Final Evaluation of Uganda's Second National Development Plan

(NDP II 2015/16-2019/20)

Policy and Strategic Direction Thematic Report

August 2022

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Executive Summary

The Government of Uganda, through the National Planning Authority, has commissioned a final evaluation of its National Development Plan II 2015/16-2019/20 (NDPII). The final evaluation considers the entire period of NDPII and build on the mid-term review conducted in 2018. The final evaluation, conducted by a team of independent consultants, is comprised of six thematic reports: Economic Management, Institutional Framework, Development Partnerships, Political Economy, Results Framework and Policy and Strategic Direction. This is the Policy and Strategic Thematic Report.

The objective of this report is to present an assessment on performance of NDPII's policy and strategic direction. In line with OECD-DAC evaluation criteria, four areas of enquiry have been considered in this report: *relevance* of NDPII's theory of change; *efficiency* of government policies, plans and strategies in relation to NDPII; *effectiveness* of government policy in achieving NDPI objectives; and the *impact and sustainability* of NDPII interventions for achievement of Vision 2040.

Relevance

Overall, the theory of change presented in NDPII was coherent. There is a clear logical argument of how interventions by Government in a range of mutually-reinforcing areas would lead to a set of desired outcomes. **The theory of change outlined in the NDPII was also ambitious.** Government gave itself a stretching target of reaching lower middle-income status by 2020, and to implement nine complex strategies and five multifaceted approaches in half a decade. This was no small task. By the end of the plan this proved to be rather ambitious and middle-income status was never achieved.

The logic behind Uganda achieving middle-income status, outlined in NDPII, was testable. Clear indicators, baseline and targets were developed for the NDPII Goal and four associated objectives. The Government of Uganda developed a comprehensive results framework. **NDPII's theory of change provided guidance to civil servants on the types of policies that should be in place, or developed**, to deliver the interventions (9 strategies, 5 approaches), and achieve the four objectives.

In line with the mid-term review recommendations of the NDPII, Government strengthened sector clustering through formation of programs with the objective of MDAs to follow an agreed strategic direction. Without clear clustering and understanding of how individual agencies with different outcomes/objectives interact, it was difficult to achieve policy co-ordination within and across sectors. This was particularly important for cross-cutting programmes such as tourism, skills development and industrialisation.

NDPII's Implementation Strategy provided information on how implementation of NDPII would be supported; this document could however been strengthened. NDPII's Implementation Strategy provided guidance on the pre-requisites required for successful NDPII implementation, and systemic reforms needed to improve the linkage between planning and budgeting and implementation. Operationalisation of the strategic direction could however have been supported further in the Implementation Strategy by developing and documenting a clear phasing and sequencing of implementation, and the interconnectedness of sectors.

Efficiency

Albeit the risks highlighted in the MTR of NDPII on fiscal policy, there was no change in fiscal stance as government continued to run expansionary fiscal policy to address the infrastructure gaps. After the mid-term review, fiscal deficit including grants instead increased to -4.9 percent in 2018/19 and -7.13 percent in 2019/20 way above the target of -3 percent under the EAC convergence criteria. This was exacerbated by the expenditure build-up that was geared to elections. Tax revenues as a percentage of GDP also remained stagnant. The domestic resource mobilisation strategy was only adopted at the end of the NDPII. Government appetite to borrow from the domestic market continued unabated. The MTR of NDPII had recommended reducing borrowing from the domestic market by limiting it to less than 1 percent. Instead this was increased to 1.87 percent of GDP in 2018/19 and 2.97 percent in 2019/20. Compounded by increased uptake of non-concessional loans, this significantly narrowed governments fiscal space with high debt service obligations.

Monetary policy over the duration of NDPII helped contain inflation but the cost of borrowing remained high. Inflation, was on average 4-5 percent. Overall, monetary policy partly contributed to successful management of inflation, a key component of macro-economic stability.

However, the high domestic debt-financing of government spending lead to high bank lending rates over the NDPII period. A peak of 25% in December 2020 was recorded. Expensive borrowing during NDPII discouraged development of the private sector and slowed economic growth.

The Doing Business rankings conducted by the World Bank shows that the business environment in Uganda improved. The rankings are based on ten topics in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation.

Overall, the effectiveness of Government declined over 2015/16-2019/20, the control of corruption decreased, and public sector performance fell (measured through % of budget released, budget outturn). The efficiency and productivity of government can be defined and measured through several metrics including the contribution to total productivity (GDP) and public sector performance.

Effectiveness

The productivity of Government declined over 2016-2020, the control of corruption decreased, and public sector performance fell (measured through % of budget released, budget outturn). This assertion has been made through the assessment of 12 different metrics. In the remaining years of NDPIII and in formulating NDPIV there is a need to ensure that sufficient focus and resources are allocated to support reforms to improve the productivity, transparency and efficiency of Government. Key reforms may include public sector rationalisation, procurement reform, anti-corruption measures and public investment management improvements.

Sustainability

There was a disconnect between planning and budgeting at the macroeconomic level. Alignment was noted to be 44.5% - “Unsatisfactory” in FY2019/20. The overall score also shows that the planning of the NDPII had less influence on how resources were allocated during the NDPII. In the 2017/18 budget the macroeconomic targets differ by 17% from the NDPII targets. Budget targets appear to more closely tied to the IMF’s Policy Supported Instrument (PSI) targets than the NDPII.

Over the NDPII period, the number of sector and MDA plans aligned to NPII increased. There was a concerted effort, across Government to produce sector plans that are aligned to NDPII except for a few MDAs that were non-compliant. This was a positive step however, more needs to be done.

Whilst the number of sector and MDAs plans aligned to NDPII increased over time, there was a persistent problem of converting plans into budget allocations. The alignment of annual budget allocations to sector plans had fallen over the NDPII period. In FY2016/17, the alignment was 60.1%, "moderately satisfactory"; in 2019/20, alignment had fallen to 58.3%, "unsatisfactory". Table 9 illustrates that only 5 out of 18 sectors got an increase in the alignment of their plans and budgets to NDPII over the period. An increase in deviations of releases and final outturns from the plan are indicative of a complete disconnect between planning and budgeting.

Overall, the understanding of NDPII vis-à-vis NDPI by stakeholders appeared to be higher. For effective national development in Uganda, there needs to be a collective understanding and agreement on the objectives on NDPII, coupled with strong buy-in from a range of key stakeholders in central Government, local Government, civil society, the private sector, media, academia and development partners. Discussions with stakeholders during this evaluation revealed that there was a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII was more succinct and focused than NDPI. Evidence of understanding and buy-in to NDPII can be seen in several documents, for example, political manifestos, budget speeches, Ministerial Policy Statements, sector investment plans and performance reports. Development Partners also referenced NDPII in their strategies e.g. the World Bank's Country Partnership Framework (2016-21) refers to NDPII. Through consultation with non-state actors, The Private Sector Foundation and civil society are also aware of NDPII, however have expressed that they would like to work with Government in a more meaningful way.

Consultation with Development Partners, as part of this evaluation, also revealed that there was strong ownership by the Government in developing NDPII; consultation was also extensive across a range of stakeholders. Development Partners however noted that their influence on NDPII formulation was not significant, and the NDPII does contain details regarding development partnerships and funding commitments. At present, it is noted that regular development partnership dialogue is in place, however effective dialogue has been challenging in the post Joint Budget Support era. Non-traditional development partners are also not bound by the National Partnership Forum (NPF) arrangements. To ensure effective buy-in and coordination with development partners there is a need to: ensure more effective co-ordination of development partners, enhance the involvement of development partners in preparing future NDPs, streamline joint sector working groups and ensure that partnership dialogue within the NPF is inclusive and result-orientated. Overall, alignment of development assistance to national priorities could be strengthened through structured consultation with development partners on priorities, aligned to the country's budget calendar.

Implementation of Government policy did not deliver the desired results under NDPII. Weaker than expected performance occurred due to slow or ineffective policy implementation, a challenging operating context and persistent weaknesses in the efficiency and effectiveness of Government.

Chapter 1: Introduction

1.1 Background

1. This section presents background information on the NDPII, key stakeholders engaged in shaping the strategic direction and policies under the NDPII, and overarching structures guiding the NDPII's policy and strategic direction.

National Development Plan II (2015/16-2019/20)

2. **In line with Uganda's Comprehensive National Development Planning Framework (CNDPF), the NDPII is the second in a series of six five-year plans aimed at achieving the Uganda Vision 2040.** NDPII 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. NDPII's goal was to propel the country towards lower middle-income status by 2020 through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth. The plan built on lessons learned and results achieved under NDPI and recommendations from NDPII's mid-term review. NDPII was envisaged to be financed by both public and private resources; 57.8% from Government (external and domestic financing), 42.2% from private contributions. Delivery of the plan was supported by an Implementation Strategy which clearly laid out pre-requisites for effective implementation, proposed implementation frameworks, a results framework and reforms and management systems for NDPII. A comparison of NDPI and NDPII is provided in Table 1.

3. **From a policy and strategic direction perspective, NDPII focused on fewer goals and sectors than NDPI** (2010/11-2014/15) – productivity enhancement, infrastructure development, human capital accumulation and quality service delivery. NDPII also moved away from the earlier plan's approach, where sectors were placed into four pots but not explicitly prioritised: primary sectors, complementary sectors, social sectors and enabling sectors. Instead, the development plan identified several constraints and bottlenecks that had to be addressed, through detailed strategies and approaches, for Uganda to reach lower middle-income status by 2020. Further details on NDPII's theory of change is provided in Chapter 2.1.

