



Mid-Term Review of the
Second National
Development Plan (NDP II)
2015/16-2019/20

**Policy and Strategic
Direction Thematic
Report (Draft)**

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Prepared by



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Acronyms

BUBU	Buy Uganda Build Uganda
CNDPF	Comprehensive National Development Planning Framework
CPI	Corruption Perception Index
GDP	Gross Domestic Product
GNI	Gross National Income
HCI	Human Capital Index
MDA	Ministry, Department, Agency
MFPED	Ministry of Finance, Planning and Economic Development
MIS	Management Information System
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NDPI	National Development Plan I
NDPII	National Development Plan 2
NPA	National Planning Authority
NRM	National Resistance Movement
PEFA	Public Expenditure and Financial Assessment
PIM	Public Investment Management
PS	Policy and Strategic Direction
PSI	Policy Supported Instrument (IMF)
SDG	Sustainable Development Goal
SMART	Specific, Measurable, Achievable, Results-focused, Time-bound
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UIA	Uganda Investment Authority

Executive Summary

The Government of Uganda, through the National Planning Authority, has commissioned a mid-term review of its National Development Plan II 2015/16-2019/20 (NDPII). The mid-term review covers the period 2014/15 to 2017/18. The mid-term review 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 the quality, suitability and effectiveness of NDPII's policy and strategic direction, three years into implementation. Five areas of enquiry have been considered in this report: NDPII's theory of change; the quality of Government policies, plans and strategies; effectiveness of Government policy in achieving NDPII objectives; alignment of plans, policies and strategies to NDPII and suitability of NDPII's strategic direction.

The theory of change presented in NDPII is coherent and testable. Uptake of lessons learned from NDPI by planners has led to a better designed NDPII. The logic and evidence base for NDPII's theory of change is clearer than NDPI. NDPII has sought to focus attention on a small number of sectors which will have the greatest multiplier effects for the country. This is a positive step. Improvements to the logic of NDPII could however be made in the remaining two years of NDPII and in future development plans. Actions that the Government may wish to consider include: explicitly stating and monitoring what *assumptions* are in place for each building block of the theory of change to hold true, developing an adjustment strategy to allow the Government to adjust the plan in-line with financial resources and the external environment and strengthening the clustering of sectors. To increase the success rate of meeting targets, greater emphasis should also be given to *how* the binding constraints will be addressed (e.g. weak project management), which in turn would help deliver the development strategies.

Improvements in the quality of Government policies, plans and strategies could help improve implementation of NDPII and future plans. A sample analysis of 64 policies revealed that most had done a good or excellent job at identifying the problem that needs to be addressed. However, in most cases improvements are needed in the communication and dissemination of the policy and in ensuring cross-analysis against other policies takes place. It

is recommended that the Government renews its commitment to develop the capacity of the policy analyst cadre, guidance on what good policies, plans and strategies look like, and when each intervention (or alternatives) are appropriate.

Several key policies to guide the delivery of NDPII objectives have not yet been 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 in this MTR includes the need for: a comprehensive industrialisation strategy; an improved budget strategy which focuses more explicitly on improving domestic revenue mobilisation and aligning financial resources to NDPII; 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.

NDPII identifies 11 pre-requisites required for successful NDPII implementation. This is a positive step and builds on the identification of pre-conditions needed for effective implementation under NDPI. A review, however, on the status of the pre-conditions reveals that more work needs to be done to ensure that these are in place and/or being developed. In particular, there is 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 can and should be made in the remaining years of NDPII to ensure that NDPII has a greater chance of success.

Economic growth has fluctuated over the review period and is below the NDPII target of 6.3%. Growth has also not been as inclusive as desired – GDP per capita is below the NDPII targets and Uganda has seen a decline in the growth and development index by 4.2%. Agriculture value addition, mineral beneficiation, manufacturing and private-sector activities have also performed at a slower rate than expected. The implementation of Government policy has not, to date, delivered the desired results under NDPII. Weaker than expected performance has been 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 over the MTR period (e.g. drought) and persistent weaknesses in the efficiency and effectiveness of Government. To improve the effectiveness of NPII's policy and strategic direction, Government could continue to invest in improving the quality of policy, invest 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. Engaging more *consistently* and *closely* with implementers of public policy and ensuring that there is continuity of action may also help to improve policy implementation.

Over the MTR period the number of sector and MDA plans aligned to NDPII has increased. There has been a concerted effort, across Government to produce sector plans that are aligned to NDPII. This is a positive step. However, more needs to be done. In some cases, strategies are still missing e.g. industrialisation and should, ideally, be developed. There is also value in continuing to invest in strengthening sectoral, local Government and MDA level capacities in planning, budgeting, monitoring, learning and evaluating actions.

At the MTR point of NDPII there is a disconnect between planning and budgeting. The annual budget does not fully align with NDPII priorities, and the annual budget has not been translated into sector specific interventions to deliver the NDPII targets. The degree of alignment between planning and budgeting has also decreased across the MTR period. The overall score for alignment in 2016/17 was ‘moderately satisfactory’; in 2017/18 alignment was rated ‘unsatisfactory’. It is important that this trend is reversed in the remaining two years of NDPII, and in future plans, to ensure that implementation of the NDPII is fully supported. To improve alignment the Government could: include NDPII processes into the Budget Calendar, strengthen public investment management, 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 NDPII and work closely with stakeholders across Government on ensuring buy-in and commitment to NDPII.

The level of understanding of NDPII vis-à-vis NDPI by stakeholders appears to be higher. Discussions with stakeholders during this MTR revealed that there is a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII is 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. 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 NDPIII, streamlines joint sector working groups and ensures that partnership

dialogue within the NPF is inclusive and result-orientated. To enhance the level of commitment and buy-in to NDPII across Government, the communication plan outlined in the NDPII Implementation Strategy could be revisited and revised. A series of small meetings with MDAs, parliamentarians and local governments, in addition to larger forums may be appropriate. Focused, meaningful discussions should also be held more frequently with civil society and the private sector to support the successful implementation of NDPII and future development plans.

1.0 Introduction

1. **The Government of Uganda, through the National Planning Authority, has commissioned a mid-term review of its National Development Plan II 2015/16-2019/20 (NDPII).** The mid-term review covers the period 2014/15 to 2017/18. The mid-term review, 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.
2. **The objective of this report is to present an assessment on the quality, suitability and effectiveness of NDPII's policy and strategic direction, three years into implementation.** Policy and strategic direction are defined as the guidance given to the country on its development path. Effective implementation of the guidance given in NDPII, by Government, citizens, private sector, academia and development partners, is assumed to support Uganda achieve its goal of becoming a lower middle-income country by 2020. This mid-term review reports provides the Government with a stock-take on how effective the policy and strategic direction of NDPII to-date has been.
3. **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 was produced by two consultants from October 2018-January 2019. This report is extremely timely as the Government of Uganda has started the design of its third five-year National Development Plan. This document will hopefully inform and guide this initiative.

1.1 Methodology

4. 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 are involved in the delivery of NDP2 (Annex 2). Qualitative analysis was undertaken on a sample of Government policies, plans and strategies (Annex 3). Semi-structured interviews and document analysis were framed around five areas of enquiry:

- NDPII's theory of change;

- Quality of Government policies, plans and strategies in relation to NDPII;
 - Effectiveness of Government policy in achieving NDPII objectives;
 - Alignment of Government plans, policies and strategies to NDPII; and
 - Suitability of NDPII's strategic direction.
5. These four areas include the guiding questions for the 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.

1.2 Background

6. 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)

7. **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 is 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 builds on lessons learned and results achieved under NDPI and recommendations from NDPI's mid-term review. NDPII is 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 is supported by an Implementation Strategy which clearly lays 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.

8. **From a policy and strategic direction perspective, NDPII focuses on fewer goals and sectors than NDPI (2010/11-2014/15)** – productivity enhancement, infrastructure development, human capital accumulation and quality service delivery. NDPII has 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 current development plan has identified several constraints and bottlenecks that must 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.
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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

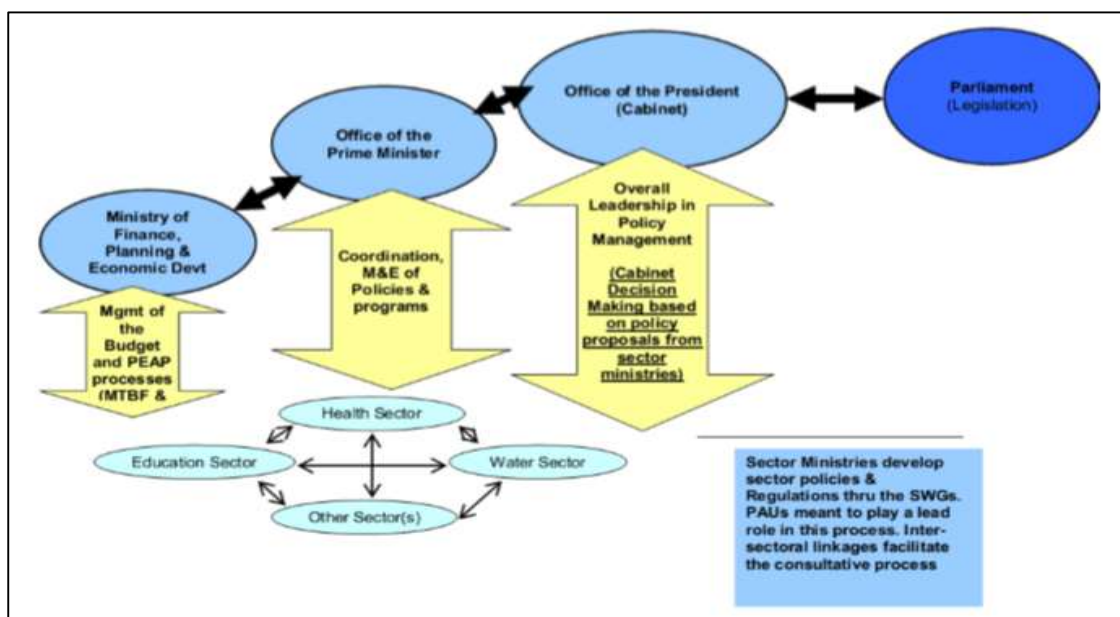
1.3 Key stakeholders

9. **Several stakeholders across and outside Government were involved in developing NDPII and are 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.

- Figure 1 below provides an overview of policy management in Uganda. This process is carried out in conjunction with the Comprehensive National Development Planning Framework (CNDPF) which states that the National 30-year Vision (Uganda 2040) should be broken down into 10-year national development plans, five-year national development plans and annual plans and budgets. Leadership from the Office of the President (Cabinet), based on policy proposals from sector and NDPII supportive ministries (e.g. NPA, OPM, MoFPED), both informs the policy and strategic direction of national plans and ensures that implementation is on track.

Figure 1: Policy management in Uganda



Source: Guide to policy development and management in Uganda, 2013

1.4 Overarching structures informing NDPII's Strategic Direction

11. NDPII's strategic direction is set within the overall policy and legal frameworks of Government. In evaluating the quality and effectiveness of NDPII it is important to keep this in mind as any significant changes to NDPII's strategic direction would have to be in line with the documents detailed below. Key documents which both informed and guide NDPII's strategic direction include:

- (i) The Constitution of the Republic of Uganda, 1995 (amended 2006);
- (ii) Vision 2040, adopted by Government in April 2013;
- (iii) Vision 2040 spatial framework, 2014;
- (iv) Comprehensive National Development Planning Framework, 2007;
- (v) National Development Plan (NDP1), 2010/11-2014/15;
- (vi) Mid-term review of the NDPI;
- (vii) National Resistance Movement (NRM) Political Manifesto;
- (viii) National Planning Act, 2002;
- (ix) Sustainable Development Goals;
- (x) International and regional treaties e.g. African Charter on Human and Peoples' Rights, International Convention for the Rights of the Child;
- (xi) Regional initiatives such as the East African Community, COMESA, IGAD and New Partnerships for Africa's Development (NEPAD).

2.0 Findings

12. This chapter is structured into four parts, reflecting the areas of enquiry outlined in the methodology. Each part describes the current situation in relation to: NDPII's theory of change and the quality, effectiveness, alignment and suitability of Government policies, plans and strategies in relation to NDPII. Conclusions on areas which could be strengthened, and considerations for NDPIII, are drawn out in the subsequent chapter (conclusions and recommendations).

2.1 NDPII's theory of change

13. 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).

14. 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. There are several ways to develop theories of change, however five steps are typically followed. These are:

- (i) Define the long-term state you want (goal);
- (ii) Define what has to change for the long-term goal to happen (outcomes);
- (iii) Determine interventions which will lead to the relevant outcome (inputs and outputs);
- (iv) Articulate what assumptions are in place for the theory to hold true; and
- (v) Develop indicators which will assist in monitoring the theory's validity and success.

15. Using this framework, of how theories of change should look, it is possible to analyse if NDPII has a coherent, plausible, feasible and testable theory of change. NDPII's theory of change, and an assessment of each step of the causal framework, is presented in Table 2 overleaf.

16. **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 will 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. To further enhance the coherence of the theory of change, 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. It should also ensure that the stated Goal is the same across NDPII documents. The NDPII Implementation Strategy states a different Goal (increased competitiveness) to that of the main document (middle-income status).
17. **The theory of change outlined in the NDPII is ambitious.** Whilst Uganda's development status and trends over the period 2008/9 to 2013/14 reflect an improvement in several areas, the Government has given 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 is no small task. At the mid-year point, the Government may not achieve all of the targets set out in NDPII.
18. **The logic behind Uganda achieving middle-income status, outlined in NDPII, is testable.** Clear indicators, baseline and targets have been developed for the NDPII Goal and four associated objectives (Page 101-102). The Government of Uganda has developed a comprehensive results framework. To strengthen the ability to test the theory of change, the Government of Uganda could 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. The monitoring framework could also be expanded to ensure that *processes* e.g. engaging with the private sector are also be assessed and not just the outputs or those processes.
19. **NDPII's theory of change provides 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 supports strategy and policy

development, particularly for the priority development areas (Sections 4.9.1-4.9.5). It provides clarity on what should be achieved for each sector by 2020, an overview of sector approaches in the main report, yet leaves the technical details for the implementation agencies. This is appropriate.

