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

Results Framework Thematic Report (Final Draft)

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In Association with

For the National Planning Authority

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Acronyms

AB	Annual Budget
AG	Auditor General
AP	Annual Plan
ART	Anti-retroviral therapy
ARV	Antiretroviral
ATM	Agriculture, Tourism & Minerals
BFP	Budget Framework paper
BMAU	Budget Monitoring and Accountability Unit
BTVET	Business, Technical and Vocational Education and Training
CEmONC	Comprehensive Emergency Obstetric and Newborn Care
CNDPF	Comprehensive National Development Planning Framework
CoC	Certificate of Compliance
CSBAG	Civil Society Budget Advocacy Group
CSO	Civil Society Organization
DDP	District Development Plan
DPT3	Diphtheria, Pertussis, Tetanus Vaccine-3 doses
EAC	East African Community
EAMU	East African Monetary Union
ECD	Early Childhood Education
eMTCT	Elimination of mother-to-child transmission
EPR	Employment Participation Rate
EPRC	Economic Policy Research Centre
EoDB	Ease of Doing Business
EU	European Union
FIGD	Framework for Inclusive Growth and Development
FP	Family Planning
FY	Financial Year
GAPR	Government Annual Performance Report
GCI	Global Competitiveness Index
GDI	Gender Development Index
GDP	Gross Domestic Product
GEI	Government Effectiveness Index
GII	Gender Inequality Index
GNI	Gross National Income
GoU	Government of Uganda
HCD	Human Capital Development
HDI	Human Development Index
HDR	Human Development Report
HSDP	Health Sector Development Plan
ICT	Information and Communication Technology
IHDI	Inequality Adjusted Human Development Index
KRA	Key Result Area
LG	Local Government
LGDP	Local Government Development Plan
LU1	Youth unemployment (LU3)
LU2	Youth time-related underemployment
LU3	Combined rate of youth unemployment and youth potential labour force
MAAIF	Ministry of Agriculture, Animal Industry and Forestry
Mbps	Megabits per second
MCM	Million Cubic Meters
M&E	Monitoring and Evaluation
MDA	Ministry / Department / Agency
MDG	Millennium Development Goals
MDP	Municipal Development Project
MFPED	Ministry of Finance Planning and Economic Development
MGLSD	Ministry of Gender, Labour and Social Development
MMR	Maternal Mortality Rate
MoES	Ministry of Education and Sports

MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoH	Ministry of Health
MoWT	Ministry of Works and Transport
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
MW	Mega Watt
MWE SPR	Ministry of Water and Environment Sector Performance Report
N/A	Not Available
NAPE	National Assessment of Progress in Education
NBI	National Backbone Infrastructure
NBI/EGI	National Backbone Infrastructure/e-Government Infrastructure
NDP	National Development Plan
NDPI	National Development Plan I
NDPII	National Development Plan II
NDR	National Development Report
NER	Net Enrolment rate
NEET	Not in Education, Employment, or Training
NGP	National Gender Policy
NHPC	National Housing and Population Census
NITA-U	National Information Technology Authority, Uganda
NPA	National Planning Authority
NSPSD	National Strategy for Private Sector Development
NSSF	National Social Security Fund
NWSC	National Water & Sewerage Corporation
OPD	Out Patients Department
OPM	Office of the Prime Minister
PFM	Public Finance Management
PFMA	Public Finance Management Act
PIP	Public Investment Plan
PLE	Primary Leaving Examinations
PPP	Public Private Partnership
PPP	Purchasing Power Parity
PWD	Persons with a Disability
R&D	Research and Development
RMNCAH	Reproductive, Maternal, New-born, Child and Adolescent Health
SAGE	Social Assistance Grants for the Elderly
SDGs	Sustainable Development Goals
SDP	Sector Development Plan
SDSP	Social Development Sector Plan
SGR	Standard Gauge railway
SIP	Sector Investment Plan
SME	Small and Medium Enterprises
TFR	Total fertility Rate
THE	Total health expenditure
ToR	Terms of Reference
TWh	TerraWatt hour
U5MR	Under 5 Mortality rate
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UDHS	Uganda Demographic and Health Survey
UGX	Uganda Shilling
UIA	Uganda Investment Authority
UNICEF	United Nations International Children's Emergency Fund
UNRA	Uganda National Roads Authority
URA	Uganda Revenue Authority
UNDP	United Nations Development Programme
UNHS	Uganda National Household Survey
UNPS	Uganda National Panel Survey
UPE	Universal Primary Education
USE	Universal Secondary Education

VTC	Vocational Training Center
WEF	World Economic Forum
Wfp	Water for production
WHO	World Health Organization

Executive summary

This report presents the conclusions of the *Results Framework* of the Mid Term Review (MTR) of the NDPII. The results framework is one of six Thematic Reports describing progress of the NDPII. The other thematic areas of the MTR are: Economic Management; Development Partnerships; Policy and Strategic Direction; Political Economy; and Institutional Framework. The thematic reports will form the basis for an overall synthesis report.

The Results Framework thematic report reviews the results framework for NDPII by assessing results at various levels of the Plan as well as factors and conditions that have contributed to the results. It also makes recommendations for amendments in planning, coordination of implementation, monitoring and evaluation for NDPII and subsequent Plans.

The NDPI experience led to attempts for the NDPII design to focus on development of a detailed macro-economic strategy, ensuring that sector plans, investment and local government plans were reviewed and aligned to NDPII priorities, making sure that cross cutting Issues (e.g., population, social protection, human rights, gender, culture and national values, environment etc.) were properly integrated in government interventions, developing appropriate instruments of monitoring and evaluation, putting measures in place to improve capacity to implement (e.g., human resource and institutional capacities), addressing challenges of implementation (e.g. procurement processes, resource mobilisation), and addressing issues of physical planning among others.

Essentially, the task of the MTR is to use available data to assess to what extent the indicators set and (financial and investment) plans contained in the NDPII have been met. The review of progress against the NDPII goal and objectives has been based on data extracted from the best primary sources available.

Progress on the NDPII goal of "*strengthening competitiveness for sustainable wealth creation, employment and inclusive growth*" was assessed through measuring performance against targets of identified development indicators in the areas of growth, competitiveness, sustainable wealth creation, employment and inclusive growth.

The Ease of Doing Business Index showed a short-lived improvement in **competitiveness** early in the Plan period but the latest results shows that Uganda is lagging behind its competitiveness targets and behind its competitors in the region. The Global Competitiveness Index shows a similar trend.

The economy did reasonably well compared to NDP targets, attaining or partly attaining targets on the GDP growth rate, per capita incomes exports in percent of GDP, Ease of doing business ranking, global competitiveness ranking, and employment. In addition, the Global Gender Gap Index goal was attained. The attainment of targets for important indicators like poverty, income distribution and child poverty could not be determined because of lack of data.

Poverty and inequality remain critical development challenges for the country. While Uganda experienced a remarkable reduction in the incidence of poverty between 2006 and 2013, according to most recent wave of the Uganda National Household Survey (UNHS) 2016/17 this trend has reversed.

Evidence from the latest labour force survey indicates that most of the employed Ugandan's, 44.2% in 2016/2017, were working in the services sectors that are largely informal. The agricultural sector provided 39.8% of jobs in 2016/2017, followed by industries (16.0% in 2016/2017). For youth the situation is difficult as 4 out of 10 young Ugandans are currently out of work.

The **sustainable wealth creation** indicators do not measure up to targets. Indicators like "share of manufacturing to GDP" and "share of manufacturing jobs to formal jobs" were nowhere near the at NDPII targets at the time of the mid-term. Manufacturing's contribution to GDP has sown a declining trend from 2014/15 to 2017/18. Other indicators dealing with sustainable wealth creation could not be assessed because of the lack of data.

Progress on the objective named **Increase Sustainable Production, Productivity and Value Addition in key growth opportunities** scored some gains. The GDP growth rate it the NDPII target and the actual GDP in UGX billions at market prices was close to its target in 2017/18. The sectoral composition of GDP in 2017/18 came only slightly closer to its 2017/18 target, the industry sector reaching only 19.8 % compared to the 27.7 target. As for many other indicators, the progress on labour productivity, ratio of manufactured exports, forest and wetland cover could not be determined because of the lack of data.

The total labour force participation rate stood at 53.0 per cent in 2016/2017, pointing towards a very high proportion of the working age population not employed and still working for own-production use only. In each of the three sectors, output per worker exceeded the NDPII target for 2016/17.

A positive development registered in detailed statistics for share of GDP by industry was that information and communication now nearly has overtaken trade and repairs as the biggest contributor within the services category.

The indicators on **Stock and Quality of Strategic Infrastructure** registered only modest gains with some progress in length of the paved road network in proportion to national network. However the 4,193 km of paved road network represents 79.2% against the NDPII 2020 target of 5,292 km. The country might be on track to meeting the target by 2020.

Indicators for **power consumption** per capita and fiber optic coverage in districts however were far behind their 2017/18 targets. For more than half of the indicators in the infrastructure category progress could not be assessed in 2017/18 because of lack of data.

With the commissioning of new power plants, it can be expected that Uganda will move closer to meeting NDPII 2019/20 target of 30%. In the longer-term Uganda's energy, demand is projected to increase to 13.7 TWh in 2040. This demand is unlikely to be met by hydropower alone and there is therefore a need for an effective energy planning that directs more investment in other renewable energy sources such as solar and wind with potential for energy production.

The National Data Transmission Backbone Infrastructure and **e-Government Infrastructure** Project has led to a considerable expansion of optic fiber cabling. At the same time, the cost of bandwidth has been reduced leading to a reduction in internet costs. As more MDA sites are connected, further price reduction is expected.

There has been tremendous improvement in storage for **water for production sub-sector**. The national cumulative storage for water for production increased from 37.2 million cubic meters

(MCM) in 2015/16 and to 39.2 MCM by June 2018. Given the NDPII target of 39MCM in 2019/20, this indicates that the target had been met two years ahead of time.

According to NDPII, the increased investments in transports, energy and ICT infrastructure are geared towards enhancing **competiveness**. Although the progress in some areas may be slowly helping to improve the country's competitiveness the "Doing Business" rankings however appears to show that improvement has been slower than in comparable economies.

Assessing progress on **human capital development** requires an examination of performance indicators under the four different components: education and skills development, health, water and sanitation and social development.

Of the 44 indicators for the **"education and skills"** category 25 were not measured in 2017/18 or 2016/17. It was therefore not possible to gauge the position of more than a few of the indicators of university, tertiary, science and technology, literacy numeracy and skills gap for these years.

Of the measurable indicators, the net primary school enrolment and the transition rate to Senior 1 were considered satisfactory with 755 of NDP target values in 2017/18. The net Secondary School completion rate and the BTVET enrolment were also satisfactory overall but respectively rate and enrolment stood at less than the 2017/18 target for the *male* category. The P7 completion rates, the net secondary enrolment rates and the transition rate from S4 to S5 were seriously unsatisfactory with less than 75% attainment of thee NDPII 2017/18 target.

In addition to the indicator statistics, a number of other sources of information were used to map the progress and status in the education and skills area.

The lack of data for **health indicators** is such that for only one of the indicators can the 2017/18 level be determined. The indicator on the percentage of births attended by skilled health personnel had a target of 73% for the 2017/18. The target was attained with 74%.

Considering levels of indicators in 2016/17 gives some sense of what might be possible in terms of target attainment. Infant mortality appears to be on the way down and very close to the 2017/18 target. While under Five Mortality is still high over. Maternal mortality for 2016/17 was under the NDPII target for 2017/18. Compared to baselines both the contraceptive prevalence rate and the total fertility rate seem to move the right way but both were in 2016/17 far from targets. Life expectancy was still far from target.

In terms of Clinical service indicators, proportion of qualified workers in public health facilities, HIV prevalence and health Centres without medicine stock-outs data lacked for all relevant years. Populations within 5 kms from a health facility and deliveries in health facilities seemed to have exceeded the NDP 2017/18 already the year before, whereas per capita outpatient department utilization, pentavalent vaccine use (%) were clearly under the NDPII targets for 2017/18.

NDPII indicators for mechanisms for quality, effective and efficient service delivery include the government effectiveness index, the index of judicial independence the public trust in the justice system and the corruption index.

Government effectiveness and efficiency in service delivery is critical for NDPII outcomes. Targeting is important since spending cannot be effective in improving government programme outcomes if it only benefits households that have already achieved the goals.

We have nor baselines, statistics nor targets for the judicial indicators and the situation with regard to these indicators remain uncertain. For both government effectiveness and corruption the indicators were clearly unsatisfactory with less than 75% attainment of 2017/18 targets.

The NDPI MTR pointed to evidence of **growth of income inequalities in Uganda** supported by data from various sources including the UBOS national household survey of 2012/13 and the Human Development Report (HDR). For instance, the way incomes are distributed across individuals shows who benefit or miss out on the development opportunities available to society. Both income and gender inequalities as well as multi-dimensional poverty have been rising since 2010. Uganda's inequality adjusted HDI in 2012 was 0.303, representing a significant fall[1] (33.6 per cent) in human standard of living due to inequality in distribution.

A number of **challenges have been experienced by this MTR in terms of assessing NDPII progress.** Several of the same challenges were also noted in the MTR for NDPI and indeed in the final Evaluation of NDPI. There is however in some respects considerable improvement compared to the challenges noted for NDPI.

The main conclusions from the analysis of progress in **important NDPII (core) investment programmes** was that a number of problems that delayed the NDPI implementation and the assessment of the implementation still seems to exist.

- Lack of information on the status of the projects at a time close to the mid-term of NDPII
- Inadequate technical capacity in public service to prepare and implement such projects,
- Delays in mobilizing project financing,
- Procurement delays,
- Absence of adequate institutional and/or legal frameworks
- Delays in enacting the public-private partnerships Bill

Ten of the 39 projects listed as NDPII core projects were in fact continued from NDPI. One might question whether the roll-over of projects in this way is consonant with good planning. If NDPII has an overall different framework than NDPI and different aims, the "old" projects would not necessarily fit into the new frame, thus watering down the clarity and objectives of the NDPII.

There were 18 projects, a little less than half of all core projects, where some degree of completion (part complete) was recorded in early 2018. For eight of these, the degree of completion was uncertain (Completion>0%). Of the 10 where it was possible to state a certain degree of completeness only two were among the projects rolled over from NDPI. It appears than that "rolling over" has had little effect on the speed of implementation of former NDPI

[1] However, population data are based on estimates.

projects, which do not seem to have come much nearer to completion during the first half of NDPII.

Total Planned estimated **cost of the NDPII was** UGX 196,675 billion, a public sector contribution of UGX 113,644 billion and a private sector contribution of 83,031 billion.

The government budget allocation to the to the sector cost set in the NDPII varied with "legislature and accountability" and "justice law and order" "over-financed" and other sectors like social development and health underfinanced as off budget (donor) contributions could not be included in the data used for analysis.

For the first three years of the NDPII, Government allocation was 23% of the planned NDPII budget. Trend analysis for plans up to 2019/20 shows that in the next two years, total NDPII cost and the cost of the priority areas will gradually decline whereas on-budget financing for the NDPII will increase gradually.

Actual releases has exceeded government budget by 4% to 8% over the first three years of the NDPII. Amounts released to local Governments have increased from UGX 2,318 billion in 2015/16 to UGX 2,642 in 2017/18 but shows a declining trend in the proportion of the budget allocated to local governments from 38 percent in 2015/16 to 34 percent in 2017/18.

Innovative funding models to raise extra money for national development might include, public private partnership financing models, a National Development Fund to finance priority projects, donor budget support to local governments to support development at the local level.

Whereas it is difficult to fault the NDPII framework in terms of internal logical and economic coherence and consistency, the **realism** in setting some of the goals and objectives was found to be weak.

- A brief look at the numbers that most likely were known at the time of preparing the NDPII shows that the growth level planned could not be realistically foreseen in Uganda at the time.

- Several of the indicator targets set for the objectives listed in table 4.1 p101 of the NDPII document seem to be overly optimistic.

- The fiscal expansion to be implemented in order to front load infrastructure investment appears considerably higher than what could be expected to be realized while maintaining macroeconomic stability. The experience with the core projects seems to stress the near impossibility of this strategy.

- The strengthening of governance is not realistic as indicators of government effectiveness and corruption have shown a clear worsening over the years when the NDPII

It was found that the coherence between NDPII and the Vision was very clear. The NDPII is also coherent with international plans and frameworks such as SDGs, EAC, EAMU, African Agenda 2063.

An NDPI implementation challenge was limited integration of **crosscutting issues** in sectoral plans. Seven cross cutting development strategies for NDPII were set out and analysed by the results framework exercise.

On Social protection, social protection programs should be scaled up and expanded beyond the Northern region. Ugandan households face a high degree of vulnerability to poverty as a result of high dependence on factors outside the control of households and individuals. While the existing social safety net programs help to reduce poverty and inequality and enhance the livelihoods of beneficiaries, the coverage is limited.

While Uganda's financial soundness indicators for September 2018 suggest that the banking sector is healthy and Ugandan's access to financial services has improved dramatically in recent years, **Financial Inclusion** is characterized by the fact that up to 60% of adult Ugandans still keep their savings at home. A significant proportion of the population face obstacles when attempting to increase productivity through investments in better equipment

There was limited integration of **gender issues** in sectoral plans, programmes and projects. These implementation challenges were due to lack of synergies and coherence across sectors and local governments on what priorities to take on. Focus is was put on the synergies in the identified priority growth sectors and development fundamentals.

Assessment of **specific child rights** results is not possible due to a lack of indicators related to this crosscutting issue. Using income poverty measures for children is likely to mask huge inequalities since children do work and earn income on their own. The EU report recommends incorporating child rights indicators into the NDP monitoring matrix and including them in national surveys such as the health surveys and demographic surveys to improve monitoring and evaluation of this cross-cutting issue.

Persons with Disabilities face various forms of barriers ranging from negative societal attitudes; discrimination, inaccessible physical environment, information and communication technology to those resulting from insensitive regulatory frameworks. These result in unequal access to services in the area of education, employment, healthcare, transportation political participation and justice in communities by persons with disabilities.

There has been a gradual increase in the number of **people living with HIV** accessing treatment. In 2013, Uganda reached a tipping point whereby the number of new infections per year was less than the number of people beginning to receive antiretroviral treatment. However, as of 2016 around 33% of adults living with HIV and 53% of children living with HIV were still not on treatment. Persistent disparities remain around who is accessing treatment and many people living with HIV experience stigma and discrimination.

Culture and Mind-set. There is a problem of **poor attitudes** to work especially among the public service and youths. The Auditor General continues to raise the issue of staff absenteeism as one of the major causes of poor service delivery, especially in education and health sectors. A diagnostic study on human capital development conducted by EU to support the MTR of NDP 2 and evaluation of NDPI, found evidence to support the mindset challenge in the health sector.

Many African countries including Uganda are already experiencing **catastrophic climate change** and variability impacts in inter-related ways across many sectors - including water, energy and agriculture. This calls for integrated approaches in responding to the increasing energy and water demand to enhance livelihoods, sustain economic growth, and address the additional pressures on natural resources due to urbanization and population growth in a continent affected by the changing climate.

1.0 Introduction

Background

The National Development Planning Framework

1. Government of Uganda (GoU) approved the comprehensive National Development Planning Framework (CNDPF) policy in 2007. The CNDPF provides a clear perspective vision and long-term plans to articulate the country's strategic development objectives and priorities to which medium and short-term plans are anchored. It is comprised of five principal elements— a 30 Year National Vision (Vision 2040)[2], 10 Year National Development Plans, 5 Year National Development Plans (NDPs), Sector Investment Plans (SIPs), Local Government Development Plans (LGDDP & MDPs), Annual Plans, and Annual Budgets.

2. Uganda's second National Development Plan (NDPII) 2015/16—2019/20 was launched in June 2015 and is the second in a series of six five-year Plans under Vision 2040. The overall goal of the NDPII is to achieve middle-income status by 2020, through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth. Development indicators were a per capita income of US$1,033, reduction in poverty to 14.2%, 79% of the labour force in employment and a reduction in the number of young people not in education by 20 compared to the 2012/13 baseline. The four supporting objectives were increase sustainable production, productivity and value addition in key growth opportunities; increase in the stock and quality of strategic infrastructure to accelerate the country's competitiveness; enhancement of human capital development; and strengthening of mechanisms for quality, effective and efficient service delivery.

3. In terms of key growth opportunities, the NDPII focuses Agriculture, Tourism, and Oil and Gas (the so-called ATM sectors).

4. Government laid down nine (9) development strategies including expansion of infrastructure investment, industrialisation, skills development, export-oriented growth, quasi-market approach, harnessing the demographic dividend by ensuring a healthy, educated, and skilled and economically engaged labour force, urbanisation, strengthening governance, and integrating crosscutting issues into programmes and projects.

5. After two and half years of implementation of the NDPII, Government (through the National Planning Authority (NPA)) now aims to clarify how NDPII has performed, which implementation challenges have been faced, which lessons have been learnt, and what needs to be done to fast track implementation for the rest of the NDPII period as well as providing valuable experience for the next Plan (NDP3).

6. In November 2018, GoU commissioned through NPA, both the NDPI evaluation and NDPII MTR. The outcomes of the two assignments along with the on-going

[2] Launched in April 2013, the Uganda Vision 2040 aspirations are to transform Uganda from a predominantly low-income country to upper middle-income country within 30 years with per capita income of USD 9500. It is to be achieved through implementation of national development plans, which are financed mainly through the national budget.

formulation of NDP3 will shape the elaboration of the 10-year NDP (NDP 2020-2030) - the first of its kind in Uganda. The findings and recommendations from the NDPII MTR and the NDPI a basis for the design and execution of reforms necessary for moving Uganda to greater levels of competitiveness, productivity and industrialization, overcoming the anticipated lower middle-income trap.

7. This MTR report focusing on the MTR of NDPII results framework (section 18.7 of NDPII) is one of the Thematic Reports of the six dimensions of the MTR of NDPII. The other thematic areas of the MTR are: Economic Management; Development Partnerships; Policy and Strategic Direction; Political Economy; and Institutional Framework. The thematic reports will form the basis for an overall synthesis report.

Purpose of the Results Framework

8. The Results Framework thematic report reviews the results framework for NDPII by assessing results at various levels of the Plan as well as factors and conditions that have contributed to the results. It also makes recommendations for amendments in planning, coordination of implementation, monitoring and evaluation for NDPII and subsequent Plans.

9. The mid-point for implementation of the NDPII MTR is June 2018, corresponding with the end of the Financial Year (FY) 2017/18. The MTR however also looks at progress made in the first half of FY 2018/19 where data are available. Two important results data tables contained in the NDPII results matrix has been referred to –Goal/Theme Level Indicators (Annex 5, Table 5A), which lists a set of 20 indicators and their targets at the theme level; and the objective level performance indicators and targets (NDPII: Annex 5, Table 5B) for the period 2015/16—2-019/20. Starting from the FY2012/13 (baseline year), each indicator is supposed to have a specific target value (either in percentages or absolute value) for each year of NDPII.

Effects of the NDPI MTR on the NDPII process

10. NDPI for 2010/11—2014/15 was anchored to Growth, Employment and Socio-economic Transformation. The Plan stipulated the medium term strategic direction, development priorities and implementation strategies. Under NDPI, sector institutions were responsible for developing policies and plans to be aligned with the NDPI while the Local Government Development Plans (LGDPs) were majorly linked to the NDP through the Sector Investment Plans (SIPs).

11. The key NDPI priorities were the acceleration of infrastructure development (energy, ICT, transport); increase in agricultural production and productivity; improvement in communities' social well-being and human development efforts education and health); improvement in the supply of water for production; and strengthening of governance and accountability.

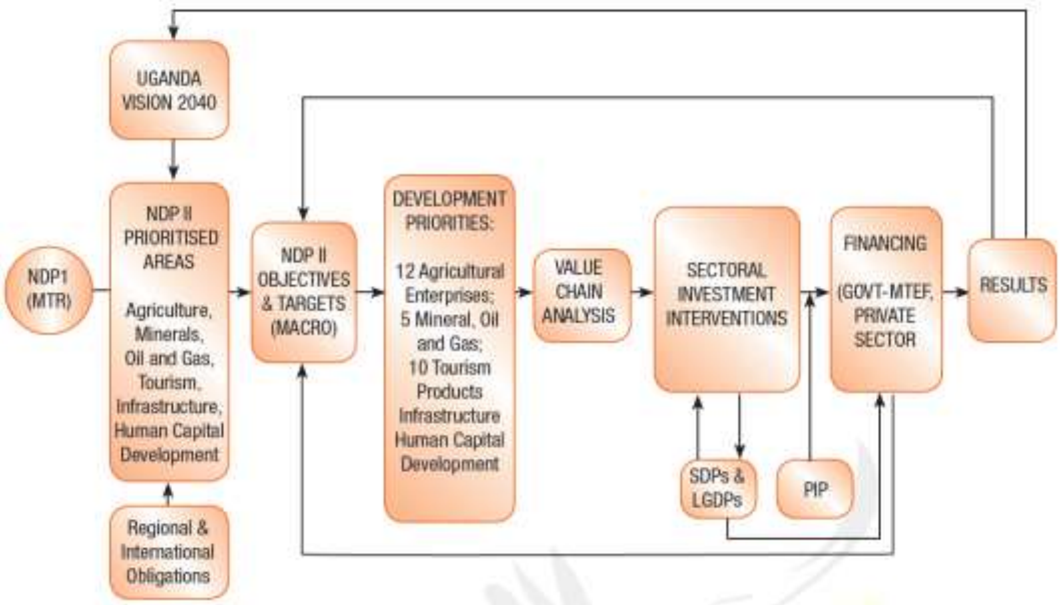
12. Findings from the NDPI MTR coupled with the outcomes of some of the regional and international discussions (such as Agenda 2030 for Sustainable Development Goals (SDGs)) and development priorities set out in the Vision 2040, informed the design of NDPII. For instance, the three development opportunities (i.e., ATM) and two fundamentals in NDPII are part of the nine opportunities and six fundamentals identified in the Uganda Vision 2040. The NDPI MTR also identified weak alignment

of NDPI to the budget, underfunding of NDPI core projects, and inadequacy of human resources, inadequacies in NDPI results framework, weak public sector management, and limited integration of crosscutting issues (e.g., HIV/Aids, climate change, and gender) as major challenges for effective implementation of NDPI. The lessons learnt played a major role in informing the design of NDPII strategic direction.

13. As a result of lessons learnt from NDPI implementation, the approach to NDPII design focused on development of a detailed macro-economic strategy, ensuring that SIP/SDPs and LGDPs were reviewed and aligned to NDPII priorities, making sure cross cutting Issues (e.g., population, social protection, human rights, gender, culture and national values, environment etc.) were properly integrated in government interventions, developing appropriate instruments of monitoring and evaluation, putting measures in place to improve capacity to implement (e.g., human resource and institutional capacities), addressing challenges of implementation (e.g. procurement processes, resource mobilisation), and addressing issues of physical planning among others.