Table 1: NDPI and NDPII

NDPII Theme: To achieve middle-income status by 2020, through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth	**NDPI Theme:** Growth, employment and socio-economic transformation for prosperity.
• Increase sustainable production, productivity and value addition in key growth opportunities (agriculture, tourism, minerals and oil and gas); • Increase the stock and quality of strategic infrastructure to accelerate the country's competitiveness; • Enhance human capital development; and • Strengthen mechanisms for quality, effective and efficient service delivery.	• Increase household incomes and promote equity; • Enhance the availability and quality of gainful employment; • Improve the stock and quality of economic infrastructure; • Increase access to quality social services; • Promote science, technology, innovation and ICT to enhance competitiveness; • Promote sustainable population and use of the environment and natural resources. • Enhance human capital development; and • Strengthen good governance, defence and security.

Source: NDPI, NDPII

4. **The Government of Uganda, through the National Planning Authority, has commissioned a final evaluation of its National Development Plan II 2015/16-2019/20 (NDPII).** The final evaluation considers the entire period of NDPII and builds on the mid-term review conducted in 2019. The final evaluation, conducted by a team of independent consultants, is comprised of six thematic reports: Economic Management, Institutional Framework, Development Partnerships, Political Economy, Results Framework and Policy and Strategic Direction. This is the Policy and Strategic Thematic Report.

1.2 Methodology

5. For this report, the consultants requested and analysed several documents from Government and development partners (Annex 1). In addition, semi-structured interviews were held with Government staff and other stakeholders who were involved in the delivery of NDPII (Annex 2). Semi-structured interviews and document analysis were framed around four areas of enquiry in line with OECD-DAC evaluation criteria:

- Relevance of NDPII's theory of change;
- Efficiency of government policies, plans and strategies in relation to NDPII;
- Effectiveness of government policy in achieving NDPII objectives;

- Impact and sustainability of NDPII interventions for achievement of Vision 2040.

6. These four areas include the guiding questions for this thematic report set-out in the terms of reference of the assignment and Inception Report. Where appropriate, the guiding questions are signposted with the initials "PS" and associated question number e.g. PS5. Further details on the areas of enquiry, and their linkage to the guiding questions, are contained in Annex 3.

1.3 Key stakeholders

7. **Several stakeholders across and outside Government were involved in developing NDPII and were subsequently involved in delivering the plan.** From a policy and strategic direction perspective, key institutions include the Office of the President, Cabinet, Office of the Prime Minister, National Planning Authority (NPA), Ministry of Finance, Planning and Economic Development (MoFPED), sector ministries, departments and authorities (MDAs) and local Governments. The Office of the President is tasked with overall leadership and oversight of the plan, the timely communication of cabinet decisions and quality assurance of policies presented to Cabinet. Cabinet, as the highest policy making organ of the Executive, is empowered by the Constitution to determine, formulate and implement the policy of the Government (Article 111(2)). Cabinet ultimately provides the policy and strategic direction for NDPII, approves the budget allocations and champions implementation. The Office of Prime Minister is tasked with the role of tracking the implementation of priority projects and programmes and for public sector performance information and reports which inform good policy development. The NPA develops national development plans, including NDPII, ensures alignment of MDA and local Government plans to NDPII and develops NDPII performance indicators and targets in liaison with sector. MoFPED is responsible for resource mobilisation and allocation and for ensuring a direct linkage between planning and budgeting. Sector MDAs and local Governments both develop sector plans and policies and align their objectives to national level directives such as NDPII.

8. **In line with OECD-DAC evaluation criteria, the objective of this report is to present an assessment on the relevance, efficiency, effectiveness and impact of NDPII's policy and strategic direction.** Policy and strategic direction are defined as the guidance given to the country on its development path. Effective implementation of guidance given in NDPII, by

Government, citizens, private sector, academia and development partners, is assumed to support Uganda achieve its Vision 2040 goal of having a "transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years". This final evaluation provides the Government with an assessment on how effective the policy and strategic direction of NDPII was in achieving its goal(s).

9. **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. Part three provides conclusions and recommendations. This report is extremely timely, as the Government of Uganda prepares to reprioritise the NDPIII and to design its fourth five-year National Development Plan. This document will hopefully inform and guide this initiative.

Chapter 2: Findings

10. This chapter is structured into four parts, reflecting the areas of enquiry outlined in the methodology. Each part describes the situation in relation to the relevance of NDPI's theory of change and the efficiency, effectiveness and impact of NDPI interventions. Conclusions on areas which could have been strengthened, and considerations for NDPIII, are drawn out in the subsequent chapter.

2.1 Relevance of NDPI's theory of change

3 A theory of change (ToC) is a causal framework which explains how and why a change process can happen in a particular context. It should be coherent, plausible, feasible and testable. This section assesses: whether there is a valid theory of change behind NDPII that informs its logic and underpins a coherent appropriate and credible strategy map (PS5), and if NDPII has been developed with a clear understanding of the necessary phasing and sequencing (PS7).

4 In the context of NDPII, the theory of change should indicate how changes in the economy, society and environment will contribute to Uganda's objective of becoming a middle-income country by 2030. It should also underpin and guide supporting strategy and policy development across Government.

5 **Overall, the theory of change presented in NDPII is coherent**. There is a clear logical argument of how interventions by Government in a range of mutually-reinforcing areas would lead to a set of desired outcomes. Should the desired outcomes be realised e.g. improved quality and stock of infrastructure then Uganda should, in theory, reach lower middle-income status.

6 **The theory of change outlined in the NDPII was ambitious.** Whilst Uganda's development status and trends over the period 2008/9 to 2013/14 reflect an improvement in several areas, the Government gave itself a stretching target of reaching lower middle-income status by 2020, and to implement nine complex strategies and five multifaceted approaches in half a decade. This was no small task. By the end of the plan this proved to be rather ambitious and middle-income status was never achieved.

7 **The logic behind Uganda achieving middle-income status, outlined in NDPII, was testable.** Clear indicators, baseline and targets were developed for the NDPII Goal and four associated objectives (Page 101-102). The Government of Uganda developed a comprehensive results framework. This could have been improved by explicitly stating what assumptions were in place for each building block of the theory of change to hold true and test and monitor assumptions throughout implementation.

8 **NDPII's theory of change provided guidance to civil servants on the types of policies that should be in place, or developed**, to deliver the interventions (9 strategies, 5 approaches), and achieve the four objectives. For instance, to fast-track skills development, the Government of Uganda should have in place a clear education policy that underpins why skills development is important, what skills need to be developed and how skills development will be supported by the state. NDPII supported strategy and policy development, particularly for the priority development areas (Sections 4.9.1-4.9.5). It provided clarity on what should be achieved for each sector by 2020, an overview of sector approaches in the main report. This was appropriate.

9 **In line with the mid-term review recommendations of the NDPII,** Government strengthened sector clustering through formation of programs with the objective of MDAs to follow an agreed strategic direction. It was noted in the Certificate of Compliance (2017/18), that some MDAs e.g. Uganda AID Commission were in the wrong sector and so could not contribute to the sector's objectives. Without clear clustering and understanding of how individual agencies with different outcomes/objectives interact, it was difficult to achieve policy co-ordination within and across sectors. This was particularly important for cross-cutting programmes such as tourism, skills development and industrialisation.

10 **NDPII's Implementation Strategy provided information on how implementation of NDPII would be supported; this document could however be strengthened.** NDPII's Implementation Strategy provided guidance on the pre-requisites required for successful NDPII implementation (Page 14), and systemic reforms needed to improve the linkage between planning and budgeting and implementation. The Implementation Strategy also detailed the Comprehensive National Development Planning Framework (CNDPF) (Page 34) which details the linkage between sector plans and national plans and the associated time-frames. These details are useful. Operationalisation of the strategic direction (chapter

4 of NDPII) could however have been supported further in the Implementation Strategy by developing and documenting a clear phasing and sequencing of implementation, and the interconnectedness of sectors.

