region particularly for dairy, maize, cassava, coffee and soya-beans.

4.0 Reprioritization of Programme Interventions

134. The reprioritization identified priority interventions, projects and actions across all the NDPIII programmes that will be selected for implementation given the financial resource constraints. The reprioritization process involved, first, undertaking programme situation analysis that documents the achievements, challenges, emerging issues as well as lessons learnt. Second, selection of key priority interventions for the remaining two and half years of NDPIII implementation through a review of the Programme Implementation Action Plans (PIAPs) by the Programme lead agencies with the respective programme stakeholders. The elements of the current budget structure (wage, non-wage, multi-year commitments (MYCs)) were also reviewed to determine their alignment to the priorities. The MYCs were reviewed to determine the proportion of the budget resources besides the statutory obligations.

135. The reprioritization exercise was a highly consultative, collaborative and iterative process involving relevant stakeholders from MDAs, think tanks as well as a review of appropriate literature from empirical studies and national data sources. Based on the backdrop of a valid strategic direction of the NDPIII, the operational activities were the focus on reprioritization. Accordingly, a project/intervention/activity is considered a priority for the remaining period of the NDPIIII if it meets the following criteria:

i) Presidential directive

ii) The activity aids quick economic recovery (directly impacts production and consumption); It is a presidential pledge or directive;

iii) The activity has higher multiplier effect and dependencies;

iv) It has direct/proximate impact on house-hold income and food security;

v) Low hanging fruits – (including cost neutral activities);

vi) Can be achieved within the remaining two years of the plan;

vii) Can be implemented within the available resources;

viii) Capable of hedging the economy from shocks; and

ix) It contributes to the operationalization of the Parish Development Model.

136. Each element of the criteria was assessed with score ranging between 0 and 1 i.e., from 0.1 to 1 such that the total/sum of the individual scores of each programme activity becomes the total programme score e.g., a total of 50% implies half of the programme activities remain priority**.** The Copenhagen Consensus Centre (CCC), an influential think tank supported the reprioritization process. This method goes beyond just the monetary benefits to include social, economic and environmental benefits which are estimated using economic principles that allow for comparisons between interventions in different areas such as education viz health viz agriculture etc. A Benefit Cost Ratio (BCR) is computed to inform the priority ratings.

137. The reprioritization process that involved application of the aforementioned criteria was undertaken across all programmes. The results were varied for each individual programme. The full detail of the scores by programmes have been provided in Annex 1. The section below provides summaries by programme:

Table 5: Summary of Programme Scores

Programme	Actions		Score		
	Total Number	Presidential Directives	75% and above	63 - 74%	50% & below
Agro-Industrialization	295	15	189	32	74
Mineral-based Industrialization	204	8	87	47	70
Petroleum Development	67	6	17	31	19
Tourism Development	104	2	84	13	7
Water, Climate Change and ENR Management	333	35	149	52	132
Private Sector Development	287	10	154	9	124
Manufacturing	194	6	135	22	37
Digital Transformation	150	3	18	40	92
Integrated Transport Infrastructure and Services	224	1	174	35	15
Sustainable Energy Development	227	34	147	57	23
Sustainable Urban and Housing Development	191	0	67	32	92
Human Capital Development	560	31	180	105	275
Community Mobilization and Mindset Change	102	0	46	7	49
Innovation, Technology Development and Transfer	47	0	23	7	17
Regional Development	43	15	40	0	3
Public Sector Transformation	216	0	187	19	10
Development Plan Implementation	197	1	119	48	30
Administration of Justice	These three programmes were not subjected to the reprioritization process since their resources are directly approved by H.E. and are protected				
Governance and Security					
Legislature and Oversight					

138. The reprioritization process undertaken following the aforementioned criteria resulted to rating of the activities such that those that scored 75% and above were considered most critical and would take the first call on resources for the remaining two years of the NDPIII. Given the resource constrained as occasioned by the current economic situation and the need to restore the economy to the pre-COVID-19 levels, the following activities have been considered as priorities for each of the programmes.

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139. The priorities identified herewith are presented along the programmes and are to be implemented in addition to the fixed costs provided for each of the programmes. Governance and Security, Legislature, Oversight and Representation, and, Administration of Justice Programmes have been excluded because of their special nature.

Table 6: Prioritization of Programme Interventions

#	Core Programme Priorities arising from the Reprioritization Exercise (*Details in the PIAP*)
	1. Agro-Industrialization Programme
	1.1 Agricultural Production and Productivity
1.	Support large scale commercial farmers for production of strategic food and feed security commodities
2.	Provide logistical support for agricultural extension up to parish level including transport, equipment, tools to enable farmer visits, education, demonstrations, etc
3.	Extension of agricultural mechanization service centres and facilities in the 9 mechanization zones
4.	Production, multiplication, certification and distribution of seed and stocking materials for priority crops, fish fingerlings, livestock breeds (cattle, poultry and pigs)
5.	Disease, pest and vector control including acquisition of livestock vaccines and research for in country animal vaccine manufacture
6.	Support the stumping and rejuvenation of old coffee trees, provide coffee drying and processing facilities to farmer cooperatives
7.	Establishment of small- and large-scale irrigation facilities
	1.2 Storage, Agro-Processing and Value addition
1.	Renovate, equip and operationalize agro-processing and value addition infrastructure for grains, fruits and vegetables, coffee, grains, animal feeds
2.	Provide financing for private sector equity investment to catalyze investments in agricultural processing and value addition
	1.3 Agricultural Market Access and Competitiveness
1.	Expand, renovate and equip certification laboratories (for priority commodities, animal and plant health, ART) and aid them obtain international accreditation
	2. Mineral Development Programme
1.	Increase public investment in priority mineral processing; iron ore, gold, phosphates, development minerals and marble.
2.	Undertake a detailed exploration and quantification of minerals and geothermal resources in the country
3.	Increased domestic production of mineral-based products
	3. Petroleum Development Programme
1.	Design and Construct Pre - requisite infrastructure in Kabaale Industrial Park (fencing, access roads, power and ICT); considering the elderly, PWDs, women and children.
2.	Undertake EACOP RAP with the consideration of the elderly, youth, women and PWDs.
3.	Implement RAP for Tilenga and Kingfisher projects while ensuring that gender and equity aspects are considered.
4.	Implement initiatives that enhance the local Service providers' capacity considering the women, youth and PWDs.

5.	Train and certify local suppliers considering the youth, women, elderly and PWDs.
	4. Tourism Development Programme
1.	Rescue wildlife, Undertake rehabilitation and release back to the wild.
2.	Enroll students at UHTTI
3.	Develop and operationalize an online Tourism information Management System (TIMS)
4.	Establish an online tourism information hub for the entire country
5.	Register, train, assess and license tour guides
6.	Information on Uganda's tourism archived; Digitization on tourism
7.	Develop the promotional material (digitize material for virtual tours of investment sites, videos, online documentation), Marketing the projects for investment (dissemination through various channels- participation in promotional activities, media, exhibitions e.tc)
8.	Carry out domestic promotional campaigns
	5. Water, Climate Change, ENR & Land Management
	5.1 Environment and Natural Resources Sub-Programme
1.	Construct four Forest Cluster Industries
2.	Construct reliable and functional food chain management
3.	Disseminate climate information and knowledge products to communities, state and non-state actors
4.	Procure equipment to improvement the accuracy of meteorological and disaster information.
	5.2 Water Resources Management Sub-Programme
1.	Construct 700 Water Management Infrastructure (valley dams etc
2.	Restore 15 natural catchment to maintain the water cycle
	5.3 Land Management Sub-Programme
1.	Process and Issue Land Titles
2.	Lease titled government land to prospective investors
3.	Undertake survey and titling of government land
4.	Acquire land for public projects/utility corridors
5.	Rollout online land management system
6.	Undertake survey, land titling and certification using fit for purpose approach.
	6. Private Sector Development Programme
1.	Mobilize and appropriate resources to UDB based on a results-oriented capitalization framework
2.	Establish and operationalize the EMYOOGA fund for MSMEs, in the specialized trades
3.	Establishing and operationalize Regional Business Development Service Centres to provide services massively
4.	Strengthen applied Research for development of Value-Added Products
5.	Expand/scale up provision industrial production infrastructure and facilities in all regions
6.	Support local producers to attain Certification, testing and calibration of services to support local content
7.	Conduct feasibility studies in strategic NDPIII areas for government and private sector investment
8.	Maintain and expand the existing scope for accreditation to ensure recognition of UNBS certification services, testing and metrology services, as well as inclusion of Imports Inspection, market surveillance and Legal Metrology
9.	Rally the local private sector to seize the opportunities in industrial parks
10.	Establishment of a one-stop centre for business registration and licensing & other services (Fortportal, Masaka, Hoima, Lira, Soroti, Gulu, Jinja, Entebbe,
	7. Manufacturing Programme Priorities

1.	Capitalize the Industrial development economic fund established under the UDC act to invest in strategic Manufacturing projects
2.	Develop bankable manufacturing projects and market them for uptake or funding by prospective investors
3.	Construct/ rehabilitate roads linking resource areas like Muko and Karamoja to industrial parks
4.	Construction of one stop border posts between DRC, South Sudan and Uganda
5.	Develop and implement an incentive scheme for industrial sugar production
6.	Provide technical support to sugar industries to diversify into industrial sugar production
7.	Develop standards for products on the Ugandan market
8.	Enhance the packaging and branding of Ugandan products to improve on their competitiveness
9.	Support the NTB removal / monitoring mechanism in our strategic markets (NTB online reporting system, enhanced legal reforms, NMC, etc)
10.	Undertake certification of products to increase market access
11.	Provide technical, equipment and financial support certification of MSMEs products.
12.	Support Commercial Offices in the local governments to promote implementation of standards and quality requirements of manufactured products and ensure compliance
13.	Undertake enforcement activities in the market through market surveillance and inspection
14.	Undertake enforcement activities at entry points for imported products to enforce compliance to standards
15.	Construct and operationalize 2 border export zone/border market facilities
	8. Digital Transformation Programme
1.	Digitalizing service delivery (e-government);
2.	Implement last mile connectivity and Uganda Digital Acceleration Program to expand access to affordable high-speed internet through the NBI;
	9. Integrated Transport and Infrastructure Services Programme
1.	Operationalize the Hoima International Airport (Kabaale)
2.	Upgrade strategic roads from gravel to bituminous surface
3.	Improvement of road junctions
4.	Maintenance of National, DUCAR and GKMA road network
5.	Rehabilitation/maintenance of Road equipment
6.	Rehabilitation and upgrade of Kasese, Arua, Gulu, Kidepo, Pakuba, & Mbarara aerodromes
7.	Procurement and operationalization of ferries (Sigulu, 2no BKK, 2no Bunyonyi, 1 no Nakiwogo, 1no Kalangala, 1no Koome 1no)
8.	Conduct hydrographic survey and produce navigation charts of Lakes Victoria, Kyoga, Bunyonyi, Albert, Bisina, Edward, George and R. Nile
	10. Sustainable Energy Development Programme
1.	Rehabilitation and expansion of the transmission network to key growth economic zones and interconnections to neighboring EAC countries
2.	Expansion and Rehabilitation of Distribution Network
3.	Increasing adoption and use of clean energy
4.	Promoting utilization of energy efficient practices and technologies
	11. Sustainable Urbanization and Housing Programme
1.	Support informal enterprises / street vendors to form associations
2.	Construct and improve urban infrastructure i.e. Urban Roads and related infrastructure
3.	Establish waste recycling enterprises and decentralized waste management centres
4.	Promote waste to energy conversion
5.	Prepare and implement detailed plans for all cities and Municipal Councils
6.	Establish Export Business Accelerator in Public Free Zones.

	12. Human Capital Development Programme
	12.1 Population Health, Safety and Management
1.	Population Health, Safety and Management
2.	Implement the Uganda National Minimum Health Care Package (UMNHCP) with focus on high impact intervention packages for each life stage
3.	Establish and functionalize centers of excellence for Heart national and regional levels
4.	Establish and functionalize centers of excellence for trauma at national level
5.	Recruit the trained super- specialists
	12.2 Education, Sports and Skills
1.	Establish and operationalize an integrated e-inspection system for all schools and education institutions (integrated inspection System)
2.	Retool secondary schools and lower secondary school teachers to enable them implement the new lower secondary curriculum (CPDS) and review Upper Secondary Curriculum
3.	Establish additional STEM/STEI incubation centres in public universities
4.	Construct Public Primary Schools in Parishes without a public primary school
5.	Construct inclusive teaching facilities & office space starting with MUK & KYU and operationalise Busoga University and Karamoja Constituency College
6.	a.Design new EMIS solution architecture, functionalities and features. b. Automate key statistical operations particularly data collection, transmission, analysis, reporting and feedback.
7.	Construct lecture theatres/teaching facilities in TVET institutions to conform to NCHE standards
	12.3 Labour and Employment Services
1.	Design and operationalize a web-based LMIS
	12.4 Gender and Social Protection
1.	Rescue, rehabilitate and resettle street children
2.	Provide non-formal vocational, entrepreneurial and life skills trainings to out of school youth for wealth creation
	13. Community Mobilization and Mindset Change
1.	Popularize the national vision, interest and common good for the citizenry
2.	Conduct awareness campaigns and enforce laws enacted against negative and/or harmful religious, traditional/cultural practices and beliefs
	14. Innovation, Technology Development and Transfer
1.	Undertake a Feasibility Study to Operationalize the National Aeronautics and Space Science Program and Develop a Strategy
2.	Support Applied Research in Industry 4.0 + Technologies and Themes (IOT, Artificial Intelligence, Machine Learning, Robotics, Big Data, Block Chain, Additive Manufacturing etc)
3.	Support the Development and Industrialization of the Cassava Value Chain
	15. Regional Development Programme
1.	Set up income enhancement projects in Acholi, Karamoja, Teso, Bukedi, Bugis, Busoga, Bunyoro and West Nile
2.	Construct valley dams
3.	Purchase and install agricultural post-harvest handling and processing facilities
4.	Open transmission lines, install overhead tanks and establish connections on all the systems
5.	Conduct pre-feasibility (1) and feasibility studies for water for production (1)
	16. Development Plan implementation Programme
1.	Equip and resource parishes to operationalize service delivery structures.
2.	Support the preparation of the pre-feasibility, feasibility and value chain studies in priority NDP III projects/areas

3.	Review and amend/develop the different legal frameworks to facilitate effective and efficient Resource Mobilization and Budget execution.
4.	Implement Domestic Revenue Mobilization Strategy (DRMS)
5.	Continuously assess the revenue mobilization measures
6.	Collect tax revenue (all forms of taxes)
7.	Review and implement KCCA Revenue mobilization communication Strategy, update the existing tax payer register; automate revenue administration processes
8.	Consultations and development of NDP IV
9.	Develop the integrated identification system

5.0 Policy and Strategic Direction

140. **The** NDPIII has various strategies which underpin to plan to achieve its goal. Key among them include: (i) macroeconomic stratety, stability and inclusive growth; (ii) industrialization strategy; (iii) producton and productivity of the agriculture sector; (iv) industrialization strategy; (v) export promotion strategy; (vi) import substation strategy; (vi) human capital development strategy; (vii) private sector development strategy; and, (viii) urbanization strategy.