14. **Figure 1** demonstrates the prioritisation framework under NDPII, which is based on five (5) imperatives, suggested to ensure that targets set out in the plan are met. These include: (i) spatial representation of projects to exploit synergies among the development priority areas and ensure planned urbanization and balanced regional development (ii) prioritisation among identified growth opportunities and fundamentals in order to maximise development benefits (iii) employment of value chain analysis to identify interventions and reap the benefits of targeting development resources in the prioritized interventions (iv) alignment of sector priorities and budget systems to the NDP priorities to ensure coordinated, effective and efficient service delivery at all levels and (v) strengthening of key public sector institutions and effective engagement of non-state actors in the implementation monitoring and evaluation of the plan.

Figure 1: NDPII prioritization framework



Source: NDPII MTR Inception Report

15. In addition to goal and objective results, the NDPI strategically set out 15 priority or 'core' projects for implementation over the five years. The selection of projects were primarily based on addressing the most binding constraints to economic growth at the time. The MTR highlighted limited alignment of planning and budgeting instruments within the NDPI as well as lack of well-documented key milestones and proper prioritization and sequencing of development interventions as some of the major challenges that hindered effective implementation of the core projects. Armed with this information, the design team of NDPII identified 39 core projects to be implemented in order to realize the Plan targets. Ten of these projects (i.e. two-thirds of the 15 NDPI projects), were carried over to NDPII.

16. To address implementation bottlenecks that characterised the NDPI implementation period, existing institutional implementation arrangements were strengthened and a number of reforms instituted under NDPII. For instance, a delivery unit was established in the Office of the Prime Minister (OPM) with a fully functional technical team to fast track implementation of the core projects, Presidential initiatives and key sector results; and NPA started issuing a Certificate of Compliance of MDA plans and budgets to NDPII before they are approved by Parliament. However, progress has been slow on other important institutional reforms such as institutionalizing the Sector Working Groups (SWGs) and making them binding with a lead agency and functional secretariat. Also, articulating the roles of the non-state actors such as the private sector, civil society and development partners; and mandating all accounting officers at national and local government level to sign performance contracts in line with NDPII results and targets.

NDPII Mid-Term Review Process

17. In carrying out the NDPII MTR, the performance assessment used selected indicators based on statistical data from various sources including Uganda Bureau of Statistics (UBOS) Statistical Abstract and household surveys, Government Annual Performance Report (GAPR) produced by OPM, as well as other administrative data from various Ministries, Departments and Agencies (MDAs). The MTR also used data and analyses from the EU diagnostic studies conducted to support the MTR of NDPII and evaluation of NDPI. World Bank reports, especially the report titled "Uganda, promoting inclusive growth", (report No 67377-UG, February 2012) and "Uganda, Economic Updates" were also used. In addition, we conducted semi-structured interviews with Government officials and other stakeholders (e.g., Development partners) who are involved in the delivery of NDPII. The interviews were guided by a set of questions on results framework agreed on with NPA during the inception stage of the review as set out in **Error! Reference source not found.Error! Reference source not found.**.

Table 1: Results Framework interview guiding questions

RF 1	Review of the state of the national economy since 2015
RF 2	Assessment of progress against NDP objectives
RF 3	Analysis of 16 MoFPED sector financial allocations
RF 4	Assessment of outcome trends and output indicator achievement by 16 sectors
RF 5	Analysis of budget release and spending by 16 sectors
RF 6	Revised assessment of output indicator achievement based on funds actually released
RF 7	Assessment of performance in 16 MoFPED sectors with narrative and selected data analysis
RF 8	Assessment of performance in 43 NDP sectors with narrative and selected data analysis
RF 9	Analysis of amounts invested / progress in NDP core projects

RF 10	Analysis of regional variations in development
RF 11	Assessment of progress related to budget speech items
RF 12	Review of implementation of Presidential Manifesto and how it relates to the NDPII
RF 13	Review of implementation of agreed Joint Assessment Framework (JAF) actions by 16 sectors
RF 14	Assessment of the availability of unit cost data in Budget Framework papers (BFPs) by sector
RF 15	What are the factors and conditions that have contributed to these results?
RF 16	Make recommendations in planning, coordination, implementation and M&E for the results

Source: NDPII MTR Inception Report

Inception Period

18. The assessment of the NDPII results framework took place during a three-week inception period. Within the inception period, we collected and reviewed background documents; conducted introductory meetings; and reviewed and agreed on the guiding questions. We held discussions selected MDAs, the Private Sector, Civil Society Organisations (CSOs) and Development Partners. A series of key informant interviews focusing on the Results Framework thematic area were conducted and supplementary analysis of data, as well as collation of document information, were also undertaken.

19. Data were gathered and synthesized to produce the needed indicators by which progress on performance of development indicators at the goal and objective levels NDPII could be measured. An internal draft report on the updated indicators was compiled, circulated to a team of reviewers to make comments with an aim of enriching the conclusions and recommendations contained in the last section of this report.

20. During the inception period and after, the MTR team also carried out detailed analyses based largely on information obtained from UBOS, analysed selected annualised and cumulative performance of MDAs in different sectors, referring among other things to budget performance reports, backgrounds to the budget, ministerial policy statements and specific sector performance reports. In addition, the MTR team looked at a number of relevant reports and published studies and research works recently conducted in Uganda and having relevance to the NDPII performance.

Monitoring & Evaluation Strategy

21. The preparation of the NDPII MTR results framework was conducted under the NDP Monitoring and Evaluation (M&E) strategy. The strategy articulates the roles and responsibilities, reporting and dissemination mechanisms, processes and events. It also identifies the M&E capacities that need to be in place in the sectors, MDAs and Local Governments (LGs) to support achievement and measurement of the results under NDPII. It also includes the results framework that will guide the collection, analysis and reporting of data and information needed to assess progress towards the realization of the NDPII development goals and objectives.

22. Under the NDPII M&E strategy, NPA has the responsibility of taking leadership in monitoring and evaluation of implementation of medium term and long term national development goals. The NPA also reports on the outcome and impact results of the Plan, coordinates M&E capacity development initiatives in MDAs, LGs and other non-state actors' interventions. It is also a secretariat to the national M&E forums, coordinating NDPII M&E forums at all levels, and establishing and maintaining an integrated M&E system based on the NDPII results framework.

23. The M&E strategy gives the OPM the responsibility for overall monitoring of Government performance through production of annual and semi-annual reports to cabinet, analysing quarterly performance reports from MDAs and LGs and providing feedback, and monitoring adherence to standards during implementation across sectors. The National Development Reports (NDR) that are annually produced by the NPA as well as the GAPR, which are produced by the OPM, served as two primary reference sources for the NDPII MTR.

Consultations

24. Besides the preliminary document review and investigations at the inception stage, we also conducted wide-ranging consultations with key NDP actors who were involved in implementation and coordination at the national and local government level and at civil society, development partner and private sector levels. We held high-level consultations with officials from MoFPED, OPM, Ministry of Works and Transport (MoWT), Ministry of Health (MoH), Ministry of Agriculture, Animal Industry & Forestry (MAAIF), Ministry of Education and Sports (MoES), and implementing agencies such as Uganda National Roads Authority (UNRA) in order to obtain feedback obtained on key sector and general performance against NDPII targets outlined in the results framework.

Structure of the report

25. This report is organised in seven sections including this introductory section. Section 2 presents the assessment of progress on NDPII goals and objectives, and how the nine identified development strategies have contributed to this performance. Section 3 assesses the performance of core public investment projects. Section 4 conducts a review and analysis of NDPII financing and focuses on the linkages between NDPII and the national budget. Section 5 looks at the coherence and realism of the NDPII results framework. Section 6 considers assessment of integration of crosscutting issues into government interventions and programmes. Finally, Section 7 sets out the MTR conclusions and recommendations.

2.0 Progress on NDPII Goal and Objectives

Introduction

26. This section deals with the assessment of progress or level of achievement on the overall goal of NDPII which is to attain middle-income status by 2020 through strengthening the competitiveness for sustainable wealth creation, employment and inclusive growth. The Plan has four objectives, of which two, the increase of sustainable production, productivity and value addition in key growth opportunities and the increase the stock and quality of infrastructure to accelerate the country's competitiveness are production oriented while two, the enhancement of human capital development and strengthening of mechanisms for quality, effective and efficient service delivery are called development fundamentals.

27. In terms of **growth opportunities**, the Plan prioritises three key growth sectors—Agriculture, Tourism and Minerals, oil and gas (the so-called ATM sectors). Within **agriculture**, focus is on four key areas: i) increasing production and productivity; ii)

addressing challenges in the selected thematic technical areas including critical farm inputs mechanization and Water for Agricultural Production; iii) improving agricultural markets and value addition in the 12 prioritized commodities; and iv) institutional strengthening for agricultural development.

28. Under the **tourism** sector, focus is on five areas: i) aggressive marketing for tourism; ii) product development and diversification; iii) human skills development; iv) increasing the stock of human capital along the tourism value chains; and v) improving coordination, regulation and management of the tourism sector. In the **minerals oil and gas sector**, focus is on five prioritized minerals, which include iron ore, limestone, phosphates, copper/cobalt and dimension stones.

29. The **infrastructure** sector objective comprises of works and transport, energy, water for production, and information communication and technology (ICT). The focus on these sectoral areas is aimed at leveraging the synergies for maximum results towards achievement of middle-income status over the five-year period. The focus on **works and transport** is on developing adequate, reliable and efficient multi modal transport network in the country; improving the human resource and institutional capacity of the sector to efficiently execute the planned interventions; improving the National Construction Industry; and increasing safety of transport services. In the **energy** sub-sector, the key focus areas include increasing power generation capacity to drive economic development; expanding the electricity transmission grid network; increasing energy efficiency; promoting the use of alternative sources of energy; and strengthening the policy, legal and institutional framework. Under **water for production**, focus is on increasing the provision of water for production facilities; and increasing the functionality and utilization of water for production facilities. Lastly, **under ICT**, the focus is on; enhancing collaborative development of an interoperable and secure ubiquitous ICT infrastructure, creation of an enabling environment that is aligned to emerging changes, enhancing integration and automation of e-Government services and positioning Uganda competitively in the Global ICT market, enhancing capacity for local content development and usage in the various ICT sector services, and development of quality ICT human capital stock to meet the industry demands for ICT skills and support R&D.

30. Regarding the two development fundamentals, **human capital development** whose components are education, health, skills development and water and sanitation, is identified as a key fundamental that need to be strengthened to accelerate structural transformation and harness demographic dividend in Uganda. The focus of **education** sector is on introduction of early childhood development programmes; improvement of quality, equity, retention, relevance and efficiency in basic education while consolidating the gains made in the access to education at all levels. The **health** sector efforts are geared towards production of a healthy human capital through provision of equitable, safe and sustainable health services; increase financial risk protection of households against impoverishment due to health expenditures; and establishing Centres of excellence in heart, cancer, renal care domains and diagnostic services. For **skills** development, focus is on increasing equitable access to appropriate skills training at all levels; improving quality and relevance of skills development; enhancing efficiency and effectiveness in skills delivery. In the **water and sanitation** sub-sector, focus is on increasing access to safe water in rural and urban areas; increasing sanitation and hygiene levels in rural and urban areas; increasing functionality of water supply

systems; incorporating gender concerns, implementing water resources management reforms and promoting catchment based integrated water resources management.

Methodology for assessing Progress

31. The NDPII document sets out a large number of indicators related to the sectoral aims, core investment projects and financing for the Plan period. Essentially the task of The MTR is to use available data to assess to what extent the indicators set and (financial and investment) plans contained in the NDPII have been met. The review of progress against NDPII goal and objectives has been based on data extracted from the best primary sources available including UBOS (Statistical Abstracts, cross-sectional household and panel survey datasets and reports), human development reports, other global survey publications, EU diagnostic studies to support evaluation and MTR of NDPII, and respective annual sector performance reports among others.

32. The method used draws on the OECD-DAC evaluation criteria of relevance, efficiency, effectiveness, impact and sustainability. The MTR is based on a total of 16 guiding questions (Table 1) reflecting the OECD criteria for focus of the assessment. It was found that the best suited sequence of analysis would be one in line with the sequence of the NDPII. Thus the goal assessment is set out in Section 2.3 and Objectives in Section 2.4 and the core projects and financing treated in respectively section in section 3 and 4.

33. Table 2 shows how the OECD DAC based guiding questions were mapped onto the result/theme areas of Objectives and reality, Key growth opportunities, Infrastructure, Human Capital Development, Mechanisms for quality, Effective and efficient delivery and Equity. The second column of Table 2 refers to sections of this report where the guiding questions are handled in more detail. Note that several guiding questions are handled under several result/theme areas.

Table 2: Mapping Evaluation Questions to Areas results/ financing relevance

Result Framework objectives and financing /Guiding Questions	Relevant sections of this report
A. Objectives and reality **RF2:** Assessment of progress against NDPII objectives **RF11**: Assessment of progress related to budget speech items **RF12:** Review of implementation of Presidential Manifesto and how it relates to the NDPII **RF13:** Review of implementation of agreed Joint Assessment Framework (JAF) actions by 16 sectors	Political objectives and statements referred to in section 1 Introduction. NDP Objectives progress in section 2 Assessment of progress
B. Key growth opportunities **RF1**: Review of the state of the national economy since 2015 **RF4**: Assessment of outcome trends and output indicator achievement by 16 sectors	Section 2, in particular 2.2 of the report deals with the state of the economy and assesses outcome and output trends based on NDPII indicators
C. Infrastructure **RF9:** Analysis of amounts invested / progress in NDP core projects **RF10**: Analysis of regional variations in development **RF9:** Analysis of amounts invested / progress in NDP core projects	Progress in core projects, including regional variation are referred to in section 3. Amounts invested in section 4.

D. Human Capital development **RF10**: Analysis of regional variations in development **RF4**: Assessment of outcome trends and output indicator achievement by 16 sectors **RF7**: Assessment of performance in 16 MoFPED sectors with narrative and selected data analysis **RF8**: Assessment of performance in 43 NDP sectors with narrative and selected data analysis	The guiding questions referring to Human capital development are mostly dealt with under section 2.3, under "enhance human capital development". The trends of assessment of performance for the 43 NDP sectors was difficult because of lack of data.
E. Mechanisms for quality, effective and efficient delivery **RF10**: Analysis of regional variations in development **RF4**: Assessment of outcome trends and output indicator achievement by 16 sectors **RF7**: Assessment of performance in 16 MoFPED sectors with narrative and selected data analysis **RF8**: Assessment of performance in 43 NDP sectors with narrative and selected data analysis	The guiding questions referring to quality, effective and efficient delivery are mostly dealt with under section 2.3, under "Strengthen mechanisms for quality, effective and efficient service delivery". The trends of assessment of performance for the 43 NDP sectors was difficult because of lack of data.
F. Equity **RF10**: Analysis of regional variations in development **RF2:** Assessment of progress against NDP objectives	Geographical equity is mainly dealt with under section 2.4. Income equity and poverty are dealt with under most assessment sections of the report
G. Financing **RF3:** Analysis of 16 MoFPED sector financial allocations **RF5**: Analysis of budget release and spending by 16 sectors **RF6**: Revised assessment of output indicator achievement based on funds actually released **RF14**: Assessment of the availability of unit cost data in Budget Framework papers (BFPs) by sector	Section 4 deals with the assessment of financing performance, MoFPED allocations, budget release outputs and BFPs.
H. Conclusions/Recommendations **RF15:** What are the factors and conditions that have contributed to these results? **RF16**: Make recommendations in planning, coordination, implementation and M&E for the results	Important factors in producing the results found at NDPII MTR and recommendations are summarized in the executive summary and section 7 Conclusions and recommendations

Colour coding

34. We use a five-category assessment tool (similar to traffic lights) to give an independent view of achievement against various elements of the NDP. The basis for this is tool is set out below.

Achieved	Green	Where the specific target or action committed to has been achieved by the end of the FY 2017/18
Moderately Satisfactory	Yellow	Where the specific target or action committed to has not been achieved by the end of the FY 2017/18 but performance is above 75%.
Not Achieved	Red	Where the specific target or action committed to has not been achieved by the end of the FY 2017/18 but performance is below 75%.
?	White	It is too difficult to give an assessment of performance, as not enough reliable data.

Progress on the NDPII Goal

35. Progress on the NDPII goal of "*strengthening competitiveness for sustainable wealth creation, employment and inclusive growth*" was assessed through measuring performance against targets of identified development indicators in the areas of growth, competitiveness, sustainable wealth creation, employment and inclusive growth. Development indicators in these key results areas (as indicated in Annex A: Table 5A of NDPII) include: Gross domestic product (GDP) growth rate, per capital GDP (US $), exports as a share of GDP, share of manufactured goods in GDP, ease of doing business and global competitive indices, population growth rate, proportion of people living on less than a dollar per day, income inequality (measured by the Gini coefficient), gender gap index, total employment by sector among others.

36. The development strategy used to achieve the goal of NDPII that of a private sector-led, export oriented (through value addition, quasi-market approach) oriented growth, fast tracking infrastructure development while ensuring macroeconomic stability, promote industrialization (through value addition, agro-processing and mineral beneficiation), fast track skills development and harness demographic dividend, and strengthen governance mechanisms. These development strategies are expected to have significant positive effects on the country's competitiveness, human capital development, and employment creation.

Competitiveness

37. Uganda has pursued a Private Sector-led approach— putting the Private Sector at the forefront of the growth and development process of the country—to its economic policy and management over the last three decades. Government continues to provide an enabling environment through economic policies, continuous regulatory reforms and provision of infrastructure. These government interventions are important for reducing poverty, modernising agriculture, building an industrial base and ultimately enhancing sustainable structural change. Through NDPs, Uganda has registered success in both fiscal discipline, and in shifting the composition of spending from social sectors to economic infrastructure with minimal upsets to the economy.

38. At a national level, GoU continues to address constraints limiting private sector growth by creating a conducive environment for business and investment. For instance, in accordance with the priorities of NDPII, the MoFPED developed the National Strategy for Private Sector Development (NSPSD) 2017/18-2021/22, which aims to facilitate coordinated action within the public sector and between the public and private sector for development. The NSPSD notes that the transformation of Uganda into a competitive economy with high productivity, requires not only closing the infrastructure gap but also the provision of reliable and efficient transport, electricity, water for production and ICT facilities. In addition, interventions to create a skilled and healthy population are crucial for formation of a strong human capital base that is a requisite for a competitive economy. Further, sound economic management and good governance interventions are also needed to foster a conducive environment that supports private sector enterprises.[3] NSPSD proposes interventions to create an

[3] MoFPED(2017). The National Strategy for Private Sector Development: Boosting Investor Confidence for Enterprise Development and Industralisation 2017/18—2021/22.

enabling business environment, accelerate industrialization/business linkages and to enhance productivity and modernisation at the firm and household level. At the regional level, Uganda has made several of commitments with her East Africa Community (EAC) partners to implement joint infrastructural projects (e.g., standard gauge railway and the oil pipeline) and reduce trading costs. However, the strategies and financing modalities have been changing. For example, the pipeline route changed from Kenya to Tanzania.

39. Government is mindful of the need to maintain macroeconomic stability and a conducive environment necessary for maximizing the country's competitiveness both regionally and internationally. To this end, it is increasingly exploring concessional and semi concessional financing mechanisms, and other development support facilities targeted to accelerate investment in infrastructure and human capital development.

40. **Error! Reference source not found.** 3 shows that Uganda's efforts to make the country more competitive have registered significant but mixed results. For instance, the Ease of Doing Business (EoDB) reports by the World Bank, which ranks countries on the basis of their performance on ten topics in the life cycle of a business, indicates that Uganda's ranking improved from 150/189 in 2015 to 122/189 in 2016 (an improvement by 28 positions). The improvement in the overall ranking between 2015 and 2016 can be attributed to mainly an increase in the ratings of resolving insolvency and trading across borders through consolidation of all provisions related to corporate insolvency in one law. This established provisions on the administration of companies (re-organization) and clarified standards on the professional qualifications of insolvency. In terms of trading across borders, the introduction of electronic systems in the submission of export and import documents has led to improvement reflected in the EDB reports. Significant efforts in fast-tracking the enactment of commercial laws, resulted in the formulation of several new laws since 2013, including the PFMA Act, 2015, Free Zones Act, 2014, Anti-Money Laundering Act, 2015, PPP Act among others.

Table 3: Trends in Ease of Doing Business Ranking

	2015	2016	2017	Change: 2016—2017
Doing Business Rank	150	122	127	-5 ↓
Starting a Business	166	165	164	1 ↑
Dealing with Construction Permits	163	148	145	3 ↑
Getting Electricity	184	173	175	-2 ↓
Registering Property	125	124	126	-2 ↓
Getting Credit	131	55	73	-18 ↓
Protecting Minority Investors	110	108	110	-2 ↓
Paying Taxes	104	84	87	-3 ↓
Trading Across Borders	161	127	119	8 ↑
Enforcing Contracts	80	64	71	-7 ↓
Resolving Insolvency	98	113	112	1 ↑

Source: Global Doing Business Reports by the World Bank: 2015—2017

41. However, Uganda's performance was short-lived as its ranking deteriorated to 127/190 in 2017 compared to NDPII target 120/189 in 2017/18, suggesting that the country is lagging behind target by about 7 position ranks (Table 2-2). Over the last two years,

Uganda's Doing Business ranking declined from 122 to 127 (5 point decrease) out of 190 countries between 2017 and 2018 reports. Over the same period, Rwanda improved from the rank of rank 40 to 29, Kenya improved from rank 80 to 61, while Tanzania declined from rank 137 to 144.

42. A similar trend can be observed in the Global Competitiveness Index (GCI) produced by the World Economic Forum (WEF). GCI measures the micro and macroeconomic foundation of national competitiveness, drivers of their productivity and prosperity across 12 parameters. The NDPII target was for Uganda to attain the GCI rank of 110 out of 148 countries by 2017/18, but instead attained a GCI rank of 117 out of 140 countries (2018 GCI report), suggesting that the country is lagging behind target by about 7 position ranks even when the number of comparators reduced by 8 countries. Uganda's global competitiveness ranking deteriorated over the review period from a rank of 113 out of 135 countries in 2016 to a rank of 115 out of 140 countries in 2017. Four out of the 12 pillars registered a decline in the scores, indicating reduced competitiveness.

43. The Government's on-going and planned projects such as infrastructure projects-Roads, standard Railway, airport expansion, Energy and ICT projects as well Education and health infrastructure development projects were prioritised under NDPII. These projects were expected to improve the competitiveness of the economy once completed. However, implementation of most of those projects has been slow. In addition, in FY2018/19, Government committed to restructure Uganda Investment Authority (UIA) to make it more effective and to institute an online process for business registration. There is also public commitment to amend the Companies Act to replace current forms with a single form containing information relevant to all agencies involved in starting a business.

44. Furthermore, interventions included reviewing restrictions in the NSSF Act. NSSF would then be able to cover employers and employees that are currently not saving with the agency. Risk associated with borrowing by private sector could be reduced by making it easier to verify information about borrowers supported by completion of the national registration systems and integration of the National Identification Number with the Credit Reference Bureau. Enhancement of on-going interventions aimed at promoting local content and enhancing incomes household incomes (particularly through agro-industrialisation) could stimulate household demand. Gradual capitalization of UDB could avail affordable financing and, if well implemented, stimulate private sector growth.

Growth, Poverty reduction, income distribution and employment

45. Table 4 shows that economic growth was largely subdued during the first two years of NPD2 implementation with the annual real GDP growth rate declining from 4.8% in FY2015/16 to 3.9% in FY2016/13 compared to 5.2% recorded in the FY2012/13 (baseline).

46. The slow growth rate in FY2015/16 and FY2016/17 was partly attributed to climate change characterised by more frequent droughts that affected the agricultural sector and the poor performance of the manufacturing sector. In addition, geo-political conditions (particularly the civil strife in South Sudan) coupled with unfavourable global and regional economic development, posed a challenging macroeconomic environment and

affected economic growth prospects. The CoC report by NPA for FY2016/17 attributed macro-economic performance decline in FY2016/17 to weak alignment between strategic planning and budgeting, declining spending on human capital development as a share of GDP, weak private sector credit growth and weak domestic resource mobilization. It also noted that national strategic direction performance also declined slightly due to poor adherence to project timelines, limited resilience to impacts of climate change and non-commitment towards the setup of light manufacturing industries. Other drivers of poor performance included inflation and depreciation of the shilling.[4]

47. In 2017/18, the economy recovered to 6.1% thereby achieving the NDPII target of 6.1% for 2017/18. The rebound in economic growth was generally supported by improvements in the industry and services sector plus a rebound in agriculture from the previous year's drought. The rebound in economic growth was particularly marked for the industry sector, which registered a 2.7 percentage point increase in growth from 3.4% in 2016/17 to 6.1% in 2017/18 followed by the services secto registering a 2.3 percentage point increase from 5.4% in 2016/17 to 7.7% in 2017/18. Agriculture also showed a strong improvement growth of 2.2 percentage points from 1.6% in 2016/17 to 3.8% in 2017/18. In addition, there has been a slight increase in share of exports in GDP from 16.2% in 2015/16 to 16.8% in 2017/18, representing nearly 2-percentage point increase from 15.1% recorded in 2016/17. However, this performance is much higher than the Plan target of 9.95%, thus raising a question of the realism of the Plan target with respect to the export-GDP ratio. The current export proportion of GDP of 16.8% remains lower than the level of 19% (on average) as per the national standard indicator required for national graduation to lower middle-income status.