Table 2: NDPII's Theory of Change

ToC building block		**Assessment**
Vision/goal: What is the desired long-term state?	(i) Vision 2040: "A transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years" (ii) NDPII theme: "Strengthening Uganda's Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth" (iii) NDPII goal defined in Plan: "To attain middle income status by 2020 through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth" (Page 101).	The goal defined in NDPII was broadly SMART – it was Specific (attain middle income status), Measurable (middle income status, GNI per capita or GDP), Results-focused (clear targets and indicators) and Time-bound (by 2020). **Concern was that it was an ambitious target given the prevailing growth rates that were there at the time. In addition, Uganda needs to adopt the internationally accepted statistic for measuring income status which is Gross National Income.** GNI per capita should be between $996 and $3,895. By the year 2019/20 GNI was at $774.
Outcomes: What has to change for the long-term goal to happen?	To achieve the long-term goal (middle-income status) four objectives must be achieved (Page 101): 1. Increase sustainable production, productivity and value addition in key growth opportunities (agriculture, tourism, minerals and oil and gas); 2. Increase the stock and quality of strategic infrastructure to accelerate the country's competitiveness; 3. Enhance human capital development; and	The logic proposed in NDPII was that by increasing sustainable production, productivity and value addition in key growth areas, the stock and quality of infrastructure, human capital development and service delivery mechanisms, Uganda would achieve middle-income status. Increasing production and productivity would logically lead to increased income for the country. As well, improving the stock of infrastructure would enhance production and productivity for various activities. Investing in human capital development enhances the productivity of the population and therefore increasing their incomes. The fourth objective of strengthening mechanisms for quality, effective and efficient

ToC building block		Assessment
	4. Strengthen mechanisms for quality, effective and efficient service delivery.	service delivery also contributes towards production and productivity for social sectors.
Inputs and outputs: What *interventions* will lead to the desired outcomes?	To achieve the four objectives, nine development strategies will be pursued (Page 101). These are: 1. Fiscal expansion to support infrastructure investment (concessional and semi-concessional financing and other development support facilities alongside maintain macroeconomic stability) 2. Industrialisation (promotion of value addition activities and manufacturing through sector-specific interventions (Page 110-111 agriculture, Page 114-115 minerals, oil and gas) 3. Fast tracking skills development (establishment of five centres of excellence to build the necessary skills required in key priority areas) 4. Export-orientated growth (prioritisation of investment in energy, ICT and transport infrastructure) 5. A quasi-market approach (creation of strategic partnership with private sector through PPPs) 6. Harnessing the demographic dividend (policies to accelerate a rapid decline in fertility and ensure the labour force is well educated, skilled and healthy)	The logic proposed in NDPII was that by pursuing the 9 development strategies then the 4 Objectives (production, infrastructure, human capital development and service delivery) will have been achieved. **This logic was testable and plausible but there were some underlying risks that were not well highlighted.** While fiscal expansion was a desirable goal to support infrastructure development. However, this was also accompanied by significant increase in the stock of debt and other attendant problems like debt service which are now reaching unsustainable levels. Risks of contracting non-concessional loans contracted the fiscal space as interest payments continued to increase during the NDPIII. Focus on industrialization was well justified however there were no supporting policies such as the industrial policy to support this agenda. Interventions to support agro-industrialization were not spelt out—an improvement under the NDPIII. NDPII also put less emphasis on the good governance and ensuring that the preconditions are in place to support growth opportunities and development fundamentals.. Some strategies such as the quasi-market approach are only mentioned without specifics on what Government intended to implement. Quasi-market approach should have gone beyond making strategic partnerships with private sector by highlighting for instance

ToC building block		Assessment
	7. Urbanisation (accelerate planned and controlled urbanisation, ensure a link between urbanisation and modernization of agriculture and organisation of communities into cooperatives) 8. Strengthening governance (constitutional democracy, protection of human rights, rule of law, free and fair political and electoral processes, Government effectiveness and regulatory quality, citizen participation) 9. Integrating key cross-cutting issues into programmes and projects (Gender, HIV/AIDS, environment, climate change etc.) To achieve the four objectives the Government will also adopt a five-pronged approach (Page 104). The approach is to: 1. Spatial representation of projects (in line with the Uganda V2040 Spatial Framework) (Page 106); 2. Prioritization of *growth opportunities* and focus on *development fundamentals* (Page 106). Growth opportunities are: agriculture, tourism, minerals, oil and gas. Development fundamentals are: infrastructure and human capital development. 3. Employment of value chain analysis (Page 109-116)	specific projects where government should directly champion and develop.

ToC building block		Assessment
	4. Alignment of sector priorities and budget systems 5. Strengthening of key public sector institutions and involvement of non-state actors	
Assumptions: What assumptions are in place for the theory to hold true?	NDPII's Implementation Strategy (Page 14) clearly stipulates that there several pre-requisites for successful NDPII implementation. These are: 1. Political will and commitment at all levels; 2. Ownership of the Plan by all; 3. An integrated M&E system; 4. Effective use and management of information for decision making; 5. Increased private sector capacity; 6. Behaviour change, patriotism and progressive reduction of corruption; 7. Effective monitoring and evaluation to support implementation; 8. Human resource capacity and conducive working environment; 9. A fair and transparent pay system; 10. Effective and efficient resources mobilisation and utilisation; 11. Effective partnership with non-state actors.	There was clear guidance under the strategic direction on what needs to change for Uganda to achieve its goal of attaining middle-income status. The NDP Implementation Strategy provided specific pre-requisites that must be in place for the theory of change to hold true. • Largely there was political will and commitment towards the NDPII. Most assumptions were effectively put in place except for a few like enhancing salaries, setting up an integrated M&E system, effective and efficient mobilization and use of public resources. Also, commitment to the plan was undermined through the budgetary processes as misalignment between the plans and budgets persisted.
Indicators: What indicators will assist in monitoring the theory's	• Development indicators, baselines and targets, have been developed for each stage of the theory of change (Page 101). Five indicators	The Government of Uganda developed a detailed results framework for NDPII in its Implementation Strategy. The results framework provided guidance on the baseline,

ToC building block		Assessment
validity and success?	were developed for the Goal, five for Objective one, five for Objective two, 10 for Objective three, three for Objective 4. • The NDPII Implementation Strategy further articulates indicators, baselines and targets for each stage of the theory of change. The Implementation Strategy contains the same indicators and targets as the main document, but also includes addition areas to monitor.	target and indicators of success for each stage of the theory of change. It was strong at monitoring impact, outcome and output information at a granular level of detail. This information allows us to determine the success of the theory of change. The results framework could, however, be strengthened to provide guidance to civil servants on the theory's validity and be shaped in a way to monitor achievement of the interventions (9 strategies and 5 approaches). E.g. how successful has the quasi-market approach been? What are the indicators, baseline and targets for the quasi-market approach? Has the value-chain analysis been used and proven to be successful/useful?

Source: Compiled by author through analysis of NDPII

2.2 Efficiency of government policies, plans and strategies in relation to NDPII

11. Section 2.1 provided an analysis on the logic and relevance of NDPII's theory of change. This section provides an assessment on the efficiency of government policies, plans and strategies in line with the theory of change. It answers three key questions:

- Was there any change in fiscal and monetary policy after the MTR with the objective of stimulating growth (PS9)?
- What measures were undertaken to enhance competitiveness and positioning of Uganda to benefit from regional integration (PS13)?
- To what extent were efficiency and productivity gains realised in Government as a result of NDPI (PS7)?

Change in fiscal and monetary policy

12. The MTR of NDPII, conducted in 2019, noted that:

(i) Over the five years of NDP II, Uganda registered annual real GDP growth rates of 4.7%, which were lower than the NDP II targeted average annual growth of real GDP of 6.0%.

(ii) All sub-sectors registered positive annual GDP growth rates over the review period, although the growth rates did not reach the average of 7% recorded for the two decades ending in 2010.

(iii) The first three years of NDPII had not delivered the rapid growth in GDP per capita required to enable the country to achieve middle income status. The GDP per capita value for 2017/18 - $799 was below the target of $833 outlined in NDPII.

(iv) The NDPII growth strategy relied heavily on frontloading public investment in infrastructure projects. There was slow implementation of several infrastructure projects.

(v) In the five years of NDPII, Uganda continued with an expansionary fiscal policy. The budget deficit (excluding grants) had increased from 4.5% of GDP in 2014/15 to an average of 6.2% over the NDPII period. Actual fiscal deficits were in excess of the EAC Monetary Union macroeconomic convergence criteria of 3 percent of GDP.

(vi) The first 3 years NDPII period was characterized by a low tax to GDP ratio.

(vii) The Government's appetite to borrow from domestic market continued to be high.

(viii) Monetary policy was largely for effective control of inflation and maintaining stability of the economy as evidenced by low and stable inflation and the relatively stable exchange rate.

13. In order to balance macro-economic stability and growth, the MTR recommended that monetary policy should be geared to maintaining macro-economic stability while at the same time supporting private sector growth. Fiscal policy should be adjusted to re-allocate resources to priority sectors, whilst also addressing binding constraints affecting competitiveness within the EAC.

14. **Albeit the risks highlighted in the MTR of NDPII on fiscal policy, there was no change in fiscal stance as government continued to run expansionary fiscal policy to address the infrastructure gaps.** After the mid-term review, fiscal deficit including grants instead increased to -4.9 percent in 2018/19 and -7.13 percent in 2019/20 way above the target of

-3 percent under the EAC convergence criteria. This was exacerbated by the expenditure build-up that was geared to elections**.**

15. **Tax revenues as a percentage of GDP also remained stagnant. The domestic resource mobilisation strategy was only adopted at the end of the NDPII.** Albeit the delays, adoption of the DRMS has started yielding some positive results witnessed by the recent jump in collection of revenues during the first two years of NDPIII.

16. **Government appetite to borrow from the domestic market continued unabated.** The MTR of NDPII had recommended reducing borrowing from the domestic market by limiting it to less than 1 percent. Instead this was increased to 1.87 percent of GDP in 2018/19 and 2.97 percent in 2019/20. Compounded by increased uptake of non-concessional loans, this significantly narrowed governments fiscal space with high debt service obligations.