20. **Articulation, and implementation, of NDPII's and future national development plan's strategic direction could however be strengthened.** Firstly, the Government should continue to strengthen sector clustering as this will support MDAs to follow an agreed strategic direction. It is noted in the Certificate of Compliance (2017/18), that some MDAs e.g. Uganda AID Commission are in the wrong sector and so cannot contribute to the sector's objectives. Without clear clustering and understanding of how individual agencies with different outcomes/objectives interact, it will be difficult to achieve policy co-ordination within and across sectors. This is particularly important for cross-cutting programmes such as tourism, skills development and industrialisation.

21. **NDPII's Implementation Strategy provides information on how implementation of NDPII will be supported; this document could however be strengthened.** NDPII's Implementation Strategy provides 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 details 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 be 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
<p>Vision/goal: What is the desired long-term state?</p>	<ul style="list-style-type: none"> • <u>Vision 2040</u>: “A transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years” • <u>NDPII theme</u>: “Strengthening Uganda’s Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth” • <u>NDPII goal defined in Plan</u>: “To attain middle income status by 2020 through strengthening the country’s competitiveness for sustainable wealth creation, employment and inclusive growth” (Page 101). • <u>NDPII goal defined in the NDPII Implementation Strategy</u>: “To realise increased competitiveness for sustainable wealth creation, employment and inclusive growth” (Annex 2, ii) 	<p>The goal defined in NDPII is broadly SMART – it is <u>S</u>pecific (attain middle income status), <u>M</u>easurable (middle income status, GNI per capita or GDP), <u>R</u>esults-focused (clear targets and indicators) and <u>T</u>ime-bound (by 2020). Concern is only raised on whether the goal is <u>A</u>chievable: over the first three years of NDPII, Uganda has registered annual real growth rates of 4.9% which is lower than the NDPII targeted average annual growth of real GDP of 6.3%. Uganda will need to grow at 8.3% over the remaining two years. Moreover, for Uganda to reach lower middle-income status as per the World Bank Atlas method, GNI per capita should be between \$996 and \$3,895. At present, Uganda’s GNI per capita is \$600 (2017) and was \$660 in 2014 (World Bank). With a high population growth rate and slow growth, it may not be realistic to reach middle-income status by 2020. It should also be noted that the Goal outlined in the plan is different to the Goal in the Implementation Strategy.</p>
<p>Outcomes: What has to change for the long-term goal to happen?</p>	<p>To achieve the long-term goal (middle-income status) four objectives must be achieved (Page 101):</p> <ol style="list-style-type: none"> 1. Increase sustainable production, productivity and value addition in key growth opportunities (agriculture, tourism, minerals and oil and gas); 	<p>The logic proposed in NDPII is 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 will achieve middle-income status. This is plausible and testable logic. The objectives, if successfully implemented, should grow the economy whilst developing an educated and healthy population.</p>

ToC building block		Assessment
	<ol style="list-style-type: none"> 2. Increase the stock and quality of strategic infrastructure to accelerate the country's competitiveness; 3. Enhance human capital development; and 4. Strengthen mechanisms for quality, effective and efficient service delivery. 	<p>To improve the logic further, the NDPII and NDPIII could explicitly define the key terms early on in Chapter 4 (strategic direction) e.g. strategic infrastructure or could sign-post the reader to where they can find clarity on key terms. This would help ensure that stakeholders have a common understanding.</p>
<p>Inputs and outputs: What <i>interventions</i> will lead to the desired outcomes?</p>	<p>To achieve the four objectives, nine development strategies will be pursued (Page 101). These are:</p> <ol style="list-style-type: none"> 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) 	<p>The logic proposed in NDPII is that by pursuing the 9 development strategies then the 4 Objectives (production, infrastructure, human capital development and service delivery) will have been achieved.</p> <p>This logic is testable and plausible.</p> <p>For instance, fiscal expansion is needed to increase the stock and quality of infrastructure. A focus on industrialisation will arguably help increase sustainable production and productivity in key growth activities (e.g. agro-processing).</p> <p>The logic could however be strengthened by explicitly stating how the interventions (9 strategies and 5 approaches) will help in the achievement of the objectives. For instance, how will a quasi-market strategy support the increase of sustainable production, productivity and value addition in key growth areas? Clearly reducing barriers to entry and private sector participation will help increase productivity but explicitly explaining the linkage – in clear, plain English – will strengthen the buy-in and understanding of the logic. Alternatively, for the remaining years of NDPII or NDPIII, the Government may wish to articulate the</p>

ToC building block		Assessment
	<p>4. Export-orientated growth (prioritisation of investment in energy, ICT and transport infrastructure)</p> <p>5. A quasi-market approach (creation of strategic partnership with private sector through PPPs)</p> <p>6. Harnessing the demographic dividend (policies to accelerate a rapid decline in fertility and ensure the labour force is well educated, skilled and healthy)</p> <p>7. Urbanisation (accelerate planned and controlled urbanisation, ensure a link between urbanisation and modernization of agriculture and organisation of communities into cooperatives)</p> <p>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)</p> <p>9. Integrating key cross-cutting issues into programmes and projects (Gender, HIV/AIDS, environment, climate change etc.)</p> <p>To achieve the four objectives the Government will also adopt a five-pronged approach (Page 104). The approach is to:</p>	<p>logic between the interventions (9 strategies and 5 approaches) to the objectives by explaining the logic in pictorial form.</p> <p>The logic could also be supported by providing evidence as to why Government believes the interventions will help bring about the objectives. E.g. has the logic been shown to hold true in other contexts?</p> <p>Lastly, in assessing how the interventions (9 strategies and 5 approaches) will lead to the desired outcomes (four objectives) it is worth noting that the Chapter 4, Strategic Direction, focuses its discussion primarily on growth opportunities and development fundamentals. There is proportionately less discussion on how the environment – crucially good governance and ensuring that pre-conditions are in place to support growth opportunities and development fundamentals – will be improved. Of the Core Projects outlined on page 128 and 129, not one supports Strategy 8 (good governance) or Approach 5 (strengthening of key public sector institutions), yet arguably these need to be addressed before other aspects e.g. a quasi-market approach can be delivered. In light of the fact that Uganda has scarce financial resources and an ambitious timeline, there is a need in NDPII and NDPIII to look at the sequencing of interventions in close detail and to investigate the interconnectivity of the strategies and approaches.</p>

ToC building block		Assessment
	<ol style="list-style-type: none"> 1. Spatial representation of projects (in line with the Uganda V2040 Spatial Framework) (Page 106); 2. Prioritization of <i>growth opportunities</i> and focus on <i>development fundamentals</i> (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) 4. Alignment of sector priorities and budget systems 5. Strengthening of key public sector institutions and involvement of non-state actors 	

ToC building block		Assessment
<p>Assumptions: What assumptions are in place for the theory to hold true?</p>	<p>NDPII's Implementation Strategy (Page 14) clearly stipulates that there several pre-requisites for successful NDPII implementation. These are:</p> <ol style="list-style-type: none"> 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. 	<p>The Strategic Direction outlined in NDPII provides clear guidance on what needs to happen, and change, for Uganda to achieve its goal of attaining middle-income status. The NDP Implementation Strategy provides further information on the pre-requisites that must be in place for the theory of change to hold true. For instance, increased private sector capacity (pre-requisite 5) needs to be in place for industrialisation (strategy number 2) and a quasi-market approach (strategy number 5) to be realised. If it not in place, then the desired interventions may not bring about the desired outcomes and an increase in production and productivity may not be realised (Objective 1).</p> <p>Whilst the Government has successfully identified the necessary pre-requisites that must be in place, NDPII and NDPII could be strengthened further by:</p> <ul style="list-style-type: none"> • Explicitly stating what Government will do to ensure and/or support that the pre-requisites are in place; • Explicitly stating what assumptions are in place at for each building block of the theory of change to hold true; and • Testing and monitoring the assumptions throughout implementation. If the assumptions do not hold true, then adjustments to the theory may have to be made and/or interventions adjusted.

ToC building block		Assessment
<p>Indicators: What indicators will assist in monitoring the theory's validity and success?</p>	<ul style="list-style-type: none"> • Development indicators, baselines and targets, have been developed for each stage of the theory of change (Page 101). Five indicators 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. 	<p>The Government of Uganda has developed a detailed results framework for NDPII in its Implementation Strategy. This results framework provides guidance on the baseline, target and indicators of success for each stage of the theory of change. It is 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.</p> <p>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?</p>

Source: Compiled by author through analysis of NDPII

2.2 Quality of Government policies, plans and strategies in relation to NDPII

23. As noted in Section 4.1, NDPII’s theory of change provides guidance on the types of policies that should be in place, developed and implemented. This section provides an analysis of the quality of Government policies, plans and strategies in relation to NDPII. It answers three key questions:

- What is the quality of Government policy and strategy, in relation to NDPII?
- Has sufficient attention been given to communicating the benefits of NDPII, and major pre-conditions, to all stakeholders for successful change management? (PS8)
- What major policy changes are needed to increase the likelihood of delivering targets? (PS9)

24. **The quality of 64 policies, plans and strategies, in relation to NDPII, were analysed as part of the MTR (Table 4).** Quality determinants were defined using Office of the President guidance (Table 3); the analysis did not include any investigation into the technical merit of each policy. Relevant policies, plans and Acts were collected through consultation with stakeholders and searches for publicly available documents. Of the 64 documents analysed, most (94%) had done a good or excellent job at identifying the problem that needs to be addressed. However, in most cases improvements are needed in communication and dissemination of the policy to support implementation (83% scored ‘poor’ or ‘none’), and in ensuring that cross-analysis against other policies and law has been undertaken before being introduced (64% scored ‘poor’ in this criteria). Further details are provided in Annex 3. In discussion with stakeholders, it was also noted that there needs to be greater awareness across the civil service on the different options available to address a public problem, need or issue. A new policy, law or regulation should only be introduced when other alternatives¹ have been considered and rejected and where the benefits justify the costs.

Table 3: Best practice in policy, law and regulation making

A good policy, law or regulation must:

- Have an issue(s) or need(s) or problem(s) to be addressed to that it is known what it will change;

¹ Alternatives include do nothing, awareness creation and sensitisation, strengthen co-ordination and institutional capabilities, innovation of new actions or interventions, mainstream into existing policies, laws and regulations.

- Be carefully analysed against other policy, law or regulation options before it is introduced, to ensure it is the best, most cost-effective solution to address the identified issue or need or problem;
- Be widely consulted before it is introduced to ensure it is inclusive;
- Be clear, simple and practical so everyone can understand and comply;
- Be easily communicated or disseminated so everybody can access and support compliance;
- Produce benefits that outweigh costs;
- Be properly and fairly-enforceable within the available resources;
- Be monitored and evaluated after introduction to make sure it is effective in ensuring its intended benefits.

Source: Department of Policy Development and Capacity Building, Office of the President, July 2017

25. Analysis of Government policies, plans, and strategies further revealed that, of the documents assessed, 28% were either devised in 2015 or reflected the duration of NDPII. For instance, the National Land Policy Implementation Action Plan, 2015/16-2019/20 reflects the timeframe of NDPII. The remaining documents were either Acts or policies covering both NDPI and NDPII (25%), covered a period beyond NDPII (8%), were neither aligned in timing to NDPI or NDPII (13%) or just covered NDPI (13%) and were either revised or un-renewed. This indicates two things – more policies have been developed in the NDPII period, as opposed to NDPI; this may indicate that Government has encouraged MDAs to reflect on how they will implement the strategic direction outlined in the National Plan. This finding is collaborated with evidence from the Certificate of Compliance, detailed in Section 4.4. It also indicates, however, that many policies currently in use have not been revised considering NDPII’s release. For instance, the Renewable Energy Policy for Uganda (2007-2017) was developed prior to NDPI and expired mid-way through NDPII; the Health Financing Strategy 2015/16-2024/25 will also be valid during NDPIII. This indicates that in some sectors e.g. energy the NDPII may not have been influential in changing the behaviour and priorities of the respective MDAs. During discussion with stakeholders some remarked that they saw little benefit in aligning their plans and policies to NDPII – alignment did not appear to make any changes to funding allocations.

Table 4: Policy quality determinants

Determinants of quality	Average quality score
1. Issue, need or problem that needs to be addressed has been clearly identified	3 – Good
2. Policy has been analysed against other policies before being introduced	1 – Poor
3. Policy has been widely consulted before it is introduced to ensure it is inclusive	2 – Fair
4. Policy is clear, simple and practical so everyone can understand and comply	3 – Good
5. Policy is communicated and disseminated	1 – Poor
6. Policy produces benefits that outweigh costs	2 – Fair
7. Policy is enforceable	3 – Good
8. Policy can be monitored and evaluated after introduction	2 – Fair

Source: Compiled by author(s) through analysis of 64 policies across Government

26. **Analysis of Government policies, plans, and strategies further indicates that several key policies have not been developed and/or aligned to NDPII.** Several policies, with linked funding, are needed to increase the likelihood of delivering on NDPII’s targets. Key policies include:

- (i) A comprehensive Industrialisation Strategy. Whilst industrialisation has been a key theme of the national budgets over the period under review, NDPII has not been accompanied with a policy reform proposal to realise the industrialisation agenda. The sector is still challenged with high costs of production especially utilities (electricity and water) and finance, unfavourable price competition from imported products and weak industrial capacity of agencies set-up to promote industrialisation. The industrialisation strategy should build on the Buy Uganda, Build Uganda Policy initiatives to promote sustained industrial development and interventions to exploit the mineral beneficiation and agricultural potential of the country. The Government should also consider strengthening the institutional capacity and capitalisation of the lead Government agencies leveraging private sector investment – i.e. UDC, UDB, UIA and Uganda Free Zones Authority.
- (ii) An improved Budget Strategy. At present there is limited fiscal space for additional budget allocations to the priorities outlined in the NDPII, unless domestic revenue mobilisation starts to improve. To free up financial resources and increase allocations towards NDPII priorities the Government may consider temporising some infrastructure projects and continuing to invest resources in ways and mechanisms to improve resource mobilisation. It is also advised the Government

considers a more balanced approach to spending on social development and infrastructure and increasing the alignment of funding to NDPII priorities. Over the MTR review period the alignment of the budget to NDPII has fallen from 75.4% to 59.3%.