141. **The objective of the Policy and Strategic Direction report is to present an assessment on the quality, suitability and effectiveness of NDPIII's policy and strategic direction, three years into implementation.** Four areas of enquiry were considered in the report: NDPIII's theory of change; plans and strategies; effectiveness of Government policy in achieving NDPIII objectives; alignment of plans, policies and strategies to NDPIII and suitability of NDPIII's strategic direction.

Macroeconomic strategy, Stability and Inclusive Growth

142. **Accelerated growth in real GDP results into lower poverty rates**. This indeed was the case during the period 1992/93-2009/10. However, since then poverty levels have stagnated to levels of 20.3 percent accompanied by lower growth. The pandemic and its after effects has worsened the levels of poverty. The MTR notes that there is a need to strike a balance between infrastructure, agriculture and industry and human capital development. There is need to re-engage development partners in all these areas.

143. **Debt levels continue to increase to unsustainable levels**. Within two years of NDPIII debt has increased from 41 to 52 percent of GDP and this is above 50 percent where debt is considered unsustainable. While fiscal expansion to address the infrastructure, needs was the right policy especially in NDPI and NDPII, MTR recommend to use the remaining period of NDPIII rationalizing outstanding projects as well as maintaining the accumulated infrastructure stock. New infrastructure projects should be prioritized and some phased into NDPIV to maintain debt within manageable.

144. **Recent surge in commodity prices has resulted into a sharp increase in inflation**. By June 2022, core and headline inflation have increased by 5.5 and 6.8 percent respectively. High inflationary environment erodes incomes of the population and could

also exacerbate the poverty and income inequality. Priority in maintaining price stability for a stable macroeconomic environment and avoiding debt unsustainability should be an overarching objective.

145. **The MTR recommends that the NDPIII should focus on incomplete strategic projects carried over from the NDPII**. These projects are largely in the roads, energy, and oil and gas sectors. Basing on plans to develop industrial ecosystems around iron ore, oil and gas and phosphates, there is need to continue investing strategically in electricity power generation. To minimize the cost of transmission and distribution of power, industrial clusters should be strategically located in consideration of raw material (e.g. iron ore, oil and gas and phosphates), and access to existing infrastructure and markets

Production and Productivity of Agriculture Sector

146. **To enhance inclusive growth, government should continue to play a key role in the agriculture sector to enhance its production and productivity**. For production, the MTR noted that MAAIF has adopted the following strategic direction: (i) to have quality seeds in the country, the production, multiplication, distribution and certification of seeds and other stocking materials like animal breeds and fisheries should be controlled by Government; (ii) vaccinate all animals from FMD; (iv) equip all the eight mechanization zones; (iv) Irrigation policy implementation by MAAIF; (v) a champion a massive communication campaign to educate farmers; and, (vi) partnering with large scale farmers to enhance economies of scale. The MTR also recommends that Government avails incentives for medium and large scale farmers to use their land. Incentives should include easy access to affordable capital through UDB and other lending agencies such as PostBank. As well, government should enhance agriculture insurance to attract investments in the sector.

147. **The construction of 2,311 micro and small-scale irrigation schemes under the NDPIII within five years is an ambitious project and worthwhile.** No progress so far has been achieved with most schemes still under design stage. To revitalize the agriculture sector, infrastructure for irrigation should be made a priority under the NDPIII. Government should champion and invest in irrigation schemes both of large- and small-scale nature. There should be deliberate effort done at local governments to promote small scale irrigation by setting up demonstration gardens and hiring irrigation engineers who can be consulted by the population in design and implementation of these technologies.

148. **To enhance productivity, government should identify a new promoter for the Sikulu fertilizer manufacturing plant.** In line with the Quasi-market approach and given the strategic importance of fertilizers, Government through UDC should take lead in championing this project by ensuring that the necessary financing in partnership with an implementor with proven experience is arranged. Production of fertilizers is of strategic importance given the impact on increasing production and productivity of the agriculture sector as well as addressing food security.

Effectiveness of Industrialization Strategy

149. **Structural transformation of the economy driven by industrialization has not been realized during the first 2 years of implementing NDPIII**. The contribution of the industrial sector in total GDP has not fundamentally changed, averaging 26.8 percent in 2020/21-2021/22. Real growth rate of the sector was also affected during the first year of implementing the plan owing to the COVID-19 lockdowns. However, the fiscal year 2021/22 witnessed some recovery of the industrial sector mainly driven by growth in mining and quarrying and manufacturing.

150. **Limited progress in value addition in the agriculture sector has been realized during the first two years of NDPIII.** The value added as a result agro-processing industry has not shown any marked increase as a result of the interventions under this large programme. Value addition should be pursued in areas where Uganda has a comparative advantage and these include diary, cassava, maize, coffee, soyabeans, oilseeds including palm oil. Value addition has also been hampered by inconsistent crop production.

151. **There is no progress towards mineral beneficiation and manufacturing**. Apart from Gold, there is limited value addition on minerals. Besides, Gold is an enclave sector with limited job creation and highly externalized with no spillover effects to the rest of the economy. Minerals that can have a profound effect on the fortunes of the country include: oil and gas, iron ore as well as phosphates. Iron ore processing has been hampered by lack of a champion either from the Government (e.g. through UDC) or private sector developers. Phosphates beneficiation in Sukulu was hampered by the developer running out of funds and abandoning the project.

152. **While semblance of light manufacturing is taking place, this is still far from making an impact and creating jobs at a large scale**. The recent disruptions in supply chains and escalating costs of these raw materials have constrained production in these

industries. The MTR recommends that for light manufacturing to effectively take place, there is a need to review the tax laws that apply to similar products that can be imported at cheaper cost given the lower cost of production in source countries. The MTR recommends that government should strike a balance between its quest for revenue collection and the need to generate employment for its citizens if light manufacturing is to effectively take place. Light manufacturing plants that should be harnessed include electronic items such as computers and phones assembling, textiles and their related products and packaging products.

153. **The MTR recommends that there should be deliberate effort by government to fast track the industrialization agenda through establishment of specialized financial institutions targeting small and large-scale industries**. The industrial sector is currently dominated by small and medium enterprises (SMEs), which makes 93.5% of firms operating in the sector. Coupled with the quasi-market approach, there should be deliberate efforts to fast track nurturing of SMEs into large industries. Government owned finance institutions should align themselves with the industrialization strategy—Postbank, Housing Finance and Pride Microfinance should be given a policy direction on what to finance in line with the development agenda in the NDP.

154. **Development of industrial parks should be at the center of promoting industrialization for the remining period of NDPIII**. The challenges for establishing the industrial parks include: (i) poor coordination and limited implementation capacities among responsible agencies; (ii) high cost of land acquisition; (iii) lack of financing for most parks, and; (iv) attracting quality investors. The MTR recommends prioritizing these industrial parks with the objective of agglomerating industries related to the resource base. The PDM should provide catchment areas especially for agriculture products to feed the industrial parks.

Sequencing of Infrastructure Development Strategy

155. **In view of the industrialization agenda under the NDPIII, it was assumed that the excess additional power generated would be consumed by new large industrial enterprises**. Currently this has been hampered by the failure of take-off of large energy consuming industries such as beneficiation of iron ore industry or rail line. The required reserve energy should be above 45 percent given the anticipated demand that will emanate

from railway sector and industrial developments. MTR also recommends the use of dams as sources for water for production, tourism and fish farming.

156. **While generation capacity has substantially increased, this has not transcended into lowering the cost of power especially to industrial users**. The MTR recommends that new power dams should be built targeting industrial developments that would uptake the additional power generated. Expediting the development of industrial parks in tandem and attracting investors should be prioritized. The drive to reduce the cost of power to less than US 5 cents per KWh should continue to be vigorously pursued as a key factor for the country's industrialization. Government involvement in transmission, distribution and retailing of power should be vigorously pursued.

Export Promotion and Import Substitution Strategy

157. For the country to address its macroeconomic imbalances buoyed by a stronger current account, emphasis on export-oriented growth remains critical. Export earnings are not sufficient to generate enough earnings to meet the increasing import bill. The MTR found that there has been some progress towards expanding the export market. While exports to the European Union and COMESA region remained stagnant, exports to the Middle East doubled during the NDPIII.

158. **Trade within the EAC alone remained stagnant during the first 2 years on NDPIII partly due to the closure of the border with Rwanda**. Trade within COMESA has also been stagnant albeit with some improvements in far off markets like Egypt where exports such as tobacco, butter and coffee have increased. The marked increase was mainly with the Middle East region. Albeit these efforts, Uganda's exports are still dominated by raw commodities. The volumes and value of commodity exports remain relatively low, implying the need to address constraints to competitive trade at international and regional levels.

159. **With the EAC and COMESA trading blocs there is room for expansion of manufactured exports**. The EAC market has high potential to promote industrial development in Uganda, however realizing this potential requires a lot of efforts due to the lack of complementariness in intra- EAC exports. EAC countries source only about 6% of their total imports from the region and yet produce similar manufactured goods (e.g. corn flour, textiles, sugar, confectionery, beer, salt, fats and oils, iron and steel products,

cement, petroleum, paper, plastics and pharmaceuticals). This would therefore require to focus a lot more on value chains where there is demonstrated comparative advantage.

160. **The recent admission of DRC to the EAC is a positive step towards increasing the export market for Ugandan goods**. DRC has a total population of 90 million. Within the EAC, Uganda is the second largest exporter to DRC next to Rwanda albeit sharing a long border with various entry points to the DRC. DRC provides also a wide market for manufactured goods especially cement, palm oil, rice, sugar, refined petroleum, baked goods, cosmetics and iron materials coffee, tea, mate and spices; beverages, spirits and vinegar, sugars and sugar confectionery. The MTR recommends that for the next two years—Uganda should harness this market as it has more potential especially for manufactured goods. Challenges within this market remain such as poor road networks and insecurity. The MTR notes that for industrialization to take place in the various value chains, attention has to be paid to meeting the required standards of products for the various international markets.

161. **Uganda stands to benefit from the AfCFTA through boosting intra-Africa exports, increasing manufacturing exports, job creation and enhanced incomes as well as enhanced transport and logistics services in the region**. There is high demand for industrial goods in Africa and this creates an opportunity for Uganda's manufacturing sector. Uganda under this wider market should focus a lot more on where it has comparative advantage especially on agriculture products and their value chains. The MTR notes that to benefit from the AfCFTA several challenges must be addressed including: (i) reducing the high costs of doing business (due to factors such as: high regulatory burden and increased import competition); (ii) meeting the required standards set by import countries; (iii) addressing non-tariff barriers to trade (including political barriers); (iv) enhancing economic complementarity through diversification of exports and production.

162. **Government should also consider establishing an export credit guarantee scheme to support exporters against high risks of doing export business in the volatile great lakes region.** In addition, government should strengthen the country's trade negotiation capacity to ensure maximization of benefits from international conventions such as WTO, EBA, COMESA, AGOA, GFT, EAC and other bilateral protocols.

163. **Governmet should vigorously persue import substitution strategy to reduce on its current account deficit**. The bulk of the imports is composed of mineral products (including Gold), machinery equipment, vehicles and accessories. The composition of

imports during the first half of NDPIII has not changed (Table 7). There is room to implement the import substitution if government strategically put more effort especially on the following products: petroleum products by expediting the refinery, chemical products by investing in petrochemical ecosystem, vegetable oil products, and the base metals and their products.

Table 7: Import by Products (US$ millions)

Description	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Animal & Animal Products	21.3	24.9	32.3	41.6	35.9	39.0
Vegetable Products, Animal, Beverages,Fats & Oil	352.7	452.2	461.1	451.7	483.1	722.9
Prepared Foodstuff, Beverages & Tobacco	187.8	181.1	200.6	209.4	209.6	253.1
Mineral Products (excluding Petroleum products)	133.4	129.5	133.3	1,076.0	1,093.3	2,169.1
Petroleum Products	645.9	693.8	910.7	979.8	850.5	830.4
Chemical & Related Products	438.5	435.9	549.3	571.3	551.6	684.1
Plastics,Rubber, & Related Products	261.1	278.9	327.7	391.5	363.2	440.5
Wood & Wood Products	113.3	112.2	142.9	158.7	122.4	95.3
Textile & Textile Products	148.8	164.6	187.6	231.3	217.5	259.0
Miscelanneous Manufactured Articles	212.6	232.9	266.9	270.7	259.1	270.5
Base Metals & their Products	286.7	335.2	399.4	427.5	420.8	582.1
Machinery Equipments, Vehicles & Accessories	1,054.7	900.6	1,081.3	1,252.5	1,154.4	1,437.9
Arms & Ammunitions & Accessories	0.1	0.1	0.1	0.4	0.1	0.4
Electricity	6.0	2.8	3.4	5.1	2.0	1.6
TOTAL	**3,862.7**	**3,944.7**	**4,696.5**	**6,067.3**	**5,763.4**	**7,786.0**

Source: BOU

Human Capital Development Strategy

164. Developing the country's human resource is important for structural transformation. Professions and technical skills that are necessary to drive the transformation agenda will be critical. Human capital development builds on existing education and health achievements. A wide gap currently exists of professionals, researchers and technicians that are required to drive the country to middle income status.

165. Significant resources have been committed to establish technical and vocational institutes. Staffing, equipping and providing sufficient budget for training consumables and materials for these institutes are still a challenge. Based on the manpower survey, some progress has been made towards addressing the manpower gaps. For instance, new courses have been established to train early childhood educators, vocational education teachers, agricultural extension workers, information technology trainers, tourism and wildlife colleges. This is a step in the right direction. This notwithstanding more needs to be done to address the manpower gaps in the new emerging sectors such as oil and gas and industrial workers.

166. **Consultations with the HCD group raised various challenges that have hindered delivery of their outcomes**. Key among them are the low unit costs for UPE, USE, UPOLET, Teacher Education and Vocation Education and thus affecting quality of education delivery. Inspection of schools and higher institutions of learning have been particularly hampered by budget cuts. Owing to limited resources, inspection of tertiary institutions is done at the invitation of the institution. The MTR recommends strengthening the current inspection system by completing the roll out of the Teacher Effectiveness and Learners Achievement (TELA) system to improve education quality in the country and e-inspection systems. The MTR noted that there are efforts underway to enhance collection of administrative data within the education subprogram by strengthening the EMIS. Delays in project implementation especially for externally funded projects also hampered the subprogram.