Table 4: Trends in NDPII Growth and employment development Indicators

Development Indicators	Baseline 2012/13	Actual 2015/16	Actual 2016/17	Actual 2017/18	NDP Target 2017/18	NDP Target 2019/20	Rating
GDP growth rate	5.2	4.8	3.9	6.1	6.1	6.3	
Per Capita GDP (US $), current prices	743	673	704	724	982	1,033	
Export proportion of GDP	16.1	16.2	15.1	16.8	9.82	9.95	
Ease of doing business ranking	150/189	150/189	122/189	127/189	120/189	111/189	
Global Competitive ranking	123/148		113/135	117/140	110/148	90/148	
Proportion of persons living on less than a dollar per day	19.7	19.7	21.4	NA	15.14	14.18	
Income distribution (GINI Coefficient)	44.3	NA	41.9	NA	45.0	45.2	
Child poverty	55	NA	NA	NA	40.6	37	
Global Gender Gap Index	0.7086 (46/136)	0.708 (58/145)	0.704 (61/144)	0.72 (45/144)	0.7400 (22/136)	0.7500 (20/136)	
Total employment	9.4	20.8	18.3	21.0	22.0	22.5	
Labour force in agriculture sector	33.8	NA	39.8	NA	3.4	3.1	
Increase in labour force in industrial sector	21.1	NA	16.0	NA	3.3	6.4	
Labour force in service sector	45.1	NA	44.2	NA	5.1	4.0	

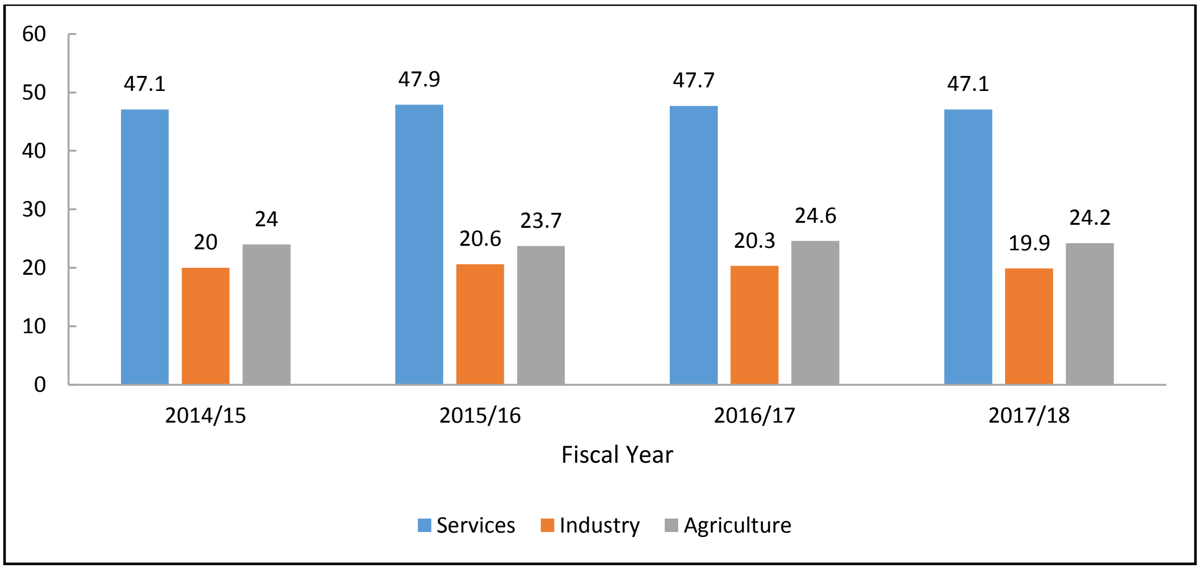
[4] NPA(2017). The Certificate of Compliance for the Annual Budget for FY 2016/17: Assessment Report

48. Growth in agriculture was driven mainly by a rebound in the growth of cash crops output and sluggish but improving growth of food crops output. High growth in mining and quarrying output as well as moderate growth of Electricity, Water and Construction sub-sector outputs were key drivers for industrial sector growth. For the service sector, growth was largely due to strong growth of Information and Communication output. The strong growth in the industry and services sectors is a good indicator of the potential the two sectors have in enhancing socioeconomic transformation process of the country as emphasised by the Vision 2040. Private sector investment survey (PSIS) report for 2017 indicated that business conditions and sentiment are strong. In particular, credit to the private sector has improved, helped by an accommodative monetary policy stance. In addition, there is improvement in public investment management, increase in private investment and better global economic prospects, which as likely to sustain the expansion of manufacturing, construction, and services sectors. The GDP growth rate is projected at 6.3% (or 0.2 percentage points higher than NDPII target for 2018/19.

49. Over the first three years of NDPII, Uganda's economy registered an average annual real GDP growth rate of 4.9%. This is lower than the NDPII targeted average annual real GDP growth of 6.3% in 2019/20 and much lower than the Vision target of 8.2%. The annual GDP growth rate over the first three financial years of the NDPII is also lower than the average annual GDP growth rate of 5.4% registered under NDPI. Overall, under the review period, the annual GDP growth rates have consistently been lower than the projected growth rates under NDPII.

50. In nominal values, GDP (at 2009/10 constant prices) increased from 50,651 billion shillings in the base year (2012/13), to 55,826 billion shillings in 2015/16, 57,983 billion in 2016/17 and 61,514 billion in 2017/18. Services continued to dominate contribution to GDP (47.1% in 2017/18) followed by agriculture (24.2%) and industry (19.9%) respectively over the review period (**Error! Reference source not found.Error! Reference source not found.**). From the base year (2014/15), the contribution of the services sector to GDP has stagnated while the contribution of Agriculture increased by marginally 0.2 percentage points and that of industry declined marginally by 0.1 percentage points.

Figure 2: Sectoral composition of GDP (%)



Notes: Totals do not add up to 100% due to adjustments in form of taxes on products, averaging 8.1% per year.

51. It is important to note that the sectoral composition of GDP dominated by the services sector implies that economic growth in Uganda is driven by a sector which employs a small proportion of the population at the expense of agriculture and manufacturing sectors that have very strong forward and backward linkages and spill-over effects in the economy. This means that for Uganda sustain high growth rates and harness structural change, it needs to reduce productivity losses in agriculture sector (resulting from among others, lack of access to market, agricultural financing, weather vagaries and associated climatic changes) and manufacturing sector (due to low market base, inadequate infrastructure, low human resource, low financial markets development, etc.).

52. The NDPII aims at attaining middle-income status, with an estimated GDP per capita (one of the indicators for Graduation criteria 1: income) of $ 1,033 by 2019/20. Available data from UBOS and human development reports indicate that GDP per capita (USD, current prices) in the first three years of NDPII implementation, per capita income increased by USD51 in absolute terms, from USD673 in 2015/16 to USD724 in 2017/18, against NDPII targets of USD833 and USD931 for 2015/16 and 2017/18 respectively. The combined eight years of NDPI &II implementation has seen an increase of only USD149. Per capita GDP has to take a leap to above the USD1000 level in the remaining implementation period for middle-income status to be attained.

53. Per capita income increasing by only USD51 in the first three years of implementation and economic growth rate averaging only 4.9% over the same period, it begs the question; will Uganda achieve middle status by 2020 granted that it will require a sustained average growth rate of 8.4% over the next two years? The answer would seem to be a clear "no" given that implementation progress in many of the heavy infrastructural projects in works and transport, energy and mineral development sectors, which are expected to increase competitiveness and spur growth, has been slow. In addition, the productivity in the agriculture and manufacturing sectors has not gained pace to deliver the anticipated structural change in the economy.

54. Moreover, as pointed out below, there is evidence to show that the three years of NDPII implementation have not only failed to support a rapid increase in per capita GDP to enable the country progress towards middle income, but also failed to enhance inclusive growth. Economic growth has recovered, while progress on social indicators is mixed and poverty reduction has stalled. Poverty and income distribution remain major development challenges for attainment of inclusive growth. Although nominal GDP has grown largely in line with NDPII projections, and inflation has remained subdued at around 2.7% in FY2017/18 (mainly due to low food, energy, and international oil prices), a gradual shilling depreciation coupled with demand pressure from fiscal spending, and high population growth rate have limited growth of the per capita income. This is likely to continue in the short to medium term because of the limited export base, expanding fiscal spending on infrastructure and vulnerability to climate change.

55. Poverty and inequality remain critical development challenges for the country. While Uganda experienced a remarkable reduction in the incidence of poverty between 2006 and 2013, according to most recent wave of the Uganda National Household Survey (UNHS) 2016/17 this trend has reversed. **Error! Reference source not found.** shows that the proportion of persons living on less than 1 US $ (commonly known as the head

count ratio) increased from 19.7% (equivalent to 6.7 million people) in 2012/13 to 21.4% (equivalent to 8.03 million people) in FY2016/17, which is far below the NDPII target of 17.6% for FY2016/17 and also for targets for the remaining period of the Plan. This is partly the result of the overall economic slowdown that the country experienced over NDPI period and in particular during the FY FY2016/17. GDP growth for FY2016/17 was around 4 percent, a considerable decline from recent historic averages of about 7 to 8 percent. The deceleration in real growth occurred across all three important sectors of the economy: services, manufacturing and agriculture. The drought conditions and armyworm plagues that affected crops in several areas of the country throughout FY2016/17 are likely linked to both the increase in poverty incidence and the slow growth of the agriculture sector.

Table 5: National Poverty trends in Uganda

	1992/93	1999/00	2002/03	2005/06	2009/10	2012/13	2016/17
Absolutely poor (millions)	9.8	7.2	9.8	8.4	7.5	6.7	8.03
% below the poverty line	56.4	33.8	38.8	31.1	24.5	19.7	21.4
Non poor (insecure) (millions)	5.8	9.4	10.1	10.9	13.2	14.7	15.3
% of non-poor but insecure	33.4	43.9	39.9	40.2	42.9	43.3	40.9
Middle class (millions)	1.8	4.8	5.4	7.8	10.0	12.6	14.1
Percentage in the middle class	10.2	22.4	21.2	28.7	32.6	37.0	37.6
Total population (millions)	17.4	21.4	25.3	27.2	30.7	34.1	37.5

Source: NPA calculations using UNHS 1999/00-2012/13 and IHS 1992/93

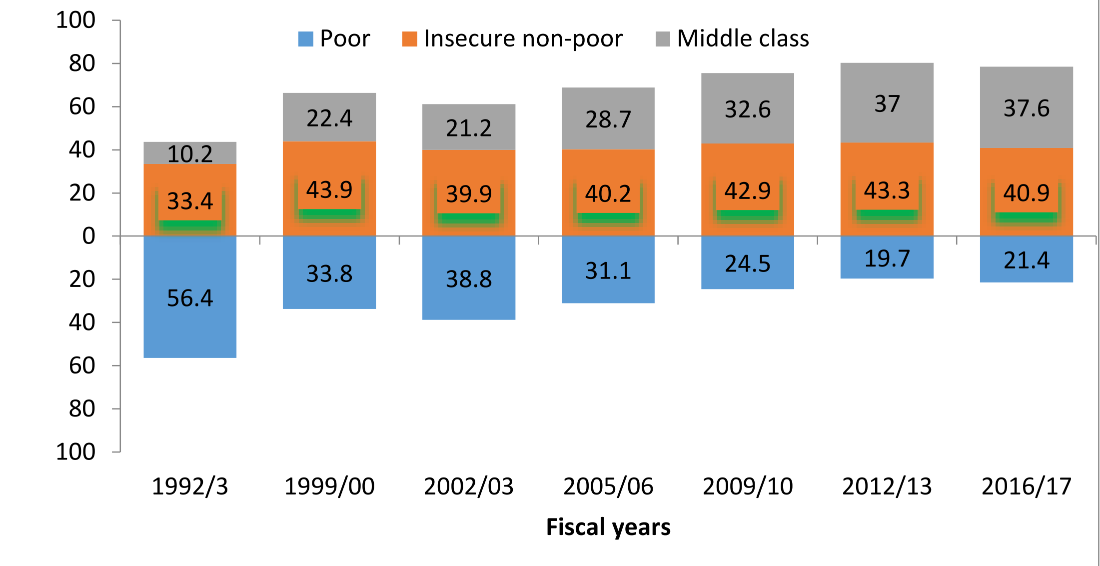
56. More than 15 million Ugandans are non-poor but remain vulnerable to falling into poverty and put in much effort to access the basic facilities of human life**.** Error! Reference source not found. shows the trends of poor, non-poor but insecure and the middle class group. Non-poor group represents individuals whose daily consumption expenditure is below twice the poverty line but above the poverty lines. In other words, these are people that have escaped but poverty but their consumption levels remain low to enable them reach the middle class.

57. Generally, the population of the non-poor insecure Ugandans has been rising over the last three decades. From the baseline figure of 14.7 million (2012/13) an additional 600,000 Ugandans escaped poverty but remain vulnerable. Overall, 62.3% (or 23.3 million people) of the population is either poor or non-poor. Existence of such a big group of Ugandans is a threat to Uganda's development agenda. The majority of these vulnerable people are found in the agriculture and informal sectors, relying on subsistence agriculture and non-farm activities.

58. The informal sector is often viewed as a temporary alternative to unemployment and a coping mechanism against poverty. The Uganda Bureau of Statistics (UBOS) estimates that 79 percent of the firms in Uganda are informal and that the sector contributes about 50% to GDP. Most of the poor and vulnerable are engaged in the informal sector where they are underpaid, and unable to improve their skill base. In the medium term, skill upgrading, and migration of labour out of farming activities to nonfarm household

enterprises are some of the major structural adjustment factors shaping the evolution of an economy.

Figure 3: National Poverty Trends by poverty status



Source: NPA calculations from HIS 1992/93 and UNHS 1999/00-FY2016/17

59. Uganda's economic growth has over time led to reduction of poverty levels despite the recent increase as noted above. However, progress has been hampered by slow progress in reducing the income inequality. The Gini coefficient, which is one of the measures for income inequality, stood at 0.42 in 2016/17, which is an increase from the 0.40 registered in 2012/13. Income inequality was largely driven by urban areas (0.42) compared to rural areas (0.38). The increase in income inequality was highest in the Western region (from 0.33 in 2012/13 to 0.39 in FY2016/17) compared to other regions (UBOS, 2017).

60. The wide gap between rural and urban inequality could be attributed to differences in earnings between the two areas. Inequality is lower in rural areas mainly because majority relies on agriculture and thus gets comparable income. In urban areas income differences are caused by high rates of unemployment and differences in earnings between employed individuals. Overall, inequality is more than an income gap between the rich and the poor and entails differences in access to education, health, access and enjoyment of political rights and representation. The implication is that an increase in income inequality between 2012/13 and 2016/17 could have been due to increase in other forms of non-income inequality.

61. The consequences of wide income gap in the population include low business confidence, higher rates of health and social problems, lower rates of social goods, a lower level of economic utility in society from resources devoted to high-end consumption and a lower level of economic growth when human capital is neglected. Some of these characteristics have manifested themselves in Uganda. Thus, corrective measures against income inequality need to be to be quickly implemented to abate the negative effects of a wide income gap. It is important that growth strategies implemented make economic growth inclusive by making every Ugandan benefit from

growth, can become economically active or improve gains from their economic activities.

62. Data from UBOS indicate that the working age population grew by 16% from 16.5 million in 2012/13 to 19.1 million in 2016/17. The size of the working population was 15.1 million persons, an increase from 14.0 million in 2012/13. 43.2% of the working population was engaged in the subsistence agriculture sector. The agriculture sector remains the biggest employer. Overall, the working population constituted 79 percent of the of the working age population. The total population in employment was estimated at 9.1 million people of whom 46 percent were females. The employed population constituted 48 percent of the working age population, pointing towards a deficiency of decent and productive employment opportunities. Overall, the Labour Force Participation Rate (LFPR) and the Employment Participation Rate (EPR) declined from respectively 62% to 52% and from 53% to 48% during the 2012/13 to 2016/17 period. It is important to note that NDPII does not have indicators and targets related to LFPR, EPR or even the proportion of the labour force working, making it impossible to assess progress on employment using these indicators.

63. Generally, employment and labour market trends in Uganda are difficult to quantify mainly due to paucity of quality of labour force statistics (see EU diagnostic report on Employment for details). However, a few figures are available that highlight some relevant issues relating employment to the inclusive growth key result area of NDPII.

64. Evidence from the latest labour force survey indicates that most of the employed Ugandan's, 44.2% in 2016/2017, were working in the services sectors that are largely informal. The agricultural sector provided 39.8% of jobs in 2016/2017, followed by industries (16.0% in 2016/2017). More than eight in ten (85.6 per cent) workers in Uganda were informally employed (employment without any social security coverage) outside agriculture. The share of own-account workers and contributing family workers (the so-called vulnerable) among the employed population stood at 78.3% in 2016/2017. Wage and salaried work that is often perceived as decent work, was with 26.1% in 2016/2017 rather low. It is believed that wage and salaried employment increased in recent years, but it cannot be measured reliably based on the labour statistics available.

65. The combined rate of youth unemployment (LU1) and youth time-related underemployment (LU2) was 19.0%, the combined rate of youth unemployment and youth potential labour force (LU3) was 29.9% and the overall composite measure of youth labour underutilization (LU4) 38.1%. In other words, almost 4 out of 10 young Ugandans are currently not contributing to their fullest for economic advancement. These figures are confirmed by the estimated percentage of youth between 15 and 17 who are not in education, employment, or training (NEET) which stood at 17.2% in 2015.

66. The EU diagnostic report on employment notes that based on available labour statistics in Uganda, it is not possible to measure which economic sectors are affected by lack of decent jobs and which occupations and types of workers struggle the hardest and in which parts of the country. Moving forward, it is important for the country to improve labour market statistics especially those related to decent jobs, which drive higher incomes and greater wellbeing of the population. For a country like Uganda with high levels of income inequality when coupled with unfavourable opportunities in the job

market may cause a surge in poverty especially to households heavily embedded in farm incomes, thereby reversing the positive progress made in reducing poverty so far and limiting the achievement of the NDPII goal of attaining middle income status. With rapid growth in urban centres, competition for available jobs rises anxiety and proliferation of informal settings.

67. The fact that subsistence agriculture remains the dominant form of economic activity, in which large number of men and women are engaged, is consistent with low levels of development. The labour force participation is therefore generally low. For structural change to take place, it is expected that over time, economic activity shifts from home-based production to market oriented activities in different sectors of the economy. In addition, increased 'mechanization' in agriculture reduces subsistence activity and leads to migration from rural areas to the cities in search for work or higher education, especially by young people. The result is that labour force participation rates increase over time at higher levels of development when the industry and services start to become the dominant form of economy activity in the country.

68. Despite the low employment creation potential of the economy, this MTR has noted efforts by government to address the job creation challenge in the short to medium term. These have included simplifying the process and cost of starting business; introducing youth skills development strategies; creating and supporting SME micro financing schemes and; promoting attitude change to work. In 2011, Government produced a national employment policy to increase decent employment and labour productivity for socio-economic transformation. However, the actual effects of initiatives with regard to improving employment (especially for the growing number of youths) are yet to be seen.

Sustainable Wealth Creation

69. **Error! Reference source not found.** presents a summary of development indicators for sustainable wealth creation. Key development indicators for assessing progress in sustainable wealth creation include share of manufacturing in GDP, Share of manufacturing jobs to total formal jobs, population growth rate and TFR.

Table 6: Trends in NDP Sustainable Wealth Creation Indicators

Development Indicators	**Baseline 2012/13**	**Actual 2015/16**	**Actual FY2016/17**	**Actual 2017/18**	**NDP Target 2017/18**	**NDP Target FY2019/20**	**Rating**
Share of manufacturing to GDP	8.0	7.7	7.6	7.3	12.5	14.0	Not achieved
Share of manufacturing jobs to total formal jobs	16.4	7.9	9.8	NA	19.5	20.0	Not achieved
Forest Cover (% Land Area)	14	9	NA	NA	17.2	18	
Pollution Index	61.78	NA	NA	NA	64.5	65.0	
Wetland cover (% of total area)	11	10.9	10.9	NA	11.8	12	
Population growth rate	3.32	3.03	3.0	NA	2.8	2.5	
Total fertility rate	6.2	6.0	5.4	NA	4.9	4.5	

70. One of the challenges limiting sustainable wealth creation is that while economic growth has improved over the years and absolute poverty has been reduced (albeit the recent increase), this growth has not generated the momentum needed to transform

Uganda's economy at the pace anticipated in Uganda Vision 2040. Uganda is still struggling with reducing the fertility rates (5.4 children per woman of reproductive age in 2016 compared the NDPII target of 4.9 for 2017/18) and this has resulted into a high population growth rate with a large youth population, which comprise 57% of the population. Managing the youthful population requires that the demographic dividend and structural change are harnessed to drive more rapid and sustainable economic growth. The burden of the youth on the working population (child dependency ratio) continues to be high and therefore constraining the capacity of households to save and participate in the wealth creation process currently advocated by government.

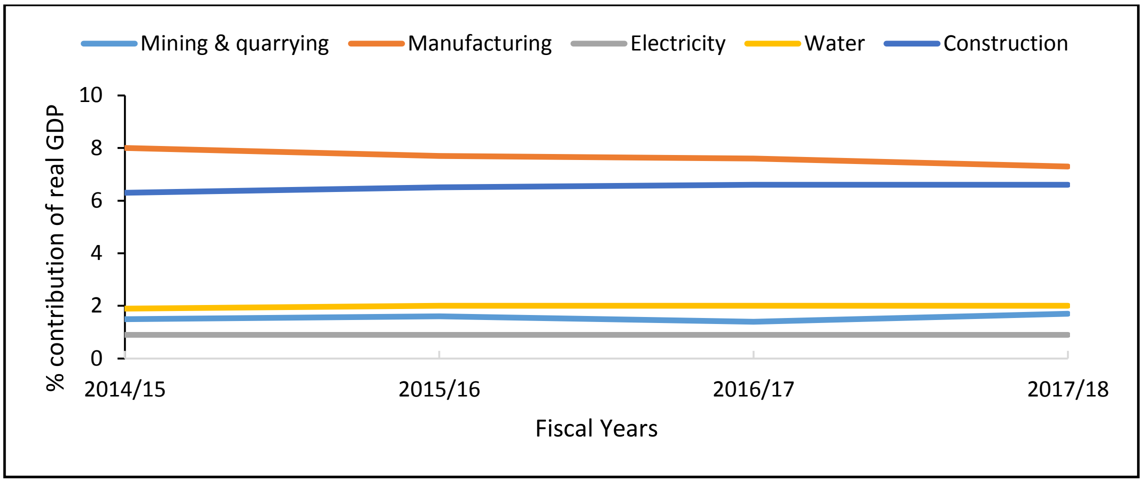
71. Available statistics from UNHS 2016/17 show that over half of Uganda's population (57%) is under the age of 15 years, and over half the labor force is under the age of 30, youth aged 15 to 24 years comprising 23.8%, and youth aged 18 to 30 years comprising 24.4% (UBOS, 2018). This bulging youth population calls for urgent need to simultaneously reduce child mortality and fertility rates by government investing in both education and health sectors if Uganda is to benefit from the demographic dividend. Therefore, harnessing the demographic dividend is the defining message about the connection between family planning and accelerated economic growth for socioeconomic development. For instance, Uganda's Demographic Dividend Report (2014) by NPA illustrates that, if Uganda adopts appropriate policies and investments to ensure that the 'surplus' labour force is innovative, skilled, healthy and productive, it can lead to a structural shift that can help accelerate economic growth and socioeconomic transformation[5]. However, the report noted that high population growth and a high child-dependency burden are likely strategic bottlenecks to constrain Uganda's socioeconomic transformation. The report highlighted a speedy decline in fertility as a key requisite for this to happen.

72. The State of Uganda Population Report (SUPRE) 2018 highlights good governance and accountability as essential components for sustainable and inclusive economic growth as well as for socio transformation for harnessing the demographic dividend. As such, the report notes that harnessing the demographic dividend will require better governance (in form of increased transparency and accountability, promoting the spirit of collective action, social inclusion, performance-based work culture and improved levels of public integrity for use of public resources in the delivery of services) in the key sectors of health, education and the economy.

73. Manufacturing remains the dominant contributors to GDP in the industry sector followed by construction (see **Error! Reference source not found.**). Overall, between 2014/15 and 2017/18, the contribution of Industry declined by 0.1 percentage points as a result of a decline in the contribution of the manufacturing sub-sector by 0.8 percentage point from 8% in the base year (2014/15) to 7.3% in 2017/18. A new report on the State of Uganda's Economy prepared by the World Bank indicates that the Manufacturing sector's share of contribution to Gross Domestic Product (GDP) has now doubled from 2.1% in growth to 5.4%.The Share of manufacturing jobs to total formal jobs in 2015/16 was only 7.9%

[5] NPA(2014). Report: Harnessing the Demographic Dividend: Accelerating Socioeconomic Transformation in Uganda.

Figure 4: Industrial sector contribution to Real GDP (%)



74. According to the State of Uganda's Forestry Report 2016, at the start of NDPII implementation, the forest estate had shrunk from 24% of the total land area in 1990 to 9% in 2015 compared to NDPII target of 10.36%. In terms of acreage, a total of 3.05 million hectares, (representing 37%) were lost in a span of 25 years despite the encouraging tree planting efforts by the both National Forestry Authority (NFA) and the private sector between 2005 and 2015.[6] Deforestation and forest degradation are the main drivers of the loss of large areas of forest cover and degradation of forestland in Uganda. Private forests are some of the most affected areas (expiring a loss of 88%), as owners have gained more benefits from converting these areas to farmlands than retaining them as forests. Growing population and rapid urbanisation creates high demand for land and enormous pressure on the natural resources for food, medicines, fuelwood, clay mining for bricks and other raw materials, all of which destroy forest cover and wetlands. For instance, Uganda has a very high over reliance on woody biomass (firewood and charcoal) as the major source of energy for cooking, heating and lighting by the majority of households (96% according to UNHS2016/17 Report) and is likely to continue into the near future. This is mainly due to unaffordable alternative sources of energy such as electricity, gas, kerosene and solar energy appliances. The situation is made worse by use of wasteful cook stoves and the reluctance of many households to adapt to the energy saving cook stoves.

75. Destruction of rainforests as evidenced by increasing encroachment on wetlands and forests, coupled with forest cover loss and deforestations remains a significant environmental problem, which in turn water down the ultimate objective of the SDGs, and requires a strong affirmative action. Although some efforts are being made to promote tree planting and plantation development both on private lands and on forest reserve lands, more needs to be done for good of conservation of biodiversity, the protection of environmental services and the sustainable production of forestry products. Moreover, the effects of climate change that are being manifested mainly in uncommonly long dry seasons is a major threat to food security and electricity production, in a country with heavy reliance on rain-fed agriculture and hydropower generation.

[6] MWE (2016). State of Uganda's Forestry 2016.

Progress on NDP objectives

Increase Sustainable Production, Productivity and Value Addition in key growth opportunities

76. The development indicators for assessing progress against this objective are: manufactured exports as a percentage of total exports; labour Productivity; Forest Cover. **Error! Reference source not found.** presents actual and NDPII target values for some of these indicators, where data availability allows.

77. As noted before, the growth in Uganda's economy for the FY2017/18 was largely supported by increase in public investment in infrastructure, supporting monetary policy, rise in private domestic consumption and investment demand, improvements in the services sector and a rebound in agriculture from the previous year's drought.