- (iii) An Inclusive Growth Index The production of an index, and associated analysis and monitoring, would allow the Government of Uganda to better define measurable targets for reducing interregional differences on inclusive growth. This analysis could also help co-ordinate and steer MDA and Development Partner Support.
- (iv) Improved regional and local development planning and fiscal decentralisation. If the National Planning Authority added a strong regional development perspective to its national development planning perspective this could support sectoral planning within MDAs. Regions and sub-regions have different development potential (or comparative advantages) and face different economic development constraints that require different interventions and support. Alongside a need to strengthen regional and local planning, there is also a need to improve fiscal decentralisation. Investing in autonomous, well-resourced and capacitated local Governments will support planning and fiscal decentralisation at the sub-national level. Continuing to build and implement a strategy on regional and local development should help in the delivery of NDPII and subsequent plans.
- (v) Continued investment in green growth policies and initiatives. With most of the poor and those in the bottom 40% income bracket dependent on agriculture, sustainability of the natural environment is crucial for Uganda. However, nearly 46% of the land in Uganda is severely degraded (IDA, 2015). Moving forward, it will be important for the Government to consider several green growth options that are economically viable and socially and environmentally sustainable. Many are outlined in the study conducted by MFPED entitled “Achieving Uganda’s development ambition. The Economic Impact of Green Growth – An Agenda for Action” (MFPED, 2016). Implementation of green growth strategies has the potential of not only increasing productivity (a core Objective of NDPII) but will also prevent future environmental costs of soil degradation and depletion. Investment in green growth in the remaining years of NDPII, and the integration of these options into NDPII should be considered.

(vi) A Human Capital Development strategy. In light of the fact that a child born in Uganda today will be 38% as productive when she grows up as she could be if she enjoyed complete education and full health (World Bank, 2018), the Government should consider developing an explicit human capital development strategy. This strategy would look at the holistic development of a child – nutrition, health and education and seek to share lessons across the social sector. Whilst the Human Capital Index (HCI) for Uganda increased from 0.36 to 0.38 between 2012 and 2017, Uganda’s HCI is still lower than the average in the region but is slightly higher than the average for its income group. More could be done to enhance the productivity of the next generation of workers; investment now could reap benefits for future development plans and address some of the binding constraints on Uganda’s development path.

27. **Furthermore, to assist in ensuring that Government policies, plans and strategies are of high quality and comprehensive, it is important to continue compiling an inventory of policies, plans and strategies in relation to NDPII.** At present it appears that the NPA and the Office of the President have separate inventories, with different information. Pooling resources and sharing best practice across agencies may help in ensuring that the right policies are being produced to the required standard. A complete inventory would also assist the Government in determining if the behaviour and policy direction of MDAs has changed as a result of having a National Development Plan, and in identifying duplication and gaps. The Government should also consider renewing its commitment to developing the capacity of the policy analysis cadre and producing guidance on what good policies, plans and strategies look like, and when each intervention (or alternatives) are appropriate. These investments will help in ensuring the quality of policies as outlined in Table 3 continues to improve.

28. **NDPII highlights several pre-conditions that are required for successful implementation of NDPII.** These are outlined in Table 5 and the status of each pre-requisite (PR), based on discussions with stakeholders and analysis of secondary information, is provided on a scale of 1 – 3, where 1 refers to poor, requires renewed efforts to 3 – good, progress is on track. Of the 11 pre-requisites required for successful NDPII implementation, 9 are off-track at present and require renewed attention. Insufficient

information was available to assess the status of two (fair and transparent pay system and human resource capacity and conducive working environment). A review of the pre-conditions, and their current status, is provided below in the following paragraphs.

Table 5: Pre-requisites for successful NDPII implementation

Pre-requisites (PR) for successful NDPII implementation	MTR status
1. Political will and commitment at all levels	1 – Poor
2. Ownership of the plan by all	1 – Poor
3. An integrated monitoring and evaluation system	1 – Poor
4. Effective use and management of information for decision making	1 – Poor
5. Increased private sector capacity	1 – Poor
6. Behaviour change, patriotism and progressive reduction of corruption	1 – Poor
7. Effective monitoring and evaluation to support implementation	1 – Poor
8. Human resource capacity and conducive working environment	Unknown
9. A fair and transparent pay system	Unknown
10. Effective and efficient resource mobilisation and utilisation	1 – Poor
11. Effective partnership with non-state actors	1 – Poor

Source: Compiled by author(s) through analysis of secondary data and discussion with stakeholders

29. **Many stakeholders, during semi-structured interviews, noted that the Government needs to do more to engage with the private sector and non-state actors in a meaningful way (PR2, PR5, 11).** For instance, respondents at the umbrella Private Sector Foundation were of the view that while the Government has been forthcoming on some issues, it needs to be more consistent in its positions. For example, while Public-Private Partnerships (PPPs) were expected to play a key role in financing the NDPII, the modalities for doing so, on a large scale, have not been crafted and hence not much has been achieved to date. Equally, many noted that non-state actors have, to date, not played a meaningful role in supporting the delivery of NDPII. Uganda is currently ranked 31 out of 100 countries for voice and accountability – the perceived extent to which a country’s citizens are able to participate in selecting their Government and in freedom of expression and association. Whilst this index has improved over the MTR period, Uganda scored -0.57 in 2015, -0.65 in 2016 and -0.59 in 2017, much more can be done² (World Bank, 2017).

² Estimate of voice and accountability index ranges from -2.5 (weak) to 2.5 (strong).

These two pre-requisites for successful NDPII implementation have therefore been scored as poor, and requiring improvements, for the remaining years of NDPII and future plans.

30. **NDPII identifies a series of governance related matters which must be in place for effective delivery of NDPII (pre-requisites 1-4, 6-10 above). Governance, as a pre-requisite, needs to be strengthened.** Governance issues noted in NDPII include political will, ownership, the effective use of M&E and information for decision-making, reduced corruption and effective and efficient resource mobilisation and utilisation. In relation to political will, commitment at all levels and ownership of the plan, respondents in various ministries noted a passing familiarity with issues and solutions contained in NDPII. Some remarked that aligning, and changing their practices, to NDPII would have little impact on their day-to-day work and so wondered why they should. This illustrates, that ownership and commitment to the NDPII needs to be strengthened and is, at present, quite poor. It is noted however that understanding and ownership of NDPII is better than NDPI. 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 help ensure that the necessary governance-related pre-conditions are in place and/or are being addressed. Traction with the bureaucracy and the public on NDPII needs to be constant.
31. **In relation to ensuring that NDPII has an “integrated M&E system, carries out effective M&E to support implementation and uses information for decision-making”, progress has been mixed.** NDPII has a comprehensive results framework and a detailed Implementation Strategy. This is distinct improvement on NDPI. However, as noted in NDPII “the culture of evaluation, accountability and of evidence-based management is still relatively weak and not yet well-established and widespread”. There is also a lack of baseline information for most indicators, mismatch between the time of release of survey data and NDP reporting requirements, lack of MIS for the collection, storage and retrieval of data in most MDAs and local Governments and weak use of M&E findings in decision-making. Considering this information, the status of M&E and the availability of information to inform decision-making, is ranked poor at the time of the MTR. Improvements to these pre-conditions is needed in the remaining time of NDPII and for future NDP plans. Recommendations for focus in this regard include: ensuring roles and responsibilities across MDAs in relation to M&E is clear, improving the availability

and timeliness of information to inform decision-making e.g. budget allocations, and enhancing a performance-based culture within the public sector.

32. **Two further pre-conditions refer to the need to reduce corruption and ensure that resources are mobilised and utilised in an effective and efficient manner. Improvements are needed in both pre-conditions.** Uganda's control of corruption score for 2017 was -1.04 (where -2.5 is weak and 2.5 is strong); the average score of the NDPII MTR 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 2017 this was 13.94%. More needs to be done to progressively reduce the incidence of corruption across all sectors and levels of Governments. Actions that the Government could take in this regard include: providing sufficient funding for anti-corruption bodies, particularly the Auditor General, Inspectorate of Government and Public Accounts Committee; supporting citizen action against corruption; and ensuring that corruption is punished. In relation to ensuring that resources are being used in an efficient and effective manner, improvements are also needed. As noted in the certificate of compliance for the annual budget 2017/18, there is a disconnect between the intent of the budget and budget allocations, and high interest payments (on predominately non-core NDPII projects) are crowding out budget allocations to key sectors. Scarce financial resources are not being used in an efficient and effective manner. In light of these facts the status of these pre-conditions is ranked poor and requiring improvement in order to support the effective implementation of NDPII.

2.3 Effectiveness of Government policy in achieving NDPII objectives

33. Having conducted an assessment on NDPII's theory of change (4.1) and the quality of Government policies, plans and strategies in relation to NDPII (4.2), this section provides an analysis on the performance of Government Policy in achieving NDPII objectives. It answers four questions:
- 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)

- What has been the extent of progress on private-sector led growth, and quasi-market approaches towards achievement of NDPII objectives and targets? (PS3)
- How effectively have growth and poverty reduction policy objectives been reconciled in the course of NDPII implementation, to date? (PS10)
- What efficiency gains have been realised in Government as a result of NDPII? (PS11)
- To what extent has NDPII been an effective mechanism for ensuring that economic growth does not have a detrimental impact on the environment? (PS12)

34. **The performance of each area of investigation is provided in Table 6 overleaf.**

Overall, economic growth has fluctuated over the review period and is below the NDPII target of 6.3%. Growth has also not been as inclusive as desired – GDP per capita is below the NDPII targets and Uganda has seen a decline in the growth and development index by 4.2%. Agriculture value addition, mineral beneficiation, manufacturing and private-sector activities have also performed at a slower rate than expected. Considering current progress against the indicators of effectiveness outlined in Table 6, the Government of Uganda may not achieve some of the NDPII targets. For instance, it is unlikely that the NDPII target of GDP growth of 6.3% by 2019/20 will be achieved. Uganda would need to grow at 8.5% over the remaining two years which is ambitious given that several growth-enabling projects have stalled and productive sectors e.g. agriculture and manufacturing are not growing. Private sector-led and inclusive growth – two ideals of NDPII are also providing to be slow on account of several binding constraints e.g. poor access to electricity and credit, high population growth rates and depreciation of the Ugandan Shilling.

35. From a policy and strategic direction perspective, weaker than expected performance is 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 over the MTR 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 remaining years of NDPII and in future plans, are in Table 7.

36. **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 6: Effectiveness of Government policy in achieving NDPII objectives

#	Indicators of effectiveness	Status
1	<p>Export-orientated growth</p> <p><i>NDPII Target:</i> Average annual real GDP growth to be 6.3%</p> <p><i>Progress:</i> Mixed. Growth has been slower than expected, but positive.</p>	<ul style="list-style-type: none"> • GDP at 2009/10 constant prices increased from 53,279 billion shillings in 2014/15 to 61,514 billion in 2017/18 (UBOS, 2018). • The annual real GDP growth rate has fluctuated over the review period. Real GDP growth was 5.2% in 2014/15, falling to 3.9% in 2016/17 and recovering to 6.1% in 2017/18. This is an average of 4.9% 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. It is unlikely that the NDPII target of average GDP growth to be 6.3% by 2019/20 will be achieved. Uganda would need to grow at 8.5% over the remaining two years. • From 2011 to 2016, Uganda’s exports increased at an annualised rate of 3.4%, from USD\$2.5 billion in 2011 to USD\$2.85 billion in 2016. The most recent exports are led by gold (24.8% of total exports) and coffee (13.7%), raw tobacco (3.3%), tea (2.9%) and cocoa beans (2.6%)³. Exports as a % of GDP increased from 9.93 in 2014/15 to 12.72 in 2017/18. Imports as a % of GDP have also increased over the period, from 18.09% of GDP in 2014/15 to 20.07 in 2017/18. The current account balance has improved. • According to UN COMTRADE, Uganda’s exports have increased from \$2,407.7million in 2013 to \$2,901.4 million in 2017, representing 20.5% growth over a five-year period. The export value of some commodities has increased over the MTR period e.g. coffee, gold, sugar, maize, beans and cotton; the export value of other commodities e.g. tea, rice, fish fillets has fallen. • 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. Uganda’s trade and transport infrastructure was also assessed to be poor, impacting export-led growth. Support is also needed to improve the quality and logistics services.
2	<p>Agricultural value-addition</p>	<ul style="list-style-type: none"> • Agriculture has seen a positive annual GDP growth rate over the review period. However, the contribution of agriculture, forestry and fishing to GDP declined by 1.4% over the review period (UBOS, 2018).

³ <https://atlas.media.mit.edu/en/profile/country/uga/>

<p><i>NDPII Target:</i> % increase in the value addition of exports for different products and an increase in exports.</p> <p><i>Progress:</i> Positive but slow. Increased investment is needed to increase pace of change.</p>	<ul style="list-style-type: none"> • The agriculture sector has grown at a slow rate, averaging 2.7% over the review period. Growth remains lumpy and slow. This is however an improvement on the average annual growth rate of 2.1% registered over the NDPI period. • The contribution of all agriculture sub-sectors to GDP registered a decline in the review period with the exception of cash crops that registered a 0.1 increase. This increase is attributable to an increase in the production and productivity of coffee. • The GDP from cash crops averaged 6.7% over the first three years of NDPII, compared to an average of 2.6% over the NDPI period. This is a positive result, attributable to Government efforts to revamp key cash crops especially coffee, cocoa and tea. It is not enough however to lift the growth rate of the sector, nor meet the value-addition targets set out in the results framework. • Drought affected the agriculture sector in 2015/16 and 2016/17, impacting on growth of the sector.
<p>3 Mineral beneficiation</p> <p><i>NDPII Target:</i> Industry sector⁴ was projected to contribute 27.3% of GDP in 2015/16 and 27.4% in 2017/18</p> <p><i>Progress:</i> Positive but slow. Increased investment is needed to increase pace of change.</p>	<ul style="list-style-type: none"> • The contribution of industry to GDP declined by 0.1% over the review period (UBOS, 2018). 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 6.1% in 2017/18. 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 10.9% over the first three years of NDPII; this compares favourably to the average of 11.8% over the five-year NDPI period. • Government has sort to attract private investment in the mining and quarrying sub-sector and has invested in mineral valued addition projects. Progress is however slow. For instance, in 2017/18, the Government invested in setting up an integrated cement plant. The part Government owned-plant (45%) is 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 plan (70% Government owned) and a feasibility study into the beneficiation of iron ore deposits.