167. Government should prioritize resources for the sports, recreation and physical education given its various benefits which include: (i) increase in foreign capital inflows; (ii) promotion of tourism (iii) employment generation; and, (iv) raising the profile of the country. The MTR recommends establishing regional sports academies to support early talent identification and development and construct appropriate and standardized sports infrastructure in line with the country’s niche sports among other interventions.

168. **For the population, health and safety management sub-programs within HCD various challenges were raised during the consultative meeting**. Key among them is the dwindling number of health workers to patient ratio now at 19/1000. This is manifested in congestion in health facilities especially referral hospitals. This is compounded by the high demand and externalization of labor and the country loosing highly skilled medical personnel. The low per-capita spending on medicines health supplies has led to frequent

stock outs. Lack of specialized skills to repair medical equipment has led to abandonment of sometimes newly acquired equipment.

169. **Consultations under the MTR revealed an urgent need to expedite the health insurance bill.** The target is to have the insurance bill signed into law by end of the year. The key fundamentals for the health insurance scheme include: (i) being mandatory for all; (ii) contribution by all irrespective of income status; and, (iii) coverage will only be for basic services.

170. **As reported by Gender and Social Protection subprogram, there are emerging occupational risks including the global COVID-19 pandemic, work related stress, ergonomic risks and other related health risks such as communicable diseases that are affecting labor productivity**. Lack of a structured institution to enhance labour productivity and competitiveness is a gap that should be addressed. While externalization of labor is emerging as a key source of non-tax revenue to government, cases of labor exploitation and mistreatment are on the rise. The number of Karamojong children on the streets is now estimated at 25,000. This is on the backdrop of dilapidation of structures for rehabilitation of vulnerable groups including children, youth and persons with disabilities.

Strengthening the private sector to drive growth and investment

171. The private sector in Uganda is mostly comprised of Micro Small and Medium Enterprises (MSMEs) which collectively constitute approximately 90% of private sector production and employ over 2.5 million people. The Cost of doing Business remains high. Some of the factors attributed to the high cost of doing business in Uganda include; the high energy tariffs, bureaucratic business registration processes, inadequate skilled labour force, limited knowledge of business formalization procedures, and high transport related costs among others. The MTR recommends expediting implementation of the existing local content policy, and other related legal and institutional framework, building capacity of local providers to compete favorably in public procurement and enforcing the implementation of the guidelines on preference and reservation Sschemes. The MTR also recommends formulation and implementation of the competition law. This is expected to create a fair and competitive business environment as well as effectively curbing uncompetitive practices. Activities within some value chains should be a preserve for local investors to enhace reinvestment within the economy and reduce the current exposure of the country to capital flight.

Quasi-Market Strategy

172. **Whereas Government has embraced the Quasi-Market approach in infrastructure development, particularly in the energy sector, there are no noticeable investments in setting up large industries for employment creation and boosting exports as envisaged in the NDPII and NDPIII**. Such large investments with requirements of high capital outlays have not attracted private sector investments and would require direct government involvement. The lack of large industrial projects has limited utilization of the existing and still increasing energy generation capacity. Attracting private investments continues to be encumbered by the country's low competitiveness, high cost of domestic capital and lack of requisite skills. The few projects that have been championed by UDC have had mixed progress and their impact considered to be patchy on the structural transformation of Uganda. To-date there are 13 operational projects where government has participated directly and the rest are projects in the pipeline under UDC. Initiatives where government is spending resources are also too small in nature to have any meaningful impact on the transformative agenda of Uganda. Others like in the hospitality industry have limited backward linkages to benefit the larger population and enhance inclusive growth.

173. **Government must consider embarking on at least 3 large industrial projects in the medium term.** Examples of transformative projects where government should have a direct role for the remaining period of NDPIII are: (i) Iron and Steel for Muko Iron-Ore and other related industries with the objective of setting up an iron and steel based industrial ecosystem for the country—this will result into a spinoff of steel-based industries in the region and absorb the increasing numbers of job seekers; (ii) Government should remain firm on the development of the Oil refinery and also consider investing in the petrochemical industry during the remaining period of the NDPIII. Beyond the oil pipeline—a complete ecosystem of the oil and gas industry should be explored with direct interest on part of government. The petrochemicals industry if properly natured would have a profound effect on sectors such as plastics through production of ethylene and associated products which are currently imported. The refinery will have large spill over effects with huge multipliers on other products such as fertilizers and pharmaceutical industries within the region. This would hugely impact positively Uganda's balance of payments position.

174. **The MTR also recommends that government promotes the enabling laws on use of biofuels.** By Establishment of large biofuels industry aimed at mixing ethanol with oil would create an enormous market for agriculture products such as maize and cassava. In addition, this will stabilize prices for petroleum products as well as enhancing the incomes of households engaged in maize, sugar cane and cassava value chains. At the moment, maize and cassava produced have no large-scale industrial demand apart for domestic consumption and regional exports in raw form with minimal processing.

175. **For government to play a role through the Quasi-Market approach, the role of UDC would need to be expanded through provision of necessary human and financial resources**. UDC needs to focus more on championing large enterprises where there is clear market failures and challenges of getting the private sector to invest.

Urbanization Strategy

176. To enhance urbanization, Sustainable Urbanization and Housing (SUH) Program is one of the 20 NDP III programmes whose goal is to attain inclusive, productive and livable urban areas for socio-economic development. The delayed approval of the National Physical Development Plan has constrained orderly development in this Country. The MTR recommends prioritization of approving the National Physical Development Plan.

177. **The MTR recommends the need to capitalize the National Housing Construction Company and the Housing Finance Bank to provide for low cost housing and affordable mortgages respectively.** Uganda is facing a huge housing deficit of more than 2.5m units, worse than any Country in the region. Deliberate efforts during the remaining 2 years of the plan should be made to bridge the gap. There is also a need to incentivize the private sector to develop low cost housing to reduce the escalating housing deficit. This should be accomplished by government developing the basic social infrastructure around developing housing estates.

6.0 Monitoring and Evaluation Framework

178. Over the years, Uganda continued to grapple with peculiar and emerging development challenges in the struggle to end poverty and achieve sustainable development. The Third National Development Plan (NDPIII) ushered in FY2020/21 was received with the outbreak of the COVID19 pandemic. The NDPIII introduced the programme approach, which replaced the Sector wide with the main purpose of achieving common development results, remove duplication and working under silos. The programme approach uses the value chain life cycle approaches to ensure identification of challenges and the realisation of common results under the twenty programmes clustered along the five objectives of the plan.

179. Overall, 17 percent of the NDPIII results were achieved by end of the second year. This performance is attributed to challenges of fully transitioning to the programme approach, covid-19 effects and the existence of data gaps as well as weak planning and budgeting for core projects. Table 8 illustrates progress performance at the different levels of the NDPIII Results and Reporting Framework of Goal, Objectives and programme level (Outcomes, Intermediate outcome and outputs) by end of the second year of the NDPIII.

Table 8: Overall NDPIII Progress Performance

		Achieved		Not Achieved		No Data		Total
S/N	Key Results Areas	Indicators	%	Indicators	%	Indicators	%	Total Indicators
	Overall Performance	**771**	**17%**	**1235**	**27%**	**2592**	**56%**	**4598**
1	NDPIII Goal	5	45%	6	55%	0	0%	11
2	NDPIII Objectives	13	16%	66	84%	0	0%	79
3	Programme Outcomes	126	22%	178	31%	263	46%	567
4	Programme Intermediate Outcomes	140	25%	193	35%	222	40%	555
5	Programme Outputs	487	14%	792	23%	2107	62%	3386

Source: NPA

NDPIII Goal

180. **The income per capita increased from USD936 in FY2020/21 to USD1052 in FY2021/22** surpassing the NDPIII targets. This improvement is attributed to increased government targeted expenditure to support economic recovery to offset shocks such as Covid-19. Economic growth gradually improved over the first two years of NPDIII implementation with the annual real GDP growth rate increasing to 4.6 percent in FY2021/22 from 3.3 percent in FY2020/21 although below the Plan target of 6percent.

181. P**overty and inequality remain critical development challenges for the country**. Whereas the proportion of people living on less than a dollar per day marginally improved to 20.3 percent in FY20219/20 from 21.4 percent in FY2016/17 (UNHS, 2019/20) and 41.8 percent of the population was living below the international poverty line of USD 1.9 in FY2019/20, the incidence in income poverty increased during the covid-19 from 19 percent pre-pandemic to 22 percent during the pandemic implying that a significant part of the population remains vulnerable.

182. **The quality of life of Ugandans still falls short of the minimum standards despite growth in the income per capita**. The growth in incomes has not translated to improved access to quality basic services such as education, health care, and equal opportunities. The Uganda Human Development Index marginally adjusted from 0.528 FY2019/20 to 0.544 in FY2020/21. The homicide rate per 100,000 people increased from 10.52 percent in FY2020/21 to 11 percent in FY2021/22 above the NDPIII target of 10 percent.

NDPIII Objectives

Objective 1: Enhance value addition in Key Growth Opportunities

183. **The average monthly nominal household income for an employee in Uganda marginally improved to UGX. 200,000 in FY2019/20 from UGX 176,000 in 2016/17.** According to the National Household Survey FY2019/20 with males earning more than twice (UGX 250,000) as much as their female counterparts (UGX 120,000). The ratio of manufactured exports to total exports stagnated at 13.5 for the first two years of the NDPIII. This performance is however below the plan's target of 14.9 percent by end of the second year.

184. **The foreign exchange earnings from Tourism slightly improved to $1.32 billion from $1.2 billion in FY2020/21 below the Plan's target of $1.6billion**. Similarly, the tourism sector's contribution to GDP marginally improved to 3.1 percent from 2.9 in the same period and below the Plan's target of 7.9percent. This performance was on account of full reopening of the sector which was greatly affected by the shocks of covid-19 where 1.3 million tourist arrivals were registered in 2020 compared to 2.3 million 2019.

185. **Internet and mobile telephone penetration still remain low in Uganda in comparison to Kenya** with 122 percent internet penetration and 133 percent mobile penetration, Rwanda with 64.4 percent internet penetration and 84.2 percent mobile

penetration, and Tanzania with 50 percent internet penetration and 91percent mobile penetration.

Objective 2: Strengthen private sector capacity to drive growth and create jobs

186. **Uganda's saving as a percentage of GDP** marginally improved from 19 percent in FY2020/21 to 19.2 percent, surpassing the NDPIII target of 16.8percent. The **private sector credit and its contribution to GDP improved to 8.5 percent and 15.2percent from 7.1 percent and 14.4 percent in FY2020/21,** respectively. The below Plan target performance (12.9 percent) for private sector credit growth is attributed to the persistently high lending rates, risk aversion by banks due to the poor performance of many businesses as well as the negative effect of the lockdown on the performance of many SMEs. Nonetheless, the private sector as a percentage of GDP surpassed the NDPIII target of 10.5 for the review period.

Objective 3: Consolidate & increase stock and quality of Productive Infrastructure

187. The Energy Generation Capacity was reported at 1,254.2 indicating a below NDPII target performance. The percentage of households with access to electricity increased to 28 percent in FY2020/21 from 23 percent in FY2017/18 although far below the Plan target of 40 percent. Internet penetration rate (internet users per 100 people) was 46 percent above the Plan target of 30 percent.

188. **The proportion of paved roads to total national road network increased from 21.1 percent in FY 2017/18 to 33 percent inFY2020/21**. The percentage of roads in fair to good condition increased to 69 in FY 2020/21 from 67 in FY 2019/20. On the other hand, the freight transportation cost from Mombasa to Kampala by road increased to 1.88USD per ton per km in 2019/20, as compared to 1.79USD per ton per km in the previous year 2018/19. The volume of international air passenger traffic considerably reduced to 0.58 million by close of FY 2020/21 on account of covid-19 related effects. Whereas NDPIII projected an increase in freight traffic on Lake Victoria from 45,338 tones in FY2017/18 to 42,723 tones in FY 2020/21, the traffic stood at 32,216.5 tones by close of FY 2020/21. This performance comprised 16,430.9 tons of exports, and 15,785.5 tons of imports.

Objective 4: Enhance productivity and wellbeing of Population

189. The life expectancy at birth was 63.3 years below the target of 64.6 years in FY2020/21. The Infant Mortality Rate/1000 was 43 against the FY 2020/21 target of 41.2. Maternal Mortality Ratio/100,000 was 336 against the target of 311 for FY2020/21. The Neonatal Mortality Rate (per 1,000) was 27 against the FY target of 24. The Total Fertility Rate and U5 Mortality Ratio/1000 were 5.4 and 64, respectively (Statistical Abstract, 2020). This was against the respective targets of 5 and 42 for FY2020/21. The proportion of stunted children U5 was 29% against the target of 27 for the FY.

190. The primary to secondary school transition rate was 61 percent against the target of 65. The survival rate for primary was 34.2 percent against the target of 40 percent for the FY2020/21. The quality adjusted years of schooling was estimated at 4.5 against the FY target of 4.6. The literacy rate was 73.5 percent against the target of 74.1percent for the FY. The electricity consumption per capita (Kwh) was 108.8 kwh against the target of 150 kwh for the FY.

Objective 5: Strengthen the role of the State in guiding and facilitating development

191. The ratio of tax to GDP reduced to 11.4 percent in FY2021/22 from 11.99 percent in the FY2020/21, which was below the Plan’s target of 12.3percent for the period. This performance is on account unmet revenue targets

192. The share of central government transfers to Local Government stagnated at 13.7 percent over the two years of NDPII below the Plan target of 20.1 percent for the review period. The inadequate allocations to LGs has greatly affected the delivery of decentralized services. The average cost of electricity was estimated at $5 cents meeting the NDPII target for the review period.

Core projects

193. **Out of the 69 NDP III core projects, none of them has been completes,** 20 projects are under implementation, 14 projects are still under preparation (Proposal, Profile, Pre-Feasibility, Feasibility), 14 are at the project concepts stage and 21 are still at project idea awaiting approval from the Development Committee (DC) by end of the second year of the NDPIII.

Progress on Presidential Directives

194. **The 23 presidential directives and guidelines are 90.1 percent aligned to the NDPIII.** Overall, 13 percent of the Presidential directives and guidelines have been

achieved, 9 percent are above average, 17 percent at average, majority 35 percent below average and 26 percent not achieved.

NDPIII reforms

195. **Integrated NDP M&E system**. The system was developed and partially operationalized. It will inform the National Development Report (NDR) and Annual Government Performance Report (GAPR) for FY2021/22. The system has also been integrated /interfaced with the Integrated Bank of Projects and PBS. However, the system is yet to be integrated with IFMIS.

196. **APEX:** The platform was operationalized and an Inaugural APEX Report FY2020/21 produced. The APEX platform was launched on Wednesday 13th July 2022 by H.E the President of Uganda with a maiden report produced on implementation of the Presidential guidelines and directives. The recommendations therein are however, not being implemented as anticipated.