Table 7: Progress on Sustainable Production, Productivity and Value Addition in key growth opportunities

Development Indicators		Actual 2012/13	Actual 2015/16	Actual 2016/17	Actual 2017/18	NDP Target 2017/18	NDP Target 2019/20	Rating
GDP growth rate		5.2	4.8	3.9	6.1	6.1	6.3	Achieved
GDP at Market prices (UGX bns)		54,688	83,091	91,718	100,531	112,392	124,381	Moderate
Sectoral composition of GDP (%)	Agriculture	23.6	23.7	24.6	24.2	20.4	19.9	Achieved
	Industry	20.72	17.0	20.3	19.8	27.7	27.9	Moderate
	Services	55.65	47.7	47.1	47.6	51.7	52.0	Moderate
Labour Productivity (GDP per Worker – USD)	Agriculture	581	370	829	NA	897.6	977.77	
	industry	5106	2763	6479	NA	7626	7871.35	
	services	2441	2391	5868	NA	4810	5217.65	
Ratio of manufactured exports to total exports		6.0	NA	NA	NA	16.4	19.0	
Forest cover (% land area)		14	9	NA	NA	17.2	18	
Wetland cover (% of total area)		11	10.9	10.9	NA	11.8	12	

78. Output per worker across all sectors declined during the first year of the Plan. In 2015/16, Uganda's labour force was estimated at about 22 million people, and distributed in agriculture, industry and services in the proportions of 68.4%, 7.4% and 24.2% respectively, with corresponding output per worker of USD 370, USD 2763 and USD 2,391, all below NDPII targets for 2015/16. The decline in output per worker was mainly due to the depreciation of the shilling and increase of the population in the agricultural sector. However, 2016/17 saw a rebound in output per worker, with albeit a low down in economic growth rate to 3.9%. The size of the labour force was also reduced to 18.8 million. The total labour force participation rate (the share of employed and unemployed in the working age population) stood at 53.0 per cent in 2016/2017, pointing towards a very high proportion of the working age population not employed and still working for own-production use only. In each of the three sectors, output per worker exceeded the NDPII target for 2016/17.

79. In 2017, Formal exports accounted for USD 2901.6 million while informal exports were worth USD 549 million. This compares with export receipts of USD 2,901.5 million and USD2,829 million registered in 2013 and 2016 respectively. However, there is no data on merchandise concentration index.

80. **Error! Reference source not found.** shows that in 2017/18, the highest growth was registered in services (53%) followed by agriculture (21%) and industry (19%).The services sector performance is attributed to the rebound of information and communications activities whose contribution to growth was 10.5%. The ICT services have overtaken trade and repairs as the leading contributor to services' GDP. Trade and repairs registered a 0.8 percentage point decline in contribution to GDP compared to an increase of 2.2 percentage points for the ICT. The recent tax legislation on mobile money and social media could dampen the growth opportunities of information and communication services in the short run by the end of the FY2018/19.

Table 8: Real GDP by economic activity (% contribution to GDP)

	2014/15	2015/16	2016/17	2017/18	Change
Agriculture, forestry and fishing	**22.4**	**22.0**	**21.5**	**21.0**	**-1.4**
Cash crops	1.7	1.7	1.8	1.8	0.1
Food crops	11.7	11.3	11.1	11.1	-0.7
Livestock	4.0	3.9	3.8	3.6	-0.3
Agriculture Support Services	0.03	0.02	0.02	0.02	(0.00)
Forestry	3.9	3.9	3.6	3.5	-0.4
Fishing	1.1	1.1	1.1	1.0	-0.1
Industry	**18.7**	**18.7**	**18.6**	**18.6**	**-0.1**
Mining & quarrying	1.5	1.6	1.4	1.7	0.2
Manufacturing	8.0	7.7	7.6	7.3	-0.8
Electricity	0.9	0.9	0.9	0.9	0.0
Water	1.9	2.0	2.0	2.0	0.1
Construction	6.3	6.5	6.6	6.6	0.3
Services	**50.5**	**51.1**	**51.9**	**52.7**	**2.2**
Trade and Repairs	11.4	11.3	11.0	10.6	-0.8
Transportation and Storage	2.8	2.9	2.9	2.9	0.1
Accommodation and Food Service Activities	2.3	2.3	2.4	2.3	0.0
Information and Communication	8.1	8.8	9.7	10.5	2.4
Financial and Insurance Activities	2.8	3.0	2.9	3.0	0.1
Real Estate Activities	5.3	5.3	5.4	5.4	0.2
Professional, Scientific and Technical Activities	2.6	2.5	2.3	2.3	-0.3
Administrative and Support Service Activities	1.8	1.5	1.4	1.4	-0.4
Public Administration	3.2	3.3	3.2	3.4	0.2
Education	5.4	5.5	5.8	5.9	0.5
Human Health and Social Work Activities	2.9	2.9	2.9	2.9	0.0
Arts, Entertainment and Recreation	0.3	0.3	0.2	0.3	0.0
Other Service Activities	1.0	1.1	1.2	1.3	0.3
Activities of Households as Employers	0.5	0.5	0.5	0.5	0.0

Source: UBOS

81. In the agriculture sector, food crops remain the dominant contributor to GDP, followed by livestock and forestry. However, the contribution of all agriculture sub-sectors registered a decline except the cash crops that registered a 0.1 increment. The increase in cash crops contribution is attributed to increase in production and productivity of coffee, following government efforts that have seen increased production of coffee. In

the industrial sector, manufacturing remains the dominant contributor to GDP, followed by construction. The contribution of industry declined by 0.1 percentage point as a result of a decline in the contribution of the manufacturing sub-sector by 0.8 percentage point from 8% in the base year (2014/15) to 7.3% in 2017/18.

82. In the agriculture sector, there is need to accelerate growth of the food activities as the main driver of agriculture growth. Uganda stands a great opportunity if it developed this food subsector value-chain for agro-processed products for higher contribution to exports given the huge gap relative to world demand for food and food products. In the Industrial sector, there is need to address the issues associated with manufacturing to prevent further sharp declines in growth following year. There is need to foster growth in education, trade and real estate activities, whose potential for sustainable growth seems to be much higher in the services sector. The reduction of costs for the private education sector activities as well as increasing opportunities for trade to compensate for lost markets in war ravaged areas such as South Sudan should components of government strategies in the short run.

Increase the Stock and Quality of Strategic Infrastructure to accelerate the country's competitiveness

83. Progress in the quality of strategic infrastructure to accelerate competitiveness is assessed against targets for development indicators of total national paved road network (km), percentage of cargo freight on rail to total freight, percentage of the population with electricity, consumption of electricity (Kwh per capita) , percentage of the of population with access to safe water in both rural and urban areas, storage capacity for water for production and number of districts connected on the Fibre Optic backbone under the National Data Transmission Backbone Infrastructure (NBI). **Error! Reference source not found.** presents actual and NDPII target figures for some of these indicators.

Table 9: Progress on Stock and Quality of Strategic Infrastructure

Development Indicators	Baseline 2012/13	Actual 2015/16	Actual 2016/17	Actual 2017/18	NDP Target 2017/18	NDP Target 2019/20	Rating
Total paved national road network (km)	3,795	3.919	4,157	4,193	4,995	5,292	Moderate
Proportion of paved to the national road network (%)	16.6	19.1	20.2	20.4	23.79	25	Moderate
Freight cargo by rail	12	NA	NA	NA	24.7	25.5	
% population with access to electricity	14	20.4	22	NA	25	30	
Power Consumption Per Capita (KWh per capita)	80	92.79	97.31	100.3	463	578	Not achieved
Rural safe water coverage (%)	65	NA	74.9	NA	77	79	
Urban safe water Coverage (%)	77	NA	92.3	NA	97	100	
Storage capacity for water for production (million m^3)	27	37.2	38.9			39	

Fibre optic backbone coverage in districts (No.)	17	37.2	38.9	39.32	100	112	Not achieved

84. The length in kms of paved national road network has increased significantly. Total paved national road network increased to 3,919 km in 2015/16, up from 3,795 km in 2012/13. This is below the NDPII 2015/16 target of 4,095 km. An additional 274 km were added on between 2015/16 and 2017/18, resulting in total paved national network of 4,193 km, which also falls short of the NDPII 2017/18 target of 4,695 km. However, the 4,193 km of paved road network represents a performance rate of 79.2% against the NDPII 2020 target of 5,292 km, implying that the country is on track to meeting the target by 2020.

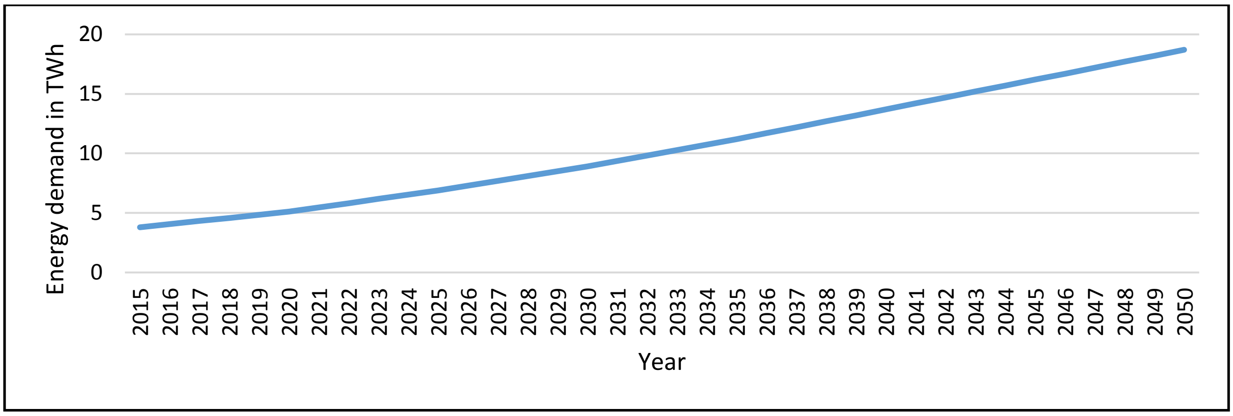
85. Government aimed at increasing the percentage of population with access to electricity from 14% in 2015/16 to 30% in 2019/20, increase power generation capacity from 825MW in 2012 to 2,500MW by 2020, promote energy efficiency and use of alternative energy sources, and promote and facilitate the use of modern renewable energy technologies. Uganda has abundant energy resources, especially hydrological and other renewable resources, yet there is widespread energy deprivation particularly in rural areas. According to the National Housing and Population Census (NHPS), one in every five Ugandans (20% of households) had access to electricity compared to NDPII 2015/16 target of 16%.

86. The latest UNHS 2016/17 puts access to modern energy at 22%. While the electricity access rate has almost tripled over the past two decade, from 7.8 per cent in 2002, it remains low and masks high inequality in access to modern energy between rural (8%) and urban (57%) areas (UBOS, 2017).

87. Electricity consumption has also increased as a reflection of increase in living standards. Uganda's installed capacity of electricity power sources increased with 5% from 895.5 MW in 2016 to 937.8 MW in 2017, due to developments in the energy sector, including the completion of the 250 MW Bujagali project in 2012. This resulted in sustained growth in peak demand. However, the growth in peak demand of about 600 MW appeared to stagnate by 2013. With the commissioning of new power plants (e.g., Muvumbe Hydroelectric power station, Siiti hydroelectric power station, Access power station and Tororo Solar power station), it is expected that Uganda will move closer to meeting NDPII 2019/20 target of 30%. However, it is important for policy makers to be aware of the challenges in the energy sector, particularly with respect to rapidly increasing energy demand and impacts of climate change.

88. Uganda's energy demand is projected to increase by 169% from 5.1 TWh in 2020 to 13.7 TWh in 2040 (see **Error! Reference source not found.**). This demand is unlikely to be met by hydropower alone due to the effects of climate change on the energy sector. Uganda is heavily reliant on hydropower generation. Empirical studies on the nexus between energy and climate change show that climate change is likely to impact on future hydropower generation for many countries with heavy reliance on hydro due to water variability issues. Therefore, there is need for an effective energy planning that directs more investment in other renewable energy sources with great potential for energy production in Uganda such as solar and wind.

Figure 5: Energy demand projection in Uganda

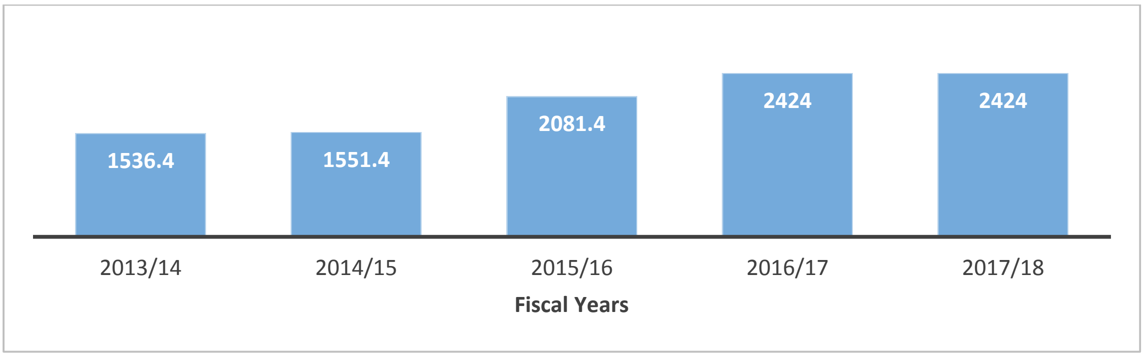


Source: Taliotis et al, 2016. An indicative analysis of investment opportunities in the African electricity supply sector — Using TEMBA (The Electricity Model Base for Africa)

89. The implementation of the National Data Transmission Backbone Infrastructure and e-Government Infrastructure (NBI/EGI) Project begun in FY2006/07, with the objective of providing connectivity to Government MDAs. The project was divided into three phases, which involved the laying of Optical Fibre Cable across the country to all major towns, with transmission stations in these towns. Following the NITA-U Act of 2009, the NBI/EGI was handed over to NITA-U in January 2010 to continue and complete the implementation of the respective Phases. **Error! Reference source not found.** shows that in the first three years of NDPII implementation, a total of 343 km of optic fibre were laid.

90. The NBI project has reduced government costs on internet bandwidth across the country. A**t** the time the NBI was operationalized by NITA-U(2013/2014) the cost of internet bandwidth across Government entities was on average USD 1,200 for 1Mbps per month, however this cost was reduced to USD 300 to allow MDAs have access to affordable services and reduce the cost of communication. As a result, Government has realized a reduction of internet costs from USD 1,200 in 2013 to USD 300 in 2014 to USD 190 in 2017 per Mbps. Further price reduction is expected to be realized in the subsequent financial years as more MDA sites are connected to the NBI/EGI.

Figure 6: Kilometres of fibre Optical Cable on the NBI; fy2013/14—2017/18



Source: National Information Technology Authority-Uganda

91. There has been tremendous improvement in storage for water for production (Wfp) sub-sector, which is responsible for the development and utilisation of water resources for productive use in crop irrigation, livestock, aquaculture, industries and other commercial uses, as well as maintenance of the environment and ecosystem. The

national cumulative storage for water for production increased from 37.2 million cubic meters (MCM) in 2015/16 to 38.9MCM in 2016/17 and further to 39.2 MCM by June 2018 (compared to NDPII target of 39MCM in 2019/20). This represents an annualised growth rate of 1.8% in the three years of NDPII implementation, indicating that the target had been met two years ahead of time. However, it should be noted that Table 5B: Objective Level Indicators for NDPII, has no target values for this indicator for FY2015/16-2018/19, except the 39MCM for 2019/20.

92. Government reports such as GAPR 2017/18 quote an NDPII 2019/20 target of 50MCM instead of 39MCM. Going by the target of 50MC, the current performance of 39.2MCM, signals the unlikeliness of the country to achieve its NDPII target of 50MCM by 2019/20. The above target is largely attributed to completion of 16 Small scale Irrigation schemes in the Districts of Bugiri, Soroti, Abim, Amuria, Kaabong, Napak, Oyam, Alebtong, Lira, Nwoya, Lwengo, Mbarara, Isingiro, Mokena, Rukiga and Masaka in 2017/18 as indicated in the Sector Annual Performance Report (SAPR) for FY2017/18. In addition, Olweny irrigation scheme works reached 92% completion in the same financial year, and construction works are ongoing for 14 Windmill powered water Supply Systems in Karamoja Subregion, 9 Valley tanks in the Districts of Otuke, Apac and Katakwi and Mabira Dam in Mbarara District. Four (4) communal valley tanks in the Districts of Kiruhura, Gomba, Kyegegwa and Kiboga were completed. All these activities increased the functionality of WfP facilities from 86.1% in FY 2016/17 to 86.7% in FY 2017/18, of which 84% of WfP facilities had functional management systems. Functionality of WfP facilities is critical for their productive use in crop irrigation, livestock, aquaculture, rural industries and other commercial uses. Similarly, functionality of water and sanitation investments is equally important to sustainably harnessing their potential and delivering intended service livelihood improvement goals. Rural facilities slightly declined from 85% in 2016/17 to 84% in FY2017/18; seeming unlikely to achieve its NDPII target of 92% by 2020.

93. The need to manage water and environment resources in a sustainable manner to be able to meet all the different development economic activities as well sustain a healthy ecosystem, cannot be overemphasised. This is particularly important for a country like Uganda, which is characterised by an environment of increasing population, exacerbated by the refugee influx especially in Northern Uganda, and climate change challenges. Within this environmental, ensuring that the population has access to clean and safe water can be challenging. The MWE SPR 2018 shows that 70% of Uganda’s rural population had access to safe water by end of June 2018. This had remained unchanged since June 2017. There is evidence that the total number of villages with at least one safe water source increased from 57,585 (i.e. 64% of all villages) in 2016/17 to 57,974 (i.e. 66% of all villages) in 2017/18. Access to safe drinking water in the urban areas increased to 74% as of June 2018 (up from 71%). The management of water and sanitation by the National Water & Sewerage Corporation (NWSC) has expanded to cover 238 towns. The current performance is a clear indication that the MWE has managed to keep up with the population growth, and is a reflection of moderate satisfactory performance against the NDPII targets of 79% and 100% in rural and urban areas by 2019/20.

94. Overall, Government interventions including rehabilitation of a number of large irrigation schemes in the country, development of new large and micro irrigation schemes, and implementation of catchment based integrated water resources

management activities, have increased WFP storage, which is critical for reducing dependency on rain-fed agriculture and to increase our food security. The sector is establishing the national water information system, with the overall objective of providing real time accurate data on the state of our water resources. The strong stakeholder partnership between the sector and other stakeholders, including CSOs, has helped in effective implementation of a number of activities including restoration of wetlands, demarcation of national forestry boundaries and eviction of encroachers, re-afforestation in Central Forestry Reserves, tree planting at community level, protection of major river banks, and water source and catchment protection activities, all of which are critical to prevent further degradation of our environment and to ensure reliability of water supply infrastructure.

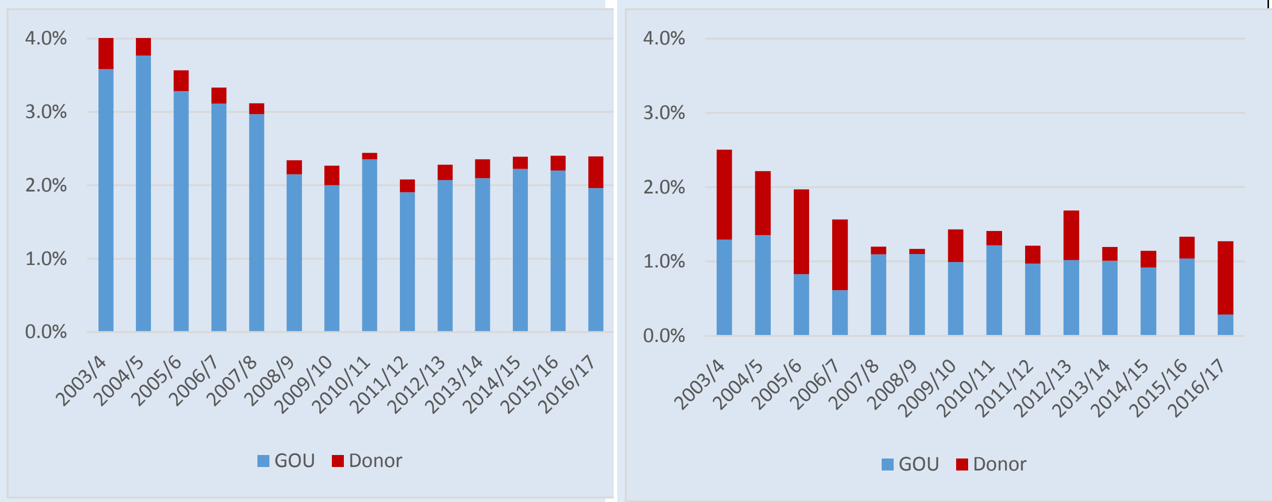
95. The increased investments in transports, energy and ICT infrastructure geared towards enhancing competiveness are slowly helping to improve the country's competitiveness. The Doing Business rankings conducted by the World Bank shows that improvement in business environment in Uganda has been slower than in comparable economies across the world. The rankings were based on ten topics in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation. The NDPII target for Uganda was to attain the rank of 120th out of 189 countries by 2017/18, but according to the 2019 Doing business report, Uganda was ranked 127th of 190 countries, suggesting that the country is lagging behind target by 7 position ranks. Over the last two years, Uganda's Doing Business ranking declined from 122 to 127 (5 point decrease) out of 190 countries between 2017 and 2018. Over the same period, Rwanda improved from the rank of rank 40 to 29, Kenya improved from rank 80 to 61, while Tanzania declined from rank 137 to 144.

Enhance Human Capital Development

96. Assessing progress on human capital development (HCD) requires an examination of performance indicators under the four different components of HCD: education and skills development, health, water and sanitation and social development. The development indicators for assessing progress against targets in education and skills are, among others, net primary and secondary school enrolment rates, primary to secondary school transition rate, net primary and secondary completion rates, literacy and numeracy rates at P3 and P6 respectively, and average years of schooling. Indicators for the health dimension include life expectancy at birth (in years), infant mortality rate per 1,000 live births, under five mortality rate per 1,000 live births, maternal mortality rate per 100,000 live births, child stunting as per cent of under-5s, the total fertility rate, and the contraceptive prevalence rate.

Figure 7: Public Spending on Education and Health sectors (% of GDP)

Panel A: Education | Panel B:Health



Source: Ministry of Finance, Planning and Economic Development, Annual Budgetary Central Government Finance Statistics. Note: shows total (recurrent and development) education and health expenditure based on the Classification of Outlays by Functions of Government (COFOG) as a share of GDP at market prices.

97. It should be noted a priori that in Uganda, households can access human capital-related services from either public or private providers. The number of private service providers have expanded rapidly over the last 15 years, particularly in the education sector[7]. However, Government continues to play the central role in ensuring equitable access. Public spending on both education and health grew significantly between 2002/03 and 2016/17, but at a slower rate than GDP. Public education spending was 2.4% of GDP in 2016/17, compared to 4.0% of GDP fifteen years earlier, and it has stagnated since 2012/13 (**Error! Reference source not found.**, Panel A). Public health spending fell from 2.5% of GDP to 1.3% of GDP over the same period and the situation did not change much during the first three years of NDPII implementation (**Error! Reference source not found.**, Panel B).

98. This partly reflects concerns regarding value for money in public service delivery, and the high priority accorded to transport and energy infrastructure, since the inception of the NDP in April of 2010. The fall in health spending as a share of GDP is mainly due to lower donor financing, with domestically financed expenditure expanding broadly in line with economic growth. Enrolment growth has been significantly lower than GDP growth, helping to explain the decline in education spending as a share of GDP.

[7] According to the 2016/17 household survey estimates close to three in every ten communities (29%) reported that they had at least one private school within their LC I while 31 percent revealed that the private primary school was outside of the LC I. Eight three percent (83%) of communities with private schools outside the LC I revealed that the schools are less than 3 kilometers from the center of the village. In addition, less than three in every ten communities (27%) reported that they use the available private primary schools.

Trends in Education and Skills development performance indicators

99. Investment in education and skills development is one of the major ways of accumulating human capital necessary for economic growth and reaping demographic dividend. Heckman (2006) underscores the importance of investing in early childhood education. Currie (2001) reviewed several education improvement programs in the United States and concluded that most programs, which targeted poor households, were significant through improvement of educational attainment, increased earning, reduction of dependency and crime. Similarly, Basu (2002) showed that education plays a critical role in reducing fertility, which is necessary for attaining demographic dividend.

100. Uganda's education system is comprised of an early childhood programme (pre-school for nursery schooling and other preparatory courses) that caters for children aged 3-5 years (pre-primary education), followed by seven (7) years of primary education, followed by four (4) years of Ordinary Level secondary education, two (2) years of Advanced Level secondary education and the final tier is three (3) to five (5) years of Tertiary education. Each level is nationally examined with certificates awarded. However, public investments for human capital development in the education sector are only targeted at Universal Primary Education (UPE), Universal Secondary Education (USE), Business, and Technical, Vocational Education and Training (BTVET) and tertiary education.

101. MoES has the mandate of ensuring that Ugandan children including pre-primary school going children have access and equal opportunity to education, regardless of their social class, ethnicity, background or physical disabilities. The education sector tracks progress in terms of access, quality and equity (on annual basis mainly through the Annual School Census (ASC)) for ECD, primary and secondary levels. The education indicators used to monitor education access and learning achievements can broadly be grouped into:

- Quality indicators: qualifications of primary school teachers, pupil teacher ratios, pupil textbook ratios;
- Access indicators: Gross and Net Intake rates (GIR & NIR), Gross and Net Enrolment ratios (GER & NER), attendance, absenteeism, and dropout rates;
- Efficiency (internal) indicators: repetition rates, progression and transition rates, completion rates); and
- Learning achievement indicators: literacy, numeracy, primary school leaving exams.

102. Both access and learning achievement indicators can be monitored for different groups of pupils (including male/female) and across regions. **Error! Reference source not found.**10 and

103. reports on these indicators for pre-school children and other levels of education respectively.

104. While Government (under NDPII) committed to strengthening ECD with special emphasis on early aptitude and talent identification, no ECD indicators were included in the Plan to access the progress of objective 3 with respect to ECD. In NDPII, ECD targets children from conception to 8 years (to include children in lower primary school (P1-P3) and has been proven through various research to contribute to social, economic and human development, increase workforce productivity, and poverty reduction. Government recognizes the critical importance of an integrated ECD framework in ensuring children's rights to survival, protection, development and participation. These fundamental rights form a path for the wellbeing of a child and are indeed a foundation for the country's future peace, security and prosperity. However, in Uganda, ECD is heavily constrained by inadequate government support, inadequate policy and regulatory framework and lack of qualified providers.

105. However, we note some progress in ECD particularly with respect to regulatory framework. Government is cognizant of the fact that effective ECD programming requires effective integration and harmonization of policies and programs across sectors. Through MoGLSD, GoU developed the National Integrated ECD policy of Uganda targeting children from conception to 8 years. **Error! Reference source not found.** shows trends in selected ECD indicators for the period 2013-2017. The official school going age for pre-primary is 3-5 years. The percent annual change in enrolment at Pre-primary level has shown an uneven trend and for example decreased from 18% in 2016 to 8% in 2017. Over the years, 2013 to 2017, the number of females enrolled in pre-primary has been higher than the number of males. Over the years, 2013-2017, there has not been much improvement in output indicators such as the Pupil Classroom Ratio (PCR) and Pupil Teacher Ratio (PTR), which averaged about 24 and 27. Both GER and NER remain very low, averaging about 9%, for the period 2013-2017, implying that the majority of Ugandan children aged 3-5 years are not in pre-primary school.