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

4	<p>Heavy and light manufacturing</p> <p><i>NDPII Target:</i> Industry sector was projected to contribute 27.3% of GDP in 2015/16 and 27.4% in 2017/18</p> <p><i>Progress:</i> Poor. Manufacturing annual growth rates have fallen.</p>	<ul style="list-style-type: none"> • Manufacturing annual growth rates fell over the NDPII review period - from 11.6% in 2014/15 to 1.7% in 2017/18. The annual average growth was 1.5% for the first three years of NDPII compared to 4.4% over the NDPI period. • The industry sector contributed 18.7% of GDP in 2015/16 and 18.6% in 2017/18. 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.
5	<p>Private-sector led growth</p> <p><i>NDPII Targets:</i> Uganda to be 120 out of 189 countries in ease of doing business index by 2017/18. Uganda to be 110 out of 148 countries in global competitiveness index by 2017/18.</p> <p><i>Progress:</i> Positive but slow.</p>	<ul style="list-style-type: none"> • 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 (2017/18). 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 2016/17 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	<p>Inclusive growth</p>	<ul style="list-style-type: none"> • 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

<p>NDPII Target: Uganda to attain lower-middle income status, with an estimated GDP per capita of \$1,033 by 2019/20.</p> <p><i>NDPII Target:</i> Uganda to attain a GDP per capita of \$833 in 2015/16 and \$931 by 2017/18.</p> <p><i>Progress:</i> Slow. GDP per capita has only increased 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.</p>	<p>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.</p> <ul style="list-style-type: none"> • GDP per capita is below NDPII targets for 2015/16, 2016/17 and 2017/18 (UBOS, 2018). The NDPII GDP per capita target for 2015/16 was \$833; the actual was \$767. The NDPII GDP per capita target for 2016/17 was \$888; the actual was \$774. The NDPII GDP per capital target for 2017/18 was \$931; the actual was \$799. • 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. • The HDI index increased with only 0.86% per annum between 2010 and 2017, which is significantly less than the period before. • 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.
<p>7 Efficiency and productivity of Government</p>	<ul style="list-style-type: none"> • 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 2017 this had

<p><i>NDPII Target:</i> Uganda had a baseline Government effectiveness index score of -0.57 in 2012/13 and a target of 0.01 in 2019/20.</p> <p><i>Progress:</i> Poor. Uganda's control of corruption score has improved but Government effectiveness has fallen overall.</p>	<p>fallen to 31.7% (World Bank, 2017). 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.</p> <ul style="list-style-type: none"> • Uganda's average Government Effectiveness score for the MTR 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 26 in 2017 (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 2017 was -1.04 (where -2.5 is weak and 2.5 is strong) and the average score of the MTR 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 2017 this was 13.94%.
<p>8 Environmental impact</p> <p><i>Broad NDPII Targets:</i> Increased level of restoration of degraded fragile ecosystems and a clean and productive environment.</p> <p><i>Progress:</i> Poor. Full impact of growth strategies unknown.</p>	<ul style="list-style-type: none"> • 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. • 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. The 2017/18 Certificate of Compliance posits an even worse scenario – that forestry as a percentage of total land area has declined from 14% in 2012/13 to 9% in 2017. • 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 7: 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 help 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. For instance, 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. *Stay close to implementers*. Bringing others into policymaking is important, but once implementation begins Government also needs to keep strong links with where change is happening e.g. private sector to understand how policies are working in the real world;
6. *Stay focused*. Continuity is an essential ingredient of effective implementation. Long time-spans introduce significant risk to achieving policy goals. Support the ability to stay focused through a well-developed communication plan, strong leadership and accountability framework;
7. *Use Ministers, as appropriate, to drive progress*. Whilst politics can add many complications to implementation, Ministers can also play a crucial role in setting milestones and using regular stocktakes to keep up momentum; and
8. *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 Alignment of Government plans, policies and strategies to NDPII

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

38. To answer the question “how consistent is 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 will be shown through high alignment of sector and MDAs plans towards and NDPII and close alignment of financial resources to NDPII.

39. **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 7 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 8: Certificate of compliance assessments (2015/16-2017/18)

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

Source: National Planning Authority

40. **As noted in Table 7, there is a disconnect between planning and budgeting at the macroeconomic level.** Alignment was noted to be 41.9% - “Unsatisfactory” in FY2017/18. 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 is 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
- Discussion and agreement between agencies and Parliamentarians on the purpose of the CoC. An annual CoC is a requirement under the Public Financial Management Act (2015). Section 13(6) of the Act requires the national budget framework and annual budget to be aligned to the NDPs; the CoC monitors this requirement. As stated earlier, the CoC provides analysis on the degree of alignment of four parameters to the annual budget and a summary of key issues affecting alignment. This is useful, however the CoC does not detail what needs to be done to address the key issues, nor how they will be taken forward and by when and by whom. The 2017/18 CoC states that “several recommendations in the previous CoCs remain unimplemented”. By reviewing: the purpose of the CoC, associated forums in which recommendations can be discussed and

actioned, and sanctions/performance measures if recommendations are not addressed, the alignment of financial and planning instruments may improve.

41. **Over the MTR period, the number of sector and MDA plans aligned to NDPII has increased.** There has been a concerted effort, across Government to produce sector plans that are aligned to NDPII. This is a positive step however, more needs to be done. The Certificate of Compliance for 2017/18 notes that of the 16 sectors, 15 have development plans approved and aligned to NDPII. Furthermore, out of the 135 MDAs, 89 (67%) have plans aligned to NDPII, 18 (13%) have plans that are not aligned to NDPII, 18 (13%) have draft plans and 10 (7%) have no plans. Moreover, as noted in section 4.2 many policies, plans and strategies reviewed as part of this MTR still do not reflect the *directions* set-out in NDPII. Improvements in the alignment of sector, sub-national and MDA plans to NDPII could and should be made in the remaining years to NDPII and under future plans.
42. **Whilst the number of sector and MDAs plans aligned to NDPII has increased over time, there is a persistent problem of converting plans into budget allocations. The alignment of annual budget allocations to sector plans has fallen over the MTR period, as evidenced in Table 7, 8 and 9.** In FY2016/17, the alignment was 60.1%, “moderately satisfactory”; in 2017/18, alignment had fallen to 52.3%, “unsatisfactory”. Table 9 illustrates that only 4 out of 18 sectors have seen an increase in the alignment of their plans and budgets to NDPII over the MTR period. Some sectors e.g. ICT and legislature have seen a fall in alignment by over 15% over the MTR period. This is concerning. Moreover, as detailed in Table 10, alignment of funding to NDPII objective 4 and strategies 2 and 7 appears to be particularly problematic.

Table 9: Sector alignment FY15/16-17/18

Sector	Alignment change (FY15/16-17/18)	Sector	Alignment change (FY15/16-17/18)
1. Agriculture	Decreased (-5.2%)	10. Defense and security	Decreased (-6.7%)
2. Health	Decreased (-1.2%)	11. Justice, law and order	Decreased (-14.0%)
3. Education	Increased (+1.5%)	12. Accountability	Increased (+14.4%)
4. Water and environment	Decreased (-4.5%)	13. Public sector management	Decreased (-8.2%)
5. Works and transport	Decreased (-14.4%)	14. Lands, housing, urban dev.	Increased (+11.6%)
6. Trade, industry, tourism	Decreased (-9.8%)	15. Energy sector	Decreased (-11.5%)
7. Legislature	Decreased (-17.5%)	16. ICT	Decreased (-18.8%)
8. Public administration	Decreased (-8.2%)	17. Social development	Decreased (-0.1%)
9. Kampala City Authority	No data available	18. Local Government	Increased (+10.4%)

Source: compiled by author from CoC, 2017/18

43. **There are several reasons as to why full alignment at sector level has not been achieved. The key issue is that sector plans are not being fully funded and the resources that are available are not fully aligned with sector priorities.** For instance, of the nine industrial parks indicated in NDPII and sector plans, only two are operational; seven are yet to take off or be fully operational due to inconsistent and inadequate funding. Sector plans are 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 FY2017/18 were 2.8% of GDP and the second largest allocation of funding after works and transport. Some sectors e.g. agriculture have received funding for non NDPII priority areas. Over the remaining two years of NDPII and in NDPII, the Government could however consider all or some of the following recommendations to improve alignment of sector and MDA plans to the budget and NDP:

- (i) Temporarily suspend some current projects to free up financial resources for allocation towards sector priorities in line with NDPII;
- (ii) Address specific sector issues, impacting on lower than optimal alignment that are detailed in Annex 6;
- (iii) Strengthen monitoring of investments and public investment management processes to ensure that projects being funded will contribute to growth of the economy and have positive spill-over effects to other sectors. At present, of the 39 core projects outlined in NDPII, only two projects are currently being implemented satisfactorily, 28% of the projects have not yet started;
- (iv) Improve the screening and appraisal of projects to ensure that projects that are funded are in line with NDPII. The 2017/18 CoC notes that, at present, sectors are implementing new projects outside of priority projects. This situation reduces the amount of resources available for original NDPII core projects and the alignment of sector plans to NDPII and the annual budget;
- (v) Focus efforts in the budget strategy and budget allocations on improving domestic resource mobilisation. A medium-term revenue strategy, for instance, could help to

- strengthen domestic resource mobilisation, expand the tax base and provide additional funds for the budget to then allocate to sector and NDPII priorities;
- (vi) Consider sanctions/penalties for sector agencies who significantly deviate from planned and approved development priorities under NDPII;
 - (vii) Focus efforts on improving the alignment of funding to sectors and NDPII objectives where there is likely to be the biggest positive spill-overs e.g. early childhood development and potential for change. Table 8 identifies areas requiring focus in future budgets to increase alignment – use this information to influence budget allocation decisions. Alignment of funding to objective 4, strategies 2 and 7 and the energy sector appears to be most difficult at present (see Annex 7 for details on sector alignment);
 - (viii) Strengthening efforts to reduce inefficiencies and financial leakages across Government to free up resources to allocate to NDPII aligned sector and MDA plans;
 - (ix) Working with non-state actors, private sector and development partners to help hold the Government accountable, and on-track, to funding and implementation of NDPII; and
 - (x) NPA to continue working closely with agencies and stakeholders across and outside Government on ensuring buy-in and commitment to NDPII. This may be achieved through a series of small focused meetings alongside wider, traditional forums. Until there is complete buy-in to the Plan, large deviations will continue to occur.

Table 10: Alignment of Budget to NDPII Objectives

NDPII Objective/Strategy/Sector	Alignment	Emerging issues identified in the CoC
Alignment of FY2017/18 to NDPII Objectives		
Objective 1: Increasing sustainable production, productivity and value addition	68%	Improve allocations to agriculture, industry and mineral beneficiation and environment.
Objective 2: Increasing the stock and quality of strategic infrastructure	81%	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	54%	Unclear. CoC states there is a need to “enhance focus on Government effectiveness and efficiency”
Alignment of FY2017/18 to NDPII strategies		
Strategy 1: Fiscal expansion	67%	Improve allocations to fiscal expansion in line with NDPII macro-economic stability targets

NDPII Objective/Strategy/Sector	Alignment	Emerging issues identified in the CoC
Strategy 2: Industrialisation	50%	Improve allocations to industrialisation
Strategy 3: Skills development	58%	Improve allocations to five centres of excellence and specialised training e.g. mineral, oil and gas
Strategy 4: Export orientated growth	67%	Recapitalisation of UDB
Strategy 5: Quasi-market approach	67%	Streamline public investment management system
Strategy 6: Demographic dividend	67%	Improve allocation to nutrition, skill development
Strategy 7: Urbanization	50%	Improve allocation to urban planning and housing
Strategy 8: Strengthening governance	96%	Increase focus on citizen participation

Source: National Planning Authority, CoC 2017/18

44. To assess if there is 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 MTR also helped elicit how high the level of buy-in is to NDPII.
45. **Overall, the understanding of NDPII vis-à-vis NDPI by stakeholders appears 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 MTR revealed that there is a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII is 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 have 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.
46. **Consultation with Development Partners, as part of this MTR, 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 NDPII 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 NDPIII, 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

47. 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 is *suitable*, or if adjustments are needed.
48. **To attain middle income status by 2020, NDPII posits that four objectives must be achieved:** 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, efficient and efficient service delivery. Growing, and developing, the economy through these objectives is appropriate for Uganda's stage of development. This MTR suggests that no significant adjustments are required to the four objectives (outcomes) of NDPII. They are logical; small changes (as outlined in Section 4.1) would merely strengthen them. Subtle adjustments should, however, be considered in the interventions (nine development strategies) which are assumed to lead to the desired outcomes. Recommendations on adjustments to NDPII's strategic direction are provided in Table 11. These re-prioritisations could support Uganda reach the desired targets in NDPII. The suggested re-prioritisations are not exhaustive (and are intentionally not considering scarce financial

resources) but are indicative of critical issues under each strategy. Suggestions on areas which Government may wish to focus on in NDPIII are provided after the Table.