17. **Monetary policy over the duration of NDPII helped contain inflation but the cost of borrowing remained high.** Inflation, was on average 4-5 percent. Overall, monetary policy partly contributed to successful management of inflation, a key component of macro-economic stability. However, the high domestic debt-financing of government spending lead to high bank lending rates over the NDPII period. A peak of 25% in December 2020 was recorded. Expensive borrowing during NDPII discouraged development of the private sector and slowed economic growth. Over FY2015/16 to FY2019/20, private sector credit growth averaged XX% compared to the target of XX%. No significant changes were made to monetary policy after the MTR was released in 2019.

Measures undertaken to enhance competitiveness and positioning of Uganda

18. The Doing Business rankings conducted by the World Bank shows that the business environment in Uganda improved. The rankings are based on ten topics in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation.

19. At the end of NDP I, Uganda's ease of doing business ranking was 135^{th} out of 189 countries. The NDP II target was for Uganda to attain the rank of 120^{th} out of 189 countries by 2019/20, but according to the 2020 Doing business report, Uganda was ranked 116^{th} of 190 countries. Therefore, over the five years of NDP II, Uganda improved her ranking by

19 positions which is a significant improvement. In other words, the quality of the business environment improved (in relative terms), but not by as much as hoped – perhaps because other countries improved faster. Uganda's ranking out of 190 countries over the five years of NDPII are summarized in the table 3 below.

Table 3: Uganda's Doing Business Ranking Across the Ten Topics

Topics	DB 2015 Rank[1] (end of NDP I)	DB 2020 Rank	Change in Rank
Doing Business Rank	135	116	19
Starting a Business	168	169	-1
Dealing with Construction Permits	166	113	53
Getting Electricity	172	168	4
Registering Property	118	135	-17
Getting Credit	128	80	48
Protecting Minority Investors	98	88	10
Paying Taxes	101	92	9
Trading Across Borders	126	121	5
Enforcing Contracts	78	77	1
Resolving Insolvency	106	99	7

20. The Doing Business reforms implemented by Uganda over the years include:

(i) **Paying Taxes:** Uganda eased Paying Taxes by reducing the time required for companies to prepare, file and pay value added tax through improved efficiency of taxpayer services (online portal transactions) and introduced paying taxes through banks. It simplified registration for a tax identification number and different taxes by introducing an online system.

(ii) **Trading across Borders**: Trading across borders was eased by reducing the time required for trading across borders through expanded operating hours of customs authorities, improvements in customs processes, improved border cooperation with other EAC counterparts with the construction and launch of four One Stop Border Posts- Busia, Mirama Hills, Mutukula, Olegu. Uganda has also implemented the ASYCUDA World electronic system, which introduced or improved electronic submission and processing of documents for imports and exports. Uganda also reduced the time needed to export and import by further implementing the Single Customs Territory, as well as by developing the Uganda Electronic Single Window, which allows for electronic submission of documents as well as for exchange of information between trade agencies, developed the Centralized Document

Processing Centre, and allowed electronic document submission and processing of certificates of origin online.

(iii) **Access to credit:** Uganda eased access to credit by establishing a credit reference bureau, and has expanded the credit bureau borrower coverage, thereby improving access to credit information.

(iv) **Enforcing Contracts**: Uganda implemented reforms that have improved the efficiency of its court system, greatly reducing the time to file and serve a claim.

(v) **Transferring property**: Uganda eased Registering Property by increasing the efficiency of property transfers by establishing performance standards and recruiting more officials at the land office, digitizing records at the land title registry, increasing efficiency at the assessor's office and making it possible for more banks to accept the stamp duty payment. Uganda also made transferring property easier by eliminating the need to have instruments of land transfer physically embossed to certify payment of the stamp duty.

(vi) **Resolving insolvency**: Uganda strengthened its insolvency process by clarifying rules on the creation of mortgages, establishing the duties of mortgagors and mortgagees, defining priority rules, providing remedies for mortgagors and mortgagees and establishing the powers of receivers. Uganda also made resolving insolvency easier by consolidating all provisions related to corporate insolvency in one law, establishing provisions on the administration of companies (reorganization), clarifying standards on the professional qualifications of insolvency practitioners and introducing provisions allowing the avoidance of undervalued transactions.

(vii) **Starting a Business:** Uganda made starting a business easier by introducing an online system for obtaining a trading license and by reducing business incorporation fees.

(viii) **Getting Electricity**: The utility in Uganda reduced delays for new electricity connections by deploying more customer service engineers and reducing the time needed for the inspection and meter installation.

Efficiency and productivity gains realised in government as a result of NDPII

21. The efficiency and productivity of government can be defined and measured through several metrics including the contribution to total productivity (GDP) and public sector performance. A selection of indicators over the NDPII timeframe have been analysed and are presented below. Overall, the effectiveness of Government declined over 2015/16-2019/20, the control of corruption decreased, and public sector performance fell (measured through % of budget released, budget outturn).

Table 4: Efficiency and productivity of Government[2]

Indicator	2016	2017	2018	2019	2020	+/- change
GDP growth (annual %)	4.8	3.1	6.3	6.4	3.0	-VE
Government expenditure % of GDP	16.07	16.77	18.37	20.33	24.24	↓
Total domestic revenue as % of GDP	11.93	12.04	12.6	12.37	13.41	↑
Government effectiveness *index*	-0.57	-0.578	-0.60	-0.585	-0.577	↓
Government effectiveness *rank*	32.69	31.73	29.81	31.25	30.29	↓
Control of corruption	-1.056	-1.041	-1.033	-1.169	-1.054	↓
Corruption perception index	25	26	26	28	27	↑
Public sector management	3.2	3.0	3.0	3.1	3.1	↓
% of budget released[3]	78	70	70	78	78	↓
Budget execution (% of budget)	75	69	69	77	78	↓

Source: World Bank, Transparency International, MoFPED.

2.3 Effectiveness of government policy in achieving NDPII objectives

22. Having conducted an assessment on NDPII's theory of change (4.1) and the efficiency of that theory of change, particularly in relation to fiscal and monetary policy and competitiveness (4.2), this section provides an analysis on the effectiveness, or performance, of NDPII. It answers five questions across a range of sectors:

(iv) What has been the extent of progress in relation to the pursuance of export-orientated growth through value-addition, agro-processing, mineral beneficiation, selected heavy and light manufacturing? (PS2)

[2] The Government effectiveness index is a composite index reflecting the perceived quality of public services and quality of the civil service. It ranges from -2.5 (weak) to 2.5 (strong). The effectiveness rank is the percentile rank of Uganda among all countries (0 – lowest; 100 – highest). The control of corruption index ranks from -2.5 weak to 2.5 strong governance. The CPI uses a scale of 0 to 100, where 0 is highly corrupt, 100 is very clean. The CPIA public sector management score the effectiveness of institutions (1 – low; 6-high)

[3] 2010 refers to FY2010/11; 2011 refers to FY2011/12; 2012 refers to FY2012/13; 2013 refers to FY2013/14; 2014 refers to FY2014/15.

(v) What has been the extent of progress on private-sector led growth, and quasi-market approaches towards achievement of NDPII objectives and targets? (PS3)

(vi) How effectively have growth and poverty reduction policy objectives been reconciled in the course of NDPII implementation, to date? (PS10)

(vii) What efficiency gains have been realised in Government as a result of NDPII? (PS11)

(viii) To what extent has NDPII been an effective mechanism for ensuring that economic growth does not have a detrimental impact on the environment? (PS12)

23. The performance of each area of investigation is provided in Table 4 overleaf. From a policy and strategic direction perspective, weaker than expected performance was the result of slow or ineffective policy implementation (in turn the result of insufficient funding, leadership, buy-in, capacity, underutilised acquired capacity, policy gaps/inconsistencies, and/or poor performance management), a challenging operating context during the NDPII period (e.g. drought) and persistent weaknesses in the efficiency and effectiveness of Government. Suggestions on how to improve the effectiveness of Government policy, over the NDPIII and in future plans, are in Table 7.

24. **There are several ways to improve the effectiveness of Government policy**, suggestions of how are outlined in Table 7. Ultimately, there is a need to improve the quality of policies *and* ensure that policies are being implemented through: consistent and adequate funding, sufficient programme management capacity and capability, and effective performance management. To improve the effectiveness of Government policy, it is also recommended that the Government considers the recommendations outlined in previous sections – namely, addressing gaps in current public policy e.g. industrialisation, and continuing to invest in ensuring that pre-conditions for effective implementation are in-place.

Table 5: Effectiveness of Government policy in achieving NDPII objectives

#	Indicators of effectiveness	Status
1	**Export-orientated growth** *NDPII Target:* Average annual real GDP growth to be 6.3% *Progress:* Mixed. Growth has been slower than expected, but positive.	• The annual real GDP growth rate fluctuated over the review period. Real GDP growth was 4.8% in 2015/16, falling to 3.1% in 2016/17 and recovering to 6.1% in 2017/18. By the end of the plan it had fallen again to 3%. This is an average of 4.7% over the review period and lower than the NDPII target of 6.3%. This rate is also lower than the average annual GDP growth rate of 5.4% under NDPI.. • From 2016 to 2020, Uganda's exports increased at an annualised rate of 10%, from USD$2.9 billion in 2016 to USD$4.5 billion in 2020. The surge in exports was driven by Gold which constituted 41 percent of total exports in 2020. Exports as a % of GDP remained at an average of 10.72 during the NDPII compared to 10.1 percent in NDPI, On the other hand imports declined from 19 to 16.5 percent of GDP indicating an improvement in the overall trade balance. • The Logistics Performance Index (LPI) indicates strengths and weaknesses in the performance of trade logistics. The 2018 LPI ranked Uganda 72nd out of 167 countries. Broadly speaking, Uganda's customs and border processes are good for the region but improvements are needed in the speed, simplicity and predictability of formalities. Support is also needed to improve the quality and logistics services.
2	**Agricultural value-addition** *NDPII Target:* % increase in the value addition of exports for different products and an increase in exports. *Progress:* Positive but slow. Increased investment is needed to increase pace of change.	• Agriculture had a positive annual GDP growth rate over the review period. The average growth rate during the NDPII period of the sector was 4.6 percent. The sectors contribution towards GDP remained at 23 percent. • The contribution of processed agriculture exports remained very dismal. Exports of agriculture related commodities are still largely in raw form and are dominated by the usual commodities Coffee, Cotton, Tea, Tobacco, Fish & its prod. (excl. regional), Maize and Beans.