Table 10: Trends of selected Pre-Primary Education Indicators, 2013-2017

Indicator	2013	2014	2015	2016	2017
Gross Enrolment Rate	10.2	9.74	9.88	15.8	16.6
Net Enrolment Rate	10.1	9.5	9.5	9.3	9.1
Pupil Teacher Ratio	29	24	22	21	22
Pupil Classroom Ratio	25	28	31	25	27
Pupil Stance Ratio	10	14	23	19	22
Enrolment	430,425	433,258	477,123	563,913	608,973
Male	213,459	214,996	236,284	279,089	301,523
Female	216,966	218,262	240,839	284,824	307,450
% Annual change in Enrolment	20.4	0.7	10.1	18.2	8.0
Number of Schools	4,949	4,956	5,763	6,798	7,210
Number of Teachers	14,732	15,332	21,310	26,363	27,641
Total Number of classrooms	17,545	15,388	15,427	22,121	22,971
Total Number of Toilet Stances	-	20,851	21,015	29,531	28,119
Population (3 – 5 years in 000's)	-	3,506	3,516	3,567	3,670

Source: Annual School Census, Ministry of Education and Sports, 2013-2017

106. The Literacy rate among persons aged 10 years and above has generally increased during the NDPII period from 69% in 2012/13 to 73% in 2016/17. In 2016/17, males (77 percent) and persons living in urban areas (87%) were more literate than their female (70 percent) and rural (69%) counterparts (see

107.).

Table 11: Literacy Rate for population aged 10 years and above by residence, 2009-2017

YEARS	Urban	Rural	Total
MALE			
2009/10	90	77	79
2012/13	87	72	76
2014	89	74	77
2015	87	75	77
2016/17	89	74	77
FEMALE			
2009/10	86	62	66
2012/13	80	58	64
2014	84	63	68
2015	80	62	66
2016/17	85	64	70
TOTAL			
2009/10	88	69	73
2012/13	84	65	69
2014	86	68	72
2015	83	68	71
2016/17	87	69	73

Source: UNHS 2009-2016/17 & NHPS 2014.

108. The focus of UPE and USE programmes is not only on enrolment but to enable children, especially girls, to start school on time, complete a full cycle of quality primary and secondary schooling and achieve the required proficiency levels. Uganda has made considerable progress improving progression rates through primary school. The gross primary completion rate – the number of pupils in the final year of primary school as a percentage of all 12 year-olds – increased from 49% in 2002 to 71% in 2012/13. Furthermore, the previously large gap in completion rates between girls and boys has been eliminated. Nonetheless, the progress made is insufficient to meet the NDPII target of 85% primary school completion by 2020. In fact, in the three years of NDPII implementation, primary school completion rates were not only lower than the 71% recorded in 2012/13 but also lower than the NDP targets. This reflects persistently high class repetition and drop-out rates, which can be attributed to factors both on the supply-side (the quality of schools) and the demand-side (such as economic obligations, parental attitudes to education and early marriages) as highlighted by the MDG Report 2015 (MFPED, 2015) and a recent report on Comprehensive evaluation of UPE policy by NPA (NPA, 2019). Therefore, Uganda still grapples with challenges of high dropout and repetition rates and low quality of education as measured by pupil performance on NAPE tests and PLE examination results. Concerns regarding persistent low education quality may be attributed to insufficient infrastructure and learning materials, but more importantly low motivation among teachers and school managers and weak compliance with set service delivery standards.

109. The "O- Level" Secondary completion rate, computed as the total number of students in the fourth grade of secondary education divided by the total number of children of official completion age (16 years), is used to capture the transition rate from primary to secondary schooling. The transition rate to S.5 in 2017 was 25% (compared to the NDPII 2017 target of 42%), a decrease from 30 percent in 2016. This represents a performance of only 59.5% and 50% against 2017/18 and 2019/20 targets respectively, indicating that the NDPII 2020 target is unlikely to be met. In both instances, males (28.4%) were more likely to complete S.4 as well as transition to S.5 compared to their female (21%) counterparts.

Table 12: Progress on Education and Skills Development indicators

Development Indicators		**Actual 2012/13**	**Actual 2015/16**	**Actual 2016/17**	**Actual 2017/18**	**NDP Target 2017/18**	**NDP Target FY2019/20**	Rating
Net Primary school enrolment rate	Total	95.3	96		80.3	99.05	100	
	Girls	96	99		80.8	99.4	100	
	Boys	94.57	93		79.8	98.7	100	
P7 completion rate (%)	Total	71	61.6	61.5	60.0	82	85	
	Girls	71	63.3	63.4	60.0	82	85	
	Boys	71	59.8	59.7	59.3	86	85	
Transition rate to S1 (%)	Total	73	63.2	64.8	60.6	78	83	
	Girls	72	63.6	65.2	60.5	78	83	
	Boys	72	62.8	64.4	60.8	78	83	
Net Secondary enrolment rate (%)	Total	24.7	**22**	**24**	**22**	38.2	40	
	Girls	23.6				33.4	35	
	Boys	25.9				29.0	30	
Net Secondary school completion rate (%)	Total	35.3	36.2	37.8	34.8	48	50	
	Girls	33.8	35.9	36.0	33.5	45	48	
	Boys	36.7	36.4	39.6	36.2	49	52	
Transition rate from S4 to S5 (%)	Total	32	25	30.2	24.8	48	50	
	Girls	27	21.4	29.4	21.0	31	35	
	Boys	37	28.1	31.0	28.4	44	45	
BTVET enrolment	Total	42,674	40,830	63,209	45,153	59,744	64,011	
	Female	14,650	14,492	26,249	16,051	20,510	21,975	
	Male	28,024	26,338	36,960	29,102	39,233	42,036	
University students	Total	140,403	185,315	186,412	NA	177,843	187,204	
	Female	60,398	82,035	81,980	NA	76,504	80,530	
	Male	79,709	103,280	104,432	NA	100,964	106,279	
Tertiary Institution students	Total	208,376	257,855	258,866	NA	273,138	292,258	
	Female	90.910	114,643	114,552	NA	119,178	127,518	
	Male	117,740	143,212	144,314	NA	154,333	165,136	
Science and technology graduates.	Ratio of graduates in science and technology to Arts	1:5	NA			3:5	3:5	
Literacy rate at P3 (%)	Total	56.21	60.2	NA	NA	68.07	70	
	Boys	53.87	59	NA	NA	69.20	70	
	Girls	56.42	61.3	NA	NA	67.98	70	
Literacy rate at P6 (%)	Total	40.15	51.9	NA	NA	49.20	50	
	Boys	38.72	51.6	NA	NA	48.19	50	
	Girls	40.10	52.2	NA	NA	48.02	50	
Numeracy rate at P.3 (%)	Total	69.8	71.7	NA	NA	79.6	80	
	Boys	70.6	73	NA	NA	77.7	80	
	Girls	68.8	70.6	NA	NA	79.21	80	
Numeracy rate at P.6 (%)	Total	41.4	52.6	NA	NA	48.9	50	
	Boys	45.8	56.9	NA	NA	49.1	50	
	Girls	37.4	48.2	NA	NA	48.3	50	
	Avg years of school.	4.7	NA	4.5	NA	9.74	11	
National Skills gap (ratios) by type and sector	Doctors/ population	1:24,725				1:22,925	1:22,625	
	Technicians/Engineers	5:3				7:3	8:3	
	Nurses / population	1:11,000				1:8,500	1:8,000	

Source: UBOS 2018 Statistical Abstract. Note figures are for calendar years, implying that a figure for 2015/16 is actually for 2015 calendar year.

110. Information on the learning achievement indicators—literacy and numeracy—is mainly compiled by UNEB via the National Assessment of Progress in Education (NAPE) competence assessment and via Uwezo surveys, all of which seek to determine how

well students are learning. These two types of assessments are an integral part of the quest for improved quality education in Uganda. For instance, NAPE provides feedback to students, educators, parents, policy makers, and the public about the effectiveness of educational services (UBOS, 2018). The NAPE tests for pupils competencies in Literacy, Numeracy and Biology for secondary students only.

111. The latest available official data on literacy and numeracy is for 2015 since UNEB has not conducted any other NAPE test since then. NAPE competence scores indicate that student achievement levels in English literacy and numeracy at the primary level are still low and fall short of expected levels. The implication is that education standards are low and not improving. In 2010, the average achievement score in literacy at the P3 and P6 levels was 47 per cent and 40 per cent, respectively. In addition, 60 per cent of learners in P3 and about 70 per cent in P6 scored below the 50 per cent literacy proficiency level for their respective grades. In numeracy, average student achievement in P6 in 2010 was only 40 per cent; worse still, 70 per cent of learners in this grade performed below the 50 per cent mark (Mulindwa and Marshall, 2013).

112. **Error! Reference source not found.** and **Error! Reference source not found.** shows the percentage of P3 and P6 pupils who reached defined competency levels in numeracy and literacy between 2007 and 2015. The figures highlight a slow progress over the period, indicating that numeracy and literacy remain challenging subjects for learners especially in upper classes. Recent data shows that between 2014 and 2015, the number of P.3 pupils rated proficient in literacy declined by 4 percentage points from 64.2% (62 % boys; 66.5% girls) in 2014 to 60.2% (59% boys; 61.3 girls) in2015. The decline in pupils' performance in literacy in primary three can be attributed to the longer stories that pupils have to read and limited guidance given to the pupils in the development of skills for reading comprehension. In addition, the percentage of P.3 pupils proficient in numeracy remains relatively high at 71.7% (73.0% boys; 70.6% girls) in 2015 despite a 1 percentage point drop. The P.L.E Pass Rate declined by 2.3 percentage points from 88.30% in 2014 to 86% in 2015. The implication of these results result is that many children leave school without having mastered literacy and numeracy, and this is likely to have a negative impact of overall literacy rates for the entire population aged 10 years and above.

Figure 8: Learning outcomes (primary 3 pupils) (2007-2015)

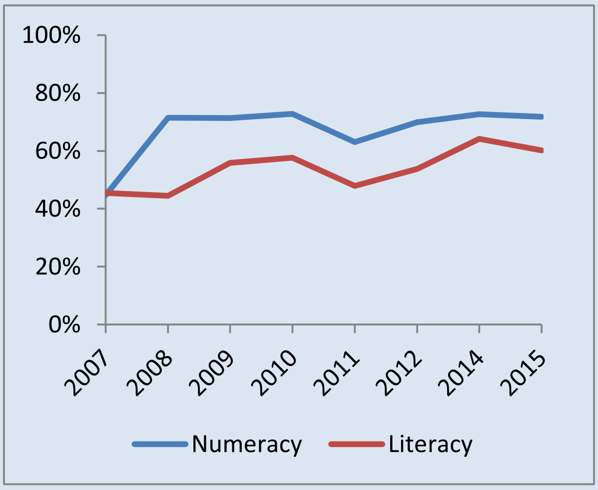
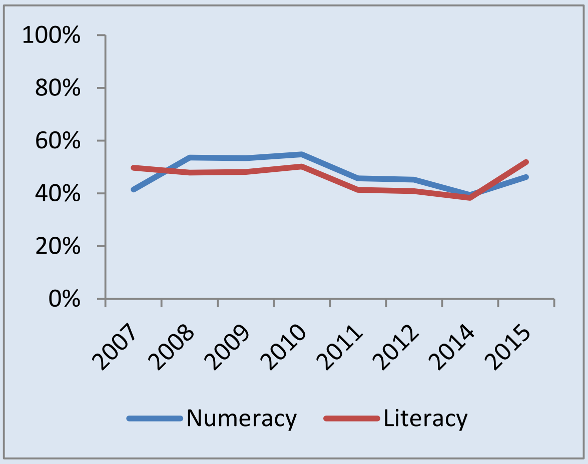


Figure 9: Learning outcomes (primary 6 pupils) (2007-2015)



Source: Ministry of Education and Sports (2014). Notes: Shows the proportion of pupils reaching the defined level of competency in literacy and numeracy.

113. There are major gender, rural/urban, regional and ownership differences in learning outcomes. The percentage of P3 and P6 pupils who reached defined competency levels in numeracy and literacy in 2015 is higher for boys compared to girls (**Error! Reference source not found.** and **Error! Reference source not found.**) and the trend has not changed much since introduction of UPE.

Figure 10: Learning outcomes (primary 3 pupils) by gender, 2015

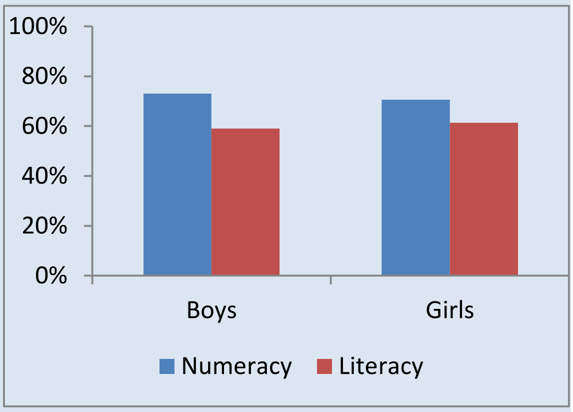
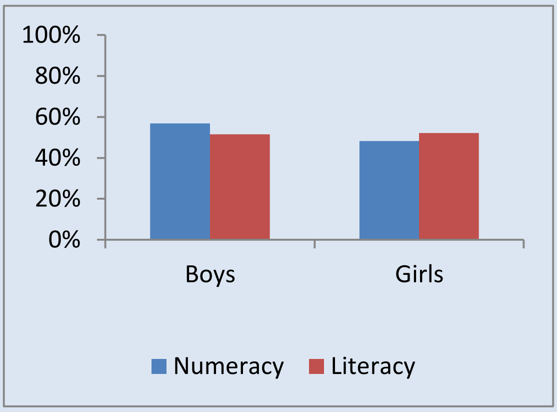


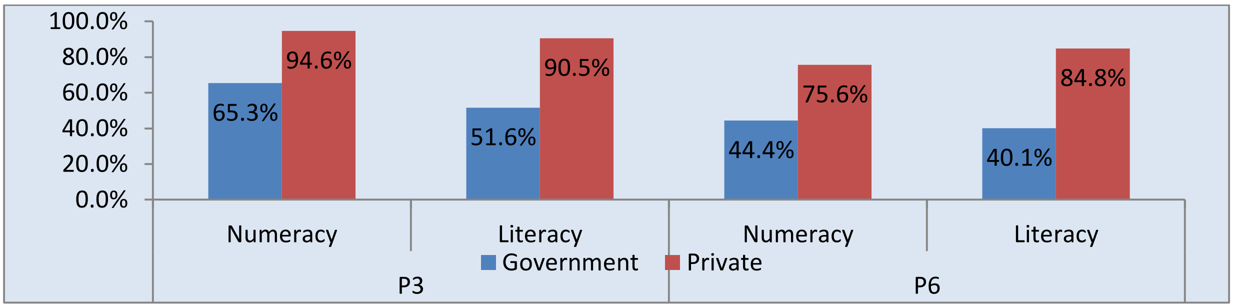
Figure 11: Learning outcomes (primary 6 pupils) by gender, 2015



Source: Ministry of Education and Sports (2014). Notes: Shows the proportion of pupils (boys and girls) reaching the defined level of competency in literacy and numeracy.

114. Children learning outcomes significantly differ between government and private schools. Numeracy and literacy competences for P3-P6 children private schools are more than 30 percentage points higher than their government schools counterparts (Figure 12). This can partly be attributed to both demand and supply-side factors (e.g., high PTR and PCR in government schools).

Figure 12: Learning outcomes (primary 3 and primary 6 pupils) by school type, 2015



Source: NPA calculations based on EMIS database

115. The learning achievements results presented so far all point to low levels of achievement across boys and girls in both private and government schools, albeit with a severe situation in government schools. Some studies (e.g., IOB, 2008; EPRC, 2010) have shown that pupils who perform poor on NAPE assessment are also likely to perform poor on PLE. The impact evaluation of UPE report by IOB conducted in 2008

showed that there was high correlation between NAPE and PLE test results[8]. The c conducted by EPRC in 2010 also showed strong evidence of relationship between the two measures of school quality. Schools that had high NAPE scores were more than 10 times likely to have more pupil's achieving Division I or II at the PLE exam, indicating that the two measures of school quality appear to be very strong predictors of school success[9]. The implication of these findings is that low quality of education remains a big challenge for the education sector in Uganda.

116. Over time, Government has put emphasis on technical and vocational training as a means to improve labour productivity and earnings from self-employment. **Error! Reference source not found.**13 shows that BTVET enrolment in 2016/17 of 63,209 exceeded the NDPII target of 51,209. However, this success was short-lived as enrolment reduced to 45,153 in 2017/18 compared a target of 55,476. Further effort is needed to increase BTVET enrolment if the country is to improve welfare and labour productivity. For instance, existing evidence on welfare impacts of education attainment supports Government's emphasis on technical and vocational training. Completing vocational training compared to primary training is estimated to increase consumption by between 7.1% and 7.6% compared to a reduction of 4.4%. The estimated return to vocational training exceeds that of an additional year of formal education. However, the reverse is true for primary and secondary education levels. The return to formal education is estimated to be relatively high for better-educated, illustrating that the better-educated tend to have higher consumption. A low return to schooling may reflect concerns regarding the quality of education, as well as segmentation of the labour market – meaning that the supply of good jobs is rationed such that large differences in earnings cannot be explained by individual characteristics. A negative return to primary education level reflect concerns regarding the basic skills and knowledge to exploit the labour opportunities (NPA, 2019)

Table 13: The Welfare impact of education and vocational training, FE and LDV estimates

	Vocational Level			Primary Level			Secondary Level	
VARIABLES	(1)	(2)		(3)	(4)		(5)	(6)
Average years of education for adult HH members	0.006	0.066***		0.006*	0.070***		0.007*	0.068***
	(0.004)	(0.003)		(0.004)	(0.003)		(0.004)	(0.003)
HH member has completed vocational training	0.076***	0.071**						
	(0.027)	(0.028)						
HH member has completed primary level				0.003	-0.044**			
				(0.017)	(0.020)			
HH member has completed secondary							-0.005	0.035
							(0.039)	(0.047)
Constant	11.084***	6.395***		11.085***	6.388***		11.085***	6.373***
	(0.029)	(0.138)		(0.029)	(0.138)		(0.029)	(0.138)
R-squared	0.044			0.043			0.043	
Observations	10,851	4,732		10,851	4,732		10,851	4,732

Source: NPA Report on Comprehensive Evaluation of UPE Policy, NPA (2019). Notes: Calculations based on UNPS 2005/06-2011. Notes:*;** and *** indicate the estimated impact is statistically significant at 10%; 5% and 1% levels respectively. In all columns, the dependent variable is log consumption per adult equivalent (commonly known as welfare). Columns (1), (3)

[8] IOB(2008). Primary Education in Uganda. IOB Impact Evaluation. Policy and Operations Evaulation Department of the Nertherlands Ministry of Foreign Affairs. Report no.311.

[9] EPRC(2010). Management and motivation in Uganda primary schools: Report on the baseline survey.

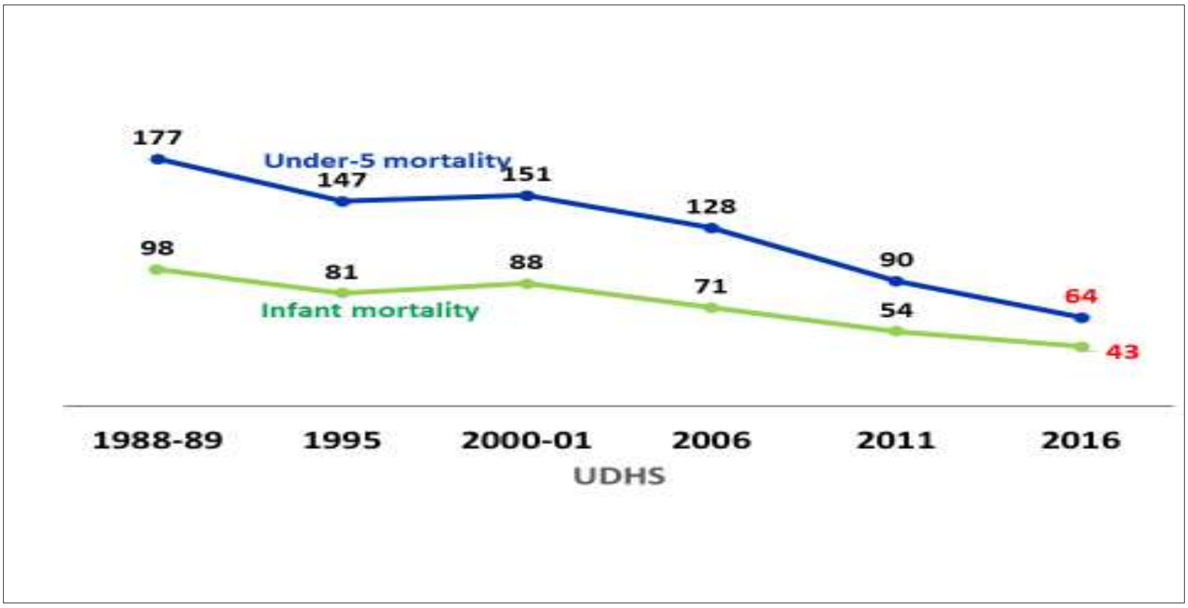
and (5) controls for household-level fixed effects; column (2), (4) and (6) controls for household consumption in the previous period (i.e., lagged-dependent variable). Both regressions controlled for household demographic variables (e.g., household size and dependency ratio (not reported).

Trends in Health development indicators

117. **Error! Reference source not found.** presents performance of health development indicators and shows that on average, Ugandans are living longer than in the past—life expectancy at birth increased from 52.2 years in 2013 to 63.7 years in 2016.

118. This a result of reduction in both infant and under-5 mortality rates (see **Error! Reference source not found.**) and improvement of other health outcomes such as increase in percentage of Health Centre IV offering HIV/AIDS care with Anti-retroviral therapy (ART) services. For instance, in 2016/17, ART coverage was 86% exceeding the Health Sector Development Plan (HSDP) 2015/16—2019/20 target of 76%. The number of new HIV infections reduced by nearly half from 22,000 in 2012 to 3,400 in 2016, albeit the gap in follow up care remains. The proportion of HIV+ pregnant women receiving ARVs for Elimination of mother-to-child transmission (eMTCT) stood at 95% thus exceeding the HDP target of 90%. In addition, the number of ART accredited facilities has increased, although more accredited health facilities for public and private sectors are still needed to cater for effective implementation of the Test and Treat Policy[10]. Increase in the number of accredited facilities should also go hand-in-hand with increased investment in capacity building in order to enhance testing and scope of package for all.

Figure 13: Trends in Child Mortality



Source: UDHS 1989—2016. Note: Figures are deaths per 1,000 live births for the five-year period before the survey

119. Over the NDPII period, there has been significant reduction in maternal mortality rate (MMR) both at national and health facility level. MMR at national level declined from 438 deaths per 100,000 live birth in 2012/13 (based on UDH 2011) to 336 in 2016/17

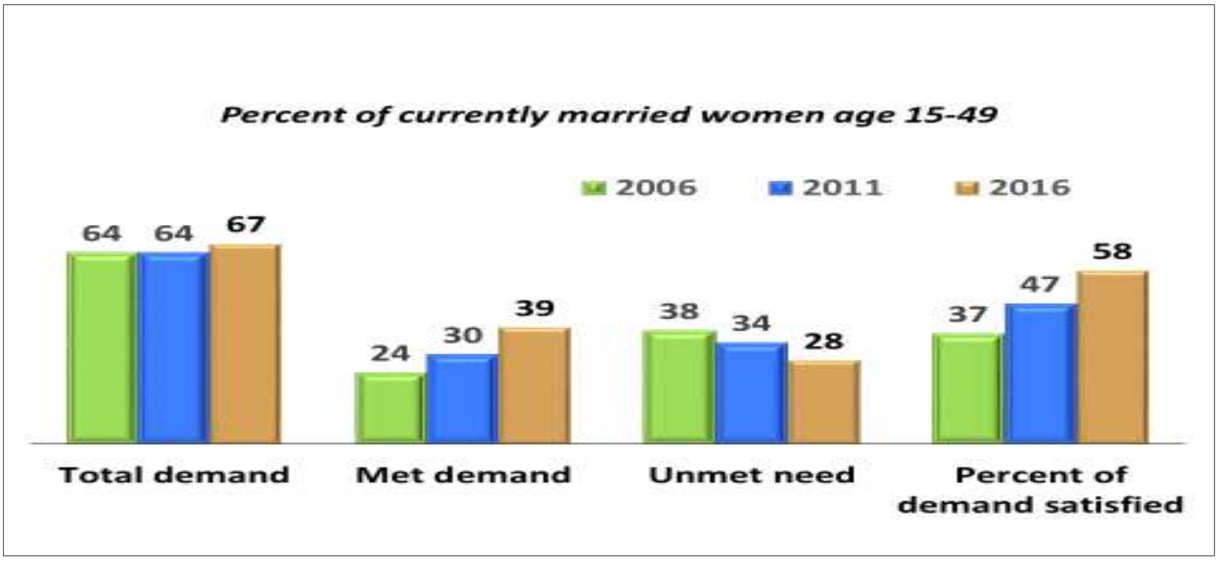
[10] In November 2015, The World Health Organisation released new guidelines recommending that all diagnosed as HIV positive be enrolled on antiretroviral therapy (ART) regardless of disease stage.

(based on UDHS 2016). Maternal deaths among 100,000 health facility deliveries were 104/100,000, which exceeded the HSDP target of 106/100,000 and NDPII 2017/18 target of 348/100,000 respectively, making the NDPII 2019/20 target of 320 within reach.

120. The proportion of the population living within radius of 5 km of a health facility increased from 75% in 2012/13 to 86% in 2016/17 compared to a target of 84% in 2017/18, and is likely to exceed the NDPII target of 85% in 2019/20. Increased access to health facilities could be another important factor behind reduction in child and maternal mortality rates. However, poor analysis of data at source limits the potential to address local issues for facility based maternal deaths. Main issues are poor records, capacity and fear of punitive repercussions. To reduce further MMR, focus should be placed on building capacity in data collection and analysis especially in hospitals with high maternal in order to provide quick evidence-based information to policymakers for immediate interventions.