197. **Establishment of programme coordinators.** To fast track coordination of implementation of the 20 programmes, 20 coordinators and M&E specialists were not recruited as planned. This has translated to a slow start to the implementation coordination of the NDPIII for which OPM is charged with.

198. **Annual Programme Reviews.** Only four (4) programmes out of twenty (20) have undertaken annual programme reviews, these are: Integrated Transport and Infrastructure Services, Development Plan Implementation, Private Sector Development, and Tourism Development. Some programme secretariats are non-functional while those that are functional are not well resourced both financially and technically. The failure to undertake annual reviews results into failure to assess the programme performance.

199. **Strengthening functionality of the M&E and statistical units within the Planning departments.** The M&E function is a non-funded activity and always taken as recurrent thus prone to budget cuts. On the same note, the surveys are not aligned to planning horizons hence rendering the survey untimely to inform planning, its core. Proposals to establish M&E cadres and statisticians in all planning units is yet to be implemented. This continues to constrain data availability. UBOS should build the capacity of MDA/LGs to generate timely administrative data leveraging on the existing systems and for LG the use of IT gadgets.

200. **Programme Based System (PBS) has not fully transited to the NDPIII programme approach.** Whereas the Budget Call Circular for FY2022/23 indicates that the development

of new budget outputs and coding process in the PBS and IFMIS was finalised, the MTR indicates that this process happened (through restructuring the Chart of Accounts) but was never operationalized in the budgeting systems and consequently, there is need for full transition and alignment in the PFM system and NDPIII results under the Programme approach.

201. **There is need to ensure collaboration and follow up on the implementation of the NDPIII.** Through a whole of government approach government needs to Monitor / follow up government programmes/ projects / interventions to ensure value for money. The programme approach ushered in a framework to deliver common results and through this, key institutions will be required to come together to undertake joint Monitoring of these government programmes. These Monitoring exercises will be along the five different clusters with each headed by a team of Ministers. Institutions to be involved will include: OPM, NPA, MoFPED, OP and Parliament. This will reinforce the APEX platform and NPA to coordinate this process. The Monitoring will also focus on key outputs delivered vis a vis the resources allocated. For instance, of the Ugx. 500 Billion provided to the road fund, how much is being used on roads. This should be undertaken on a quarterly basis.

202. **Fast track operationalization of the NDP Monitoring and Evaluation System**. The system developed should be able to link to IFMIS in-terms of resources and expenditures. Currently the system lacks resources to operationalise through training of users / planners. It is critical in the provision of real time data which will inform the joint Monitoring proposed in the last paragraph. The system is informed by the NDPIII results framework.

7.0 Programme Approach and Institutional Framework

203. The report highlights the progress made towards operationalization of the programme approach by the time of the MTR. The report provides findings that comprise achievements, opportunities that have supported operationalization of the programme approach and challenges that impeded the reform. The findings range from the design/planning stage to budgeting, budget execution/implementation and monitoring/reporting levels, including the related institutional reform attempts and its challenges. The report also provides key emerging issues that have been realised during programme implementation and pause a challenge to the programme reform across government. Effort has also been made to provide possible solutions and recommendations to the challenges at all stages, including for the emerging ones.

Progress towards adaption of the program approach

204. The adoption of programme approach to planning has gone a long way to create awareness among Ministries and Departments (MDA) and other key stakeholders about the need to increase coordination to more effectively and efficiently achieve delivery of common results. The programme approach has also further entrenched the planning processes to the budget as PIAPs are now providing a basis for budgeting. Budgeting systems have also been adjusted to adopt the programme approach to planning and budgeting.

205. The programme approach is aimed at enhancing synergies and reducing "silo" approach to planning, budgeting and implementation across government. By reducing the silo approach, the programme approach aims to reduce duplication and wastage of resources. A cross section of stakeholders consulted appreciated programme approach to planning but expressed the need for further deepening of understanding and appreciation. There is need for more sensitization towards mindset change for smoother implementation of the programme approach, for both the political and technical cadre levels. In view of the advantages of the programme approach, it is a significant achievement for Government, through NPA and MFPED, to have made a firm decision to embark on the reform.

NDPIII Programme design

206. The current design of programmes appears sufficient in providing a framework for the required collaboration and teamwork for achievement of common results. Indeed, it has provided a framework for production of Programme Implementation Action Plans (PIAPs) that were the basis for budgeting towards achievement of identified results in line with joint results frameworks. The design also enabled testing of the coordination frameworks such as Programme Working Groups (PWGs) and their secretariats, which has enabled the MTR to identify the actual challenges and opportunities.

207. To a reasonable extent most program composition reflects grouping together of institutions that contributed related interventions broadly aimed at similar results, through a value chain procedure. The design of the NDPIII Programmes was informed by the Theory of Change, where a Programme comprises of institutions that deliver on common results. As a result, result-coherence was the major driver in the definition of a Programme and its composition. This would address the key long-standing silo approach and mentality highlighted in the previous NDP Evaluations (NDPI & NDPII MTR).

Coordination of NDPIII Programmes

208. The programme approach was set to address the development challenges better than the previous approach through PWGs-convened meetings for stakeholders, identification of development challenges, collectively set priorities for implementation, identifying key policy and project requirements, and sequencing the projects for implementation. The PWG processes have not materialized as most programmes (16 out 20) are not operational and their respective secretariats are invisible.

209. The Office of the Prime Minister (OPM) has the primary coordination and implementation role for the NDPIII but the institution has been limited in this regard against a landscape of weak capacities and un-streamlined institutional arrangements. At present, the coordination department at OPM is understaffed and is yet to recruit the program coordinators that are expected to coordinate the NDP programmes. In addition, the OPM’s existing staff capacities need to be strengthened to undertake the various responsibilities associated with the programme coordination roles. To a great extent, due to many other demands the OPM has not played its NDP coordination role effectively and this has become a major handicap to the NDP implementation process.

210. However, the MTR established that OPM was eager to work on the various challenges to NDPIII programme coordination, including recruiting the Coordinators. The MTR noted that at MDA and Program levels, the planning units which work as secretariats for Lead Ministries lack the required clout and authority to convene other Ministries; and in addition, lack staff, tools and funds to perform the coordination roles. To this end the MTR recommends that the planning units at lead ministries should be strengthened by availing them with the requisite resources.

211. Under a collaborative effort across government and stakeholders, there should be deliberate effort to follow up the use of resources. The MTR recommends enriching the roles of the various institutions in the planning, budgeting, implementation and follow-up of resources disbursed. The roles of RDC in districts should include following up implementation of government programs in line with the NDP. Cordinating programme working groups would require the chair to be a neutral political leader. The table below highlights the key roles for the various institutions.

Table 9: Institutional Activities and Outputs

Activity	Institutions	Activities	Output	Period
Planning	NPA	NDP preparation	NDP	Five years
	Program working Groups	PIAPS preparation	PIAP	Annually
	MDA/LG	Strategic Plans	SP/LGDP	Annually
Budgeting	MoFPED	Budget preparation	Budget	As PFM Act outlines
	MoFPED/OPM	Public expenditure reviews	PER	Prior to Budget Cycle
	NPA	Alignment to plan Priorities report	Priorities report	Annually
		Coordinating PWG (Chaired preferably by neutral political leader).	Priorities report	Quarterly
		Budget compliance	Certificate of Compliance	As PFM Act
Implementation	OPM	Coordination and implementation monitoring	NAPR	Continuous
Follow-up/M&E	APEX-MoFPED, OPM, OP, NPA	Undertake annual follow-up of resources at the MDA and LG level.	APEX Monitoring Report National Development Report	Quarterly

Development planning

212. Development planning has been fully entrenched at all levels of government right from sectors, MDAs and local governments and NPA has been instrumental in facilitating this process. That notwithstanding, the MTR noted that NPA has been overwhelmed by capacity building needs and demands from MDAs and LGs towards preparation of PIAPs and aligning work plans and budget framework papers to the programmes. Moreover, NPA has not fully consolidated its role as an 'authority' to enforce sufficient guidance to MDAs and districts in the alignment of plans and budget framework papers (BFPs) to the NDP. The situation was further aggravated by the absence of LLG, LG, MDA, Regional, Sub-Programme and Programme development plans to inform the programme approach. As a result, MDA and Programme level PIAPs were developed with NPA playing the leading role due to the absence of programme-based strategic planning processes.

213. In view of the above, the MTR has recommended sequenced production of plans in line with the bottom-up and top-down process adopted by Cabinet as part of the CNDPF in 2007. The review therefore proposed the Planning Calendar given below.

Table 10: Planning Calendar

	Type of Development Plan	Responsible Agency/ Person	Starting Date	End Date
1.	Parish Priority Lists	Parish Chief/ Parish Development Committee	January 2023	March 2023
2.	Sub-County /Town Council Development Plan	Sub-County Chief/ Development Committee/ Town Clerk	March 2023	June 2023
3.	Municipality Development Plan	Clerk to Municipality/ Municipal Council	March 2023	June 2023
4,	District Development Plan	District Planner/District Council	July 2023	September 2023
5.	Regional Development Plan	National Planning Authority	October 2023	March 2024
6.	MDA Strategic Plans	MDAs	July 2023	September 2023
7.	Sub-Programme/ Sector Strategic Plan	Sub-Programme/ Sector Secretariat	July 2023	December 2023
8.	Programme Strategic Plan (& PIAPS, Work-Plans, BFPs)	PWGs, NPA & OPM	January 2024	June 2024
9.	National Development Plan (Plus Coded & costed Interventions,	National Planning Authority	January 2024	March 2025

	PIP, Results Frameworks, Strategies- M&E, Implementation)			

214. The MTR established overwhelming demand for preparation of regional plans that are supported by spatial planning approaches. This is attributed to challenges encountered in block farming, bulking for international marketing and development of economic physical infrastructure. The review therefore recommends that NPA spearheads production of regional plans in line with the regional divisions below. The Authority should also consider establishing regional offices to support routine implementation planning.

i) Central-Northern Uganda Sub-Regional Development Plan

ii) West Nile Sub-Regional Development Plan

iii) Karamoja Sub-Regional Development Plan

iv) Bunyoro Sub-Regional Development Plan

v) Central Buganda Sub-Regional Development Plan

vi) Greater Masaka- Kalangala Sub-Regional Development Plan

vii) Busoga Sub-Regional Development Plan

viii) Bukedi-Mbale Sub-Regional Development Plan

ix) Sebei Sub-Regional Development Plan

x) Teso Sub-Regional Development Plan

xi) Ankole Sub-Regional Development Plan

xii) Greater Kigezi Sub-Regional Development Plan

xiii) Greater Kampala Metropolitan Area Development Plan

Aligning the Budget to NDPIII

215. Effort was made by both NPA and MFPED to align the national budget to NDPIII by providing processes and guidelines aimed at linking the budget to the Plan through PIAPS. The MTR noted that Progress has been registered in aligning MDA and LG plans to budget. Compliance level over the last four years has averaged 60.3 percent, the many underfunded priorities notwithstanding. It also noted that the NDPIII contains more projects than what can be financed by the national budget as a strategy to seek external

funding for them. However, it will be necessary to put planning and budgeting in Uganda on a fiscally realistic path and to adapt an MTEF that is aligned to the NDP programmes.

216. The MTR established that the creation of PIAPs was expected to be a cure to the absence of programme-based institutional strategic plans and respective results indicators at the various levels. The MDA and LG results frameworks are required to inform the programme-based system. However, the strategy proved problematic due to lack of programme planning capacity in both MDAs and LGs. By the time of the MTR, LGs were yet to produce programme-based BFPs, despite being allowed to undertake budget expenditure. Moreover, the PIAP results frameworks are not directly linked to the actual expenditure system, IFMIS/Chart of Accounts. The MTR established that whereas attributes like Programme/Sub-Programme and approved NDPIII projects are integrated into the IFMIS/Chart of Accounts, the interventions which are the key unique identifiers of the NDPIII are not part of the budget execution system.

217. In order to improve the alignment of the budget to NDPIII the MTR recommended the following:

i) That all NDPIII interventions ought to be paraphrased, given unique digits (coded) and integrated into the IFMIS, with or without funds allocated to them. This will provide a perfect alignment between the Budget Expenditure and the NDPIII.

ii) The IFMIS/Chart of Accounts should separate Programme and Sub-Programme slots and codes and not to use the two terms alternately. This will enhance compliance to programme approach.

iii) The IFMIS/Chart of Accounts ought to adopt the same meaning to the use of the term 'Output' as the PBS. Under IFMIS, the term output is used to refer to the equivalent of Vote Function in PBS or Directorate in administration. In other words, IFMIS should adopt the term Vote Function instead of Output to facilitate consistence with the programme approach and the NDP.

iv) The number of Votes should be reduced to minimize fragmentation, in line with the programme approach, using the proposed criteria given below.

a. Must be either a Programme or a Sub-Programme of the NDP

b. Must be a Government Ministry

c. Must be an autonomous Agency or Authority or Commission established by an Act of Parliament

The MTR recommends that current Votes which do not conform to the above criteria should be done away with. The analysis indicated that creation of Votes without a proper criteria disrupt implementation of the programme approach and the call to do away with those Votes that do not follow the proposed criteria is critical.

v) The MTR recommends introduction of a new budgeting process involving allocation of ceilings at programme, including indicative allocations to sub-programmes, to enhance operationalization of the programme approach. This process will also provide lessons for implementation of the zero-based budgeting. It is also recommended that Parliamentary budget appropriations should continue to be by Vote.

Legal and Regulatory Frameworks

218. The MTR highlights the need for amendment of the PFMA Act, 2015, to ensure it recognises the programme approach. It will also be necessary to make adjustments in the composition of only four (4) of the Sessional Committees of Parliament. These are: (i) the Physical Infrastructure Committee; (ii) the Defense and Security Committee; (iii) the Tourism, Trade and Industry Committee; and (iv) the Public Service and local government Committee. The review did not identify a need for any constitutional amendment, unless advised by legal experts. On the other hand, the MTR has considered it unnecessary to cause amendments to the NPA Act, 2002, out of the small issue regarding the change from using the word sector to sub-programme.

219. **Overall oversight and implementation** of the NDP was intended to be under the leadership of H.E the President. A mechanism was established by NDPIII under the Apex Platform to facilitate production of a national oversight report to be presented to H.E the President. The report is expected to highlight the key progress made and bring to the attention of Cabinet the major challenges and emerging issues that require high level direction or policy attention. The MTR recommends adoption of definite timetable for the annual APEX activities should be tabled for approval by Cabinet.

220. In conclusion, the MTR assessment shows that with hard work and commitment from NPA, OPM and MFPED the programme approach can be fully operationalized to enable reaping of the various advantages associated with it. Further refinements such as allocating

resources at programme level and promoting change management will enhance the effectiveness in adopting the programme approach.