3	**Mineral beneficiation** *NDPII Target:* Industry sector[4] was projected to contribute 28.56% in 2019/20. *Progress:* Positive but slow. Increased investment is needed to increase pace of change.	• The contribution of industry to GDP has stagnated at 27 percent. 18.7% of GDP was attributable to industry in 2015/16 and 18.6% in 2017/18. This is below the NDPII target. • Growth rates for industry also declined but have remained positive - from 7.8% in 2014/15 to 3.2% in 2019/20. Mining and quarrying is the largest contributor to the industry sector. • Growth in mining and quarrying activities has been lumpy over the NDPII review period. Overall, mining and quarrying activities have grown by 15% over the five years of NDPII; this compares favourably to the average of 11.8% over the five-year NDPI period. • Government attempted to attract private investment in the mining and quarrying sub-sector and invested in mineral valued addition projects. Progress was however slow. For instance, in 2017/18, the Government invested in setting up an integrated cement plant. The part Government owned-plant (45%) was expected to produce cement, marble and lime. To date a feasibility study and land acquisition has been undertaken. Other projects commissioned during the review period include a glass manufacturing plant (70% Government owned), a salt chemical plant (70% Government owned) and a feasibility study into the beneficiation of iron ore deposits.
4	**Heavy and light manufacturing** *NDPII Target*: Industry sector was projected to contribute 27.3% of GDP in 2015/16 and 28.4% in 2019/20 *Progress:* Poor. Manufacturing annual growth rates have fallen.	• Manufacturing annual growth rates fell over the NDPII review period - from 11.6% in 2014/15 to 1.3% in 2019/20. The annual average growth was 3.5% for the five years of NDPII compared to 4.4% over the NDPI period. • The industrial sector contributed 16.2% of GDP in 2015/16 and 15.8% in 2019/20. This is below the NDPII target. • Weak manufacturing growth is attributable to uncompetitive products. The high cost of utilities (power and water), old technology and an unsupportive business environment (e.g. high interest rates) undermine the competitiveness of the sector. • Growth of electricity, water and construction sub-sectors (average of 6.2%, 6.4% and 6.5% respectively) over the NDPII period will however hopefully help boost manufacturing.

[4] The Industry sector includes mining and quarrying, manufacturing, electricity, water and construction.

5	**Private-sector led growth** *NDPII Targets*: Uganda to be 120 out of 189 countries in ease of doing business index by 2019/20. Uganda to be 110 out of 148 countries in global competitiveness index by 2019/20. *Progress:* Positive but slow.	• Uganda was ranked 127 out of 190 countries in the ease of doing business (2019 Doing Business Report). Over the first three years of NDPII, Uganda has improved its ranking by 8 positions but is lagging behind its target ranking (120/190). The business environment in Uganda has improved more slowly than comparative economics across the world. Uganda has made improvements in ease of starting a business, dealing with construction permits, getting credit, paying taxes and trading across borders. It has however continued to struggle with helping businesses have access to electricity, register property, protect minority investors and resolve insolvency. • Key business reforms implemented by Uganda in recent years include improving the efficiency of taxpayer services, easing trading across borders through expanded hours of customs authorities and implementation of ASYCUDA, establishment of a credit reference bureau, reforms of the court system (to enforce contracts) and improving the efficiency of property transfers. • Uganda was ranked 117th out of 140 countries in the global competitiveness index (2019/20). This is below the NDPII target for 2017/18. Uganda's competitiveness has also fallen over the review period. Uganda's GCI rank was 113 out of 135 countries in 2019/20 and 115 out of 140 countries in 2015/16. Four of the 12 pillars that make up the index registered a decline in scores, indicating reduced competitiveness.
6	**Inclusive growth** NDPII Target: Uganda to attain lower-middle income status, with an estimated GDP per capita of $1,033 by 2019/20. *NDPII Target:* Uganda to attain a GDP per capita of $833 in 2015/16 and $931 by 2017/18. *Progress:* Slow. GDP per capita has only increased	• Economic growth has been positive over the past seven years but has slowed. Nominal GDP has grown largely in line with NDPII projections, however the depreciation of the Uganda Shilling and high population growth has limited growth of GDP per capita. GDP per capita only increased with 0.5% p.a. since 2010/11. The average for the EAC was 5.9% per annum. This is likely to continue in the short to medium term on account of Uganda's limited export base. • GDP per capita was below NDPII targets (UBOS, 2020). The actual GDP per capita was at $916 short of the middle income status target. • The inclusive growth and development index of the World Economic Forum (2017) recorded a decline in inclusiveness of 4.2% placing Uganda in the category of "slow receding countries". Uganda was ranked 64/79 among peers with an overall index rating of 3.28 (on a scale of 1-7 - best). Further details are contained in Annex 5. • Uganda recorded an increase in poverty between 2012/13 and 2016/17 from 19.5% to 21.4% and 6.4 to 8.0 million. There was some improvement in the poverty rate in 2019/20 as it declined to 20.3 percent • The HDI index increased with only 0.86% per annum between 2010 and 2020, which is significantly less than the period before.

	by 0.5% since 2010/11. There has been an increase in poverty and income inequality. It is unlikely that Uganda will reach lower middle-income status by 2020.	• Income inequality increased slightly, and gender inequality decreased slightly over the NDPI and NDP2 period. • For employment no conclusive data is available to indicate a change in the number or percentage of people that have productive employment or work. On the other hand, labour productivity in agriculture has fallen; this is significant since most of the population are engaged in agricultural activities. • Access to social services is noted by many to have improved marginally over the last seven years, while expenditure on social services as % of GDP has declined, negatively affecting the quality and sustainability of these services. • Regarding balanced regional development, secondary data indicates that some progress has been made, especially in the North, but Karamoja stays far behind and the Eastern Region is lagging behind as well.
7	**Efficiency and productivity of Government** *NDPII Target:* Uganda had a baseline Government effectiveness index score of -0.57 in 2012/13 and a target of 0.01 in 2019/20. *Progress:* Poor. Uganda's control of corruption score has improved but Government effectiveness has fallen overall.	• Uganda's Government effectiveness index, reflecting the perceived quality of public services and quality of the civil service, has fallen over the NDPII period. In 2014, Uganda had a percentile rank of 32.6% among all countries (ranging from 0 lowest to 100 highest rank); in 2020 this had fallen to 30% (World Bank, 2020). Uganda's current Government effectiveness rank is -0.58 where -2.5 is weak governance and 2.5 is strong governance. It is unlikely to reach the 2019/20 target of 0.01. • Uganda's average Government Effectiveness score for the NDP period is -0.55; this is lower than the average score for the NDPI period. This is concerning and below the NDPII target of 0.01 in 2019/20. It is unlikely that this target will be achieved. • Uganda had a CPI score of 27 in 2020 (where 0 is highly corrupt and 100 is very clean) and was ranked 151 out of 180 countries. This score is the same as 2014 but below the CPI score of 29 given in 2012. Uganda's control of corruption score for 2020 was -1.05 (where -2.5 is weak and 2.5 is strong) and the average score of the NDP period is -1.05. This score is weaker than the score over the NDPI period (-0.99). Uganda's ranking in its control of corruption has however improved slightly over the NDPII period. In 2014 Uganda had a percentile ranking of 12.98% among all countries (where 0 is lowest and 100 is highest rank); in 2020 this was 13.94%.
8	**Environmental impact** *Broad NDPII Targets:* Increased level of	• NDPII encourages the protection and restoration of degraded fragile ecosystems, the development and dissemination of information on environmental management and building the capacity at all levels of Government to consider the environment in their operations. Overall, NDPII seeks to grow the economy, whilst having a non-detrimental impact on the environment.

	restoration of degraded fragile ecosystems and a clean and productive environment. ***Progress:*** Poor. Full impact of growth strategies unknown.	• The Uganda Wildlife Research and Training Institute (2018) notes that Uganda lost approximately 90,000 hectares of forest cover annually between 1990 and 2010. Forest cover loss is now estimated to have increased to an estimated 200,000 hectares annually due to a high a population growth rate, migration and use of firewood and charcoal as fuel. NDPII targeted Uganda to have 19.25% covered by forests by 2019/20. Today forests and woodlands cover an estimated 15.2% of Uganda's land surface. • Significant emphasis should be given to green-growth strategies and halting the decline and degradation of the natural environment. This can be achieved through increasing funding to the environment sector and reviewing and revising the supporting policies and legal framework.