121. While Ugandans now live longer, only 58% of births are attended by a skilled health personnel, reflecting that Uganda is unlikely to meet its NDPII target of 78% for 2019/20. The contraceptive prevalence rate stood at 39% in 2016/17 compared to the NDPII target of 59% and 60% for 2017/18 and 2019/20 respectively, this despite a significant reduction in unmet need for family planning (FP) (see **Error! Reference source not found.**). The reduction in unmet needs were due to increased availability of a wide mix of FP commodities and services at different levels of care provided under the Reproductive, Maternal, New born, Child and Adolescent Health (RMNCAH) sharpened plan for Uganda 2016/17—2019/20 Investment Case. For a country with high fertility rates causing high population growth rate, it is critical to ensure sustainable funding for family planning commodities if the achieved results so far are to be sustained and even enhanced further.

Figure 14: Trends in Unmet need for Family Planning



Source: UDHS 2006—2016

122. Although several studies show that the simple act of hand-washing with soap and water at critical times can reduce the occurrence of diarrhoea and other water-borne diseases

by half as well as reduce the risk of lower respiratory tract infections like pneumonia by up to 23%, this life-saving behaviour is not widely practiced in Uganda, with limited access to latrines/ toilets another challenge. Latrine coverage has increased to 83% in 2016/17 up from 68 in 2012/13, thus surpassing the HSDP target of 78% as well as the NDPII 2019/20 target of 80%. However there remain high geographic variations with Karamoja region having <50% coverage. There are also challenges of open defecation in urban slums. In addition, there are major challenges with respect to hand washing facilities with soap and water. Only one in four Ugandans washes hands properly- with soap and water- after using a latrine/ toilet. This explains why about 75% of the country's disease burden is preventable and linked to poor hygiene and inadequate sanitation facilities and practices. Rural and urban areas are almost equally deprived in hand washing facilities with soap and water—36.5% in rural and 39.6% in urban areas respectively (MWE, 2018). The same report shows that only one in every four (25%) pupils are enrolled in schools with basic hand washing facilities. These low rates are a big concern given that poor hygiene related transmissions are estimated to kill over 146,000 annually, of which 32,500 are children according to UNICEF findings. These numbers translate into 400 people daily (of which 89 are children) from water-borne infections including, but not limited to; diarrhoea, dysentery, cholera, typhoid, Ebola and Marburg fever. There is need to prioritize hygiene as an important factor for attainment of SDGs, basing on reports of huge sums of government funds spent on treating children affected. Moving forward, there should be more targeted investment in WASH particularly in slum areas, urban centres, schools and low latrine coverage areas. Further, behavioral change communication for household participation should be encouraged.

Table 14: Trends in Health Performance Indicators

	Development Indicators	**Baseline 2012/13**	**Actual 2015/16**	**Actual 2016/17**	**Actual 2017/18**	**NDP Target 2017/18**	**NDP Target 2019/20**	**Rating**
Mortality	Infant Mortality	54	NA	43	NA	42	44	
	Under Five Mortality Rate (per 1,000 live births)	90		64	NA	52	51	
	Maternal Mortality Rate	438	336	336	NA	348	320	
Fertility	Total fertility rate	6.2	NA	5.4	NA	4.8	4.5	
	Contraceptive prevalence rate (%)	30	NA	39	NA	45	50	
Public Health	Life expectancy (Years)	54.5	NA	63.7	NA	59	60	
Clinical services	Proportion of the population living within radius of 5 km of a health facility	75	NA	86	NA	84	85	
	Per capita OPD utilization ratio	1.1	NA	1.1	NA	2.1	2.3	
	DPT3/Pentavalent Vaccine (%)	87	NA	95 (HMIS)/79 (DHS)	NA	97	97	

	Births attended by skilled health personnel (%) – UDHS	57	NA	58	74	73	78	
	Deliveries in health facilities (%)	41	NA	73	NA	60	64	
	Proportion of qualified health workers in public health facilities (%)	63			NA	81	83	
	HIV - Prevalence (%)	7.2			NA	7.9	7.8	
	HCs without medicine stock out	53			NA	91	93	
Water and sanitation	Household latrine coverage (%)	68	NA	83	NA	78	80	
	Households hand washing with soap (%)	24	32	40	NA	36	38	

123. According UDHS 2016, 31% of children below 5 years are stunted. The burden of stunting is highest in the refugee hosting districts – West Nile, Toro, Karamoja and Bunyoro. Burden of wasting is high in West Nile and Karamoja. The implication is that there has to be concerted efforts to increase multi-sectoral approach in food production and enhance the market access to locally available foods so as to Ugandan children nourished. This coupled with improved coordination for nutrition interventions within the country can improve service delivery and reduce malnutrition cases especially in in areas with high burden and inequality.

124. The health sector's performance has not been without financing challenges. General Government budget share allocated to health stood at 6.7% of total government budget in 2017/18. This remains far below the HSDP target of 14%. Because of population outstripping the resources, HSDP on-budget financing reduced and GoU financing replacement did not fill and exceed the HSDP support. This has led to an increase in Out of Pocket (OOP), health expenditure. As a % of Total Health Expenditure OOP was 41% compared to a target of 33%. Population growth is outstripping the resources available and the functionality of existing facilities is low. The financing challenge of the health sector calls not only for mobilization of additional domestic resources to move incremental allocations to the health sector, but also tightening efficiency in resource use, scaling up results based framework approach so that outputs/outcomes match inputs, investing in unmet need for FP so as to attain lower TFR, and scale up prepayment schemes from 1% so as to reduce catastrophic expenditure among others.

125. In general, the health sector has registered progress in most of the key health and health related services outcomes. There is increased access (in terms of proximity) to health facilities which in turn contributes to attainment of targets for OPD use and In-patient admission. However, the quality of care is constrained by the absence of basic equipment. Moreover, ongoing investments are skewed towards tertiary centres with the aim of reducing referrals abroad. There is need to provide and maintain medical equipment at all levels. There was sustained availability of medicines and products during the first half of the HSDP however there are still stock outs of essential items including blood and blood products. There is a need to invest in the sourcing, storage

and distribution of blood especially to Comprehensive, Emergency, Obstretic, and New born Care (CEONC) facilities. There is poor performance for all the selected quality of care indicators. It is key to enhance regular facility assessment and implementation of Continuous Quality Improvement Initiatives, and address the key health system input areas that undermine service quality. There are gains in HRH density from 1.75 to at least 1.85 per 1000 resulting from intensified production of critical cadres. However, the density of critical cadres (doctors, nurses and midwives) is less than one. There should be continued effort to enhance the density of critical cadres so as to ensure attainment of UHC and the SDG goals going forwards. There is also need to continue to enhance salaries of health workers especially specialists. In terms of health care financing, there is need to scale up domestic financing to the health sector from 15% of the Total health expenditure (THE) to at least 35% of the THE, and or increase public per capita spending from $10 to $17 per capita. Accurate and timely data is necessary to monitor and track health financing and its efficiency. Therefore, sstrengthening development partner coordination especially for off-budget expenditure is critical. In addition, there is need to broadening pre-payment mechanisms such as Social Health Insurance, and develop appropriate policies that build appropriate public-private partnerships with a view to increasing access to affordable health services for the entire population.

Strengthen Mechanisms for Quality, Effective and Efficient Service Delivery

126. The NDPII objective of strengthening mechanisms for quality, effective and efficient service delivery is one of the areas where there is hardly any data for enabling an assessment of performance indicators. Such indicators are government effectiveness index, index of judicial independence, public trust in the Justice system and corruption index. Some source documents such as GAPR have used public resources allocated to Local Governments Level as a performance measure for this objective.

127. Government effectiveness and efficiency in service delivery is critical for NDPII outcomes. Targeting is important since spending cannot be effective in improving government programme outcomes if it only benefits households that have already achieved the goals. Government has over the years implemented legal, institutional and administrative reforms to increase efficiency in Government operations. These include, among others, fiscal decentralization to bring services nearer to the people, strengthening of public financial management, and increase in budget transparency and accountability to fight corruption, performance contracting of accounting officers and salary enhancement of frontline service delivery workers.

128. In 2015, government passed the Public Finance Management (PFM) Act 2015 (PFMA) whose implementation under NDPII is expected to enhance efficiency and effectiveness in service delivery, especially in regards with aligning budgets and plans at all levels. Section 13(6) of the PFMA mandates NPA to prepare a Certificate of Compliance every financial year, which assesses the extent to which the annual budget (AB) is aligned to the planning and budgeting frameworks of NDPII, the Charter of Fiscal Responsibility (CFR) and the BFP, a step towards achieving the country's Vision 2040.

129. While PFMA and its associated components like the CoC are a step forward, challenges remain especially in translating strategic sector plans into budget actions that contribute to achieving NDPII targets. This is mainly due to weaknesses in planning. Further, the budget macroeconomic targets continue to significantly differ from NDPII targets and

budget release performance and absorption remain low for many sectors. For instance, compliance levels for the AB for 2016/17 and 2017/18 have consistently remained lower than that of 2015/16. Evidence from NPA shows that the 2016/17 and 2017/18 annual budgets were 58.8% and 54.2% compliant to NDPII compared to 68.2% in 2015/16. The overall decline in compliance scores for 2016/17 was mainly attributed to the declining performance at macro level of 48.1% compared to 71.4% in 2015/16, and the below average performance for LGs at 51.8 percent that was not part of the 2015/16 compliance assessment. Nonetheless, at the national strategic level, the 2016/17 AB performance was 74.2% compliant, which closely compares with the 75.4% compliance for 2015/16. In addition, some improvements were registered at sector level at 60.1% in 2016/17 compared to 58.6% of 2015/16. This improvement was mainly attributed to minor improvements in planning. The overall decline in compliance scores in 2017/18 was mainly attributed to the decline in performance at macro level at 41.9% compared to 48.1% in 2016/17, national level at 59.3% compared to 74.2 in 2016/17 and sector level at 53.2% compared to 60.1% in 2016/17. However, there was an improvement in performance at Local Government level at 62.2% compared to 51.8%, due to the LGs having improved LG Development Plans and good budget performance by the MoFPED in terms of timely release of funds.

130. More effort is still required in order to improve the efficiency of Government operations. To his end, CSBAG in their analysis of FY2016/17 AB compliance with NDPII made a number of recommendations arising from the CoC. These included:

(i) The need to enforce compliance of all sectors, MDAs and LGs with development, approval and alignment of their development plans with NDPII. This should also translate into development of all sector and MDA annual work plans informed by the respective plans;

(ii) Furthermore, there is need to increase Central Government transfers to Local Governments to cater for the increasing devolved and delegated roles of LGs including: management of wages and pension and retained budgets for core LG services such as; infrastructure provision in vocational, tertiary and secondary education, construction of health centres and district hospitals, among others. There is need to clarify roles of the sectors/MDAs and LGs with respect to devolved functions to ensure effective implementation;

(iii) All sectors and MDAs should prioritize and expedite the implementation of NDPII core projects. There is need for enhanced adherence to project timelines at approval, commencement and full implementation of project timelines; and

(iv) Ministries, Departments and Agencies should budget for recurrent expenditure to accompany the increasing infrastructural development to ensure maximization of return/performance from project expenditure (CSBAG, 2017).[11]

[11] CSBAG (2017). Understanding the FY2016/17 Government Adherence to NDPII Certificate of Compliance of the FY2016/17. Accessed on February 16, 2019 at https://csbag.org/wp-content/uploads/2017/08/UNDERSTANDING-THE-FY-2016-17-GOVERNMENT-ADHERENCE-TO-NDP-II.pdf

131. Further, the abilities, capacity and work ethic and attitudes of public officials must also be seriously addressed.

Table 15: Progress on quality, effective and efficient service delivery

Development Indicators	Baseline 2012/13	Actual 2015/16	Actual 2016/17	Actual 2017/18	NDP Target 2017/18	NDP Target FY2019/20	Rating
Government effectiveness index.	-0.57	-0.49	-0.57	-0.58	-0.15	0.01	
Index of Judicial independence	NA	NA	NA	NA	NA	NA	
Public trust in the Justice system	NA	NA	NA	NA	NA	NA	
Corruption index.	2.9	2.5	2.5	2.6	3.6	3.7	

132. The government effectiveness index (GEI) captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The Uganda GEI stood at -0.49 in 2015 (ranked 122/193) and worsened to 130/193 in 2016 and further to 131/193 in 2017. Uganda has not performed well either on the control of corruption as measured by the Corruption Perception Index, an indicator of perceptions of public sector corruption, i.e. administrative and political corruption. Uganda scored 26 points out of 100 on the 2018 Corruption Perceptions Index (CI) reported by Transparency International. The Corruption Perceptions Index in Uganda averaged 24.96 Points from 1996 until 2018, reaching an all-time high of 29 Points in 2012 and a record low of 19 Points in 2001. While there has been improvement in CPI since 2012, progress has been very slow with the CPI stagnating at around 25 points, which is consistently lower than NDPII target of average of 33 points for the first three years of implementation.

Equity in distribution of NDP results

133. The NDPI MTR pointed to evidence of growth of income inequalities in Uganda supported by data from various sources including the UBOS national household survey of 2012/13 and the Human Development Report (HDR). For instance, the way incomes are distributed across individuals shows who benefit or miss out on the development opportunities available to society.

134. Uganda's HDR report 2013 revealed that inequality remains a major development issue in the country despite rising GDP and rising gross national income per capita figures. Both income and gender inequalities as well as multi-dimensional poverty have been rising since 2010. Uganda's inequality adjusted HDI in 2012 was 0.303, representing a significant fall[12] (33.6 per cent) in human standard of living due to inequality in distribution. Similarly, the same HDR indicated high levels of gender inequality (index 0.517) on the three dimensions considered in the assessment (maternal mortality and adolescent fertility rates, empowerment, and economic activity).

135. The UNHS 2012/13 findings indicated that while income inequality (measured by the Gini coefficient) significantly reduced from 0.426 in 2009/10 to 0.395 in 2012/13, it remained high in urban areas and in the Northern region. Women earned less than men in the formal sector. Women were less likely to participate in formal work but participated more in the household sector. Seventy eight percent of the household members who reported falling sick were taken care of by an adult female, only 10

[12] However, population data are based on estimates.

percent by a male adult. Overall, slightly above 10 percent of the children below eighteen years had a birth certificate. The Gender Parity Index (GPI) (a socio-economic index usually used to measure the relative access to education by males and females) level was less than one for both primary and secondary education (0.96 and 0.89 respectively) in 2012/13. Comparison of the 2009/10 and 2012/13 findings showed that this inequality has persisted in both primary and secondary level education in favour of the males.

136. Similar fears of rising inequality are echoed in the 2012 World Bank report on Promoting Inclusive Growth in Uganda. The report noted while it was commendable that NDPI rightly put an emphasis on the transformation of the economy into high productivity areas, value addition, the more concentration of economic activity could be a source of increasing inequality trends, and this needed monitoring. In particular, the report noted the need for targeted policies to address the economic exclusion of segments of the population with respect to education, other social services and access to credit. It recommended for s strong monitoring system for tracking equity of results around Uganda and to make the results framework for NDPII more focused on the distribution of the benefits and outcomes of development around the country.

137. Overall, during the NDPI implementation period, it was revealed that there was little reference to equitable development in the NDP while at the same time, there was little data collected on NDP / Vision 2040 performance indicators by region or district that could be used to analyse differences in developmental trends around the country. Therefore, there was need to improve data collection on disaggregated performance indicators and to put in place targeted interventions that would address any imbalances reflected in those trends as part of the NDP MTR.

138. Informed by NDPI MTR findings, NDPII introduced the topic of "inclusive growth"— the concept that 'nobody should be left behind'— as one of the guiding policy development concepts needed to direct more policy attention to elements of inclusive growth such as poverty, income distribution, increased employment and equality, which feature strongly in Vision 2040. Government recognised the need for inclusive growth not only because of human rights considerations or because of the fear that growing levels of inequality could undermine political and social stability in the country, but also because inequality can negatively affect the growth potential of a country. Lessons learned from countries that linked economic growth with reducing inequalities show that a strong focus on inclusive growth contributes to sustained long-term economic growth because

"…growth accompanied by progressive distributional change (whether market or public policy driven) is better than growth alone; high initial inequalities make poverty reduction more difficult; and reducing inequality (and investing in human capital development) has a positive effect on the long-term sustainability of growth, while the opposite is also true" (Raneiri, 2013: pp 4).

139. Available evidence on the equity in distribution of NDPII results particularly with respect to inclusive growth is based on the Framework for Inclusive Growth and Development (FIGD) of the World Economic Forum (WEF). The framework presents two sets of data—the Inclusive Growth and Development Index (IGDI) and An Inclusive Growth and Development Framework, which presents the underlying processes in society that contribute to inclusive growth (WEF, 2015). It is shown that

Uganda's overall score on Inclusive Growth had declined 4.2 % over the last five years (2010 to 2015) While there was an improvement on the cluster 'growth and development' of 6.3%, the index experienced a 14.9 % decline on the cluster 'inclusion' and a slight decline on the cluster 'intergenerational equity and sustainability' of 3.4 %. With this decline, Uganda finds itself in the 'watch out' group of countries that have an overall performance below the average score of 3.86 and a declining score over the last 5 years.

140. In the cluster 'growth and development', Uganda made progress on all indicators, but far below the planned growth targets for NDP 2. On 'Inclusive growth', there has been an increase in the income and wealth Gini coefficient from 0.41 in 2012/13 to 0.42 in 2016/17 showing an increased inequality in distribution of income and wealth in recent years. The poverty level increased by nearly 2 percentage points from 19.7% in 2012/13 to 21.4% in 2016/17[13].

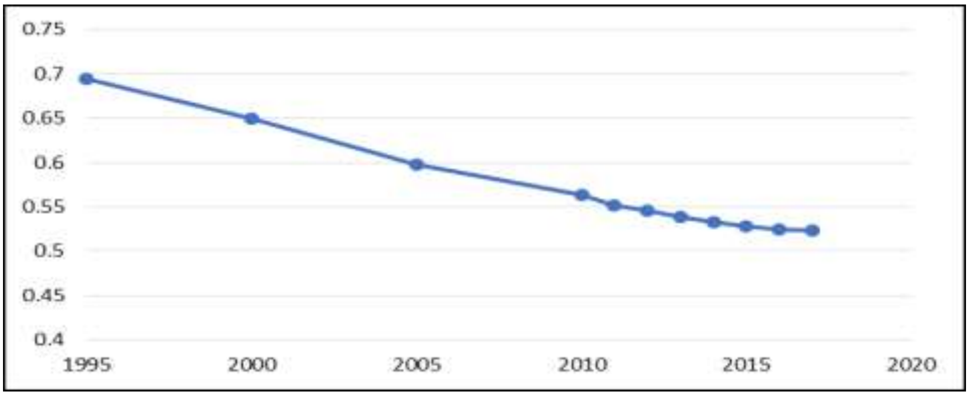
141. The HDR report for 2017 shows that Uganda's Inequality-adjusted Human Development Index (IHDI) stood at 0.370 in 2017, which represents a reduction of 28.2% of its overall score of 0.518 due to inequalities in society. This reflects the adjustment made based on inequalities in life expectancy, education, and income as compared to a complete equal distribution of these characteristics over the whole population.

142. Uganda has continued to improve its performance as registered by the Gender Inequality Index (GII), which reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity. Reproductive health is measured by maternal mortality and adolescent birth rates; the share of Parliamentary seats held by women and attainment in secondary and higher education by each gender measures empowerment; and economic activity is measured by the labour market participation rate for women and men.

143. Over the years, Uganda has recorded a slow but steady improvement in the GII since 1995 (see **Error! Reference source not found.**). Nonetheless, huge differences remain between men and women that negatively affect the economic growth potential of Uganda and need to be addressed as part of an inclusive growth Agenda. For instance, the adolescent birth rate (birth per 100 women aged 15-19) is 106.5 which is high above the average of 98.4 for low human development countries, while Uganda is on the other hand doing much better than the average low human development country on maternal mortality rate (334 versus the average of 554). Regarding mean years of schooling, females still lag far behind males (4.7 versus 7.2 mean years of schooling), as well as in the estimated GNI/capita (1,212 for females versus 2,108 $ in 2011 PPP for males).

13 For details, see Diagnostic Studies N° 3.1 to 3.5 to support the Mid-Term-Review of Uganda's 2nd National Development Plan (NDP-2) and evaluation of NDP-1: Inclusive Growth 3.2.

Figure 15: Trend in the Gender Inequality Index for Uganda 1995-2017.



Source: Source: http://hdr.undp.org/en/data#

144. Note that the 'Global Gender Gap Report (GGGR) 2017 of the WEF (WEF, 2017b), which considers economic participation, educational attainment, health and survival, and political empowerment dimensions, also confirms a similar slow positive trend towards gender equality over the years. Areas where big differences remain according the GGGR are, in addition to the ones mentioned above, the relative lack of female legislators, senior officials and managers and the lower level of secondary school attainment for women.

Challenges in assessing NDP progress on goals and objectives

145. A number of challenges have been experienced by this MTR in terms of assessing NDPII progress. Several of the same challenges were also noted in the MTR for NDPI and indeed in the final Evaluation of NDPI. There is however in some respects considerable improvement compared to the challenges noted for NDPI. Below, we analyse some of the main issues encountered. Some of these have already been highlighted in earlier sections of this report. It is also observed that many of these challenges have also affected the quality of the various NDPII related annual monitoring reports produced by the NPA, OPM, MoFPED and sector ministries.

Missing baselines and targets

146. A coherent performance and results matrix for the NDPII which defines intended results (outcomes) of interventions (inputs-strategies-outputs) was stated to be a key precondition for an effective M&E framework. The MTR observed various efforts made by NPA to draft and refine the NDP results matrix (various versions of this matrix were seen). A main weakness of the NDPI results framework was that many indicators did not have sound baseline data that could be used as a basis of judgement. This situation has largely been rectified in the NDPII framework. However a number of indicators still lack measurable annualised targets and has made assessment of the year by year progress for the NDPII difficult. Part of the problem is not the lack of indicators but the delay in producing timely statistics for use in the NDPII MTR.

Validity of progress indicators

147. Many NDPI results indicators were either proxy or indirect in nature and were found to be lacking in validity in determining actual progress. As in the case of NDPI the NDPII

MTR team also heard comments in many of our interviews that a good number of the indicators in the NDPII results matrix are not a sufficient measure of the desired progress.

148. It has also been noted that, given the difficulties of finding appropriate development related data in Uganda, many of the performance indicators used in the NDPII result framework were for lack of more appropriate measurable means of verifying progress on the selected targets. This is still the case for the NDPII MTR.

149. In many cases, indicators still have to be chosen based on what can be realistically found from existing national and global surveys and reporting frameworks (from UBOS and sector reports) and not on what is actually desirable to measure the specific progress. This same problem has been seen to affect the coherence in reporting done in the various government M&E frameworks such as the NDR and GAPR where process indicators (meetings, trainings, staff recruitment, designs and studies) have sometimes been used to represent progress on NDR results. The next NDP will need to devote continuous effort on coming up with more valid indicators at each results level including interim results indicators.

Un-matched reporting timeframes

150. In addition to the problem of limited validity of the indicator data, there is also the problem of un-matched timing in the release of the data required to monitor NDPII progress. This MTR still experienced difficulties in finding up-to-date data from UBOS surveys and other sources to validate progress on theme level results especially. Often, finding the data that matches the period under review was not possible, while in other instances the latest versions of the survey reports predated the current NDP (such as the case of the UNHS). It was observed that apart from the Statistical Abstract that is produced every year, the timing of many of the other vital UBOS surveys that are supposed to generate data for measuring progress on NDPII results is not adequately harmonised with the NDPII M&E framework. NPA and UBOS steel need to work more closely on this matter to ensure that the timing of the vital social economic surveys is adequately collaborated with the NDP reporting framework. However, we commendable both OPM and UBOS introducing the NSI.

Indicators lacking optimal level standards

151. As for the NDPI MTR and Evaluation the NDPII MTR has a difficulty with the relation between growth monitoring figures and specific desired growth levels. In this regard, it is notable that in the few areas where target indicators have been included in the NDPII results matrix, the basis for setting the respective target values could not be technically established and this has made judgement on progress on these values (either in the GAPR, NDR or in this MTR) more mathematical than objective. In some other cases the review has observed target values that were set too low or those that were set to remain constant for the entire period (e.g. teacher: students ratio) or those that set were to follow a worsening direction (e.g. growth in private sector credit).

152. Similarly as for the NDPI MTR and Evaluation the results matrix does not generally carry objectively determined optimal dimensions of income per capita that could be used to determine how performance relate to the required levels. In some areas it was evident that in setting the target values, the NDP results matrix followed more of the

targets that had been set by the respective sectors in their mid-term expenditure projections (and these were mainly resources constrained) than a vision-based objective criteria.

153. However, it has been noted that the Vision 2040 is set to significantly address this problem. This is because it sets specific destinational targets which should, in practice, determine how wide the annual strides for each sector/ priority have to be in order to reach the overall vision target by 2040. For example, the vision targets an average income per head level of USD 9,500 by 2040 (that is in 27 years) moving from the current USD 487. This target calls for a steady growth in per capita income of an average of USD 340 every year (or a more complex calculation could be based on a steady percentage growth rate rather than a simple actual rate). Based on this target, therefore, each NDP can make careful calculation of what annual targets it should set for itself ever year and in five years. A number of mathematical modelling criteria can be engaged to determine growth rates.

3.0 Assessment of Performance of Core Projects

Introduction

154. This section assesses the performance of core public investment projects. As mentioned in the introductory section of this report, the Plan aims to attain middle-income status by 2020 through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth. To achieve this goal, GoU shall pursue a private sector-led, export oriented, quasi-market approach, fast tracking infrastructure, industrialization and skills development strategies in order to achieve the objectives and targets for the 5 year period.

155. Assessing the performance on core projects cannot be done in isolation without looking at the development strategies identified in the Plan. As mentioned in the introduction section, NDPII listed nine development strategies— macro-economic stability with fiscal expansion for frontloading infrastructure investment, industrialization, fast tracking skills development, export oriented growth, public/private partnerships (PPPs), harnessing the demographic dividend, urbanization, strengthening governance, and integrating Key Cross-Cutting Issues into Programmes and Projects. The assessment of progress on these development strategies has been done in Section 3 and some of that analysis is used in this section.

NDPII MTR assessment of core projects

156. NDPII lists 39 core projects, which shall be implemented "to realize the Plan targets". Ten of these projects, i.e. 2/3 of the 15 NDPI projects, were carried over to NDPII. The slow implementation of core projects have been analyzed in NDPII, giving the below main reasons for low or non-implementation.

- Inadequate technical capacity in public service to prepare and implement such projects,
- delays in mobilizing project financing,
- procurement delays,

- absence of adequate institutional and/or legal frameworks
- Delays in enacting the public-private partnerships Bill.

157. NDPII names two important underlying reasons for the difficulties of implementation. First, it is argued that there was limited alignment of planning and budgeting instruments within the NDPI. Some sectors, Ministries, Departments and Agencies (MDAs), and Local Governments already had running Development/Investment Plans. This often led to a disparity between priorities and financial allocations of the NDPI and those of the Sectors/MDAs/LGs. For example, the National Public Investment Plan only contained eight out of the 15 core projects.