8.0 Development Partnerships

221. **Partnerships are critical levers to the delivery of global, regional and national development agendas.** They are identified as important in the delivery of the Africa Union (AU) 2063 agenda, East African Community (EAC) Vision 2050, Sustainable Development Goals (SDGs) and Uganda's Vision 2040. The Third National Development Plan -NDP III (2020/21-2024/25) emphasizes the relevance and importance of multi stakeholder development partnerships towards the delivery of the plan objectives. The plan recognises the important role of Development Assistance, private sector and NGO financing towards the delivery of development priorities. In particular, more than a third of the plan's financing is expected from private sector.

222. **NDPIII conceptualises partnerships from broad realm of development stakeholders including but not limited to CSOs, Development Partners (also known as donors) and Private Sector.** This NDPIII MTR extends the scope of review to all partnerships (Development Partners (DPs), CSOs, and private sector partnerships) and aimed to assess the progress made against the set objectives and results, identify challenges and emerging issues, and recommend specific actions to address them in the remaining NDP-III period and for the design of NDP-IV (2025/26-202/25).

223. **Fully fledged realisation of effective and multi stakeholder partnerships remains a challenge.** The Mid Term Review (MTR) of second National Development Plan (NDP II) presented a mixed picture, with challenges of efficiency and effectiveness in aid coordination and delivery to Government of Uganda. In particular, there is absence of Development Partners division of labour and lack of mutual accountability.

224. **Uganda continues to exhibit strong ownership of its development process, encapsulated in the Government led development of the national development plans.** All partners reported strong ownership of the NDP III by Government of Uganda. However, some DPs provided technical assistance and funding to support NDP III drafting, but government remained at the front of driving the process. DPs still find NDP process as an adequate planning document for their own programming as such, most of them reported alignment of their activities to the NDP. This is also exhibited by continued on budget support, with some DPs like the IMF giving only budget support. However, there are also partners (UN, Swedish embassy, US and Irish embassy) with limited or no use of government systems in part due lack of trust in the government system.

225. **Multi stakeholder partnerships and engagements are weak and the Division of Labour amongst DPs is vividly absent.** DP harmonisation continues to happen through the LDPG, but this body remains more of an information sharing and dialogue platform. It periodically engages with GoU at the MoFPED level through the Economic Management Group and the National Partnership Forum led by OPM. The existing coordinated partnership forums LDPG, PWGs, PSF[5] and or the NGO Forum are primarily discussion groups-not for decision making fora—and generally the actions of their members are not binding. The multi stakeholder partnerships including private sector, CSOs and DPs happens mainly through the now programme working groups which are reported to be less effective compared to previously sector working groups. The Division of Labour amongst DPs is vividly absent, joint programming is selectively happening for a few DPs and some channel funding though pooled funding mechanisms, such as the Resource Enhancement and Accountability Programme (REAP) and the Democratic Governance Facility (DGF).

226. **There is no effective mechanism for partnerships mutual accountability in place.** The level of effectiveness and efficiency are in part constrained by lack of the joint assessment framework, and the Government Annual Performance Report (GAPR) has not been an effective anchor for mutual accountability. The general increase in ODA disbursements levels over the first two years of NDP III implementation compared to NDP II period is in part attributed to increased disbursements also related to COVID19. This was vivid in accountability sector where increased balance of payments support was provided by the IMF.

227. **Overall there is need to have mechanism to facilitate regular Government-led dialogue with development partners and other actors including representatives of private sector and civil society be instituted.** Government has a critical role to strengthen the means of implementation and revitalize the global and national partnership for sustainable development. The proposed revitalisation of NPF mechanism by ensuring that the new players (including non- traditional donors) participate for better results can provide a space for regular updates on priority issues, including sharing key planning and budgeting documents in a timely matter and ensuring adequate and coordinated support while not leaving any sector, programme or area untackled.

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[5] https://www.psfuganda.org/

228. **Strengthen the operation mechanism of the National Partnership Forum by adopting a framework for mutual accountability.** The starting point is having partnership framework indicators (also integral in the NDPs M&E frameworks) which should be monitored and reported on periodically also as part of the Government Annual Performance Reports and NDP certificate of compliance reports. Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application. The adoption of Busan Indicators in to the NDP III framework and GAPR is importantly required. The findings therein should be part of the dialogue that happens through the inclusive partnership approaches at the National Partnership Forum. It is recommended that frequency of the meetings for National Partnership Forum should be twice a year and that the composition of the NPF should be extended to other stakeholders (non-traditional partners, CSOs, Academia and private sector foundation). Their involvement in partnership forum and partnership platforms is critical to ensure a strong understanding of government priorities and alignment of their resources.

229. **Promotion of an Integrated Data Tracking mechanism of all partners' financing and other forms of support towards National Development Activities**. As part mutual accountability commitments, there is need to encourage DPs to increase their reporting of off budget support in to the AMP and also feasibly expand the AMP to capture private funding and CSO/NGO financing. The Minister of MoFPED has already sent a letter to development partners to re-emphasize the need to enter their off-budget support as well on budget support in AMP. Additionally, there is need to ssupport the production of the annual state of development partnerships including the prospect of an NGOs report.

230. **Urgently revise the policy frameworks to cater for emerging trends.** The revisions of partnership policy should consistent with or integral with the Development Cooperation Policy (DCP) to guide the sourcing and general governance of grants in development and inclusive growth focusing on alignment of grants to Government priorities, as well as transparency, official recording and reporting of off budget grants.

231. **Investment in the ability to invest by Government will leverage more resources on the budget.** This will include strengthening both public finance reforms and public investment management. The improvements in fiduciary rating for Government will go a long way in raising substantive financing from development partners and increase compliance with the principles of aid effectiveness. In particular, there is also need to

undertake due diligence through rigorous assessments to gauge the viability of the project, ensuring that projects are well-structured, commercially viable and will provide value for money as well as public investment dividends.

9.0 Local Economic Development

232. **The LED approach is relevant to poverty eradication agenda and its goals and objectives of LED are consistent with the NDPIII goals and its aimed at accelerating the achievement of the NDPIII results.** Its strengths are in the focus on economic strength of each locality as a foundation for economic growth, as results of increasing productive investments, upgrading of existing businesses and creation of new businesses. It is a sustainable approach as emphasis on harnessing local resources enables local communities to sustainably and profitably put to use their idle resources to grow their economy. The LED approach hitches a great deal on Public Private Partnerships (PPP) and the need to provide for adequate participation of non-state actors in the economy

233. **Majority of the interviewed local governments (84.2%) reported to have implemented some LED projects in their Local Government since 2014/15 financial year**. Half of the LED projects in the LG (50.0%) were financed by the Central Government, 25.9% were financed under the PPP arrangement, 22.4% were financed under private investment.

234. **Central government level efforts to operationalize the LED policy through flagship projects/programmes have been inadequate to make LED visible and effective.** The few flagship progammes implemented by the Ministry of Local Government in collaboration with other Ministries, Departments and Agencies (MDAs) such as Development Initiative for Northern Uganda (DINU), have focused on the post-war recovery areas of northern and eastern regions. Some of these LGs have prepared LED strategies, which albeit are not being implemented due to lack of financial resources. Beside, only 32.8% of the planners interviewed always refer to the Local Economic Development Policy (2014) in the planning and budgeting process. A good number do not. Government should prioritize decentralization of the LED flagship project resources to LGs, which can be accessed on competitive basis, to get the maximum of it. Others LGs can then learn from highly performing ones.

235. **Structure for implementation of LED in local government developed.** Over half of the planners (56.9%) reported that the TILED had a Head of Department substantively appointed. About four out of every ten of the Local Governments (41.4%) have a fully constituted LED committee and about half of them meet twice a year and 33.3% meet once a year What is left is now to empower the department with the required logistics and tools and to roll out the forum to where they have not yet been formed.

236. **About half of the planners (48.2%) reported that they have (1-3) and 11.1% reported (4-5) development partners supporting their Local Governments to promote LED, while 27.8% have none and 13.0% have 6 and above**. Meanwhile 63.8% of local governments reported that development partners harmonize their activities with their districts while in the planning and implementation processes. However, these efforts are not adequate as they focus on few local governments, under a short project period and remain largely undocumented and yet a lot can be learned from the experiences. There is need to for NPA and MoLG to document a number of existing LED initiatives and financing models for others to learn from and adopt.

237. **The impact of these flagship projects by CG and LGs has been varied.** Half (52.8%) of the locals think LED initiatives have been fairly effective in job creation, slightly over half of the planners (51.9%) think LED initiatives have been fairly effective in increasing household incomes, 25. Almost two thirds of the planners (64.8%) think LED initiatives have been fairly effective in increasing local revenue for the local governments

238. **The National LED Strategy (2022) has not been widely publicized.** This continues to affect the adoption of LED by the LGs since their lack the guidance to do so. The strategy clearly spells out the responsibilities of the MDAs and the LGs. The strategy would provide a framework for planning, budgeting and implementing LED by the LG. MoLG needs to popularize the strategy to all LGs. This can start by availing hard and soft copies of the strategy to the LGs.

239. **Weak institutional framework for the local government, the civil society and the private sector to relate to one another in the implementation process of LED**. The implementation frameworks for LED such as the National LED Steering Committee are not formed close to a decade of LED policy existence. National coordination has been weak, until 2018 when the department of LED was created at the Ministry of Local Government (MoLG) as secretariat for national coordination. The influence and visibility of the department has been limited due to limited human resources, logistics and technical capacity. Where the LED structures such as Local Government LED Forum exist, they are very weak. The implication is limited interface between the LGs and the private sector to effectively understand and meet each other’s needs. Implementation of some of flagship projects exhibited lack of capacity to handle implementation of the project and programmes in ‘public–private partnership’ framework.

240. **Weak institutional, technical and financial capacity of LG leaders to plan, budget and implement LED**. The Trade, Industry and LED (TILED) department in the local

governments which is supposed to support the planning, budgeting and implementation of LED is largely under-resourced with staff, logistics and operational funds. The heads of LG departments who, as subject matter specialists offer technical guidance and supervision of LED initiatives, have little understanding and knowledge on LED. In effect, the Local Government Development Plans (LGDP) have poor analysis and understanding of the weaknesses and potentials of their local economies and thus poor or no strategies to develop the economies.

241. **The mindset of LGs is much focused on traditional public service delivery with little attention to support private sector development to grow the local economy.** There is lack of resource mobilization strategy for LED, hence government was expected to fund everything; absence of clear role differentiations, and therefore the contribution of the sectors other than the local government remained unclear. In the remaining period of the NDPIII, comprehensive training of key stakeholders at both MDAs and the local governments should be undertaken to create a competent resource team to undertake effective planning, budgeting, implementation and supervision of LED in the country

242. **The newly created cities are grappling with transition from Municipalities to real Cities**. The newly created Cities, which are aimed to be centers of economic growth, are not fully functioning using the approved structures. The strategic and physical planning aspects have not been fully operationalized to take advantage of the existing investment opportunities such as industrial parks, transport hubs, real estate development for local and regional economic growth.

243. **Restrictive and contradictory policies, stifle local initiatives and efforts.** The Public Finance Management Act (2010) which compels the LGs to first remit their local revenue to the consolidated account, before requesting for use contradicts the Constitutions and Local Government Act, which gives powers to the LGs to levy, collect, budget and use local revenues. Some of the guidelines on the use of the District Development and Equalization Grant (DDEG) are restrictive and directive, leaving no room for LGs to adjust based on emerging local needs.

244. **Lack of clear ownership and maintenance of centrally planned and implemented LED flagship projects.** The supervision, operations and ownership of LED investments initiated and implemented by the MDAs, seem to in balance, as the LGs and communities claim their involvements are limited and their roles are not clear. This applies to all project procured from the central government levels, whether in health, education, production, works etc. Government should deliberately prioritize and provide special purpose vehicle

to finance LED through development budget support that LGs can compete for in terms of viable business investment plan, on their own LGs cannot undertake LED projects

Functionality of the Parish Development model (PDM)

245. **The PDM is a relevant pro-poor development strategy.** strengths of PDM in supporting poor communities to participate in the local economy are: access to low cost finances for investment (87.9%), emphasis on production and productivity (77.6%) and involvement of subsistence producers (75.9%). This means that all the pillars of the PDM should be activated to provide holistic support as envisaged.

246. Majority of the local governments (96.6%) have a taskforce/committee for rolling out the PDM to the parishes. Nine out of every ten (91.4%) of the taskforces/committees are equipped (oriented, trained, financed) to perform their roles. About a quarter of the planners (25.9%) reported to have adopted some SACCOS that were already existing prior to PDM rollout in forming PDM SACCOS.

247. **So far what has worked under the PDM implementation are that ward/parish PDM SACCOS have been formed, there has been a restoration and formation of PDCs and community members have formed some enterprise groups.** However, many of these structures and enterprise were formed hurriedly with little time for critical analysis. In Packwach and Arua districts, for example, they reported they were given two days to provide list of SACCOs and enterprise groups. Given time, some interest groups have reported to be rethinking their enterprises, to reflect their current trade. Secondly, the MTR established that, some parishes came up with over 10 enterprises since it became too difficult to arrive at a consensus. This reflects, lack of understanding of the guidance on enterprise selection but also on the inadequacy of the guidelines to take care of the varied community interests.

248. **The PDM is one of the most extensively published and yet most misunderstood development model.** Different layers of awareness have been created country wide by the PDM secretariat, the Ministers, district officials, using various communication channels. There is a high level of political will to support the PDM and it is a household name. However, information on the PDM to the public is so much distorted and guidelines keep changing too frequently, confusing the LG leaders, community leaders and targeted beneficiaries. The PDM secretariat will need to be empowered with enough human and financial resources and mandate to be the one to speak for government on the PDM. All

other communications from the MDAs on the PDM should be coordinated by the secretariat to avoid inconsistence of messages to the public.

249. **Limited pillars of the PDM being rolled out.** main pillars of the PDM that have so far been rolled out to Parishes/Wards are: community mobilization and mind-set change (84.5%), Financial Inclusion (82.8%) and Parish-Based Management Information System (77.6%). This leaves governance and administration which is the foundation of effective implementation poor implemented.

250. **The roles of the LGs and other sectors is not clear to the local stakeholders.** The master guideline of the PDM attempts to highlight the roles of the different stakeholders including the LGs and MDAs in the PDM but many LGs still do not understand how they should support the implementation of PDM. This is more pronounced at the sub-county level, where they were by-passed as the district dealt directly with the parishes, during recent parish data collection for establish baseline. The national secretariat should continuously create awareness to stakeholders about their roles. The component of mindset change should not only be directed to beneficiaries, it should actually start with the local governments and MDAs.