Table 6: Improving policy effectiveness

1. *Improve the quality* of Government policy, as outlined in section 4.2;
2. *Improve public investment management (PIM).* Uganda scored a D in the 2017 PEFA assessment for public investment management. The report states that only 10% of projects are subject to independent economic analysis, guidelines for project selection are not consistently used (most projects are selected on the basis of financing rather than adequacy of design), recurrent costs are not adequately considered, procurement is slow and there are no standard rules and procedures to monitor all projects. Moreover, in June 2015, NDPII had a list of 742 projects comprised of "ongoing" and "retained" projects from NDPI and new projects. No projects from NDPI were dropped for new ones under NDPII yet effective prioritization, and appraisal of projects, through an improved PIM system could have helped in improving the effectiveness of Government policy;
3. *Improve the timeliness and certainty of fund release to sub-national Governments and MDAs.* The slow release of funds affects the ability of MDAs and sub-national Governments to implement policies in an effective manner. This was also highlighted by UNRA where they cannot commit to road projects without certainty of availability of funds. Also , intermittent financing of the Uganda Development Corporation has impacted on its ability to finance or co-finance agro-processing, tourism and mineral development projects – priorities under NDPII;
4. *Work with the wider system*. Policies are never implemented in vacuum – they must compete for resources and attention with other national policies and local priorities – and can draw upon assets that often already exist. Understand the dynamics in the environment (political, institutional, social, cultural) and use this analysis to adapt and support effective implementation;
5. *Develop the capacity of those involved in policy-making and policy implementation reviews*, ensuring civil servants can improve their analytic abilities and awareness of the latest ideas and developments. There should be an emphasis on strengthening areas such as policy design, innovation, influencing and accountability.

Source: Compiled by author

2.4 Impact and sustainability of NDPII interventions for achievement of Vision 2040

25. This section provides an analysis on the alignment of Government plans, policies and strategies to NDPII. It builds on sections 4.1, 4.2 and 4.3 which investigated NDPII's theory of change

and the quality and effectiveness of Government policies, plans and strategies. It answers three questions:

- How consistent was Government in guiding the country towards middle-income status – were the imperatives in place to achieve this milestone? (PS1)
- To what extent did the NDPII policies/strategies informed and driven priorities for sector and MDA plans? (PS6)
- Was there a common understanding of NDPII strategy and policy among Government, Development Partners, Civil Society, the Private Sector and others? (PS4)

26. To answer the question "how consistent was Government in guiding the country towards middle-income status?", an assessment has been conducted on the extent to which planning and budgeting processes are aligned, and the extent to which sector and MDA plans are aligned to NDPII. If the Government is consistent in guiding the country towards middle-income status this would be shown through high alignment of sector and MDAs plans towards NDPII and close alignment of financial resources to NDPII.

27. **On an annual basis, NPA assesses if the annual budget is consistent with the NDPII, Charter for Fiscal Responsibility and National Budget Framework Paper.** This information is reported in the Annual Certificate of Compliance (CoC). Table 8 provides a summary of the alignment assessments across four parameters. The first level (A) provides an assessment of whether the annual budget macroeconomic targets are consistent with the NDPII medium-term macroeconomic targets and outcomes. Level B, National Strategic Direction, assesses whether the annual budget's strategic directions are consistent with NDPII's strategic directions. In the third level, C, an assessment has been made by NPA as to whether the annual budget strategic directions have been translated into sector/MDA specific interventions to deliver the NDPII targets. Level D assesses whether local Government interventions are focused on delivering NDPII targets and outcomes.

Table 7: Certificate of compliance assessments (2015/16-2019/20)

Level of assessment	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
	Weighted scores and classification				
A. Macroeconomic	71.7%	48.1% - Unsatisfactory	41.9% - Unsatisfactory	54.1% Unsatisfactory	44.5 Unsatisfactory
B. National strategic direction	75.4%	74.2% - Satisfactory	59.3% - Unsatisfactory	58.2 Unsatisfactory	72.3 Moderately satisfactory
C. Sectors/MDAs	57.7%	60.1% - Moderately satisfactory	53.2% - Unsatisfactory	58.1 Unsatisfactory	58.3 Unsatisfactory
D. Local Governments	Unknown	51.8% - Moderately satisfactory	62.2% - Moderately satisfactory	66.4 Moderately satisfactory	64.8 Moderately satisfactory
Overall score (weighted)	68.3%	58.8% - Moderately satisfactory	54.0% - Unsatisfactory		59.8 Unsatisfactory

Source: National Planning Authority

28. **As noted in Table 8, there was a disconnect between planning and budgeting at the macroeconomic level.** Alignment was noted to be 44.5% - "Unsatisfactory" in FY2019/20. The overall score also shows that the planning of the NDPII had less influence on how resources were allocated during the NDPII. In the 2017/18 budget the macroeconomic targets differ by 17% from the NDPII targets. Budget targets appear to more closely tied to the IMF's Policy Supported Instrument (PSI) targets than the NDPII. This is not too surprising as the annual budget and MTEF are flexible instruments and need to be; the NDPII is rigid. However, alignment, at the macroeconomic level, could be strengthened through:

- Inclusion of NDPII processes into the Budget Calendar to ensure that analysis produced by NPA was being factored into the budget process e.g. during review and update of the MTEF;

- Discussion between agencies of Government on how to harmonize and reconcile differences in purpose between PSI processes, the annual budget process and NDPII; and

29. **Over the NDPII period, the number of sector and MDA plans aligned to NPII increased.** There was a concerted effort, across Government to produce sector plans that are aligned to NDPII except for a few MDAs that were non-compliant. This is a positive step however, more needs to be done. As noted in Table 9 below which is extracted from the CoC for 2019/20,

alignment of strategic plans to the NDPIII improved but in some cases needed further improvement.

Table 8: Alignment of Sector Plans to NDPII by 2019/20

Sector	Alignment of Sector and MDA Plans
1. Agriculture	The Sector had an approved strategic plan that was aligned to the NDPII. Additionally, all MDAs of the Sector had approved strategic plans that are aligned to the NDPII in timeline and content.
2. Health	The Sector was 100 percent compliant. This is attributed to 24 of 28 Health Sector MDAs having approved plans that are aligned to NDPII.
3. Education	At this level, the Sector is 100 percent compliant. This is because all the 15 MDAs of the Sector have aligned strategic plans.
4. Water and environment	The Sector was 100 percent compliant. The Sector and its MDAs have approved Development and Strategic plans aligned to the NDPII in terms of content and timeframe.
5. Works and transport	The Sector is 50.0 percent compliant. The average performance WAS attributed to the absence of approved and aligned plans to the NDPII, for URF, URC and UCAA.
Energy	The sector was 22.2 percent compliant. Only the Sector and the Petroleum Authority of Uganda (PAU) had approved plans that are fully aligned to the NDPII in terms of objectives, priority interventions, projects, as well as the timeframe. The rest (6) of the MDAs under the Sector namely MEMD, UETCL, UEGCL, UEDCL, REA and ERA have aligned Strategic Plans in content but not in time horizon.
Tourism	The Sector was 71.4 percent compliant. The good performance is attributed to existence of a Sector plan and all the MDAs (MTWA, UTB, UWEC and UHTTI) with exception of UWA and UWRTI) having strategic plans which were aligned to NDPII.
Trade Industry And Cooperatives Sector	The Sector was 50 percent compliant. The weak performance was attributed to existence of a Sector plan and a few MDAs (MTIC, UEPB, UNBS and UDC) with exception of MTAC, having strategic plans which are aligned to NDPII.
Information And Communication Technology (ICT) Sector	The Sector is 100 percent compliant. The ICT Sector and the corresponding MDAs that include MoICT & NG, NITA, UCC, POSTA, UICT, UBC and MEDIA CENTRE all have their respective development plans aligned to the NDPII in terms of priorities and timeframe.
Security Sector	Overall, the Security Sector was 79.7 percent complaint.
Social Development Sector	The Sector was 67.0 percent compliant. Whereas the Social Development Sector and EOC had approved Plans, the Ministry of Gender Labour and Social Development (MGLSD) did not have an approved strategic plan.

Public administration sector	At this level, the Sector is 100 percent compliant. The Sector, Ministry of Foreign Affairs, Electoral Commission, Office of the President and State House all have approved plans aligned to the NDPII in term of content and timeframe.
Legislature	**The Sector was 100 percent compliant.**
Accountability Sectors	**The sector was 74.0 percent complaint.** Out of 23 MDAs of the Sector, 7 did not have approved strategic plans. These include: OAG, UIA, NSSF, PSFU, EPRC, UMRA and MSC.

30. **Whilst the number of sector and MDAs plans aligned to NDPII increased over time, there was a persistent problem of converting plans into budget allocations.** The alignment of annual budget allocations to sector plans had fallen over the NDPII period, as evidenced in Table 6 and 8. In FY2016/17, the alignment was 60.1%, "moderately satisfactory"; in 2019/20, alignment had fallen to 58.3%, "unsatisfactory". Table 8 illustrates that only 5 out of 18 sectors got an increase in the alignment of their plans and budgets to NDPII over the period. An increase in deviations of releases and final outturns from the plan are indicative of a complete disconnect between planning and budgeting. Moreover, as detailed in Table 8, alignment of funding to NDPII objective 3 was problematic.