158. Secondly, the core projects lacked well-documented key milestones and proper prioritization and sequencing of development interventions. As an example: the establishment of an iron ore smelter was planned, but the necessary increase in energy generation and the establishment of a railway connection to back this up were not planned and sequenced in relation to the smelter.

159. In order to avoid a repeat of NDPI implementation problems the Office of the Prime Minister (OPM) establish important frameworks and platforms under NDPII aimed at ensuring that coordination of the plan covers implementation by the public actors, private actors and the Development Partners. OPM will ensure that the following sectors/functions will be coordinated under NDPII. a) Public financing and the resulting programming/MTEF; b) Private financing frameworks, including PPPs; c) Core projects in the national development frontier; d) Use of M&E findings to strengthen and inform implementation and coordination; and e) Real time tracking and inspection of works and services across government, including analysis and quality assurance of quarterly and annual work-plans. In addition, a Delivery Unit was established in the OPM with a fully functional technical team to fast track implementation of the core projects.

160. Despite measures taken in order to improve core projects implementation, the NDPII MTR has shown that considerable problems still exist. Apart from implementation delays as shown in table xx below, there have been problems in finding the actual state of the core projects under NDPII.

161. Weakness, including lags in available information, has rendered a precise assessment of progress of NDPII core projects difficult. This has proved a problem not only for the present MTR but for all analyses of NDPII progress including the EU NDPII MTR Diagnostic study[14]. In this NDP 2 MTR report we have used a number of documents as an input to the implementation assessment:

[14] *"The (EU) Consultant asked concerned Ministries' Planning Departments, during a meeting and by email, for an updated list of all projects by Sector. As at the time of drafting this report, it was not received. For some Ministries, a formal paper endorsed by NPA is necessary. The Core Team Coordinator (for the EU study) informed the Consultant that they would need only a list of Core Projects relevant to Final Evaluation of NDPI and Mid Term Review of NDPII that they will dealt with".* EU Draft Main Human Capital Development Report (3.1, issued 10th December 2018)

- EU Diagnostic study, Draft Main Human Capital Development Report 3.1, issued 10th Dec 2018

- The NDP I MTR as recorded in Annex 2, p269 NDPII

- NDPII core projects tracking report from the Prime Minister's Delivery Unit March 2017

- Government Annual Performance Report (GAPR - Financial Year 2015/16) draft Report Vol I

- Ministry Of Works and Transport, Annual Sector Performance Report, FY 2017/18 dated September 2018

- Economic Management Thematic Report Mid-Term Review of the Second National Development Plan 2015/16-FY2019/20, Prepared for the National Planning Authority, Draft dated 20th November 2018. (Appendix II: Implementation progress of Flagship Infrastructure Projects)

162. Since these documents contain data collected at different points in time, it is difficult to assess progress for all projects at any particular time. The results team has attempted to approximate status at the end of first Quarter 2018, which necessarily has meant that informed guesses had to be made.

163. In **Error! Reference source not found.** below the "Implementation Status" column shows the consultants' assessment of project status as at first quarter 2018. The "Comments" column gives additional information and notes whether the project has been continued from NDPI. The following categories of implementation status are used, occasionally with a second informative phrase:

- Planning – project listed and only preliminary steps towards implementation taken

- Design – project has been designed or implementation planned

- Feasibility – feasibility or pre-feasibility study conducted

- Procurement – some or all materials for the project has been procured

- Works contract – entrepreneur contracted. Start of works imminent

- Completion>X% - X per cent of the core project has been implemented. In some instances, because of uncertainty of the extent of implementation, an implementation span has been used e.g. X% - Y%. Completion>0% has been used in cases where material project implementation has started but it is difficult to characterize the extent of implementation.

Table 16: Assessment of progress of NDPII core projects

Area / Core project	Implementation status first Q 2018	Comments
Agriculture Priority Area		
1. Agriculture Cluster Development Project (ACDP)	Design, contracting	Early 2018. Finalized contract. Engaged firm to fast track contract implementation
2. Markets & Agriculture Trade Improvement Project (MATIP II)	Design	Rehabilitation of markets ongoing at different stages
3. Farm Income Enhancement and Forest Conservation II	Completion >20%	Construction of five irrigation schemes underway at various stages. Weighted completion =20% early 2018
4. Storage Infrastructure	Planning	GAPR report. Inspection of warehouses taken place early in NDPII
5. Phosphate Industry in Tororo	Completion>0%	**Continued from NDPI.** Works ongoing. Expect in operation late 2019
Tourism Development Priority Area		
1. Tourism Marketing and Product Development Project (Namugongo, Kagulu Hills and Source of the Nile)	Procurement	March 2017, OPM Procurement for Source of the Nile section. Slow progress for Namugongo etc.
Minerals, Oil and Gas Priority Area		
1. Hoima Oil Refinery	Design	**Continued from NDPI**. Agreement with four companies to ensure development design financing and construction operation and maintenance of the refinery
2. Oil-related infrastructure projects	Design	**Continued from NDPI.** After Front-End Engineering Design, final Investment Decision expected in FY 2017/18..
3. Albertine region airport	Feasibility	Feasibility. Master plan and detailed design for phase 1 airport
4. Albertine region roads	Works contracts signed	Contracts signed for package 1-3 2018. Package 4 at bidding stage mid 2018
5. Other oil-related support infrastructure	Design	
6. Mineral Development for strategic minerals	Planning, Project not formulated.	Identified strategic minerals; Iron ore, Gold, Cement
7. Development of Iron Ore and Steel Industry	Feasibility	**Continued from NDPI**. Pre-feasibility early 2017. UDC, NPA works on feasibility

Infrastructure Development Priority Area		
	a) Energy	
1. Karuma hydro power plant	Completion>50%	**Continued from NDPI**. Expect completion late 2018
2. Isimba hydro power plant	Completion >40%	**Continued from NDPI**. Completion expected late 2018
3. Industrial substations	Completion>0%	Project expected completion revised from 2019 to early 2021
4. Ayago hydro power plant	Feasibility	**Continued from NDPI**. RAP and land Acquisition undertaken 2018
5. Grid Extension in North-East, Central, Lira and Buvuma Islands	Completion 74% - 90%	Tororo-Lira 74%. Lira-Gulu-Agago 90%
6. Masaka-Mbarara Transmission Line;	Feasibility, RAP	Resettlement Action Plan 90% complete
7. Kabale-Mirama Transmission Line	Procurement	Procured EPC contractor and project supervisor
8. Grid Extensions including those for Region Power Pool	Completion>90%	Tororo Lira 74% Lira Gulu Agago 90%
	b) Transport	
1. Standard Gauge Railway	Design, feasibility	**Continued from NDPI**. Solicitation of funding ongoing
2. The Entebbe Airport Rehabilitation	Completion>46 %	ASPR 17.18: The overall progress on the expansion and modernization of Entebbe International Airport has reached 46%
3. Kampala-Jinja highway	Feasibility, pre-qualification	Feasibility study and pre-qualification approved by June 2108 for Kampala Jinja Expressway (77Km); and Kampala Southern Bypass (18Km).
4. Kibuye-Busega-Nabingo	Completion>0%	ASPR 17-18. Kibuye -Busega completed
5. Kampala Southern by-pass	Feasibility, Pre-Qualification	Feasibility study and pre-qualification approved for 95Km of Expressways by June 2018 Kampala Southern Bypass (18Km).
6. Kampala-Bombo Express highway	Design	**Continued from NDPI.**
7. Upgrading of Kapchorwa-Suam Road	Works contract awarded	
8. Kampala-Mpigi Expressway	Design, Bidding process ongoing	Project commencement is awaiting allocation of funds

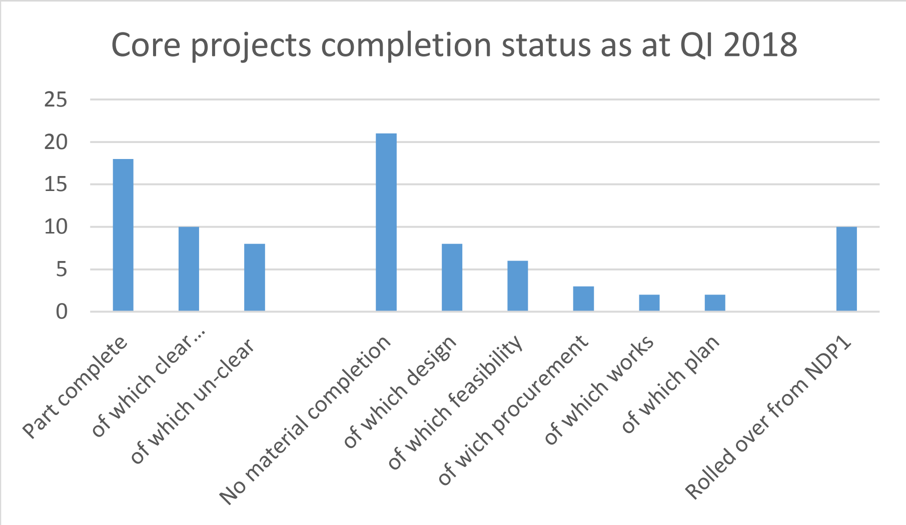
9. Rwekunye-Apac-Lira-Kitgum-Musingo Road	Completion >0%	Civil works are ongoing and the Specific Procurement Notices re- advertised early 2018
10. Road Construction Equipment	Procurement	
Human Capital Development Priority Area		
	a) Health	
1. Renovation of 25 Selected General Hospitals	Completion>80%	Of the 25 general hospitals expected to be rehabilitated, 21 were supported with funds for expansion and renovation
2. Mass Treatment of Malaria for Prevention	Completion>100 %	Early 2018, all six 'chase malaria' waves had been completed with over 38 million Ugandans receiving mosquito nets.
	b) Education and Sports	
1. Comprehensive Skills Development Programme	Completion>0%	**Continued from NDPI**, national non-formal skills development programme. Skill training agreements w. private sector. Rehabilitation ongoing
	c) Social Development	
1. Uganda Women Entrepreneurship Programme (UWEP)	Completion >50%	Credit to women 50% recovered
2. Youth livelihood Programme (YLP)	Completion>65%	Since commencement, 67% of the total amount loaned had been repaid.
Economic Management and Accountability		
1. Strengthening Effective Mobilization, Management and Accounting for the Use of Public Resources (SEMMA)	Completion>0% Programme ongoing.	
2. Revitalization of UDC and Recapitalization of UDB	Completion>0%	Legal framework amended 2016. UDC Bill has been prepared
I C T		
1. ICT National Backbone Project	Completion>0% Works ongoing	Fibre optic cables laid, transmission sites built

The state of core projects implementation progress

164. The lack of planned implementation time profiles and project cost makes it is difficult to characterize and summarize core projects implementation in any other way than using the number of projects. Still, this gives some status information as at the midpoint of NDPII.

165. Ten of the 39 projects listed as NDPII core projects were in fact continued from NDPI. One might question whether the roll-over of projects in this way is consonant with good planning. If NDPII has an overall different framework than NDPI and different aims, the "old" projects would not necessarily fit into the new frame, thus watering down the clarity and objectives of the NDPII. Figure 16 illustrates the status of implementation of the core projects as at Q1 2018

Figure 16: Core project complementation as at Q1 2018



166. There were 18 projects, a little less than half of all core projects, where some degree of completion (part complete) was recorded in early 2018. For eight of these, the degree of completion was uncertain (Completion>0%). Of the 10 where it was possible to state a certain degree of completeness only two were among the projects rolled over from NDPI. It appears than that "rolling over" has had little effect on the speed of implementation of former NDPI projects, which do not seem to have come much nearer to completion during the first half of NDPII

167. Of the remaining 21 projects where the team saw no sign of material completion, two were at the very early stage of "Planning". One of these were "Mineral Development for Strategic Minerals". This project had in fact not been formulated as a core project. It was rather described as an action area. Another *eight* were in a "Design" stage. *Six* were at the "Feasibility" stage. *Three* were at the procurement stage. *Two* were at the "Works" stage.

168. Looking forward it appears fairly clear that given the increase in the number of core projects for NDPII there is no chance that they can all be completed before the end of the Plan period, although ten of the projects are rolled over from NDPI. It appears that the large number of projects have contributed to blunt the focus of the NDPII.

169. Still, it may be a positive sign that nearly half of the NDPII core projects were assessed to have started *some* degree of material implementation. In the Human capital development area there are indications that all the seven projects listed have entered into some stage of material implementation or have been completed (as in the case of Mass Treatment for Malaria Prevention.) Also for the eight projects under the Energy sector, five were reported with a certain degree of implementation.

170. Over half of the projects were however at various preparatory stages (i.e. Planning, Design, Feasibility, Procurement or Works as used in the table above). For the Minerals, Oil and Gas priority areas this tendency was clearest since all the seven-listed project could be described as being in a "preparatory" stage. The infrastructural projects under the transport sector also seem to have made little headway, seven of the ten projects listed being at the "preparatory" stage. For the Agriculture and Energy sectors the situation seemed a bit better with less than half the listed projects "preparatory".

Possible Reasons for Slow Core Projects Implementation under NDPII

171. One main reason for slow or non-implementation are the budget releases. According to the EU KE1 final report: The Certificate of Compliance for the annual budget FY2015-16 showed that for agriculture core projects there was a poor record of budget releases, the Agriculture Sector being only 50.5 percent compliant. The approved annual budget for the first three quarters was Ugsh542.5 billion, of which only Ugsh274.1 billion was released over this period. This is below the required release of at least 75 percent for the sector to be on course.

172. Another issue is that annual targets are missing for both the NDPI and NDPII performance indicators, making it difficult to assess progress. The EU study notes that a few targets appear strange because they show less ambitious performance than current levels and proposes to aim to measure fewer things, making sure that good data are available.

173. The constraints noted by EU and other observers is extensive. Perhaps the most serious reasons for slow implementation are the land related constraints, others are of a more general nature:

Land related constraints

- Inadequate preparedness to respond to natural disasters
- Limited involvement of non-state actors especially during implementation (to which could be added and not during planning)

Others apply to most if not all sectors:

- Limited alignment of planning and budgeting instruments with the NDP
- Limited prioritisation and poor sequencing of interventions
- Inadequacies in the NDPII results framework
- Limited financing of NDPII
- Weak public sector management
- Limited integration of cross-cutting issues

174. Needs, objectives and challenges facing PP&UD remain largely as described in NDPI and many are carried over to NDPII as they were not achieved during NDP-I. If anything, the needs and challenges to social and economic development have increased as rapid urbanisation continued in the on-going absence of adequate support for

institutionalised planning and development control[15]. Pre-requisites for NDP Implementation Several NDP core projects 'work-in-progress' over the last 8 years were mainly due to limited readiness-to-start. PPP arrangements remain complex and government is locked in challenges of slow contracting, land compensation among others.

175. NDPII has however managed to prioritise core projects for implementation and has provided an element of focus and common understanding and agreement of some major development priorities. The EU study argues that several of the core projects are likely to remain work-in-progress by 2020. Lessons are being learned and it will be possible to more carefully select priority projects for the next NDP-3.

176. The effects of the lacking implementation of core projects was foreseen by NDPII making a very relevant comment on the success, failure or challenges related to PP&UD. "Inadequate spatial analysis and representation in the Plan: NDPI did not adequately analyse and spatially represent the strategic planned interventions. This contributed to continued low levels of the country's competitiveness. Infrastructure plans did not connect to areas of high resource potential, and there was inadequate spatial integration of transport and modal connectivity. Consequently, industrial development remains functionally inefficient, costs of production are high, resources are wasted and potential synergies which could lead to increased output are not realised."

177. This is a very telling comment and reinforces the need to elevate physical (spatial) planning to a higher cross-cutting level fully integrated with economic planning.

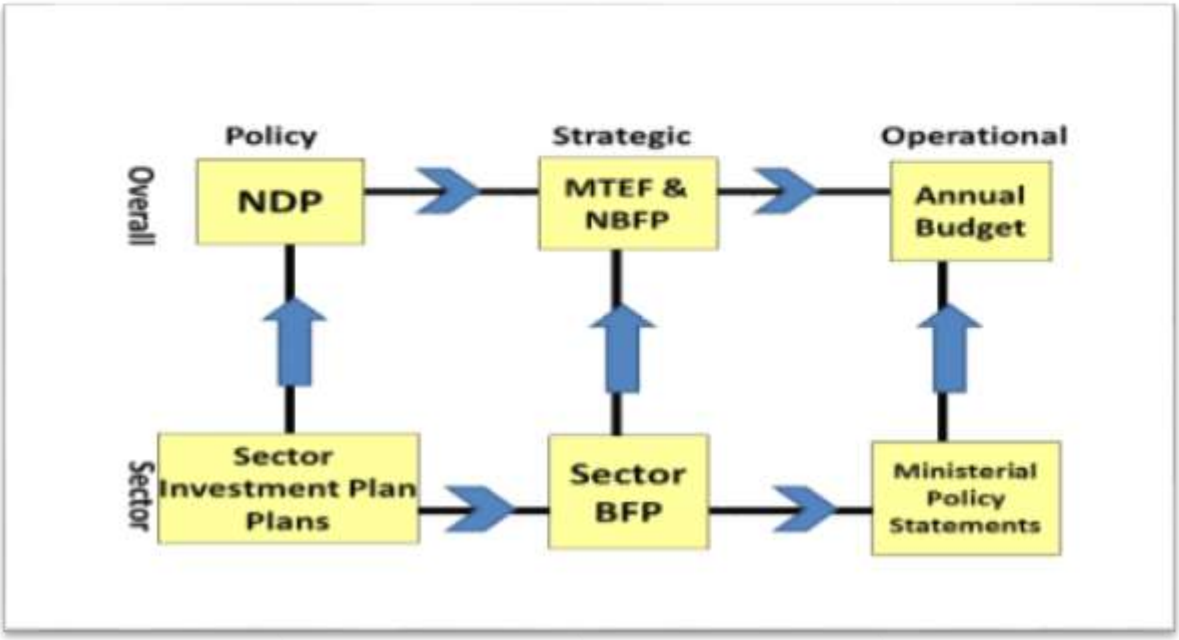
4.0 Assessment of Financing Performance of NDPII

Introduction

178. This section conducts a review and analysis of NDPII financing by exploring the linkages between NDPII and the budget following the framework for linking policies and plans to the budget illustrated in Figure 17. The Annual budget (AB) is an estimate of Government revenue and expenditure prepared annually. It is the main tool by which Government allocates resources to implement its plans and address emerging policy priorities. The Budget Framework papers (BFPs) and Medium Expenditure Framework (MTEF) translates policies into implementable plans. The MTEF is a framework linking policies and plans to the budget. It rationalizes plan with finances in an integrated manner there by reducing the imbalance between what is affordable, available and expenditure requirement. It sets fiscal policy and macroeconomic targets and the hard budget constraints. On the other hand, the BFP is the Government budget strategy document linking Government's overall policies and plans to the budget.

[15] SIEA 2018 Lot 1 SOGEROM Consortium Request 2018/398306 – Final Report

Figure 17: Linkage between the NDP and the Budget



Source: MFPED Presentation titled "Linking the Budget to the National Development Plan"

179. A main challenge for resource allocation in Uganda is the limited resource envelope vis-à-vis increasing demand for resources. Other challenges are the balance between financing of productive sectors vs. other enabling/supporting sectors; poor prioritization of resource allocation at the sectoral level and allocative inefficiency. These challenges make it hard to effectively map the budget to the NDPII.

180. The analysis in the below sub-sections is an attempt to understand NDPII funding requirements, which were identified during the preparation of the Plan, and how these are reflected by actual allocations to date, both in total terms and by sector. We compare actual funding with budgets for each of the ATM sectors and the development fundamentals, including funding for other enabling sectors and crosscutting issues. We compare budget allocations with actual releases of funds for the first part of the NDPII period and compare the amounts of on-budget and off-budget financing by sector. We conduct a general analyses of outputs compared to funding, the balance of spending on administration and service delivery and allocations of funds to local governments. The section finishes by assessing the scope for raising additional funds for NDPII implementation and how some of the challenges for allocating funds more effectively to NDPII priorities might be addressed.

181. The analysis in this section relies primarily on secondary data from MDAs/Sectors. Additional data are provided the Budget Monitoring and Accountability Unit (BMAU) and Uganda Bureau of Statistics (UBOS) and pertain to key outcome indicators that are not currently captured in the BFPs, Ministerial Policy Statements, and explanatory information that detail the reasons for variations in performance.

Analysis of funding as set out in the NDP

182. The NDPII document (Table 5.6, page 139 and annex 4) estimates the overall cost of the plan at approximately UGX 196.7trillion. The Plan was to be financed by both

public and private resources, with about 57.8 percent Government and 42.2 percent private contributions. Government funding was to constitute a total of UGX 113.7 trillion while UGX 83.0 trillion was to come from the private sector. Public financing sources were to include external financing namely, budget support, concessional loans, semi-concessional borrowing, non-concessional borrowing; domestic financing, namely bank financing, Bank of Uganda, Commercial Banks; and non-banking financing. The non-public sources of financing were to include: Public-Private Partnerships (PPP), direct private sector investments (domestic and foreign) and CSO contributions. **Error! Reference source not found.** sets outs the total estimated cost for the plan from the different sources by sector.

Table 17: NDPII Total Costs 2015/16 – FY2019/20 (UGX, Billions)

Final Medium Term Expenditure Framework		**Public** *(UGX, Billions)*		**Private** *(UGX, Billions)*		
	Total *(UGX, Billions)*	**Amount**	**%**	**Amount**	**%**	**GoU Allocations**
Agriculture	6,694	4,626	69.1	2,067	30.9	3348
Lands, Housing, Urban Dev'ment	845	704	83.3	141	16.7	562
Energy & Mineral Development	16,455	15,148	92.1	1,306	7.9	6399
Works & Transport	42,557	21,246	49.9	21,311	50.1	16551
Information & Comm., Technology	1,426	300	21.1	1,125	78.9	339
Tourism, Trade and Industry	3,280	1,018	31.0	2,262	69.0	584
Education & Sports	23,632	16,786	71.0	6,846	29.0	10109
Health	25,467	11,985	47.1	13,482	52.9	6979
Water & Environment	2,077	2,077	100.0	0	0	2944
Social Development	16,034	418	2.6	15,616	97.4	735
Defence & Security	18,372	8,529	46.4	9,842	53.6	8013
Justice, Law and Order	5,784	5,684	98.3	100	1.7	6204
Public Sector Management	12,315	7,910	64.2	4,404	35.8	5552
Legislature & Accountability	4,589	4,589	100	0	0	7378
Public Administration	8,365	3,839	45.9	4,525	54.1	3537
TOTAL BUDGET	196,675	113,644	57.8	83,031	42.2	79238

Source: NPA - NDPII costing simulation and MoFPED (Annual budget performance reports and National budget framework papers)

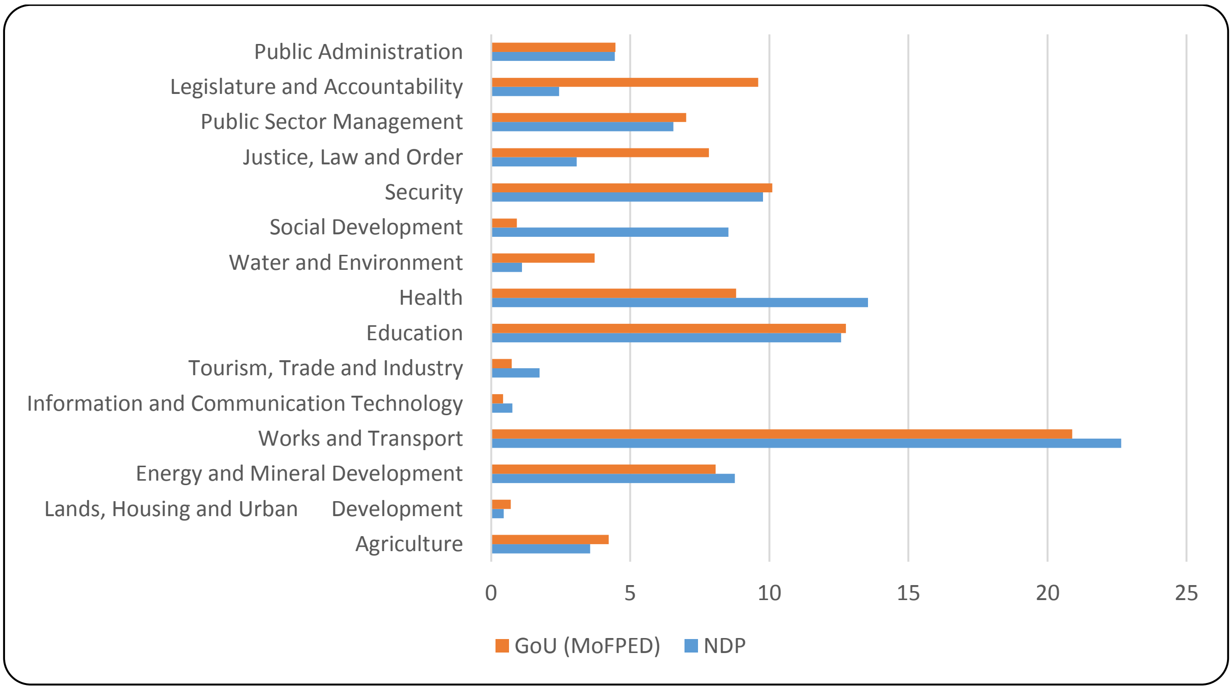
183. According to the NDPII budget allocation, works and transport gets the largest share at 22 percent, followed by health and education all at 13 percent and 12 percent respectively. Lands, Housing & Urban Development gets the least share at only 0.4 percent of the NDPII budget. The five priority areas which include three growth opportunities and two development fundamentals all together comprise 68 percent of the total NDPII estimated cost.

Comparison of NDPII estimated costs and Actual Budget Allocations by sectors

184. Using data from MFPED, we carried out a comparative analysis between NDPII budgets and the Actual allocations by government of Uganda. This analysis is summarized in **Error! Reference source not found.** and **Error! Reference source not found.**. **Error! Reference source not found.** compares the GoU on-budget allocations to sectors over the period 2015/16 to FY2019/20. The figure shows a mismatch between government allocation and NDP budget estimates with exception of sectors such as public administration and education. The figure reveals that government budget significantly surpasses NDP budget allocation in sectors such as legislature and accountability, justice, law and order, and water and environment. On the other hand, the NDPII budget estimate exceeds the government budget in sectors such as health, social development, works and transport, energy and mineral development, and tourism, trade and industry. It is important to note that, regarding health, legislature, works and transport that similar results were found in the Mid-Term Review of the NDPI.