251. **Limited capacity to effectively implement PDM at the parish level.** Most parish chiefs have been recently recruited and deployed. A number of them have limited capacity to manage people and programmes. They require serious orientation and training to effectively coordinate the PDM pillars effectively. The LGs will need to provide continuous capacity building on management of associations, financial literacy for both the parish chiefs, PDCs, SACCOs and enterprise groups, integrating mindset change in business advisory service delivery and extension services to agricultural producers. Encourage horizontal and vertical linkage between parishes and the district respectively. Through the value chain, the producers and activities at the parish levels should be linked to each other to build economies of scale and vertically integrate to the district economy.

252. **One of the least understood aspects of the PDM by the LGs is where and how to obtain operational funds to support the PDM.** 84.5% of local government reported lack of funds for operations of the Parish Development Committee and the Parish Chief as one of the challenges. This is more critical because at the parish level, traditionally, there is no resources allocated for operations of the Parish Chief (PC) and Parish Development Communities (PDCs). One gets to hear statements like *"we used our 'own' money to implement a planned strategy"* from LG staff, in reference to using allocations to the

department for other activities, other than PDM to facilitate formation of PDM SACCOs and PDCs.

253. **Fears that the PDM implementation will be undermined by corruption.** There is fear that some SACCOs are already infiltrated by elites in the community who are not the targeted beneficiaries but are in leadership positions in the SACCOs. Extortion, connivance and mismanagement of funds by some of the district officials, inefficiencies arising from unequipped district commercial office, all create real fears. There is need for close supervision of the SACCOS by the district leadership, such as the Resident District or City Commissioners, the chairman's office and the internal auditors. The planners of office should be equipped for data storage and processes/databases and the system be automated and harmonized with other programs and information updated on regular basis.

254. **How the operational cost of PDM SACCOS will be met**? SACCOs incur high operational costs in terms of payment of staff for those that have recruit staff, bank charges, facilitation of board members, transport to and from the banks, among others. Before, different SACCOs begin to find their own ways of facilitating the SACCOs, some of which may be against the guidelines, the financial inclusion pillar should provide guidance on how to meet operational costs, to avoid confusion and for consistence of messages. Financial inclusion should follow a simple business plan and be accompanied with business development and financial literacy training. Otherwise, the funds may not be put to good use.

255. **Parishes are not homogeneous.** One of the key observations of the MTR makes is that, parishes/wards are *not homogeneous*, but are complex with peculiar development concerns and challenges. For this reason, their levels of preparedness are different as well. The PDM should envision innovative and case by case development solutions for the parishes. In this way, we shall have interventions that deal with real issues that are adaptable to local conditions and circumstances. Otherwise the one size fits all currently being popularized does not offer appropriate solutions to some parishes, especially urban based communities, who are forced to take on urban agriculture when most of the beneficiaries are involved in survival non-farm businesses.

Area-Based Commodity Cluster Development

256. **Area-based commodity Cluster (ABCC) approach supports development of a regional value chain for priority enterprises selected according to the ecological**

conditions of the region. The approach is very relevant to poverty reduction and food security. An ABCC is by design a tool to improve the economic dynamics of a given territory (Village, Sub-county, District, Region). The identified commodities under the ABBC approach focus on agriculture value chains of enterprises where the majority of poor are economically engaged. This directly contribute to creation of jobs and wealth for participating households and have potentials for exports.

257. **Its regional scope makes it relevant to capture economies of scale as production is supposed to be mobilized from a number of districts.** The focus on regional value chain enables such chains to be integrated into the national and internal markets, thus having national impact which benefits while creating dynamics in the local economy. This scope has been limited by the large information sector running the local economies, which cannot contribute effectively to local revenue. Government should prioritize the formalization of numerous informal businesses and build their financial literacy and business skills to survive and or upgrade, only then can we start to talk about collecting revenue from them. Nearly half of the respondents (47.2%) reported increased institutional capacity of the local government to deliver decentralized services, and (39.7%) increased food security as some of the main results registered by the area-based commodity value chains

258. **The aspects of supporting production and productivity, which performed very well under the NDPII, continues to do well under NDPPIII under NAADS/OWC oversight.** Local governments continue to play a big role in the performance of the agricultural sector. The PDM should improve prioritization of investments is through identification of enterprises (71.4%), agro-processing and value addition (70.2%), monitoring and evaluation (69.2%), planning (67.9%) and produce marketing (62.3%).

259. **The value chain development has not performed very well.** Market linkages continue to be weak partly because NAADS has not effectively carried out agribusiness development activities focusing on the upper end of the value chain. The linkage of farm production with agro-processing and value additions facilities is still very weak or none-existent. With exception of Atiak Sugar factory with Amuru Sugarcane Growers' Association, where clear contractual agreement between the cooperatives and the processor, the others were not operational. Yumbe Mango factory is incomplete, while two processing facilities in Arua city are nonfunctional, two years after been commissioned by the President. The operations of the facilities seem economic and financially unprofitable. To avoid such 'white elephants', future investments in such facilities should follow a

thorough feasibility studies to identify the systemic constraints to the development of value chain program, apart from being based on ecological conditions.

260. **Poor quality farm products.** Whereas, Uganda National Bureau of Standards (UNBS) has developed and is enforcing compliance to standards for industrially processed products, there is standards or lack of enforcement for farm products. The Uganda farm products are considered of poor quality in external markets, thus fetching low income. should assist farmers to improve the quality of their products.

261. **Lack of agricultural insurance.** The farmers decried of crop failures due to vagaries of nature, fire outbreaks and a host of other losses. Such cannot be redeemed. Government should expedite the process of putting in place agricultural insurance policy to address the high risks to which farm production is exposed.

262. **Inadequate consultation of the beneficiary communities in during the planning and budgeting of value chains development activities.** In all LGs, participation of the beneficiary communities was all less than 50%. Almost in all the cases, the communities for which the facilities were established reported they were not consulted before or during construction of these facilities. Instead of supplying raw materials to the factories, the would be beneficiaries deal with competitors of the facilities. Therefore, the communities are not benefiting from the value addition centers.

263. **Lack of clarity on the institutional framework for planning and implementation.** There are many players in the cluster development processing, some who duplicate roles and responsibilities. The roles and mandates of MDAs, LGs and communities in the operations of the value chains is weak. In purely government financed value addition facilities such as Yumbe Fruit factor, about four private sector players are involved, all taking part of the resources. The supplier of the technology, the contractor of the buildings, one who will run the facility when completed. But there is one who is reported to have 41% share in the factory, without investing any resources and yet the firm was contracted as a consultant to supervise the entire process of establishing the facility.

Regional development and affirmative action program

264. **There are two and similar regional development programmes under the NDPIII**; one is planned under the program approach with a Secretariat at MoLG. The other is what the NDPIII refers to as Regional development and affirmative action approach, whose coordination is shared between OPM and MoLG. The second regional development is not

new. Some of the programmes like the PRDP were already in existence before NDP1, as a post-war recovery program for northern. However, the first regional development programme review is not within scope of work for this theme.

265. **The design and implementation of the regional programmes relevant in addressing the development deficit in the post-war areas.** The right regions were targeted based on their historical background of post-war and poverty status. The regions such as north western, northern, Luwero tringle, eastern and north eastern Uganda were lagging behind as a result of the conflict and poverty. These areas needed affirmative action. A number of the interventions under the programmes such as NUSAF, DINU, PRDP, PRELNOR paid attention to the historical needs of the communities, such cattle rustling in Teso sub-region, loss of animals due to war in northern Uganda.

266. **The introduction of District Development and Equalization Grant (DDEG) under the PRDP3 increased development funding to these regions lagging behind.** The participating LGs appreciated the initiative but pray that the guidelines should not be so restrictive and directive but support the case by case prioritization of the community needs such as improvements of livelihoods. Secondly, they pray for increased amount of the grant for visible impacts.

267. **In general, effectiveness of the regional development programmes have been limited due a number of factors**. Most local government complained of the small grants allocated to DDEG, yet available reports indicate that its impacts are good. Its rather special programmes like NUSAF, DINU, DRDP which were more effective than DDEG. to identify the systemic constraints to the development of value chain program, apart from being based on ecological conditions.

268. **Poor timing and unsuitable interventions have resulted in poor performance**. Communities complained of late delivery of inputs out of season and yet they were forced to receive them. Inputs such as cassava cuttings ended up as firewood. The release of agricultural related investments need to follow the seasons to avoid wastages.

269. **Lack of value chain approach to address systemic failures coordination failures.** This affected the performance of economic programmes, particularly those targeting agriculture. For instance, programmes like NUSAF, DINU and OWC were providing inputs and extension support to increase production and productivity, without provision for value agro-processing which is left to the private sector, which is a weak sector at the local levels. Government should embrace the value chain approach to address systemic coordination failures in the chains. Financing of the economic activities should focus on

the entire value chain, not just production or value addition or marketing but all these from input to marketing.

270. **Lack of harmonized regional programme implementation.** All the MDAs tend to plan and implement, regional programs with no central coordination. The beneficiary communities and sometime local government are confused with different government programmes which are not implemented in harmonized approach. It also confuses the outcomes and benefits arising from these programmes. In the end, the different programmes can easily claim the same outputs in a particular community, with similar results. This is particularly where interventions take different forms; others are grants, some loans and yet other are revolving funds, benefiting the same people and leaving others even with the same community due planning and implementation in silos. Government should streamline coordination of the regional development planning, budgeting and implementation will go a long way to eliminate coordination failures, duplication of efforts, resources and activities, and reduce unit cost of implementation.

271. **Rigidities in the guideline which does not provide for inclusion of emerging needs and priorities of the communities**. In other words, the guidelines are directives which may not be effective in some contexts.

272. **Lack of attention by government to have special programme for the ex-returnees who were victims of abductions by the LRA**. Much as the returnees were given amnesty and some resettlement package, their long term needs have remained unmet. This is particularly crusal for the girl child who has been rejected by the communities and have nowhere to settle. Their long term need may be land to settle and look after her children.

273. **The nodding disease syndrome is still one of the leading causes of poverty in Acholi sub region.** It was reported that, there are close to 4,000 children effected and parents and caretakers do not have time for to engage in economic activities. These children require close attention, otherwise they can be insecurity to others and themselves as the disease can suddenly make then violent. The region requests government to (i) place the children under care and treatment in a home with medical facility to release the mothers to engage in economic activities to support the households, (ii) Medical research should be undertaken to find the root causes of the syndrome and find appropriate remedies for it and (iii) Support prayer efforts by churches and other NGOs

Other General Emerging issues

274. LED is both a process and an end. However, NDPIII conceptualizes it as an end to a development process but not as a process. Therefore, the Plan did adequately guide MDAs and LGs on how the LED approach should be implemented alongside other approaches such as the Program approach, which was elaborately developed.

275. In the inception LED in the late 2000s, too much focus was put on LED result of increasing local revenue generation other household poverty reduction through supporting the growth of the private sector, that can then generate the local revenue, 'feeding the cow that gives you're the milk'. The end results are narrow and shallow local revenue base of LGs.

276. Timing of PDM fund releases should not follow the budgeting cycle but the planting season, so that the funds are put to the appropriate use; otherwise if funds come early or late, they will not serve the purpose their need.

277. The goals of PDM to increase rural household incomes should not be at the expense of food security. Some households that have been perpetually food insecure can achieve sustained food security as a result of participation in PDM, which should be considered a major achievement that intended under PDM.

10. Implementation Arrangements

This section highlights the implementation framework for the NDPIII for the FY23/24-24/25 as shown in Table 12 below.

Table 12: Implementation Arrangements

Roles and Responsibility				
Group/Individual	**Lead**	**Role**	**Responsibilities**	**Reporting Requirements**
Lead Ministry	Minister for political leadership and Permanent secretary for technical leadership	1. Coordinating body for the Programme. 2. Convene meeting of stakeholders.	1. Implement the Programme Objectives 2. Set priorities for implementation 3. Identify the key policy and project requirements 4. Identify key implementation bottlenecks to be resolved, among others.	1. Quarterly, semi-annual, and annual programme reports on the progress of the results of the programme. 2. Submit to the programme coordinator at OPM, both semi-annual and annual stage.
Ministry of Finance, Planning and Economic Development	Minister of Finance	1. Serves as the policy and financial guiding entity for resource allocation and performance measures. 2. Develop monetary policy that promotes achieving the NDPIII goal.	1. Monitor PWGs, MDAs, LGs on the progress on the programmes of the NDPIII. 2. Provide technical guidance for project implementation and to PWGs regularly. 3. Be a resource for questions, comments, and concerns.	1. High Level Annual Budget Development Performance.
Ministries, Departments and Agencies (MDAs)	Permanent Secretaries, Department Heads, and Agency Heads	1. Implement activities and subprograms that deliver services. 2. Monitor performance.	1. Provide impactful service delivery 2. Monitor performance and adjust activities as necessary.	1. MDA Strategic Plans. 2. Quarterly, semi-annual and annual performance reports.
National Panning Authority	Executive Director of the Planning Authority	1. Serve as the guiding entity for the implementation of the NDPIII. 2. Act as the visionary for the country and measure progress of its strategic objectives.	1. Monitor progress of PWGs, MDAs, LGs on the progress on the programmes of the NDPIII. 2. Provide technical guidance for project implementation and to PWGs regularly. 3. Be a resource for questions, comments, and concerns on the NDP III.	1. Support integrated web-based Monitoring and Evaluation (M&E) system. 2. High Level NDP III Results Report.
Office of the President	His Excellency the President	1. Serves as the visionary leader of the country.	1. Convene the Annual, Update, Learning, and Decision-Making Platform.	1. High Level Independent Oversight Results Synthesized Report.