Table 11: Potential re-prioritisation of NDPII’s strategic direction

NDPII strategies	Potential adjustment/re-prioritisation of NDPII’s strategic direction
1. Fiscal expansion	<ul style="list-style-type: none"> • Increase attention and prioritisation in NDPII in supporting domestic resource mobilisation and co-ordinating development partner funding. Domestic revenue to GDP remains low at 14.4% in FY2017/18, compared to an average of 21% for Sub-Saharan Africa. There is limited fiscal space, at present, to support NDPII priorities. Increasing domestic revenue and improving how current sources of finance are used should be prioritised. • Commercial banks (45%) are the biggest holder of domestic debt, debt created, in-part, through Government investment in strategic infrastructure. High domestic debt holding by commercial banks has crowded out lending to the private sector; interest rates are high. A balance needs to be struck between investing heavily in infrastructure (a NDPII objective) – using domestic debt to finance the budget deficit - and supporting growth of the private sector. Businesses, in part, are not developing as they do not have access to affordable credit. Consider temporising some infrastructure projects.
2. Industrialisation	<ul style="list-style-type: none"> • Focus on improving the transmission and distribution of power. Uganda is ranked among the worst (175/190 countries) for ease of access to the national grid. The existing transmission and distribution network is also small and aging. At the end of 2016, 60% of the power lines are more than 50 years old; the installation lifetime is 40 years. Investing in improving access to power (and protecting the assets from vandalism) would address a binding constraint to industrialisation. UETCL’s “2016-2030 Electricity Grid Master Plan” should support this. • Invest in electricity generation in the medium-long term (after prioritising improvements in transmission). Considering high population growth and investment in industry, demand for power is likely to outstrip supply in 2027. Start planning for this scenario now. • Ensure that existing Industrial Parks are serviced with utilities and transport before constructing more. • Focus on developing a coherent industrialisation strategy.
3. Fast-tracking skills development	<ul style="list-style-type: none"> • Focus on linking the design and delivery of education and vocational training to labour market needs. Ensure that understanding of labour market dynamics (demands and supply) is up-to-date, comprehensive and being used to inform necessary changes to the education system.

NDPII strategies	Potential adjustment/re-prioritisation of NDPII's strategic direction
4. Export-orientated growth	<ul style="list-style-type: none"> • Prioritise maintenance of public infrastructure to support export-orientated businesses. Ensure that public asset management is being incorporated into budget planning. • Use spatial planning to consider the interconnectivity of transport infrastructure. Use this information to inform the appraisal and funding of future PIPs under NDPII and NDPIII. • Consider options on the viability of establishing an export credit guarantee scheme and/or export fund to support businesses overcome the high cost of doing business in Uganda. Alongside providing information to export-businesses, this may enable Uganda to exploit its duty free and quota-free access to markets in the US (under AGOA), Europe (EBA) and China (GFT) as well as unrestricted market access to regional markets (COMESA and EAC). • Ensure the 2007-2017 National Trade Policy is reviewed and revised accordingly.
5. Quasi-market approach	<ul style="list-style-type: none"> • Support a dual-strategy of supporting SMEs and attracting foreign firms. Over 60% of businesses in Uganda are SMEs, yet most of them collapse within their first year. For sustained economic growth to take place, the quasi-market approach should have a dual strategy of supporting SMEs to grow and graduate into large scale enterprises as well as attracting foreign firms to locate in-country. • Address the policy discrepancy at play between the Ministry of Trade wishing to reduce trade licensing fees at the sub-national level and local governments wishing to increase fees to increase their revenue. Provide sufficient income to local governments through adjusted central transfers on the condition that trading fees remain low and in line with Ministry of Trade guidelines. • Assess costs and benefits of Commercial Extension Services at local government level to ascertain if increased funding could improve linkages and support to the private sector.
6. Harnessing demographic dividend	<ul style="list-style-type: none"> • Rebalance investment in infrastructure to the social sectors, particularly nutrition. Rebalance funding through increasing domestic revenue, increasing co-ordination/direction of development partner funding, temporising some current infrastructure projects, reducing corruption and halting ineffective expenditures. • Develop and fund a human capital development strategy which should help increase co-ordination and synergies across social sectors and increase the productivity of future workers.
7. Urbanisation	<ul style="list-style-type: none"> • Review the current Land Policy and make better use of the national urban policy and guidelines for spatial planning for appraising and selecting future projects.
8. Strengthening governance	<ul style="list-style-type: none"> • Of the core projects outlined in NDPII, none focus on improving the efficiency and effectiveness of Government, or more broadly on strengthening governance. However, this is rightly highlighted as a key strategy (strategy 8) and pre-conditions

NDPII strategies	Potential adjustment/re-prioritisation of NDPII's strategic direction
	for effective implementation of NDPII (PR1-4, 6-10). It is recommended, in the remaining years of NDPII, that a stocktake is undertaken on which initiatives are currently in place (and being funded) to strengthen governance, and what gaps remain.
9. Integrate cross-cutting issues	<ul style="list-style-type: none"> • Pursue environmentally sustainable green-growth strategies in designing and implementing growth strategies for agro-processing and industry. Ensure that green-growth credentials support the appraisal and funding of programmes. • Focus on strengthening co-ordination of social protection mechanisms at all levels to develop and implement a multi-tiered social protection system. Consider ways to increase government funding to social protection, protecting an increasing number of vulnerable adults (aging population and high youth unemployment).

Source: National Planning Authority, CoC 2017/18 and compiled by Author(s)

2.6 Policy and Strategic Direction of NDP3

49. **At the time of writing, the Government has started to formulate NDPIII. Considering this fact, suggestions are given on areas to focus on in devising NDPIII's strategic direction.** The strategic direction of NDPIII is premised on the achievements of NDPII. It is also informed by the recent economic and regional developments. Overall the strategic direction of NDPII continue to be relevant for achievement of the Vision 2040. This strategic direction comprises nine major elements, namely: (i) Macroeconomic strategy, (ii) Inclusive growth, (iii) infrastructure development deficit, (iv) human capital development, (v) quasi-market approach, (vi) fast-tracking industrialization, (vii) export oriented growth, (viii) urbanization, and (ix) strengthening governance and addressing corruption. This strategic direction proposes some adjustments to the previous NDPII strategies and policies as elaborated below.

A. Macroeconomic Strategy

50. NDPII macroeconomic strategic direction largely advocated for the frontloading of infrastructure spending especially on roads and energy. While this has resulted into increasing and building new infrastructure stock, it has also come with other undesirable consequences particularly the increasing stock of debt and unsustainable levels of interest payments. Priority in maintaining a stable macroeconomic environment and avoiding debtunsustainability should be an overarching objective. Some of the steps found critical for NDPIII macroeconomic strategy to achieve this objective are highlighted in the economic management theme.

- (i) Macroeconomic strategy should focus on strengthening tax administration with a view to increase domestically generated resources to finance the NDPIII and also meet our debt obligations in a sustainable manner. The few measures highlighted in the Economic Management report include: (i) expanding the tax net including the informal sector coverage; (ii) introduce well studied new tax policy measures to minimize impact on business growth, economic growth, employment and income; (iii) removal of the zero VAT rate for firms involved oil related investments, which is undermining tax collection; (iv) improving tax morale through well-articulated and implemented service delivery programmes that benefit tax payers. This will increase tax compliance and the cost of tax evasion or avoidance.
- (ii) NDPIII should focus on incomplete strategic projects carried over from the NDPII. These projects are largely in the roads and railway, energy, and oil and gas sectors. Basing on strategies currently in place to develop industrial ecosystems around iron ore, oil and gas and phosphates, there is need to continue investing in electricity power generation. To minimize the cost of transmission and distribution of power, industrial clusters should be strategically located with the exception of raw material considerations (e.g. iron ore, oil and gas and phosphates). Rural electrification should be reconsidered in light of new cheaper technologies, urbanization strategy and high cost of distribution especially in scarcely populated areas. Investment in human development should be at the core of the NDP3. Budgetary shares to education and health sectors have continued to drop over the years since 2008. This trend has decelerated the momentum that was built since mid-1990s. Whereas significant progress has been made towards achieving access to health and education, quality service delivery in the two sectors continue to be undermined by limited budgetary allocations. Performance on education indicators, in particular, have lagged behind, especially primary and secondary completion rates. More resources are required for recruitment of both primary and secondary school teachers and health workers.
- (iii) In light of the increasing level of indebtedness, the macroeconomic strategy for the NDPIII should explore other forms financing projects. Uptake of PPPs as an alternative source of financing for large infrastructure projects has been slow due to lack of capacity within the public sector to design PPP projects. Other sources of financing that could be explored include issuance of long-term infrastructure bonds. This will require enacting the requisite laws and policies for issuance of these

instruments by both the central and local government entities. In addition, it will be necessary to strengthen Uganda's capital markets with the objective mobilizing resources for long and medium-term financing. Developed capital markets could also be used to intermediate investment for pension funds into long-term infrastructure projects. The recently established oil fund will be another source of financing large infrastructure projects.

- (iv) Interest rates continue to be high and have resulted into making business in Uganda practically unviable for the private sector. Part of the quasi-market approach by government should include taking bold steps by government setting up specialized banks in priority areas such as agriculture, industry and tourism. Commercial banks which are largely foreign owned and profit driven are not the most suitable financial intermediaries to transform the country especially in risky sectors such as agriculture where they have continued to play a minimal role. There is need for government to support and strengthen its Banks such as Posta Bank and Housing Finance to leverage access to affordable credit, private sector growth and faster export growth and diversification. In addition, it is recommended that the UDB should be meaningfully recapitalized so that it can be able to provide loans to the private sector at reasonable cost.

B. Inclusive Growth Agenda

- 51. The three tenets of inclusive growth are: (i) employment creation, (ii) poverty reduction, and (iii) inequality reduction. In order to enhance employment creation for poverty reduction the GoU should adopt comprehensive job creation interventions that involve large industrial ecosystems with capacity to generate large numbers of jobs.
- 52. Each region or sub-region should develop an integrated regional development plan that will be endorsed at national level and guide sector ministries in their planning and allocation of resources so that they become much more sensitive and responsive to these differences in development potentials and needs. Industrial development and value addition based on the resource base of the region should be at the core of these plans. The issue of vulnerable groups particularly women, youth and persons with disabilities has been tackled with mixed results mainly due to ad hoc interventions. Specifically for the youth livelihood fund, challenges have been experienced regarding revolving the fund, availability of viable economic activities, and overhead costs and outright corruption.

There is need to change the approach for these programs from social to economic objectives in order to create jobs and enhance household incomes. These programs need to be consolidated under the microfinance support centre where viability of projects can be competently assessed. The latter is endowed with capacity to develop frameworks that link with existing support and delivery systems such as SACCOs and other social development associations.

C. Infrastructure Deficit

53. Considerable focus during the NDP1 and NDP2 has been put on addressing the infrastructure deficit. Indeed significant progress has been made to increase the stock of paved road network, energy generation capacity and distribution, expansion of the ICT broad band and increasing access to piped water and water for production. There has been, however, limited effort on ensuring serviceability of the existing rail network. It is proposed that for the NDP3 the focus should be on completion of key infrastructure projects carried over from the NDP2 period and rehabilitating the existing rail network. The Road Fund resources should be mainly used on maintenance of existing roads with limited opening of new access roads. Among the core projects under works and transport that should underpin the NDP3 include the following:

Some Key Projects for NDP3

Sn	Infrastructure (WTS) Development Priority Area	Status/Stage
1	Rehabilitation of Entebbe Airport	On-going
2	Kampala-Jinja Highway	Detailed Design
3	Kibuye-Busega-Nabingo	Under Procurement
4	Kampala Southern by-pass	Detailed Design
5	Kampala-Bombo-Expressway	Procurement
6	Upgrading of Kapchorwa-Suam Road	Ongoing
7	Kampala-Mpigi Expressway	Detailed Design
8	Rwekanye-Apac-Lira-Kitgum-Musingo Road	Under Procurement
9.	Rehabilitation of existing rail network	Under study
10.	Standard Gauge Railway	Preliminary design

54. Uganda is currently generating surplus electricity and as Karuma(600 MW) Isimba (183 MW) and Achwa-Agogo Phase 1 (41MW) hydros come on stream the excess capacity will

require corresponding industrial growth to consume this power. In view of the industrialization agenda under the NDP3, there is need to continue with the power generation plans and targets as outlined in NDP2. In particular, the Ayago and Oriang hydro power projects out to be fast tracked together with other sources of energy. This will yield an additional 1,500 MW of power resulting into generation capacity of 3500 MW by 2025. . In consideration of the high cost for the distribution of power in rural areas, household, commercial and industrial rooftop solar PV should be popularized especially in areas where there is sparse population settlements.

55. **To revitalize the agriculture sector, infrastructure for irrigation should be made a priority under the NDPIII.** Owing to the changing climate patterns that have resulted into unpredictable rainfalls, Government should champion and invest in irrigation schemes both of large and small scale nature. There should be deliberate effort done at local governments to promote small scale irrigation by setting up demonstration gardens and hiring irrigation engineers who can be consulted by the population in design and implementation of these technologies. Going forward, it will be important to include the post of irrigation engineer in the local government staff structures. Regional agronomy laboratory infrastructure should also be established to timely provide support to farmers.

D. Human Capital Development

56. **Developing the country's human resource is important for structural transformation. Professions and technical skills that are necessary to drive the transformation agenda will be critical.** Human capital development builds on existing education and health achievements. A wide gap currently exists of professionals, researchers and technicians that are required to drive the country to middle income status. For a country that aspires to transform society from a peasant to a modern and prosperous one, Uganda will need to fast-track all interventions that are aimed at building human capabilities for innovation and enhancing productivity. Government should therefore commit more resources on professional training, research-related higher education, and technical training institutions and directly support centers of innovation including those in informal sector. Sectors should to this end identify professions that are critical and missing for training and nurturing by government.
57. Significant resources have been committed to establish technical and vocational institutes. Staffing, equipping and providing sufficient budget for training consumables and materials

for these institutes are still a challenge. There is also a need for a change in mind-set to appreciate the usefulness of technical training in economic empowerment of children. In addition, there is need to diversify the training courses which have remained largely traditional. In line with the Vision 2040 framework, technical courses should be based on information technology trends, needs of new and expected industries as well as the emerging iron and steel; and oil and gas.