Table 9: Sector Budget Releases/Outturns Scores FY15/16-19/20

Sector	Alignment change (FY15/16-19/20)	Sector	Alignment change (FY15/16-19/20)
1. Agriculture	Decreased (-5.1%)	10. Defense and security	Increased (+7.2%)
2. Health	Decreased (-11.5%)	11. Justice, law and order	Decreased (-44.6%)
3. Education	**Increased (+7.2%)**	12. Accountability	Decreased (-11%)
4. Water and environment	Decreased (-28.0%)	13. Public sector management	Increased (+17.4%)
5. Works and transport	Decreased (-14.4%)	14. Lands, housing, urban dev.	**Increased (+44.5%)**
6. Trade, industry, tourism	Decreased (-9.8%)	15. Energy sector	Decreased (-51.2%)
7. Legislature	Decreased (-31.6%)	16. ICT	Decreased (-15.0%)
8. Public administration	Decreased (-31.7%)	17. Social Sector	Increased (+25.4%)
9. Tourism	Increased (+30.2)	18. Local Government	**Increased (+10.4%)**

Source: compiled by author from CoC, 2015/16 and 2019/20

31. **There are several reasons as to why full alignment at sector level was never achieved. The key issue is that sector plans were not being fully funded and the resources that were available were not fully aligned with sector priorities.** For instance, of the nine industrial parks indicated in NDPII and sector plans, only two were operational; seven were yet to take off or be fully operational due to inconsistent and inadequate funding. Sector plans were not being fully funded, in part because of high interest payments which has reduced discretionary

spending. Flexibility within the budget to meet emerging and pressing needs has been reduced. Domestic interest payments in FY2019/20 were 2.8% of GDP and the second largest allocation of funding after works and transport. Some sectors e.g. agriculture received funding for non NDPII priority areas.

Table 10: Alignment of Budget to NDPII Objectives

NDPII Objective/Strategy/Sector	Alignment	Emerging issues identified in the CoC
Alignment of FY2019/20 to NDPII Objectives		
Objective 1: Increasing sustainable production, productivity and value addition	84.1%	Improve allocations to agriculture Especially water for production
Objective 2: Increasing the stock and quality of strategic infrastructure	91.3%	Improve allocations to rural feeder roads maintenance, water transport, SGR and ICT.
Objective 3: Enhancing human capital development	84%	Improve allocations to early childhood development, skills development, teacher training.
Objective 4: Strengthening mechanisms for quality, effective, efficient service delivery	80%	Unclear. CoC states there is a need to "enhance focus on Government effectiveness and efficiency"
Alignment of FY2019/20 to NDPII strategies		
Strategy 1: Fiscal expansion	100%	This was in line with the plan
Strategy 2: Industrialisation	58%	Improve allocations towards industrialisation
Strategy 3: Skills development	67%	Improve allocations to five centres of excellence and specialised training e.g. mineral, oil and gas
Strategy 4: Export orientated growth	83%	Support to Agro Processing & Marketing of Agricultural Products Project
Strategy 5: Quasi-market approach	100%	Resources provided for Atiak and PPP in MoFPED
Strategy 6: Demographic dividend	100%	
Strategy 7: Urbanization	83%	Ensuring a critical link between urbanization and modernization of agriculture
Strategy 8: Strengthening governance	86%	Community Mobilization, Culture and Empowerment interventions remained largely underfunded.

Source: National Planning Authority, CoC 2019/20

32. To assess if there was a common understanding of NDPII strategy and policy among Government, Development Partners, Civil Society, Private Sector and others an assessment has been undertaken to see if NDPII is reflected in stakeholders' documents and actions. Discussion with stakeholders during the evaluation also helped elicit how high the level of buy-in is to NDPII.

33. **Overall, the understanding of NDPII vis-à-vis NDPI by stakeholders appeared to be higher.** For effective national development in Uganda, there needs to be a collective understanding and agreement on the objectives on NDPII, coupled with strong buy-in from a range of key stakeholders in central Government, local Government, civil society, the private sector, media, academia and development partners. Discussions with stakeholders during this

evaluation revealed that there was a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII was more succinct and focused than NDPI. Evidence of understanding and buy-in to NDPII can be seen in several documents, for example, political manifestos, budget speeches, Ministerial Policy Statements, sector investment plans and performance reports. Development Partners also referenced NDPII in their strategies e.g. the World Bank's Country Partnership Framework (2016-21) refers to NDPII. Through consultation with non-state actors, The Private Sector Foundation and civil society (as noted in Section 4.2) are also aware of NDPII, however have expressed that they would like to work with Government in a more meaningful way.

34. **Consultation with Development Partners, as part of this evaluation, also revealed that there was strong ownership by the Government in developing NDPII**; consultation was also extensive across a range of stakeholders. Development Partners however noted that their influence on NDPII formulation was not significant, and the NDPII does contain details regarding development partnerships and funding commitments. At present, it is noted that regular development partnership dialogue is in place, however effective dialogue has been challenging in the post Joint Budget Support era. Non-traditional development partners are also not bound by the National Partnership Forum (NPF) arrangements. To ensure effective buy-in and coordination with development partners there is a need to: ensure more effective co-ordination of development partners, enhance the involvement of development partners in preparing future NDPs, streamline joint sector working groups and ensure that partnership dialogue within the NPF is inclusive and result-orientated. Overall, alignment of development assistance to national priorities could be strengthened through structured consultation with development partners on priorities, aligned to the country's budget calendar.

2.5 Suitability of NDPII's Strategic Direction

35. As noted in Section 4.3, implementation of Government policy has not, to date, delivered the desired results under NDPII. Weaker than expected performance has occurred due to slow or ineffective policy implementation, a challenging operating context and persistent weaknesses in the efficiency and effectiveness of Government. Alongside improving the coherence, quality, alignment and effectiveness of government policy (with recommendations provided in

sections 4.1 – 4.4), it is also timely to consider if NDPII's strategic direction was *suitable,* or if adjustments were needed.

Chapter 3: Conclusions and recommendations

36. In line with OECD-DAC evaluation criteria, this report presented an assessment on the relevance, efficiency, effectiveness, and impact of NDPII's policy and strategic direction. This section provides conclusions and recommendations for the Government to consider and how best to provide guidance in Uganda's development path.

3.1 Relevance

37. **The theory of change presented in NDPII is coherent. Uptake of lessons learned from NDPI by planners led to a better designed NDPII.** The logic and evidence base for NDPII's theory of change was clearer than NDPI. NDPII has sought to focus attention on areas which woul have the greatest multiplier effects for the country. This was a positive step.

    <u>Recommendation 1:</u> To further enhance the theory's coherence, Government could consider clearly articulating the *evidence* behind the logic (i.e. why should it hold true?) and clearly documenting (in graphic form or a short paragraph) the causal framework to aid buy-in across stakeholders. To strengthen the ability to test the theory of change, the Government could also consider explicitly state what assumptions are in place for each building block of the theory of change to hold true and could test and monitor assumptions throughout implementation.

38. **The theory of change outlined in NDPII was ambitious.** Setting a target like joining the middle-income status was ambitious albeit the lacklustre growth rates. The government also committed to implementing nine complex strategies and five multifaceted approaches in half a decade. This was no small task. While middle income status was not achieved by the year 2019/20—policy makers remained aware of the urgent need to achieve this target even within the subsequent NDPIII.

    <u>Recommendation 2:</u> Ambitious and achievable targets should be set by government. To assume unrealistic growth rates hinged on implementation of various projects which in the end are not realised owing to financing is an indicative sign of weak planning. For the subsequent NDPs the planning authority needs to be cognizant of the fact that exaggerated assumptions

undermines the credibility of the plan. Government should try to formulate realistic targets but also consider building in an adjustment or risk mitigation strategy should the assumptions behind the theory of change not hold true, and it appears that the targets may not be met. An adjustment or risk mitigation strategy would allow the Government to adjust the plan throughout the implementation period in-line with available financial resources and the external environment. Adjusting details within the plan, whilst keeping the broad focus constant, may help aid understanding as to why targets are not being met and what targets are realistic for the future based on historic trends. To increase the success rate in meeting the targets, greater emphasis should also be given to interventions that will address binding constraints (e.g. weak project management capacity) which in turn would help deliver the development strategies outlined in NDPII. Emphasis on the interventions should include details on *how* the constraints will be addressed and funded consistently.

39. **Articulation and implementation of NDPII's Policy and Strategic Direction could have been strengthened by ensuring that sector clustering is logical and complete.** To address this challenge, government embarked on the programme approach where various MDAs rally around the program to enhance efficiency of delivery and avoiding working in silos. This was particularly important for cross-cutting programmes such as tourism, skills development and industrialisation. The policy and strategic direction of the plan could also be strengthened by explicitly stating the desired phasing and sequencing of implementation, and the interconnectedness of sectors.

Recommendation 3: This was fully adopted albeit some challenges of implementing the program approach. Prior to adoption of this approach it was necessary to undertake some reforms in the legal framework, institutional framework as well as the public finance management systems with the objective of orienting that towards programme-based planning and budgeting. A clear programme implementation framework was also necessary to show clear sequencing and implementors as this would strengthen intra-and-inter sector co-ordination through clear performance metrics.