Roles and Responsibility				
Group/Individual	**Lead**	**Role**	**Responsibilities**	**Reporting Requirements**
			2. Secretariat for the Platform meeting.	2. Annual Learning and Decision-Making Forum.
Office of the Prime Minister	Rt. Honourable Prime Minister	1. Leader of Government Business and the overall coordinator	1. Overall coordination of implementation of the NDPIII programmes. 2. House a secretariat to consolidate progress reports from Ministries leading the implementation of individual programmes. 3. Utilize APEX to submit the Government Annual NDPIII Programme Performance Report (GAPPR) to H.E. the President.	1. Government Annual Government NDPIII Programme Performance Report (GAPPR).
Political Head of Programme Working Group	Minister of the Lead Ministry of the PWG	1. Provide political leadership.	1. Provide policy guidance and hold the technical leadership accountable for implementation of the programme.	
Programme Secretariat	Permanent Secretary of the Lead Ministry	1. Technical Head of the PWG. 2. Supported by the Planning Department/Unit.	1. Housed at the Ministry leading the Programme. 2. Secretary of the lead institution. 3. Supported by the Planning. 4. Department/Unit. 5. Day to day running of the Programme and produce periodic programme performance reports.	
Programme Technical Leader of Programme Working Group	Permanent Secretary of the Lead Ministry	1. Provide technical and administrative support. 2. Housed at the Ministry leading the Programme. 3. Supported by the Planning Department/Unit.	1. Coordinate the implementation of Programme interventions at the Planning, Budget, Execution; and Reporting. 2. Day to day running of the Programme. 3. Steer strategic and technical engagements with all Ministers in charge of implementing programmes interventions for the NDP III results.	Periodic Programme Reports

Roles and Responsibility				
Group/Individual	**Lead**	**Role**	**Responsibilities**	**Reporting Requirements**
			4. Report to the Prime Minister on progress of Programme Implementation.	
Programme Working Group	Permanent Secretary of the Lead Ministry	1. Convene meetings. 2. Lead group discussions. 3. Strive to achieve consensus among members.	1. Review and finalize Program Implementation Action Plans (PIAP). 2. Propose resource allocations for Votes 3. Review the subprogrammes under the MDAs including Local Government subprogrammes contributing to the PWG. 4. Develop program performance indicators. 5. Develop plans on a inter and intra agency level. 6. Monitor the delivery of services. 7. Compile and submit required reports. 8. Meet at least once a quarter.	1. PIAP 2. Annual Program Progress 3. Program Reviews

11.Recommendations for NDPIII and NDPIV

278. This chapter presents recommendation for Government to consider in the remaining years of NDPIII. Implementation of the proposed recommendations may help to improve the performance of NDPIII and future design of NDPIV.

Economic Management

Recommendation 1: The MTR reviewed the underlying assumptions driving the plans. National Development Plans should be prioritized within the context of realistically mobilising resources to finance the plans.

Recommendation 2: The assumptions under-pinning the NDPIII will need to be revised. The MTR reviewed all the underlying assumptions and for the remaining half of the NDPIII growth projections. Based on the prioritization of resources within the plan the MTR recommends to revise growth to an average 5.2 percent during the period 2022/23-2024/25.

Recommendation 3: There should be demonstrated commitment to the charter of fiscal responsibility for the remaining half of the NDPIII. The current stock of debt and attendant debt service problems will be unsustainable within two years if left unchecked. The MTR recommends using the Charter Fiscal Responsibility as an anchor to enforce fiscal discipline.

Recommendation 4: The narrowing fiscal space for development spending owing to debt service obligations is a major concern. There is a large variation in the priorities of the NDP vis-à-vis the spending provided for in the budget. In addition, there is a need to reprioritise spending in light of the available resources. The MTR notes there is need to reprioritise infrastructure projects within the programs with a possibility of phasing them over a longer time if government is to meet its targets in the charter of fiscal responsibility. There is also room for reallocation of spending to more productive activities such as agro-industrialization.

Recommendation 5: Progress on the DRMS reforms has been mixed with some reforms yet to be implemented. Implementation of the reforms to rationalize tax expenditures should be considered a priority.

Recommendation 6: A weak fiscal-social contract between citizens and government continues to limit growth of the revenue tax base. Given the priorities of the current fiscal stance as demonstrated by the shares of spending—the link between social services that directly affect the populations welfare and taxation is weak. The level of corruption within the public sector is also a deterrent to voluntary payment of taxes and further complicates URA already difficult task. The MTR strongly recommends that government should strengthen links between tax and spending decisions, as well as budget transparency.

Recommendation 7: Tax revenues have remained stagnant owing to the restriction of the tax base largely on industry and services sectors and limited collection from agriculture related activities. This has resulted into a high tax burden of complying tax payers in industry and services, leading to closure of enterprises. There should be a deliberate effort to support and extend the tax base commercial agriculture (especially by large farmers).

Recommendation 8: In a quest to attract investments, Uganda offers generous tax incentives and exemptions albeit at the cost of further erosion of its tax base. The tax foregone through these incentives has remained stagnant during the past two years estimated at 1 percent of GDP. A comprehensive assessment of the beneficiary companies in terms of their contribution towards other taxes, employment and exports where applicable should be undertaken. The MTR would recommend rationalizing these tax incentives and exemptions and where very necessary use them judiciously targeting productive sectors.

Recommendation 9: To further align the budget with the NDP, The MTR concurred with the recommendation from Budget department that MoFPED should only provide budget ceilings to the programs. Program secretariats should be at the centre of allocating resources within their programs. This is the only way program secretariats would have a need to meet and prioritize their spending. To achieve this, it will require fully functioning programme secretariats to be in place and which are resourced annually through the budget.

Recommendation 10: Strengthening program cost estimation for budget preparation should be made a priority and mainstreamed within government. The MTR found that they are several costing centers resulting into different versions MTEF based at the NPA as provided under the NDP and MoFPED which are later compared for alignment. There is an urgent need to set up a unit (coordinated by MoFPED, NPA, Public Service and OPM) whose role is to establish the unit costs on programme inputs and the corresponding service delivery standards.

Recommendation 11: To enhance budget efficiency the MTR found an urgent need to introduce annual spending reviews (expenditure tracking surveys) prior to the budget process. MoFPED and OPM should play the leading role in undertaking program spending reviews which should be the basis for determining the ceilings by MoFPED. These reviews should be used as partly the basis for prioritizing resources in allocation of resources. Spending review refers to the systematic scrutiny of existing expenditure to identify, in particular, options for cuts by drawing on both program evaluations (the review of specific services provided by government) and efficiency reviews (which focus on reducing the cost of delivering services).

Recommendation 12: In light of the existing fiscal constraints, existing waste built over time under incremental budgeting, the MTR strongly recommends government to adopt zero-based budgeting (ZBB). For government use, this planning and budgeting technique endeavours to redirect efforts and funds from lower priority current programs to higher priority new programs, improve efficiency and effectiveness, and reduce spending. As well, ZBB are set to prevent regular budget creeping behaviour that emphasizes inflationary adjustments. Therefore, for budget to be translated into concrete development and growth there must be a real forecast of goals or targets at all the tiers of governments.

Recommendation 13: To fully adopt the program-based planning process, the MTR recommends changes to the budget formulation process. There should be a link between the programme secretariats, MoFPED and OPM during the budget consultative process. MoFPED should lead the process of determining the ceilings of programs. MoFPED and OPM should undertake expenditure reviews which should be used as a basis to determine ceilings. Once MoFPED determines the ceiling for the various programs, there should be an iterative process between MoFPED and programs in the allocation of resources to the priority sectors.

Recommendation 14: The MTR recommends adherence to the PFM act especially by properly planning for predictable expenditures with a view to contain supplementary budgets within 3 percent of the total budget. Frequent supplementary budgets continue to undermine planning and budgeting processes. The MTR Also noted that 75 percent of supplementary expenditures were predictable and could have been planned for in the budget.

Recommendation 15: There is an urgent need to keep arrears in check as this continues to erode the reputation of Government and directly cripples private sector development. Domestic arrears have continued to rise despite Government efforts over the years. By the end of 2021, the 2022 Office of the Auditor General Report reported a further increase in the stock of domestic arrears to UGX 4.65 trillion. The rise in arrears has been mainly attributed to fiscal indiscipline, poor financial management and weak system controls (MoFPED, 2021). In addition, arrears pose a reputational risk to Government which can affect the country's credit risk ratings.

Recommendation 16: Given the limited resources, there is an urgent need to prioritize resources within the budget through changes in the composition and phasing of expenditure activities. As government embarks on fiscal consolidation to meet its targets in the charter of fiscal responsibility there is a need to reprioritize spending. The prioritization is based on the following criteria: (i) activities having higher backward and forward linkages; (ii) directly linked to addressing household poverty and food security; (iii) are in position to aid quick economic recovery (directly impact production and consumption); and, (iv) in alignment with the operationalization of the Parish Development.

Recommendation 17: Based on the ratio of PV of debt to exports, further excessive borrowing will push the country to a high-risk category between the period 2022 and 2026. MTR recommends that government should be cautious on further excessive borrowing especially non-concessionary debt. Inherent risks of the debt portfolio include: (i) increasing debt service; (ii)increasing weighted average interest rate risk owing to huge appetite for costly domestic debt; (iii) reducing average time to maturity of the portfolio; and, (iv) reducing maturity risk.

Recommendation 18: At the backdrop of high ratings, the MTR recommends that the Government considers alternative financing models. These include issuing long-term Infrastructure Bonds. Government should also mobilize large surplus institutions to finance infrastructure projects, such as pension funds, particularly the National Social Security Fund (NSSF). Other emerging financing options which are particularly targeting green growth investments should also be explored.

Recommendation 19: The period July 2019 to date demonstrates the extent to which government has aggressively been borrowing from the domestic market at the expense of private sector credit growth and also way out of line with other monetary aggregates. The MTR notes that this is a worrying trend that needs to be reversed if government is to promote the private sector development as well as support macroeconomic stability.

Recommendation 20: there is a need to enhance better coordination between fiscal and monetary authorities as the monetary policy space to maintain macroeconomic stability is being narrowed owing to the excessive debt burden.

Programme Design and Institutional Framework

Recommendation 1: Considering that there is a big capacity gap between NPA and MFPED on one hand and other MDAs and LGs on the other side, it is recommended that the former embark on well-structured MDA and district level training of technocrats and their political leaders on the programme based approach to planning and budgeting. The training content ought to include guidelines on preparation of programme-based strategic plans, results frameworks and BFPs. Parliament, civil society and the private sector should also be fully sensitized on the programme approach.

Recommendation 2: The emerging issue regarding locating the Planning Units under the Office of Under-Secretary should be reviewed by Cabinet for successful implementation of the NDPIII and the attendant programme approach. The MTR established that understaffing, capacity and morale were the key issues for the failure to operationalize the programme approach. The Planning function should be elevated to Department level within MDAs and LGs to reduce attrition of experienced staff, facilitate capacity improvement through recruitment of additional staff and enable undertaking of the various roles that range from strategic development planning to coordination of budgeting, undertaking spatial planning, supporting implementation planning, policy analysis, monitoring, reporting, etc.

Recommendation 3: A development planning cycle/timetable should be adopted to ensure timely production of LLG, District, HLG, Regional, MDA, Sub-Programme and Programme Strategic Plans to inform NDPIV. The MTR proposes that planning process should begin at Parish level and culminate into Programme Strategic Plans and the NDPIV.

Recommendation 4: In order to streamline and strengthen implementation of the Programme Approach and the NDPs, there will be need for the Office of the Prime Minister, NPA and MFPED to present to Cabinet, for approval, a new Institutional Framework for Coordination of Policy and Program Implementation (IFCPPI) across Government. The IFCPPI will cover coordination arrangements right from Cabinet level to Programme, Sub-Programme (Sector) and LG levels. The IFCPPI should also include the need for the Head of Public Service/Secretary to Cabinet to chair NDP Implementation Steering Committee Meetings of Permanent Secretaries. It may also be important to consider integrating the operationalizing the Cabinet Committee system into the IFCPPI to ease implementation and decision making under the programme approach. The last IFCPPI was adopted in 2003 under PEAP and is currently outdated for the new programme approach.

Recommendation 5: Program Working Groups are not functional and have not played their coordination roles basically due lack of human, financial and logistical resources. It is recommended that PWGs through lead ministries be provided with requisite resources (finance and Human) to be able to execute their mandates. This means that similar support should be extended to the programme level, where the Planning Units which provides secretariats for Lead Ministries lack staff, skills, tools and funds to perform their roles. OPM Programme Coordinators should be recruited to carry out their coordination roles

Recommendation 6: In view of the critical role that Sub-Programmes (Sectors) play in thematic level strategic planning and coordination the Sub-Programme/Sector Secretariats ought to be maintained to continue preparing the Strategic Plans, results frameworks, work-plans and BFPs. The Programme results frameworks, work-plans and BFPs should then be consolidated by the OPM Programme Coordinators.

Recommendation 7: Going forward, all NDPIII interventions ought to be given unique numbers (Codes) and included in the system with or without necessarily having funds allocated to them. The intervention may be in form of: (a) a general intervention; (b) an approved project; and (c) a project idea (yet to be approved by the development committee). The system should be programmed such that no payment should proceed without entering the correct intervention and corresponding code. In addition to improving alignment of NDPs to the Budget execution, the adjustment would also reduce projectization of public expenditure, reduce mischarges and enhance transparency in public expenditure.

Recommendation 8: There is need to harmonize the IFMIS/Chart of Accounts System attributes with those of the Programme Budgeting System (PBS). Specifically, under IFMIS the term Output refers to Agencies and Vote Functions, whereas Outputs in the PBS are partial results from budget execution. The MTR recommends use of the term Vote Function instead of Output in the IFMIS/Chart of Accounts system.

Recommendation 9: In order to reduce fragmentation of resources and effort towards achievement of common results, it will be necessary to consolidate some Votes under Sub-Programmes, in line with the NDP programme approach. The MTR proposes the criteria below for maintenance or creation of a Vote.

- Must be either a Programme or a Sub-Programme of the NDP
- Must be a Government Ministry
- Must be an autonomous Agency or Authority or Commission established by an Act of Parliament

Recommendation 10: The MTR recommends introduction of a new budgeting process involving allocation of ceilings at programme, including indicative allocations to sub-programmes, to enhance operationalization of the programme approach. This process will also provide lessons for implementation of the zero-based budgeting.

Recommendation 11: The MTR recommends replacement of the zero-based budgeting system to incremental ceilings for improved budget execution, accountability and transparency. However, implementation of zero-based budgeting requires putting in place Unit-Cost and service/service delivery standards frameworks.

Recommendation 12: The MTR recommends that NPA should put in place a committee comprising MFPED, OPM, the Chief Government Valuer, Accountant General, Auditor General and other key stakeholders, to establish Uganda's Unit-Cost framework. NPA should also fast-track establishment of the service and service delivery standards frameworks. Both unit costs and service and service delivery standards should be in place by FY2023/24 to inform possible piloting of zero-based budgeting in the final year of NDPIII, FY2024/25.

Recommendation 13: In order to improve the performance of APEX secretariat, this should be at the centre of monitoring the use of resources in collaboration with MoFPED, OPM and NPA. A definite timetable for the annual APEX activities should be tabled and approved by Cabinet.

Recommendation 14: The MTR recommends that NPA and OPM should coordinate development of the standards within Programmes. NPA should source for financing of the activity from Government and development partners for the activity.

Recommendation 15: In order to ensure legal application of the programme processes that may include Programme Working Group (PWG) budget allocation processes, joint responsibility for results and programmatic oversight reporting, it is recommended that the PFMA Act, 2015, be as soon as possible amended by MFPED to recognise the programme approach and its key relevant attributes.

Recommendation 16: Also, as part of the legal and regulatory requirements, the MTR recommends that the composition and structure of four of the Parliamentary Sessional Committees should be adjusted as indicated in section 4.5. The Committees are: (i) Physical Infrastructure Committee; (ii) Tourism, Trade, and Industry; (iii) Public Service and Local Government; and (iv) Defence and Internal Affairs Committee.