E. Quasi-Market Approach

58. Whereas Government has embraced the Quasi-Market approach in infrastructure development, particularly in the energy sector, there are no noticeable investments in setting up large industries for employment creation and boosting exports as envisaged in the NDP1 and NDP2. Such large investments with requirements of high capital outlays have not attracted private sector investments and would require direct government investment. The lack of large industrial projects has limited utilization of the existing and still increasing energy capacity. Attracting private investments continues to be encumbered by the country's low competitiveness, high cost of domestic capital and lack of requisite skills. The few projects that have been championed by UDC such as the Soroti Fruit Factory **xxxxxx** are still small and their impact considered to be patchy on the structural transformation of Uganda. Government must consider embarking on at least 2-3 large industrial projects in the medium term. Specific areas where government should have a direct role for NDPIII include:

- Expedite a comprehensive Iron and Steel Feasibility Study for Muko Iron-Ore and other related industries by the year 2019 with the objective of setting up an iron and steel based industrial ecosystem for the country. This will result into a spinoff of steel based industries in the region and absorb the increasing numbers of job seekers.
- Government should remain firm on the development of the Oil refinery and also consider investing in the petrochemical industry during the NDPIII. The refinery will have large spill over effects on plastics, fertilizers and pharmaceutical industries within the region. .
- By Establishment of large biofuels industry aimed at mixing ethanol with oil would create an enormous market for agriculture products such as maize, sugar and cassava. In addition, this will stabilize prices for petroleum products as well as enhancing the

incomes of households engaged in maize, sugar cane and cassava value chains. These industries would also have other associated products such as starch, glucose, animal feeds and fertilizers. At the moment, maize and cassava produced have no large scale industrial demand apart for domestic consumption with minimal processing.

F. Fast-tracking Industrialization Agenda

59. The industrial sector is currently dominated by small and medium enterprises (SMEs), which makes 93.5% of firms operating in the sector. This in itself represents a serious challenge as firms are usually not able to reap the benefits of economies of scale. Given the strong correlation between firm size and export capacity, firms have difficulties competing internationally. Coupled with the quasi-market approach, there should be deliberate efforts to fast track nurturing of SMEs into large industries. This will require establishing an industrial bank to focus on supporting SMEs with a view of to transform them into large production units. From best practice, the industrial bank will ensure meeting the peculiar needs of industrialists particular in providing long-term and affordable financing. Government should embark on undertaking feasibility studies for these specialized banks before implementation of the NDP3. The three out of the twenty two gazetted industrial parks are currently operational. The slow pace of establishing the parks indicates that the industrialization strategy may not timely achieve the objective of using it as a flagship for structural transformation. The challenges for establishing the industrial parks include: (i) poor coordination and limited implementation capacities among responsible agencies; (ii) high cost of land acquisition; (iii) lack of financing for most parks, and; (iv) attracting quality foreign investors. The industrial parks are aimed at reducing the cost of establishing industrial plants, enhancing agro-processing and balanced regional development. Government should remain focused on establishing the industrial parks. Government should review the institutional framework for implementing industrial parks in light of the above mentioned challenges. In particular, the establishment and operationalization of the parks should be transferred to a strengthened and restructured UDC for quicker results. UDC is more mainstreamed to handle investments on the ground and is already building a critical mass of capabilities to implement similar projects.
60. The drive to reduce the cost of power to less than US 5 cents per KWh should continue to be vigorously pursued as a key factor for the country's industrialization. The planning and implementation of roads and railway infrastructure should focus on feeding planned

industrial parks and zones, among others. In addition, investors and manufacturers continue to face high cost of doing business ranging from bureaucratic procurement processes, multiple licences and other fee requirements; difficulty in linking to logistical support services, the inability to obtain skilled nationals locally to run factories; public sector corruption and the general challenges of being a land-locked country.

G. Export Oriented Growth

61. For the country to address its macroeconomic imbalances buoyed by a stronger current account, emphasis on export oriented growth remains critical. The country remains a net exporter of low value primary products such as coffee, tea and tobacco. Other key foreign exchange earners include Tourism, remittances by Ugandan's in the diaspora, gold and fish. Uganda's exports to the region have significantly increased. However, the enumerated export earnings are not sufficient to generate enough earnings to meet the increasing import bill.
62. There is need to identify one or two niche high value commodities that would boost export earnings. Preliminary analysis of the evaluation of NDP1 and NDP2 indicates that the country would do well to focus on developing the iron-ore and oil and gas industrial ecosystems with a view to be the lead exporters of steel and petrochemical products in the region. This would be complemented by exports of agro-processed products.
63. Government has established Free Zones Authority to promote export of duty-free processed goods in order to enhance their competitiveness. Free Export processing zones is a welcome step, however it remains restrictive to qualify, as 80% of the output has to be exported outside the EAC region. However, Special Economic Zones would be more relevant to Uganda's situation where domestic industries would benefit from the EAC regional market.
64. Government should consider establishing an export credit guarantee scheme to support exporters against high risks of doing export business in the volatile great lakes region. In addition, government should strengthen the country's trade negotiation capacity to ensure maximization of benefits from international conventions such as WTO, EBA, COMESA, AGOA, GFT, EAC and other bilateral protocols.

H. Urbanization

65. Urbanization agenda is clearly articulated in the Vision 2040 should be at the core of the development agenda for the NDPIII. The agenda outlines four metropolitan and five strategic cities. The metropolitan cities are Kampala, Mbarara, Gulu and Arua. The strategic cities are Fort-portal, Hoima, Jinja, Nakasongola and Mbale. In addition, government has increased the number of municipalities from XX to 33. Also, the number of town councils has been increased from XX to XX. Uganda's level of urbanisation is estimated at 23.8% (10.7 million approx.) and growing at 5.7% over the 2015-2020 period. Even with a relatively low rate of urbanisation, the country's urban areas are already responsible for 70% of GDP with almost one third of that from Kampala alone. The approach to develop cities as metropolis such as the greater Kampala metropolitan area has failed to generate sufficient consensus from relevant stakeholders. For Kampala in particular, haphazard urbanization continues to be experienced due to poor physical planning and failure of enforcement. There is paralysis in Governance of Kampala city owing to ambiguities on leadership roles.
66. The development of the other metropolitan and strategic cities has been hindered by lack of requisite legal frameworks, slow physical planning processes within government and limited infrastructure financing. Limited economic activity and opportunities have also encumbered the urbanization drive. The industrialization agenda and regional balanced development will greatly catalyze urbanization across the country. Whereas Vision 2040, NDP1 and NDP2 attempted to spatially illustrate the urbanization agenda along the development corridors across the country, there will be need to have consensus between the politicians and planners on land use and settlements.
67. NDP-III should reflect a new approach of fully integrating Economic and Physical and Urban Planning into one Development Plan. These three components, when combined, create the over-arching "umbrella" framework for virtually all other development in the country. There are few economic, capital investment or environment/resource management initiatives that do not have a spatial component.

I. Strengthening governance

68. Both the NDP1 and NDP2 underscored the importance of governance with respect to political and democratic, corporate, public sector administration and accountability. Progress has been made in institutionalizing regular elections at all levels. Political party dispensation established in 1995 is gradually taking root together with significant

separation of roles among the Executive, Judiciary and Legislature. There is however need for Uganda to harmonize with the rest of the partner EAC States in regard to architecture of legislative structures. In regard to corporate governance, the evaluation established shortage of corporate leaders that are a requisite to market-led corporate world.

69. Public sector administration continue to be bedeviled with inefficiencies, corruption and red tape bureaucracy emanating into poor service delivery. The evaluation established serious flows in the inspectorate and support supervision functions across government in spite of the recommended actions in both NDP1 and NDP2. The evaluation also established duplication of roles and mandates among the MDAs which has led to significant waste of resources, as elaborated in the Institutional thematic report. Cabinet directive on rationalizing and harmonizing agencies is in the right direction on this matter and ought to be implemented expeditiously. Additional functional analysis of the architecture of government and institutions coupled with salary enhancement are required to achieve maximum efficiency and effectiveness of public institutions.
70. The NDP1 and NDP2 advocated for strengthening the devolved functions and fiscal decentralization. However, the evaluation findings showed continuous weakening of the devolved authority of local governments and declining fiscal transfers amidst increased roles and lack of local revenue. The dominance of conditional transfers continues to erode the spirit of decentralized authority. The increased creation of local governments has further reduced the viability and capacities of districts and lower local governments. There is need to consider establishment of regional centers of planning and service delivery in order to realize the NDP3 objectives. Policy reversal on creation of districts should be considered during the NDP3.
71. Widespread corruption continues to erode the credibility of the country and its ability to attract quality FDI, cheap capital and to affect the quality of service delivery. Both NDP1 and NDP2 recommended several measures for reducing corruption which included establishing reward and sanction system, putting all senior civil servants on job contracts, salary enhancement, and nurturing future public servants through a national service scheme. The evaluation established that performance contracts and salary enhancement were undertaken for permanent secretaries. Putting the rest of senior cadre of public servants on job contracts and institutionalization of the reward and sanctions system has not been implemented. Meanwhile, the implementation of the national service system

remains in abeyance due to lack of consensus on institutional mandate to spearhead the training.

72. In order to curb corruption it will be necessary to make corruption a high risk venture through prosecution, recovery of illicit property acquired through corruption and heavy sanctions on culprits. NDP based performance contracts and salary enhancement should also be implemented for the remaining cadre across government. The National Service scheme should be expedited to provide the country with its various benefits.

3.0 Conclusions and recommendations

73. This report has presented an assessment on the quality and effectiveness of NDPII's policy and strategic direction, three years into implementation. Considering progress so far and the short-medium term macroeconomic outlook, this section provides conclusions and recommendations for the Government to consider, for the remaining years of NDPII and future plans, in how best to provide guidance in Uganda's development path.

- (i) **The theory of change presented in NDPII is coherent. Uptake of lessons learned from NDPI by planners has led to a better designed NDPII.** The logic and evidence base for NDPII's theory of change is clearer than NDPI. NDPII has sought to focus attention on areas which will have the greatest multiplier effects for the country. This is a positive step. For future national development plans, the Government may wish to incorporate SDG targets and indicators.

Recommendation 1: 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. The monitoring framework could also be expanded to ensure that *processes* e.g. engaging with the private sector are also be assessed and not just the outputs of those processes.

- (ii) **The theory of change outlined in NDPII is ambitious.** Whilst Uganda's development status and trends over the period 2008/9 to 2013/14 reflect an improvement in several areas, the Government has given 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 is no small task. At the mid-year point, the Government may not achieve all of the targets set out in NDPII.

Recommendation 2: In the remaining two years of NDPII, the Government of Uganda may wish to reflect on, and revisit, some of the targets set-out in the Plan. Some targets e.g. GDP growth are unlikely to be achieved. Looking ahead to NDPIII, the Government of Uganda should continue to try and 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 (e.g. number eight, strengthening governance). Emphasis on the interventions should include details on *how* the constraints will be addressed and funded consistently.

- (iii) **Articulation and implementation of NDPII’s Policy and Strategic Direction could be strengthened by ensuring that sector clustering is logical and complete.** Without clear clustering and understanding of how individual agencies with different outcomes/objectives interact, it will be difficult to achieve policy co-ordination within and across sectors. This is 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: Review current sector clustering and ensure that it is logical and fit-for-purpose. Once reviewed, and revised as necessary, look to strengthen intra-and-inter sector co-ordination through clear performance metrics. Administering and enforcing performance contracts at both political and technical levels from Ministers, Permanent Secretaries, up-to commissioner levels (or equivalents) though clear annualised performance targets in line with NDPII may help provide clarity on what each MDA and sector is responsible for and change behaviour towards closer collaboration.

- (iv) **Improvements in the *quality* of Government policies, plans and strategies could help improve implementation of NDPII and future plans.** A sample analysis of 64 policies revealed that most had done a good or excellent job at identifying the problem

that needs to be addressed. However, in most cases improvements are needed in the communication and dissemination of the policy and in ensuring cross-analysis against other policies takes place. There is also a need to increase awareness across the civil service on the different options available to address a public problem, need or issue. Drafting a policy, plan or strategy may not be the most suitable solution.

Recommendation 4: Moving forward it is recommended that the Government continues to compile an inventory of policies, plans and strategies in relation to NDPII. At present it appears that the NPA and the Office of the President have separate inventories, with different information. Pooling resources and sharing best practice across agencies may help in ensuring that the right policies are being produced to the required standard. A complete inventory would also assist the Government in determining if the behaviour and policy direction of MDAs has changed as a result of having a National Development Plan, and in identifying duplication and gaps. It is also recommended that the Government renews its commitment to develop the capacity of the policy analyst cadre, guidance on what good policies, plans and strategies look like, and when each intervention (or alternatives) are appropriate.

- (v) **Several key policies to guide the delivery of NDPII objectives have not yet been 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 in this MTR includes the need for: a comprehensive industrialisation strategy; an improved budget strategy which focuses more explicitly on improving domestic revenue mobilisation and aligning financial resources to NDPII; 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.

Recommendation 5: It is recommended that the Government considers developing the policy gaps identified in this report and provides associated funding, as required.

- (vi) **NDPII identifies 11 pre-requisites required for successful NDPII implementation.** This is a positive step and builds on the identification of pre-conditions needed for effective implementation under NDPI. A review, however, on

the status of the pre-conditions reveals that more work needs to be done to ensure that these are in place and/or being developed. In particular, there is 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 can and should be made in the remaining years of NDPII to ensure that NDPII has a greater chance of success.

Recommendation 6: 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 needs 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.

(vii) Economic growth has fluctuated over the review period and is below the NDPII target of 6.3%. Growth has also not been as inclusive as desired – GDP per capita is below the NDPII targets and Uganda has seen a decline in the growth and development index by 4.2%. Agriculture value addition, mineral beneficiation, manufacturing and private-sector activities have also performed at a slower rate than expected. The implementation of Government policy has not, to date, delivered the desired results under NDPII. Weaker than expected performance has been 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 over the MTR period (e.g. drought) and persistent weaknesses in the efficiency and effectiveness of Government.