40. **Several key policies to guide the delivery of NDPII objectives were not developed and/or aligned to NDPII.** The development and/or improvement of six key policies, with linked

funding may help increase the likelihood of delivering on NDPII's targets. The six key policy areas identified also in the 2019 MTR included the need for: a comprehensive industrialisation strategy; an improved budget strategy which focused more explicitly on improving domestic revenue mobilisation and aligning financial resources to NDPII (this was done at end of the plan); an inclusive growth index, improved regional and local development planning and fiscal decentralisation; continued investment in green growth policies; and an explicit human capital development strategy.

<u>Recommendation 4:</u> It is recommended that the Government continues to develop the policy gaps identified in this report and provides associated funding, as required.

41. **NDPII identified 11 pre-requisites required for successful NDPII implementation.** This was a positive step and built on the identification of pre-conditions needed for effective implementation under NDPII. A review, however, on the status of the pre-conditions reveals that more work needed to be done to ensure that these are in place and/or being developed. In particular, there was a need to increase meaningful engagement with the private sector and civil society and invest in building good governance – political will, ownership, reduced corruption, effective use of M&E and information for decision-making. Whilst these are not small tasks, incremental efforts should be made in the subsequent NDPs to address these gaps.

<u>Recommendation 5:</u> To ensure that the pre-conditions are in place and/or being developed the Government could consider the following initiatives. Firstly, traction with bureaucracy and the public on NDPII needed to be constant. As such, an Annual NDP Monitoring Forum, convened by the Presidency to examine the Plan's progress could be one step; smaller and more focused meetings convened by the NPA with MDAs and non-state actors would also help ensure that the necessary governance-related pre-conditions are in place and/or are being addressed. Secondly, Government could ensure that roles and responsibilities across MDAs in relation to M&E are clear and seek to improve the availability and timeliness of information to inform decision-making e.g. budget allocation. Lastly, to reduce incidences of corruption, the Government could ensure that it is providing sufficient funding for anti-corruption bodies (and penal bodies), particularly the Auditor General, Inspectorate of Government and Public Accounts Committee and supporting citizen action against corruption.

3.2 Efficiency

42. **Monetary policy over the duration of NDPII helped contain inflation but kept the cost of borrowing high. Fiscal policy over the duration of NDPII was expansionary: nominal government expenditure increased on average XX% per year over the period.** The use of monetary and fiscal policy throughout the NDPII period allowed the Government to support macroeconomic stability, however it also (through high interest rates and domestic borrowing to finance government expenditure) also increased the cost of borrowing.

Recommendation 7: No significant changes to monetary and fiscal policy took place after the mid-term review of NDPII in 2019. Moreover, the implementation of some macroeconomic policies (e.g. domestic borrowing, crowding out private sector) was at odds with some of the goals espoused in NDPII e.g. enhance private-sector led growth. In future NDPs, it is recommended that the Government considers how it can act on and change the course of the plan after the mid-term review, and that it ensures that wider, macro-economic policies are supportive to the goals and strategies outlined in the Plan.

43. Overall, the productivity of Government declined over 2016-2020, the control of corruption decreased, and public sector performance fell (measured through % of budget released, budget outturn). This assertion has been made through the assessment of 12 different metrics. XX sectors had developed service standards by the 2019/20. Challenges remain however across government in implementing public sector reforms to improve the productivity and efficiency of government. While government embarked on the restructuring of MDAs—this was never implemented during the NDPII.

Recommendation 8: The efficiency and productivity of Government is a key binding constraint to development in Uganda. In formulating NDPIV there is a need to ensure that sufficient focus and resources are allocated to support reforms to improve the productivity, transparency and efficiency of Government. Key reforms may include public sector rationalisation, procurement reform, anti-corruption measures and public investment management improvements.

3.3 Effectiveness

44. **Economic growth fluctuated over the review period and was below the NDPII target of 6.3%. Growth was also inclusive as desired** as poverty increased to XX in 2019/20 compared to XX in 2014/15. Agriculture value addition, mineral beneficiation, manufacturing and private-sector activities also performed at a slower rate than expected. The implementation of Government policy did not deliver the desired results under NDPII. Weaker than expected performance was a result of slow or ineffective policy implementation (in turn the result of insufficient funding, leadership, buy-in, capacity, underutilised acquired capacity, policy gaps/inconsistencies, and/or poor performance management), a challenging operating context over the NDPII period (e.g. drought) and persistent weaknesses in the efficiency and effectiveness of Government.

    Recommendation 8: Uganda went off-track in reaching many of the targets laid out in NDPII. There are, however, several actions that the Government can take to improve the effectiveness of future NDPs policy and strategic direction. Firstly, the Government should continue to invest in improving the quality of policy across Government. Secondly, investments should be made in improving public investment management (across the full project management cycle) and in the timeliness and certainty of fund release to sub-national Governments and MDAs. Investments in improving public investment management should be considered throughout the full project cycle, particularly in appraising and selecting the right projects where there is capacity to implement the project *before* securing funding (domestic or external). Thirdly, there is a need to engage more *consistently* and *closely* with implementers of public policy – policies are never implemented in a vacuum. There is a need to increase understanding of the dynamics at play and use that understanding to adapt and support implementation *with* stakeholders. Lastly, ensuring that there is continuity of action is an essential ingredient for effective implementation.

45. **The Government implemented several policies during the NDPII period with the objectives of stimulating value addition and increasing export earnings, measures to transform the primary growth sectors and fast track skills development. However, progress against NDPII targets in each of these areas was less than satisfactory.** Exports grew at a slower rate than envisaged. The private sector was also not encouraged or

strengthened as much as desired owing to the high cost of doing business. From a policy and strategic direction perspective, weaker than expected performance was the result of slow or ineffective policy implementation (in turn the result of insufficient funding, leadership, buy-in, capacity, underutilised acquired capacity, policy gaps/inconsistencies, and/or poor performance management), and persistent weaknesses in the efficiency and effectiveness of Government.

Recommendation 9: Moving forward, it is recommendation that the Government continues to invest significant resources into addressing policy implementation weaknesses. Conducing 'deep-dive' or focused assessments into policy implementation challenges in each sector and developing appropriate strategies would help improve the ability to achieve targets set out in any NDP.

3.4 Impact and sustainability

46. **There is a disconnect between planning and budgeting. The annual budget did not fully align with NDPII priorities, and the annual budget was not translated into sector specific interventions to deliver the NDPII targets.** Alignment was noted to be 44.5% - "Unsatisfactory" in FY2019/20. The overall score also shows that the planning of the NDPII had less influence on how resources were allocated during the NDPII. It is important this this trend is reversed in future plans, to ensure that implementation of the NDPs is fully supported. Detailed analysis of compliance at the sector level however indicates that the alignment between the annual budget and sectors is less of a problem at policy level; it is more acute in project alignment and budget execution. Sectors and MDAs broadly produced plans and strategies in line with NDPII and the National Budget Framework Paper; sectors plans were not being fully funded and some projects funded were not in line with their policies and plans, and therefore not in line with NDPII.

Recommendation 9: To improve the alignment at the macroeconomic level, the Government could include NDP processes into the Budget Calendar to ensure that analysis produced by NPA is being factored into the budget process. It is also recommended that there is a discussion between agencies of Government on how to harmonise and reconcile differences in purposes between IMF programmes, the annual budget and NDPs. To improve the alignment of sector and MDA plans to the budget and NDPs, the Government could consider strengthening public investment management (recommendation 7), focus efforts in the budget strategy and budget allocations on improving domestic resource mobilisation and reducing corruption, consider sanctions/penalties for sector agencies who significantly deviate from planned and approved development priorities under the NDPs and work closely with agencies and stakeholders across Government on ensuring buy-in and commitment to NDPs. In light of fiscal constraints, the Government should also improve its prioritisation of investments in the short-to-medium term.

47. **The level of understanding of NDPII vis-à-vis NDPI by stakeholders was higher.** Discussions with stakeholders during this evaluation revealed that there was a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII was more succinct and focused than NDPI. Non-state actors, the private sector and development partners have however expressed that they would like to work with Government in a more meaningful way moving forward.

Recommendation 10: To improve buy-in and support to NDPII, it is recommended that the Government considers strengthening the co-ordination of development partners, enhances the involvement of development partners in preparing NDPs, streamlines joint sector working groups and ensures that partnership dialogue within the NPF is inclusive and result-orientated. Alignment of development assistance to national priorities could also be strengthened through structured consultation with development partners on priorities, aligned to the country's budget calendar. To enhance the level of commitment and buy-in to the plan from Government stakeholders it is recommended that the Government revisits and revises the communication plan outlined in the Implementation Strategy and ensure that carries out a series of small meetings with agencies, in addition to larger forums. Focused, meaningful discussions should also ideally be more frequent with civil society and the private sector.

48. In conclusion, despite the clear strategic direction provided by NDPII, good planning alone did not deliver Uganda to middle-income status by 2020. As detailed in the recommendations provided there is need in the future plans, to renew and increase efforts into delivering an *effective and efficient implementation framework*. In particular, this means investing in public investment management, ensuring *consistent* meaningful communication and partnership with stakeholders across and outside Government (development partners, civil society, private

sector) and aligning financial resources to the plan. For these to happen there must be strong political will and buy-in to stick to, and support, the plan.

Annex 1: References