Recommendation 17: In view of the need to ensure achievement of the overarching objectives of the Programme Approach, the MTR recommends rationalization of programs in NDPIV considering the Criteria below.

- Have shared objectives/outcomes
- Have Common value chain / service delivery system
- Be consistent with promotion of Constitutional Independence (separation of powers)
- Have shared policy, mission and vision coherence
- Be aimed at strengthening synergies for efficient service delivery.
- Be promoting implementation sequencing
- Be accelerating the achievement of common results
- Have mandate that is relevant to shared programme objectives

Recommendation 18: NPA and MFPED should champion adoption of regional planning within the context of spatial planning. The regional plans should be prepared in line with the proposed Planning Calendar. NPA requires to consider and make its regional offices operational in the first year of the NDPIV. The offices will mainly support implementation planning of regional projects and affirmative action programmes. The regional centres should also be promoted to act as regional infrastructure implementation centres as highlighted in Chapter Four.

Recommendation 19: The MTR recommends that thirteen (13) spatially illustrated five-year regional development plans should be prepared in the Strategic Planning Calendar by NPA as indicated below.

i) Central-Northern Uganda Sub-Regional Development Plan

ii) West Nile Sub-Regional Development Plan

iii) Karamoja Sub-Regional Development Plan

iv) Bunyoro Sub-Regional Development Plan

v) Central Buganda Sub-Regional Development Plan

vi) Greater Masaka- Kalangala Sub-Regional Development Plan

vii) Busoga Sub-Regional Development Plan

viii) Bukedi-Mbale Sub-Regional Development Plan

ix) Sebei Sub-Regional Development Plan

x) Teso Sub-Regional Development Plan

xi) Ankole Sub-Regional Development Plan

xii) Greater Kigezi Sub-Regional Development Plan

xiii) Greater Kampala Metropolitan Area Development Plan

Policy and Strategic Direction

This report has presented an assessment on the quality and effectiveness of NDPIII's policy and strategic direction, two years into implementation.

Recommendation 1: Albeit challenges of instability emanating from external shocks, government also needs to do some fiscal consolidation for the remaining two years of the plan. This should be done by reprioritization of spending, scaling back on unproductive spending within the budget as well as sequencing investment projects to levels that they can be sustainably financed.

Recommendation 2: Macroeconomic strategy should focus on strengthening tax administration with a view to increase domestically generated resources to finance the NDPIII and also meet our debt obligations in a sustainable manner.

Recommendation 3: In addition, it will be necessary to strengthen Uganda's capital markets with the objective mobilizing resources for long and medium-term financing. Developed capital markets could also be used to intermediate investment for pension funds into long-term infrastructure projects.

Recommendation 4: Better sequencing of investment projects should be at the core of the remaining NDPIII period. Government should develop industrial ecosystems around large industries such as iron ore, oil and gas and phosphates—to be the largest off-takers of the power generated. To minimize the cost of transmission and distribution of power, industrial clusters should be strategically located with the exception of raw material considerations (e.g. iron ore, oil and gas and phosphates).

Recommendation 5: Government should focus on investing in institutions to meet the skills requirements for new emerging sectors such as oil and gas. There is a need to devote more resources to education and health care to build a more resilient and healthier labour force. As some infrastructure projects wind-up, more focus should be put on human capital development to support the industrialization process. More resources are required for recruitment of both primary and secondary school teachers and health workers.

Recommendation 6: Government should work on the current investment climate to make it more favourable for industrialists as a total package. The cost of doing business should be addressed by government considering having stake in financial institutions that are promoting strategic industries. Public officials should work hand in hand with industrialists to address the peculiar challenges. Industrialists should be protected from rapacious public servants who use their positions for extortion.

Recommendation 7: Government needs to engage meaningfully in large industrial setups through the Quasi market approach. The current number and scale of industrial setups promoted through UDC is indicative of a lack of commitment by government to fully industrialize. Small agro-processing industries should be a preserve of the private sector and government should only provide the enabling environment for them to flourish. However, for large-scale enterprises where there are clear market failures for the private sector to implement such projects, government should take the lead and ensure that impactful industrial projects are implemented. In particular, for large industrial clusters involving value addition to minerals such as iron ore, phosphates, oil and gas, government should play an active role in being the champion of such projects through the entire investment cycle.

Recommendation 8: Government should champion scientific farming under the Parish Development Model by promoting the use of irrigation, fertilizers and provision of both irrigation engineers and agronomists at districts to provide scientific advice to farmers.

Recommendation 9: Government should take advantage of the ever-increasing regional market by putting more emphasis on exporting products with high value. The programs under agro-industrialization, beneficiation of minerals and manufacturing (both light and heavy) should be prioritized in resources and implementation. By boosting exports this will also improve Uganda’s debt liquidity indicators.

Recommendation 11: There is need for government to support and strengthen its Banks such as Posta Bank and Housing Finance to leverage access to affordable credit, private sector growth and faster export growth and diversification. In addition, it is recommended that the

UDB should be further recapitalized so that it can be able to provide loans to the private sector at reasonable cost.

Monitoring and Evaluation Framework

Recommendation 1: Review the PFMA, 2015 to foster alignment of the budget to the National Development Plan. Review the Law (PFMA, 2015) to ensure that the compliance corticated is undertaken on the current Budget. The certificate of Compliance issued by National Planning Authority has no rewards and sanctions and therefore, the business as usual performance continues. There is therefore need to come up with measures that are binding for areas that are faulted.

Recommendation 2: Performance contracts should be hinged on the NDPIII results. To ensure that plans are implemented, performance agreements should be derived from the corresponding results.

Recommendation 3: Build MDA and LG capacity in M&E. Monitoring performance concerns the performance accountability system covering the monitoring framework of the NDPIII, results framework, PIAPs, MDA Strategic Plans and LGDPs which includes indicators and targets. These have since been inconsistent at not uniform at all levels. A manual providing detailed levels of performance should therefore be developed.

Recommendation 4: Increase resource allocation to the M&E function. Monitoring and Evaluation activities are taken as recurrent and are prone to budget cuts. This has therefore, reduced utilization of evidenced based policies and programmes.

Recommendation 5: Provide operational guidelines on new reforms such as APEX, OPM Delivery unit, PDM introduced from inception. The new reforms when implemented divert from the original concept and generate their own focus areas.

Recommendation 6: Local Governments should start developing annual performance reports. LGs have scattered information on their performance and in particular performance on projects in their respective areas of jurisdiction. There's need to have annual performance reports to be able to take stock of any emerging issues. The LGs' information is provided in the Local Government Plans (LGDPs) which is one in 5 years.

Recommendation 7: Establish mechanisms to generate administrative data as well as leveraging digital innovations such as tablets to facilitate timely collection and submission of data at a minimal cost. This will require the UBOS in conjunction with the relevant MDAs, Local Governments and academia working out a framework that standardizes the data from different administrative units through statistical rules, regulations and instrument

Recommendation 8: Establish statistical units in charge of data across MDAs and recruit the respective data officers.
Recommendation 9: Re-examine the legal and policy frameworks for setting up programmes
Recommendation 10: There is a need to i) understand the mid-term priorities of gov't, ii) agree on the overall coordination and M&E strategy, and iii) Agree on the responsibilities and roles of the concerned institutions.
Recommendation 11: Harmonize the coordination and M&E Structures with existing mechanisms
Recommendation 12: NPA in collaboration with key players should define the national research framework covering scientific, economic, social and other areas of research. EPRC in collaboration with key players will define the economic policy research agenda. NCS&T in collaboration with key players will define the scientific research agenda. OPM in collaborating with key players will define the evaluation agenda. OP in collaboration with stakeholders to define the policy research agenda.
Recommendation 13: There is need to ensure collaboration and follow up on the implementation of the NDPIII. Through a whole of government approach government needs to Monitor / follow up government programmes/ projects / interventions to ensure value for money. The programme approach ushered in a framework to deliver common results and through this, key institutions will be required to come together to undertake joint Monitoring of these government programmes. These Monitoring exercises will be along the five different clusters with each headed by a team of Ministers. Institutions to be involved will include: OPM, NPA, MoFPED, OP and Parliament. This will reinforce the APEX platform and NPA to coordinate this process. The Monitoring will also focus on key outputs delivered vis a vis the resources allocated.

Partnership Recommendations
Recommendation 1: NDP frameworks should adopt partnership framework and indicators which should be monitored and reported on periodically also as part of the GAPRs.

Recommendation 2: There is need to have a clear calendar for NPF activities, and should be aligned to budgeting and planning calendars. Increasing the frequency of the NPFs meetings is recommended to at least twice a year. Key stakeholders should be allowed to provide input in to mutual accountability assessment developments.

Recommendation 3: Operationalise and improve coordination of Joint programme working groups (PWGs) as most are larger than previously Sector Working Groups (SWGs).

- Streamline PWGs in line with NDPIII priority areas for PWGs to become a forum on strategic discussion on sector issues.
- PWGs to be reinvigorated as key vehicles for strengthening dialogue on planning, prioritisation, budgeting, performance monitoring, and policy reforms.
- Partnership dialogue to become more results-oriented and inclusive of all stakeholders.
- Better coordination of the PWGs identifying key results where both government and DPs are committed to make progress to which they can be held accountable.
- OPM, MoFPED, MoPS, NPA to provide more harmonised guidance and oversight of PWGs – need to ensure accountability in coordination.
- Ensuring PWG processes work effectively to align "on budget" and "off budget" development assistance behind the NDP. Improving the alignment of sector strategic investment plans may need to be a starting point.

Recommendation 4: Revise the policy frameworks including the partnership policy to cater for emerging trends, and complete the Development Cooperation Policy (DCP) to guide the sourcing and general governance of grants in development and inclusive growth focusing on alignment of grants to Government priorities, as well as transparency, official recording and reporting of off budget grants.

Recommendation 5: Strengthen LDPG framework with a technical support unit that will have clear annual deliverables and leverage better and trackable dialogue with Government.

- LDPG along with their technical working groups like the PFM working should have a public available work plan aligned to Government plans.
- The LDPG website could also be used as form of accountability by development partners where for example all country assistance strategies and their assessments are posted.
- One of the key areas of joint undertaking at the LDPG level is joint programming and collective and inclusive engagement in NDP activities. The

website could also be a repository for each development partners to indicate their activities as well as medium term commitments.

Recommendation 6: There is a need to explore the option of resurrecting the Division of Labour Exercise and the subsequent publication which will help improve DP transparency while opening room for reducing transaction costs on Government. It will also serve to re-inforce the mechanisms of mutual accountability.

Recommendation 7: Strengthen existing platforms for dialogue towards improving the investment climate and enabling environment for business. These include *inter alia* Private Sector Foundation Uganda (PSFU), Private Sector Consultative Group and the Presidential Investors' Round Table, and Multi sector strategy Working Group.

Recommendation 9: Support data tracking mechanisms for development partnerships including both CSO and NGO activities towards the NDP III.

LED recommendations

Recommendation 1: The MoLG should prioritize a comprehensive capacity building of both elected and appointed leaders of the LGs to proactively take the initiative to engage and support growth of the private sector within their LG budgets. Capacity of leadership to champion LED promotion is paramount for its success. LED requires innovative thinking and doing things unusual.

Recommendation 2: The LED departments should identify and make use of LED champions and change agents to promote LED. Champions such as among the LG chairman or the CAO are more effective because they have the power and authority to influence other actors and allocate resources to LED.

Recommendation 3: Technical support should be provided to local governments to utilize their existing assets to enter into partnerships with Private Sector Actors for commercial investments.

Recommendation 4: Ministry of Finance, Planning and Economic Development (MFPED) should free local government from the restrictions in the management of local revenue that has been imposed by the public finance management act. This will enhance the management of local revenue as provided for in the Local Government Act, in the spirit of subsidiarity.

Recommendation 5: Government should implement the provision of LED Fund from national government to the local government as a special purpose vehicle that is used to mobilize resources from the different sources. LGs can then compete for these funds to finance their LED projects.

Recommendation 6: Implement the Fiscal Decentralization Strategy to reduce the number of grants and evolve the system in a manner that will ensure consistency, autonomy, predictability and adequacy to meet the minimum costs of service delivery by LGs. The MoFPED should provide separate medium term financing plan for local government service delivery along with the national medium term expenditure plan and to submit them to Parliament for approval.

Recommendation 7: In the remaining NDPIII period, all MDAs and LGs with service delivery responsibilities under the PDM should coordinate their next planning, budgeting and implementation based on the relevant pillars of the PDM, involving the parish stakeholders.

Recommendation 8:The PDM secretariat should plan and budget for continuous capacity building of parish leadership and stakeholders through mentorship and close supervision to have sufficient capacity to support the entire implementation of PDM at the community level, with little supervision from the PDM secretariat and LGs, in order for PDM as a pro-poor development approach for economic and community development to be more effective.

Recommendation 9: In order for PDM to move subsistence producers and survival enterprises into the money economy, the parish level economic activities, such as primary production, primary processing and produce aggregation must be vertically linked to the regional value chains, which are often governed by the agro-processors who should be deliberately attached to locate at the regional industrial parks/hubs.

Recommendation 10: SACCOs should be equipped with financial literacy, business development and group management skills before releasing funds to their accounts.

Recommendation 11: A thorough pre-investment value chain analysis for the selected enterprises should be undertaken with the view of appreciating the entry barriers to value chain by the poor producers. At the farm level, the PDM funds may finance acquisition of inputs (such as improved seeds, pesticides, herbicides, fertilizers, equipment); farming technologies (such as tractors, ox-ploughs); extension and advisory services including business development services and financial literacy; and irrigations services. The producer and/or marketing groups should be encouraged to procure these services from local private sector, where the capacity exists. This will in turn create new jobs for the young professionals in these fields.

Recommendation 12: MoFPED should work with the PDM secretariat to earmark funds specifically to run the office of the parish chief and SACCOS if the parish SACCO is to be supervised by the PCs. The PDM concept had envisaged that each parish would have modest and equipped office buildings, transport and operational funds. As a matter of necessity and importance, the operation funds need to be provided for effective coordination, supervision, monitoring and reporting on PDM activities.

Recommendation 13: PDM should revise the scope enterprises to include non-agricultural enterprises which are more relevant in urban areas, for the urban poor. This category of the poor lacks space even to practice urban farming like poultry, piggery, zero grazing as most of them live in conjected slums and rented spaces. This underscores the importance of Pillar 1 of the PDM which should be inclusive of non-agricultural enterprise development, while the rest provide supporting for it to succeed.

Recommendation 14: Commodity cluster development should be aligned to the PDM. This should not be new to NAADS that has been using parish-based farmer organization. This should continue as aligned to the PDM.

Recommendation 15: Embracing the value chain development approach. Targeting different segments of the value chain without paying attention to the whole chain affects effectiveness of the interventions and does not necessarily make the chain competitive.