Recommendation 7: Uganda is currently 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 NDPII's policy and strategic direction. Firstly, as stated in recommendation 4, 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). For instance, of the funds released for the AFDB Water Sanitation Sector Programme Support programme, only 50% of funds to date have been utilised. 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.

(viii) Over the MTR period the number of sector and MDA plans aligned to NDPII has increased. There has been a concerted effort, across Government to produce sector plans that are aligned to NDPII. This is a positive step. However, more needs to be done. In some cases, strategies are still missing e.g. industrialisation. There is value in continuing to ensure that the capacity of planners and policy makers in sectors and local Government is continuously built and that guiding documents align to NDPII.

Recommendation 8: Continue to invest in strengthening sectoral, local Government and MDA level capacities in planning, budgeting, monitoring, learning and evaluating actions. Continue to also assess the quality of policies and plans and their ability to bring about the desired change.

- (ix) **There is a disconnect between planning and budgeting. The annual budget does not fully align with NDPII priorities, and the annual budget has not been translated into sector specific interventions to deliver the NDPII targets.** The degree of alignment between planning and budgeting has also decreased across the MTR period. The overall score for alignment in 2016/17 was ‘moderately satisfactory’; in 2017/18 alignment was rated ‘unsatisfactory’. It is important this trend is reversed in the remaining two years of NDPII, and in future plans, to ensure that implementation of the NDPII 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. Table 11 below provides a breakdown of alignment by sector, by compliance areas. Sectors and MDAs are broadly producing plans and strategies in line with NDPII and the National Budget Framework Paper; sectors plans are not being fully funded and some projects funded are not in line with their policies and plans, and therefore not in line with NDPII. Moreover, of the projects that are funded there are weaknesses in budget execution as detailed in Table 12.

Recommendation 9: To improve the alignment at the macroeconomic level, the Government could include NDPII 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 PSI processes, the annual budget and NDPII. To improve the alignment of sector and MDA plans to the budget and NDPII, 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 NDPII and work closely with agencies and stakeholders across Government on ensuring buy-in and commitment to NDPII. In light of fiscal constraints, the Government should also improve its prioritisation of investments in the short-to-medium term.

Table 12: Compliance assessment at sector level

Sector	Planning	Project alignment	Budget preparation	Budget execution
1. Agriculture	86.0%	66.5%	22.5%	52.0%
2. Health	88.0%	38.1%	67.6%	37.3%
3. Education	94.0%	33.4%	59.4%	45.6%
4. Water and environment	100.0%	57.5%	70.2%	10.0%
5. Works and transport	20.0%	51.6%	80.8%	54.4%
6. Trade, industry and tourism	33.0%	68.8%	56.9%	24.7%
7. Legislature	100.0%	37.5%	65.0%	40.0%
8. Public administration	40.0%	23.3%	67.8%	62.4%
9. Kampala City Authority	100.0%	82.9%	93.8%	40.0%
10. Defense and security	50.0%	70.1%	55.0%	84.0%
11. Justice, law and order	71.0%	44.0%	78.0%	44.0%
12. Accountability	64.0%	45.3%	71.0%	48.0%
13. Public sector management	57.0%	40.1%	62.0%	38.3%
14. Lands, housing, urban dev.	50.0%	34.4%	67.3%	58.0%
15. Energy sector, mineral dev.	14.0%	48.1%	69.0%	18.0%
16. ICT	100.0%	36.7%	82.4%	13.6%
17. Social development	67.0%	60.0%	77.3%	56.0%
18. Local Government	94.5%	48.0%	Not rated	Not rated
Average alignment %	68.25%	49.24%	67.41%	42.72%

Source: author's analysis of CoC data, FY2017/18

- (x) **The level of understanding of NDPII vis-à-vis NDPI by stakeholders appears to be higher.** Discussions with stakeholders during this MTR revealed that there is a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII is 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 NDPIII, 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 NDPII Implementation Strategy and ensures 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.

74. In conclusion, despite the clear strategic direction provided by NDPII, good planning alone will not deliver Uganda to middle-income status by 2020. As detailed in the recommendations provided there is need, in the remaining years of NDPII and in 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.

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Annexes

Annex 1: List of people interviewed

Name	Position
Mr Zackey Kalega	Assistant Commissioner, Trade and Private Sector Development, Ministry of Trade, Industry and Cooperatives
Mr Kabagambe Jesse David	Research and Training Officer, Green Jobs Programme, Ministry of Gender, Labour and Social Development
Mr Martin Wandera	Director of Labour, Employment and Occupational Safety and Health, Ministry of Gender, Labour and Social Development
Mr C. K. Ndorere	Assistant Commissioner, Marketing and Promotion, Ministry of Trade, Industry and Cooperatives
Mr Oyuga Drani Gidio Peter	Principal Policy Analyst, Office of the President
Mr Felix Nelly Olum	Principal Economist, Office of the President
Mr Katamba Francis	Assistant Commissioner, Planning, Ministry of Gender, Labour and Social Development
Ms Susan Nakitto	Senior Policy Analyst, Ministry of Gender, Labour and Social Development
Mr Geoffrey Openy	Economist, Ministry of Gender, Labour and Social Development
Mr Joseph Muvawala	Executive Director, National Planning Authority
Mr Vincent Tumusiime	Director, Directorate of Economic Monitoring and Research, Office of the President
Mr Abubakar Muhammad Moki	Commissioner Policy Development and Capacity Building, Cabinet Secretariat, Office of the President
Mr Ainebyona Denis	Acting Commissioner, Department of Industry, Ministry of Trade, Industry and Co-operatives
Mr Moses Sanon Dhizaala	Head of Monitoring and evaluation, budget compliance and project appraisal, National Planning Authority
Mr Gyaviira Dhikusooka	Senior Planner Monitoring and Evaluation (compliance), National Planning Authority
Mr Elweru David William	Finance and Planning Manager, Uganda Tourism Board
Mr Peter Odong	Senior Industrial Officer, Department of industry and technology
Mr Dhikusooka Gyaviira	Senior planner monitoring and evaluation (compliance), National Planning Authority

Annex 2: Lines of enquiry

The National Development Plan (2014/15 – 2018/19) is currently being implemented by the Government of Uganda. To ensure that implementation is on track, and that lessons can be learned to inform NDPIII, the National Planning Authority has commissioned a mid-term review of NDPII. The table below details the area of enquiry used to inform the development of this thematic report- investigating the policy and strategic direction of NDPII.

Area of enquiry	Key questions/analysis
NDPII's theory of change	<ul style="list-style-type: none"> • Is there a valid theory of change behind the NDPII? • PS5: Is there a valid theory of change behind the NDPII that informs its logic and underpins a coherent, appropriate and credible strategy map? • PS7: Have the NDPII policy and strategy been developed with a clear understanding of the necessary phasing and sequencing of implementation?
Quality of Government policies, plans and strategies in relation to NDPII	<ul style="list-style-type: none"> • What is the quality of Government policy and strategy, as defined by Office of President's guidance? • PS8: Has sufficient attention been given to communicating the benefits and necessary pre-conditions to all major stakeholders for successful change management to underpin NDPII implementation? • PS9: What major policy changes need to be made to increase the likelihood of delivering NDPII targets so far?
Effectiveness of Government policy in achieving NDPII objectives	<ul style="list-style-type: none"> • To date, how effective has Government policy been in achieving NDPII objectives? • PS2: Extent of pursuance of export-orientated growth through value-addition, agro-processing, mineral beneficiation, selected heavy and light manufacturing • PS3: Extent of the progress on private-sector led growth, and quasi-market approaches towards achievement of NDPII objectives and targets • PS10: How effectively have growth and poverty reduction policy objectives been reconciled in the course of NDPII implementation at this stage? • PS11: To what extent have efficiency and productivity gains been realised in Government as a result of NDPII? • PS12: To what extent has the NDPII been an effective mechanism for ensuring that economic growth does not have a detrimental impact on the environment?
Alignment of Government plans, policies and strategies to NDPII	<ul style="list-style-type: none"> • To date, how consistent are sector and Ministry, Department and Authorities' (MDAs) plans, policies and strategies to NDPII? • PS1: Consistency of Government in guiding the country towards middle income status – are the imperatives in place to achieve this milestone? • PS4: Is there a common understanding of NDPII strategy and policy among Government, development partners, civil society, the private sector and others? • PS6: To what extent have the NDPII policies/strategies informed and driven priorities for sector and MDA plans?

Annex 3: Quality of Government policies, plans and strategies in relation to NDPII

The table(s) below provide an assessment on the quality of Government policies, plans and strategies in relation to NDPII using Cabinet Secretariat guidance. A score of 0 (none), 1 (poor), 2 (fair), 3 (good) and 4 (excellent) has been given to each of the eight parameters of a good policy. The eight parameters are: 1) 1) Have an issue(s) or need(s) or problem(s) to be addressed to that it is known what it will change; 2) Be carefully analysed against other policy, law or regulation options before it is introduced, to ensure it is the best, most cost-effective solution to address the identified issue or need or problem; 3) Be widely consulted before it is introduced to ensure it is inclusive; 4) Be clear, simple and practical so everyone can understand and comply; 5) Be easily communicated or disseminated so everybody can access and support compliance; 6) Produce benefits that outweigh costs; 7) Be properly and fairly-enforceable within the available resources; 8) Be monitored and evaluated after introduction to make sure it is effective in ensuring its intended benefits. A more detailed breakdown on the rationale for the score given is available upon request.

No.	Name of policy	MDA responsible for policy	Date of policy	NDPI (10/11-14/15) or NDPII (15/16-19/20)	Duration of policy	1	2	3	4	5	6	7	8
1	Investment Code Act 1991	Not seen	1991	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
2	Education for National Integration & Development, Government White Paper	Ministry of Education & Sports (MoES)	1992	Neither	Not relevant	3	3	4	4	1	2	3	0
3	Universities and Other Tertiary Institutional Act 2001 (Amended 2003, 2006)	Not seen, but presumably MoES	2001	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
4	National Planning Authority (NPA) Act 2002	Not seen, but presumably MFPEd	2002	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
5	Strategic Plan for Higher Education 2003-2015 (2nd draft)	MoES	2003	Pre NDPI and NDPII	2003-2015	3	3	0	3	0	3	3	0
6	Employment Act, 2006	Not seen, but presumably MGLSD	2006	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
7	National Land Policy	MLHUD	2006	Neither	Not stated	4	4	3	2	1	0	3	0
8	National Trade Policy	MTTI	2007	Neither	Not stated	3	0	1	2	1	0	0	0
9	Renewable Energy Policy for Uganda	MEMD	2007	Part NDPI and NDPII	2007-2017	3	0	4	3	1	0	2	0
10	Uganda Gender Policy	MGLSD	2007	Part NDPI and NDPII	2007-2017	3	3	0	3	1	0	3	3
11	National Industrial Policy	MTTI	2008	Neither	Not stated	2	0	3	2	1	0	2	3
12	National Oil and Gas Policy for Uganda	MEMD	2008	Neither	Not stated	3	0	3	3	1	4	3	3
13	National Agricultural Research Organisation Strategic Plan 2008/09-2017/18	NARO Secretariat	2008	Part NDPI and NDPII	2008/09-2017/18	3	0	3	2	1	3	2	2
14	Makerere University Strategic Plan 2008/09-2018/19	Planning & Development Department (PD)	2008	Part NDPI and NDPII	2008/09-2018/19	3	3	3	4	1	3	0	3
15	Policy Guidelines on Infant and Young Child Feeding	Ministry of Health (MoH)	2009	Neither	Not stated	3	0	4	3	1	0	2	3
16	Second National Health Policy	MoH	2010	NDPI	Not stated	3	0	1	2	3	0	3	3
17	National Sugar Policy	MTTI	2010	NDPI	Not stated	3	0	3	3	1	0	2	3
18	Health Sector Strategic Plan III 2010/11-2014/15	MoH	2010	NDPI	2010/11-2014/15	4	1	2	1	1	0	2	3
19	National Cooperative Policy	MTIC	2011	NDPI	Not stated	3	0	3	2	1	0	2	3
20	National Employment Policy	MGLSD	2011	NDPI	Not stated	4	0	3	4	1	3	4	3
21	National Policy on Public Sector Monitoring and Evaluation	Office of the Prime Minister (OPM)	2011	NDPI	Not stated	3	0	0	2	1	1	2	2
22	National Sanitary and Phytosanitary Policy	MTTI	2001	Neither	Not stated	3	0	0	2	1	0	2	0
23	Skilling Uganda/ BTVET Plan 2011-2020	MoES	2011	NDPI and NDPII	2011-2020	3	0	0	2	1	3	0	3
24	Public Service Commission Strategic Plan 2011-2016	Public Service Commission (PSC)	2011	NDPI and NDPII	2011-2016	1	1	3	1	1	2	2	3
25	Judiciary Strategic Investment Plan 2011/12-2015/16	Judiciary	2011	NDPI and NDPII	2011/12-2015/16	3	0	2	2	1	2	2	3

No.	Name of policy	MDA responsible for policy	Date of policy	NDPI (10/11-14/15) or NDPII (15/16-19/20)	Duration of policy	1	2	3	4	5	6	7	8
26	Ministry of Works & Transport Strategic Plan 2011/12-2015/16	Ministry of Works & Transport (MoWT)	2012	NDPI and NDPII	2011/12-2015/16	3	0	0	3	1	3	0	3
27	National Standards and Quality Policy	MTIC	2012	NDPI	Not stated	3	0	0	1	1	0	2	3
28	National ICT Policy for Uganda	Ministry of ICT	2012	NDPI	Not stated	3	0	0	1	1	3	3	3
29	Judiciary Gender Policy and Strategy	Judiciary	2012	NDPI	Not stated	3	1	0	1	1	0	3	3
30	Uganda National Land Policy	MLHUD	2013	NDPI	Not stated	3	0	3	4	4	3	4	3
31	Petroleum (Exploration, Development & production) Act 2013	Not seen, but presumably MEMD	2013	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
32	Equal Opportunities Commission Strategic Plan 2013/2014-2017/2018	Equal Opportunities Commission (EOC)	2013	NDPI	2013/2014-2017/2018	3	3	4	3	1	3	2	3
33	National Agricultural Policy	MAAIF	2013	NDPI	Not stated	3	4	4	2	3	0	2	3
34	Uganda Tourism Policy	MTWA	2013	NDPI	Not stated	3	4	0	2	1	2	4	2
35	Uganda Partnership Policy	OPM	2013	NDPI	Not stated	3	0	0	1	0	0	2	0
36	Uganda Wildlife Policy	MTWA	2014	NDPI	Not stated	4	4	0	2	1	2	4	2
37	Operation Wealth Creation	MAAIF	2014	NDPI	Not stated	2	0	0	0	0	0	3	0
38	Buy Uganda, Build Uganda (BUBU) Policy	MTIC	2014	NDPI	Not stated	2	0	2	3	1	2	2	0
39	Uganda Tourism Development Master Plan 2014-2024	Not seen, but presumed to be MTWA	2014	NDPI and NDPII	2014-2024	4	0	0	3	3	0	2	3
40	National Policy on East African Community Integration (NPEACI)	MEACA	2015	NDPII	Not stated	3	3	3	2	3	0	2	3
41	Uganda National Land Policy Implementation Action Plan 2015/16-2018/19	MLHUD	2015	NDPII	2015/16-2018/19	4	0	0	3	1	4	3	0
42	National Tourism Sector Development Plan 2015/16-2019/20	MTWA	2015	NDPII	2015/16-2018/19	4	0	0	3	1	4	3	0
43	Energy and Mineral Development Sector Plan 2015/16-2018/19	MEMD	2015	NDPII	2015/16-2019/20	4	0	0	3	1	4	0	4
44	Public Private Partnership Act, 2015	Not seen, but presumably MFPED	2015	Act - NDPI & NDPII	Not relevant - Act	3	0	3	3	0	0	4	0
45	Health Sector Development Plan 2015/16-2019/20	MoH	2015	NDPII	2015/16-2019/20	3	3	3	4	1	4	3	4
46	National Social Protection Policy (NSPP)	MGLSD	2015	NDPII	Not stated	4	4	3	4	4	4	4	4
47	Ministry of Local Governemnt (MoLG) Strategic Plan for Statistics 2015/16-2019/20	MoLG	2015	NDPII	2015/16-2019/20	3	0	3	3	1	3	3	3
48	National Leather and Leather Products Policy	MTIC	2005	Neither	Not stated	3	0	3	2	1	0	2	0
49	Health Financing Strategy 2015/16-2024/25	MoH	2016	NDPII and beyond	2015/16-2024/25	4	0	3	3	3	3	2	4
50	Uganda National Housing Policy	MLHUD	2016	NDPII	Not stated	4	3	0	4	0	3	2	3
51	National Slum Upgrading Strategy	MLHUD	2016	NDPII	Not stated	4	0	0	3	0	0	3	0
52	Environment & Natural Resources Subsector Gender Mainstreaming Strategy 2016-2021	Ministry of Water & Environment (MWE)	2016	NDPII	2016-2021	3	4	0	3	0	3	2	3
53	Social Development Sector Development Plan (SDSP) 2015/16-2019/20	MGLSD	2016	NDPII	2015/16-2019/20	4	3	4	4	1	4	3	4
54	Security Sector Development Plan 2015/16-2019/20	MDVA	2016	NDPII	2015/16-2019/20	3	0	3	3	1	4	3	4
55	Ministry of Finance, Planning and Economic Development (MFPED) Strategic Plan 2016-2021	MFPED	2016	NDPII	2016-2021	3	0	1	3	1	4	3	4
56	Uganda National Urban Policy	MLHUD	2017	NDPII	Not stated	4	4	1	3	3	2	4	4
57	National Irrigation Policy	MAAIF & MWE	2017	NDPII	Not stated	4	4	4	3	4	4	4	3
58	Social Protection Gender & Equity Strategy (SPGES)	MGLSD	2017	NDPII	Not stated	4	4	3	3	0	4	4	4
59	National Strategy for Private Sector Defelopment 2017/18-2021/22	MFPED	2005	NDPII	2017/18-2021/22	3	0	3	3	1	2	3	3
60	Final Greater Kampala Economic Development Strategy 2017-2025	National Planning Authority (NPA)	2018	NDPII and beyond	2017-2025	3	0	4	1	1	4	2	3
61	Draft National Investment Policy	MFPED (Belatedly revealed under the Fore	2018	NDPII	Not stated	3	0	0	3	1	0	4	2
62	Draft Uganda Tourism Board (UTB) Strategic Plan 2018/19-2022/23	Uganda Tourism Board (UTB)	2018	NDPII and beyond	2018/19-2022/23	3	0	4	2	1	4	3	0
63	Electricity Connections Policy 2018-2027	MEMD	2018	NDPII and beyond	2018-2027	4	4	4	4	2	4	3	3
64	Water & Sanitation Gender Strategy 2018-2022	MWE	2018	NDPII and beyond	2018-2022	4	4	3	4	3	4	4	4








Annex 4: Effectiveness of Government policy in achieving inclusive development







	Score	Rank among peers	Change over last 5 years	Trend
Inclusive Development Index 1-7 (Best)	3.28	64/79	-4.2%	↓
Growth and Development 1-7 (Best)	2.99	50/79	+6.3%	↑
GDP/capita in \$ 2015	673	74/79	+2.1%	↑
Labour productivity in \$	3623	73/79	+1.6%	↑
Healthy life expectancy years	54	68/79	+3.5	↑
Employment to population ratio	74.5	11/79	0	→
Inclusion 1-7 (Best)	2.6	68/79	-14.9%	↓
Net income inequality Gini (2014 data)	41.4	50/79	+3.1	↑
Poverty rate (% of population living on less than \$3.10/day at 2011 international prices)	65	63/79	-4.4	↓
Wealth inequality Gini	81.4	56/79	+12.7	↑
Median income \$/day (PPP) per capita	2.5	60/79	+0.2	↑
Intergenerational equity 1-7 (best)	4.26	65/79	-3.4%	↓
Adjusted net savings as % GNI	3.3	59/79	-1.7	↓
Carbon intensity of GDP KtCO2/\$bn GDP	22.4	5/79	-16.4	↓
Public debt as % GDP	34.4	22/79	+10.7	↑
Dependency ration % working age population	102.3	79/79	-3.3	↓




Source: WEF, 2017

The colours used in the third column reflect Uganda's position compared to its peers in the group of 79 developing economies with a per capita GDP below \$1,320. Green indicates the top 25%, yellow the second, orange the third, and red the lowest 25% in the group. Where index scores are used, a scale of 1-7 is used, with 1 being the lowest or worst score and 7 the highest or best. Overall, with a score of 3.28 out of seven, Uganda obtained the 64th position of 79 developing economies at the same level of Namibia and just above Kenya.

Annex 5: Alignment of sector plans and budgets to NDPII (FY2014/15-17/18)

Sector	Alignment (%)	Critical issues to address
1. Agriculture Planning processes: 86% Sector project alignments: 66.5% BFP and Budget alignment: 22.5% Budget release and execution: 52%	FY17/18: 50.9	Financial resources spread too thinly: provide adequate resources to NDPII priority interventions. Slow release of funds. Consolidate projects to reduce duplication and overheads. Increase agricultural research funding.
	FY16/17: 57.0	
	FY15/16: 56.1	
		
2. Health Planning processes: 88% Sector project alignment: 38.1% BFP and Budget alignment: 67.6% Budget release and execution: 37.3%	FY17/18: 51.7	Improve budget execution rates for projects through improved PIM. Improve allocations to health personnel and health promotion. Address financing issues e.g. national health insurance bill and improve alignment of projects to NDPII
	FY16/17: 51.0	
	FY15/16: 52.9	
		
3. Education Planning processes: 94% Sector project alignment: 33.4% BFP and Budget alignment: 59.4% Budget release and execution: 45.6%	FY17/18: 50.9	Improve intra-sectoral engagement to help translate sector and MDA plans into the BFP and AB. Address capacity gaps in the area of project preparation and execution. Ensure that projects funded are NDPII projects.
	FY16/17: 60.4	
	FY15/16: 49.4	
		
4. Water and environment Planning processes: 100% Sector project alignment: 57.5% BFP and Budget alignment: 70.2% Budget release and execution: 10%	FY17/18: 51.2	All MDAs in the water and environment sector have low absorptive capacity for project implementation. Budget execution is extremely low. There is a need to increase allocations to this sector to reverse degradation of the environment.
	FY16/17: 51.8	
	FY15/16: 55.7	
		
5. Works and transport Planning processes: 20.0% Sector project alignment: 51.6% BFP and Budget alignment: 80.8% Budget release and execution: 54.4%	FY17/18: 58.0	Projects are behind schedule due to delayed compensation of PAPs. Delayed compensation has been due to understaffing in the land acquisition department of UNRA. Need to improve planning processes.
	FY16/17: 55.0	
	FY15/16: 72.4	
		
6. Trade, industry and tourism Planning processes: 33% Sector project alignment: 68.8% BFP and Budget alignment: 56.9% Budget release and execution: 24.7%	FY17/18: 48.5	Some non-vote MDAs receive significant resources but do not have a clear plan. Direct funding for industrialisation is not clear in the Annual Budget. Funds allocated for PIPs are not fully released impacting on implementation.
	FY16/17: 53.4	
	FY15/16: 58.3	
		
7. Legislature Planning processes: 100% Sector project alignment: 37.5% BFP and Budget alignment: 65.0% Budget release and execution: 40.0%	FY17/18: 52.8	The sector has a low absorption capacity. Some NDPII priorities have not been factored in funding allocation e.g. reviewing appropriate legislation to facilitate the elimination of corruption.
	FY16/17: 61.0	
	FY15/16: 70.3	
		
8. Public administration Planning processes: 40%	FY17/18: 50.1	
	FY16/17: 67.7	

Sector	Alignment (%)	Critical issues to address
Sector project alignment: 23.3% BFP and Budget alignment: 67.8% Budget release and execution: 62.4%	FY15/16: 58.3 	Several MDAs in this sector e.g. Uganda AIDS Commission do not contribute to the sector's objectives.
9. Kampala Capital City Authority Planning processes: 100% Sector project alignment: 82.9% BFP and Budget alignment: 93.8% Budget release and execution: 40%	FY17/18: 75.0 FY16/17: N/A FY15/16: N/A N/A	There is poor absorptive capacity arising from delayed counterpart funding from Government for land acquisition. Many PIP projects are recurrent in nature.
10. Defense and security Planning processes: 50.0% Sector project alignment: 70.1% BFP and Budget alignment: 55% Budget release and execution: 84%	FY17/18: 67.7 FY16/17: 63.9 FY15/16: 61.0 	There are weaknesses in the transparency of the sector plans e.g. training targets.
11. Justice, law and order Planning processes: 71% Sector project alignment: 44% BFP and Budget alignment: 78% Budget release and execution: 44%	FY17/18: 57.0 FY16/17: 70.4 FY15/16: 71.0 	Most projects are operational in nature rather with insufficient transparency on targets and results. Recurrent funding allocations are insufficient for associated development expenditure.
12. Accountability Planning processes: 64% Sector project alignment: 45.3% BFP and Budget alignment: 71.0% Budget release and execution: 48.0%	FY17/18: 55.7 FY16/17: 70.0 FY15/16: 41.3	There is a need to review the make-up of MDAs in this sector. UFZA and UIA should move more to the trade and industry sector. Inconsistencies have been noted in the indicators and targets used.
13. Public sector management Planning processes: 57% Sector project alignment: 40.1% BFP and Budget alignment: 62% Budget release and execution: 38.3%	FY17/18: 50.1 FY16/17: 67.7 FY15/16: 58.3 	There has been significant delays in implementing NDPII pipeline projects. There has also been a disproportionate allocation of recurrent budget in comparison with funding to projects.
14. Lands, housing and urban development Planning processes: 50% Sector project alignment: 34.4% BFP and Budget alignment: 67.3% Budget release and execution: 58%	FY17/18: 52.9 FY16/17: 65.1 FY15/16: 41.3 	Budget credibility is compromised in the ULC as the vote receives supplementary budgets that are over 100% of the approved budget. No clear targets are indicated in budget instruments.
15. Energy sector and mineral dev. Planning processes: 14% Sector project alignment: 48.1% BFP and Budget alignment: 69% Budget release and execution: 18%	FY17/18: 41.9 FY16/17: 64.5 FY15/16: 53.4 	Transmission line projects are not on schedule due to land acquisition challenges. Low release of funds to the sector is affecting implementation. Some entities e.g. ERA are spending revenue at source.

Sector	Alignment (%)	Critical issues to address
16. ICT Planning processes: 100% Sector project alignment: 36.7% BFP and Budget alignment: 82.4% Budget release and execution: 13.6%	FY17/18: 49.8	Funding to the sector is still low (0.4% of Total Budget) with a number of key NDPII interventions unfunded. Public corporations and state enterprises are not mainstreamed into the planning and budget instruments
	FY16/17: 50.8	
	FY15/16: 68.6	
		
17. Social development Planning processes: 67% Sector project alignment: 60.0% BFP and Budget alignment: 77.3% Budget release and execution: 56%	FY17/18: 65.0	Some MDAs to not have an approved strategic plan. Out of the 13 sector projects in the NDPII, 5 are in the PIP.
	FY16/17: 57.7	
	FY15/16: 65.1	
		
18. Local Government Planning processes: 94.5% Sector project alignment: 48% BFP and Budget alignment: NR% Budget release and execution: NR%	FY17/18: 62.2	Alignment of NDPII to several key departments is unsatisfactory. There is a need to improve the alignment of district councils' work plans to NDPII priorities. Funding transfers to Local Government is inadequate.
	FY16/17: 51.8	
	FY15/16: N/A	
		

Source: National Planning Authority, CoC 2017/18