185. However, analysis in **Error! Reference source not found.** may only paint an inaccurate picture of the NDPII costing and actual funding since it does not consider off-budget funding and private sector contribution. Sectors such as health and social development are known for attracting a lot of funding from development partners in the form of off-budget support. The funding gap shown in such sectors may be not as large as is indicated if such funding is taken into consideration.

Figure 18: Comparisons of 5-year GoU on budget sector allocations for MoFPED and NDP



Notes: The figures represent GoU on-budget data. MoFPED figures are based on actual releases for 2015/16, FY2016/17 and 2017/18 and approved budgets thereafter.

186. Table 18 tracks the funding of the plan on a yearly basis and compares the NDPII budget and actual budget allocations from 2015/16 to 2017/18. The table shows significant

differences between sector allocations in the NDPII and in the Actual budget allocation by the GoU. At 5 percent of the NDP budget, social development exhibits the biggest funding gap while legislature and accountability attracted funding beyond the NDPII budget (129 percent). Overall, budget allocation to different sectors amounts to only 23 percent of the NDP budget. All the five development priority areas have so far received less than 50 percent of the NDP budget in terms of actual budget allocation. Works and transport, the sector with largest share in NDPII budget has only received 19 percent on-budget funding. However, the real funding accruing to the different sectors is expected to be higher than the percentages estimated here since this analysis does not cater for off-budget funding and private sector funding.

Table 18: Comparison of NDPII estimated costs and Actual Budget Allocations by sectors

	NDP Budget (UGX billion)				**Actual allocation (UGX bil)**				
Sectors	**2015/16**	**2016/17**	**2017/18**	**Total**	**2015/16**	**2016/17**	**2017/18**	**Total**	**% of NDP**
Agriculture	1,199	1,309	1,347	3,855	354	600	625	1,579	41
Lands, Housing and Urban Development	166	187	198	550	71	61	49	181	33
Energy and Mineral Development	2,843	3,125	4,171	10,140	364	454	392	1,210	12
Works and Transport	10,646	11,629	12,429	34,704	2,029	2,157	2,347	6,533	19
Information Communication Technology	303	287	267	856	20	33	70	123	14
Tourism, Trade and Industry	732	561	694	1,986	80	97	108	285	14
Education and sports	3,538	3,919	4,514	11,971	516	2,042	2,112	4,670	39
Health	3,907	4,582	4,920	13,409	499	917	911	2,327	17
Water and Environment	547	593	288	1,428	210	332	398	941	66
Social Development	3,628	3,086	3,112	9,826	84	194	172	450	5
Defence and Security	3,272	3,307	3,736	10,315	1,074	1,085	1,119	3,278	32
Justice, Law and Order	1,054	1,014	1,125	3,194	1,029	1,068	1,120	3,217	101
Public Sector Management	1,991	2,197	2,763	6,951	291	837	931	2,059	30
Legislature and Accountability	1,377	743	840	2,960	1,263	1,266	1,302	3,831	129
Public Administration	913	686	818	2,417	754	519	563	1,835	76
Total	**36,117**	**37,223**	**41,222**	**114,561**	**8,638**	**9,019**	**8,863**	**26,520**	**23**

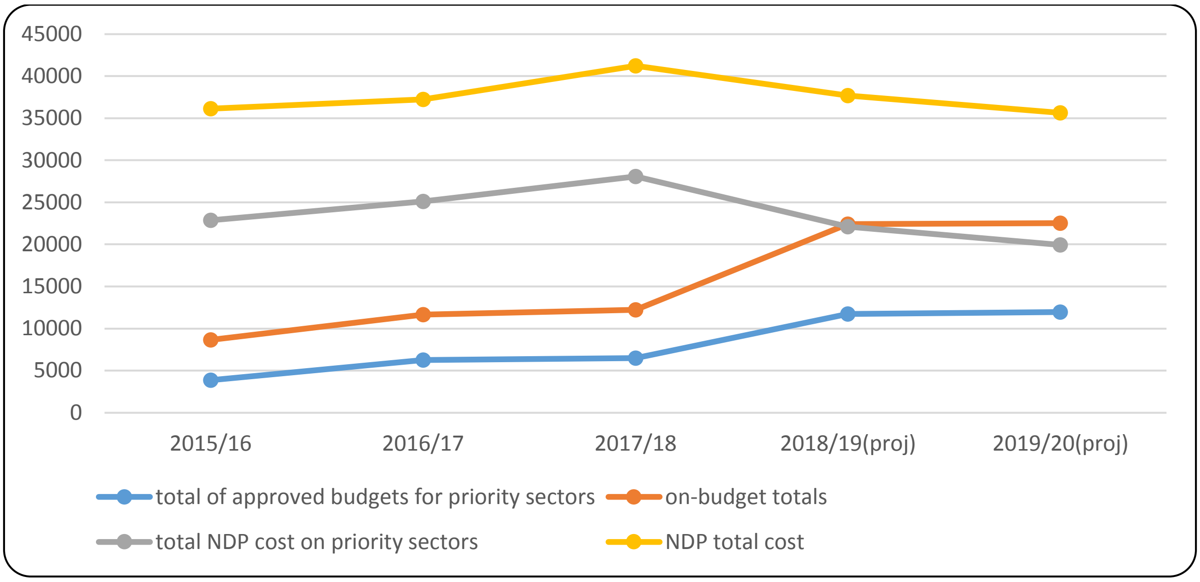
Source: NPA - NDPII costing simulation and MoFPED (Annual budget performance reports)

Trends in Fund Allocation

187. Figure 19 illustrates the trend of the total NDP costing and the budget allocation by MoFPED. Figure 20 shows the extent of GoU on-budget funding required (in the case of NDP figures) and available (in the case of MoFPED figures) while it also caters for the total funding to the five selected priority areas. **Error! Reference source not found.** shows that in the next two years, total NDPII cost and the cost of the priority areas will gradually decline. On the other hand, on-budget financing for the NDPII is predicted to

increase gradually. Such trend perhaps may help to cover up for the financing gaps recorded in the first phase of the NDPII.

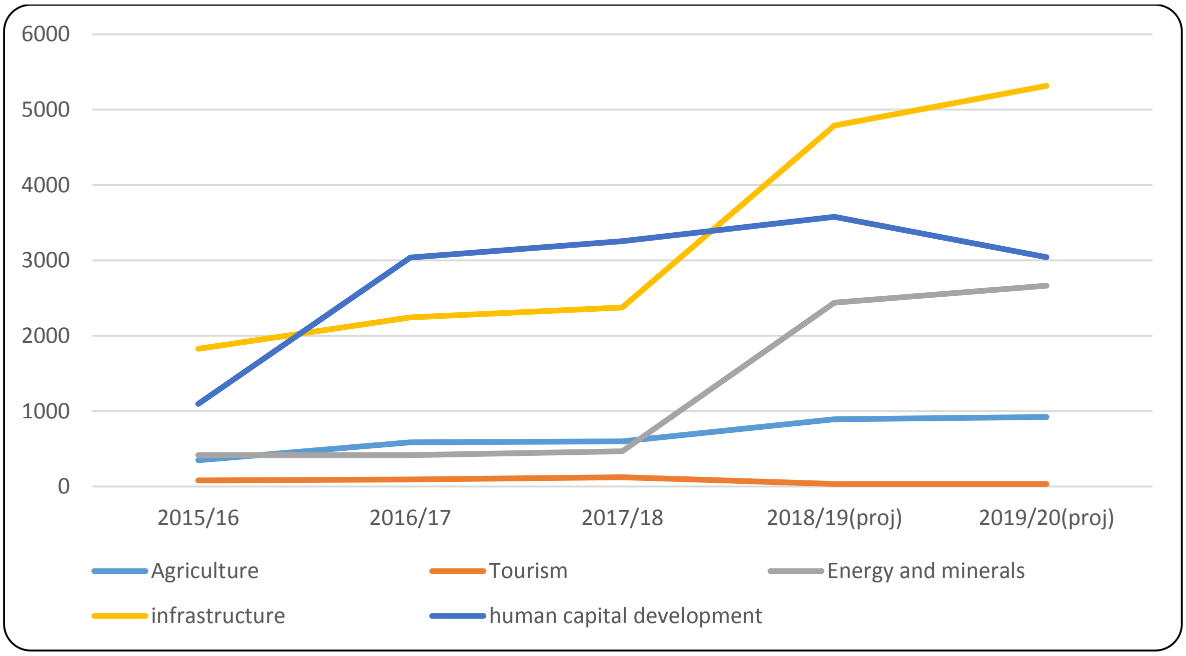
Figure 19: Trend of annual finances for GoU on-budget financing and NDPII costings



Source: MoFPED

188. Focusing on each priority area, on-budget funding for Energy and Mineral and infrastructure development is expected to rise much faster between 2017/18 and FY2019/20 increasing by 471 percent and 124 percent respectively. Funding for agriculture will also grow by at a lower rate (56 percent) than that for Energy and Mineral and infrastructure development. On-budget funding for Human capital development is predicted to decrease between the financial year 2018/19 and FY2019/20 while that for tourism will remain low and stagnant.

Figure 20: Trend of annual finances for GoU on-budget financing for NDPII priority areas



Source of the data: MoFPED (Annual budget performance reports and National budget framework papers)

MTEF budget performance

Comparison of budgets and actual releases

189. The amounts in the on-budget MTEF each year differ from the amount actually released during the year as illustrated by **Error! Reference source not found.**. Overall, the amount finance released for 2015/16 and FY2016/17 amounted to 104 per cent of the budget while that for 2017/18 amounted to 108 percent. Although these figures do not show significant deviation from the budget, a closer look at the sectors reveals significant inequality in the budget release. For example, while the average budget realise for Lands, Housing and Urban Development, and security for the three years period stands at 144 percent and 122 percent respectively, that for social development stands at 81 percent and ICT stands at 90 percent. This signifies that sectors such as Lands, Housing and Urban Dev and security have continued to enjoy supplementary budgets at the expense of other sectors such as social development.

Table 19: Comparison of the budgets and actual releases

	2015/16			2016/17			2017/18		
	Budget	**Release**	**% Release**	**Budget**	**Release**	**% Release**	**Budget**	**Release**	**% Release**
Agriculture	354	348	98	600	588	98	625	599	96
Lands, Hous'g , Urb Dev.	71	65	92	61	77	126	49	104	214
Energy and Mineral Dev.	364	418	115	454	414	91	392	466	119
Works and Transport	2029	1828	90	2157	2244	104	2347	2376	101
ICT	20	17	88	33	31	93	70	63	90
Tourism, Trade, Industry	80	80	100	97	94	97	108	124	115
Education	516	526	102	2041	1991	98	2112	2126	101
Health	499	504	101	917	922	101	911	965	106
Water and Environment	210	193	92	332	302	91	398	420	105
Social Development	84	68	81	194	125	65	172	165	96
Security	1074	1347	125	1085	1175	108	1119	1479	132
Justice, Law and Order	1029	1169	114	1068	1098	103	1120	1245	111
Pub. Sect. Management	291	289	100	837	1056	126	931	1013	109
Accountability	892	838	94	796	866	109	819	832	102
Legislature	371	429	116	470	524	112	484	561	116
Public Administration	754	898	119	519	576	111	563	692	123
Grand Total	8638	9018	104	11661	12084	104	12292	13301	108

Source: MoFPED (Annual Budget performance Reports)

190. From **Error! Reference source not found.**, it is observed that GoU on-budget financial releases to sectors have totalled UGX 9 trillion in 2015/16, UGX 12.1 trillion in FY2016/17 and UGX 13.3 trillion in 2017/18, signifying steady increase in on-budget

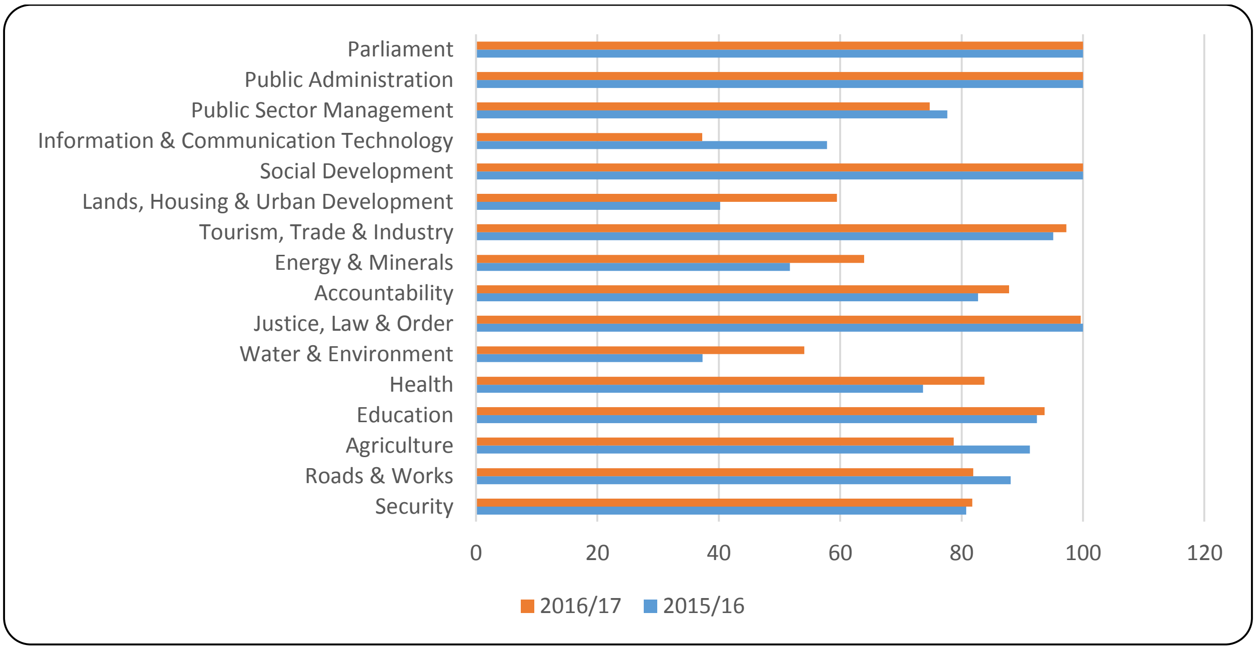
realise towards NDPII. Approved annual budgets as set out in the Background to the Budget 2018/19 and 2019/20 have also risen to risen to UGX 22 trillion in 2018/19 and UGX 23 trillion in 2019/20. These allocation are promising given that NPD2 costing indicate a slight decline in the required budget in those years. In very broad terms, these allocations are in-line with projections made at the time of the NDPII preparation.

191. Analysis for off-budget funding is limited by lack of data on the releases of such funds. However, using the expenditure figures, off-budget expenditure towards NDPII totalled to UGX 4.4 trillion in 2015/16 and UGX 2 trillion in 2016/17, signifying more than 100 percent reduction. This therefore implies need to mobilise more off budget funding for NDPII. Figures for private sectors contributions are difficult, if not impossible, to ascertain, but still there seems to be no evidence that UGX 83 trillion will be raised by the private sector. A better system is needed going forward to plan for and measure the private sector financial contribution to national development.

On-budget financing versus off-budget financing

192. On-budget financing comprises of GoU recurrent and development expenditure and DP development expenditure, which are recorded in the MTEF. Off-budget financing relates to DP development expenditure, not recorded in the MTEF. Off-budget finance does not currently include finance provided by NGOs or by the private sector. Figure 21 gives an indication of the importance of off-budget financing by the 16 MoFPED sectors for the two years 2015/16 and 2016/17. For the two financial years, water and environment, Land, Housing and Urban development, and ICT are among the sectors with lowest proportion of on-budget financing.

Figure 21: On- budget financing as a percentage of total financing



Source: MoFPED (Annual Budget performance Reports)

Analysis of funding allocation to local governments

193. Initially, funding was allocated to local governments in Uganda for 8 of the MoFPED sectors – agriculture, works and transport, education, health, water and environment,

social development, public sector management and accountability. However, of recent, funding for accountability has been combined with legislature and is therefore difficult to isolate. For this reason, we consider the 7 sectors. **Error! Reference source not found.** sets out on-budget funding to local governments for the past three financial years.

Table 20: Trend of local government funding by GoU

SECTOR	2015/16	% of budget	F2016/17	% of budget	2017/18	% of budget
Agriculture	30.2	8	50.2	9	50.7	8
Works & Transport	35.5	2	22.8	1	22.8	1
Education & Sports	1,292.1	71	1,384.9	70	1417.3	67
Health	334.5	40	340.4	37	336.3	35
Water & Environment	68.2	26	59.7	20	63.3	15
Social Development	7.1	10	7.5	6	11.5	7
Public Sector Manag.	550.1	66	772.6	73	740.2	73
Total	**2318.05**	**38**	**2638.43**	**36**	**2642.1**	**34**

Source: MoFPED (Annual Budget performance Reports)

194. **Error! Reference source not found.** shows that the amount released to the local governments has steadily increased from UGX 2,318 billion in 2015/16 to UGX 2,642 billion in 2017/18. Overall, the table shows a declining trend in the proportion of the budget allocated to local governments from 38 percent in 2015/16 to 34 percent in 2017/18. With the exception of Public Sector Management, the reduction cuts across all the other sectors. This can be partly explained by increased spending on national infrastructure projects, but it does imply a further squeeze on local government funding at a time when service delivery is very challenging at the local level.

195. It is therefore important that the trend of local governments funding is reversed to reflect increment so as to facilitate service delivery. It is however exceptionally difficult to get data to the hypothesis that increased local government funding results in better service delivery.

Financing the achievement of NDP results

Scope for raising additional financing

196. As indicated earlier, there are significant funding gaps as regards implementation of the NDPII, which need to address if the plan is to achieve the desired goals. It is therefore worth thinking about innovative funding models to raise extra money for national development. These models might include:

- Exploring different sorts of public private partnership financing models, expanding those models which prove to be the most successful in Uganda;
- Setting up a National Development Fund to finance priority projects, or more specific funds for cross sector initiatives related to agricultural transformation, skills development, tourism development etc.;
- Piloting donor budget support to local governments to support development at the local level, as has been tried for example in Sierra Leone.

5.0 Coherence and Realism of the Results Framework

Introduction

197. In above sections we have considered the progress of implementation measured by the various indicators included in the results framework for NDPII. Another related question is however whether this framework as set out in a coherent and realistic way. This section considers some features of the *internal* coherence and realism of the NDPII results framework, goals and objectives. We then consider the coherence *between NDPII and the Vision 2040*. Finally, regional and *international agreements, and development framework* such as the East African Community (EAC), East African Monetary Union (EAMU), SDGs and the Africa Agenda 2063 are examined.

Coherence and realism of NDPII goals and objectives

Realism of the overall goal

198. The goal of NDPII is to attain *middle-income status by 2020.* This is thought to be achieved through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth. Government "shall pursue" a private sector-led, export oriented, quasi-market approach, fast tracking infrastructure, industrialization and skills development strategies in order to achieve the objectives and targets for the NDPII five year period.

199. While it is not possible, in terms of logical coherence, to fault a plan where middle income status may be achieved on the basis of the described sub goals and with the described policy approaches and strategies, one can severely doubt the realism of the stated objective.

200. A brief look at the numbers that most likely were known at the time of preparing the NDPII shows that with the going population growth rate of around 3% p.a., the GDP growth rate would have to be at around 8% to attain the goal of a middle income status. This would mean that growth in Uganda would have to be in line with African exceptions like Ethiopia. Growth rates in Ethiopia and other fast growing countries however was based on initial previous massive investments. Anything similar did not take place in Uganda and could not have been realistically foreseen in Uganda at the time. The mid-term review of NDPI had already revealed that even the core investment projects were *severely* below planned levels.

Goal and development objectives

201. The Plan's four objectives, dealing with sustainable production, stock and quality of infrastructure, human capital development and quality and efficiency in service delivery are, at the level of logic, sufficient to achieve the overall goal. However, looking at international comparisons, several of the indicator targets set for the objectives listed in table 4.1 p101 of the NDPII document seem to be overly optimistic.

202. The strategies to be pursued (4.4 development Strategies p 103) also at the level of logic could be said to be fully coherent with the four objectives to be pursued. However, considering the realism of implementing a number of these strategies at the same time

there are some serious doubts when considering the actual experience of the NDPII at the midterm:

(i) The fiscal expansion to be implemented in order to front load infrastructure investment appears considerably higher than what could be expected to be realized. In particular this can be expected to be hard while maintaining macroeconomic stability. The experience so far, for instance in terms of the core projects examined in section 4 above, seems to stress the near impossibility to implement this strategy.

(ii) The strengthening of governance as a strategy is clearly important but it appears unlikely that a strong improvement could take place when most of the internationally comparable indicators (such as the Worldwide Governance Indicators) when key sub indicators such as government effectiveness and corruption have shown a clear worsening over the years when the NDPII were under preparation (and indeed the years after). The measures proposed to improve the situation in terms of corruption and government efficiency has not appeared to be strong enough to effect the evils.

(iii) The stress on cross cutting issues and social services is laudable but it is likely that these will compete with the investment needed to the economic growth needed to attain middle income status at the end of the NDPII. Although it is clear that strong efforts to tackle gender issues, HIV/AIDS, environment, nutrition, climate change, human rights, social protection and child welfare will be important growth factors, “investment” in these are not likely to have positive effects in the medium term such as the NDPII period.

Coherence and realism of NDPII results framework with Vision 2040

203. The Uganda Vision 2040 sets out a clear framework and plan for all five year plans as well as a 10 year plan. The strategic implementation framework also links to the NDP results frameworks. The NDPII frameworks, like other planned NDPs, provide the mechanisms through which Vision priorities can be operationalised. The NDPs are set up as drivers of the overall strategic direction towards the Vision 2040. The NDPs will also influence the allocation of resources in the MTEF. Sector master plans within the framework of the Comprehensive National Development Planning Framework (CNDPF), as adopted by Government in 2007, and strategies will feed into the NDP, but will also be influenced by the NDP.

204. In many ways the Uganda Vision 2040 with all its clear strategies and indicators is more than what normally is considered a “Vision”, in fact it has many characteristics of the “Plan”. It is important for planners to have in mind that the Vision can only be an approximate picture of a desired state of being in the future. It should not be mistaken for a Plan but give a broad direction to be followed by so far prepared and implemented plans and those to follow.

205. There is thus a clear coherence between the NDPII results framework and Vision 2040. The two documents are targeting nearly the same results, albeit with different indicator dimensions as a result of more relevant indicators available at the time of NDPII preparation than those available in 2006-7 when the Vision document was prepared. The results targeted by both NDPII and the Vision 2040 include: per capita income, per cent of population below the poverty line, GDP, per cent share of national labour force

employed, manufactured exports as a per cent of total exports, per cent population with access to electricity; per cent population with access to safe piped water, per cent of standard paved roads to total road network, per cent of cargo freight on rail to total freight, per cent level of urbanization, life expectancy at birth and literacy rate.

206. The core projects included in the NDPII clearly relates to the strategic direction of Vision 2040, although as noted above, having kept the NDPI core projects in the list may serve to blunt the focal sharpness of NDPII.

207. The Vision (finalized only after the preparation of NDPI) suggested (in the proposed sequencing shown in figure 7.2 pp 118 of the Vision document) that priorities for NDPI would be Water for production, Oil and gas, ICT business and Public service reform. This was followed up quite closely.

208. For NDPII the Vision's proposed priorities were the core growth areas of agro-industries, ICT, Iron and steel, Fertilisers, Oil and gas, and R&D and innovation. This has clearly been taken on board in the NDPII. The current Plan has also been influenced by the World Bank (2012) report of inclusive growth, suggesting that four aspects of the next NDP might be agricultural transformation, human capital transformation, across-space economic geography and increased urbanisation. These four potential 'pillars' have a relatively strong link with the Vision 2040, and a stress on equitable and sustainable development.

209. It remains to be seen whether NDP3 will follow the sequencing proposed by the Vision and take on machine tools, fertilisers, petro chemicals, modernization of industries, iron and steel and R&D innovation. These fields will need to be considered carefully before the NDP3 follows the suggestions of the Vision.

Coherence of NDPII framework with SDGs, EAC, EAMU, African Agenda 2063

Introduction

210. As the country moves into the second five year plan under Vision 2040, it needs to craft strategies and projects that fully embrace the unfolding global opportunities as well as take cognizance of the development obligations such as those of the post 2015 Global Sustainable Development Agenda, the East African Region Integration protocols, African Agenda 2063.

Sustainable Development Goals (SDGs)

211. Uganda's planning authorities have clearly seen it as important that the NDPII is fully coherent with the SDGs. Uganda held the Presidency of the UN General Assembly during the debate, adoption and launch of the Post 2015 Sustainable Development Goals (SDGs). The NDPII expresses that Uganda is now in a uniquely advantageous position to lead by example by adopting and localizing the SDGs, and implementing projects geared towards achievement of the SDGs, particularly those that fit within the current national development obligations as well as East African Regional Integration and African Agenda 2063 development commitments.

212. In NDPII's section 3.3 "International, Regional and National Development Obligations" most of the goals of the SDG are examined showing how they are relevant and important for the NDPII

213. The SDG is in line with the Plan's macroeconomic framework assumptions and projections. The full list of the SDGs' goals and targets is shown in the Annex 3 of the NDPII. The SDGs which have been integrated into NDPII will form a platform for mobilizing resources to implement and monitor achievement in line with the goals. The Plan points out that they will also be integrated into the appropriate Sector and Local Government Plans and budgets, as well as, implementation, monitoring and evaluation frameworks.

EAC and the African Agenda 2063

214. Being in line with the Uganda Vision 2040, building on the achievements registered under the NDPI, taking into consideration the challenges encountered and lessons learnt during its implementation the Plan also seeks to leverage the country's growth opportunities, honouring development and partnership obligations at the national, regional and global levels e.g. EAC, COMESA, IGAD, Africa Agenda 2063, the Post 2015 Development Agenda, and UNFCCC.

215. Importantly, the framework of NDPII is informed by the macro-economic convergence criteria of the EAC monetary union, which requires the country to meet specific targets, namely; a ceiling on headline inflation of 8 percent; a ceiling on the fiscal deficit, including grants of 3 percent of GDP; a ceiling on public debt of 50 percent of GDP in net present value terms; a reserve cover of 4.5 months of imports and maintaining core inflation below 5 percent as agreed in the Policy Support Instrument (PSI) of the IMF. The achievement of the above targets has been the basis of arriving at the chosen macro-economic strategy for NDPII.

216. Joint formal agreements for plans to build a new Standard Gauge railway (SGR) have been signed by the EAC Countries. The SGR project starts in Mombasa through Nairobi, Kampala, Kigali and Juba.

217. Infrastructural development is costly and requires mobilization of significant resources. The EAC integration provides Uganda an opportunity to pool resources with other Partner States to develop regional transport infrastructure projects which are capable of increasing the country's connectivity with the region.

6.0 Cross-cutting Issues in Sectoral plans, programme and projects

Introduction

218. This section presents NDPII progress on mainstreaming some of the key crosscutting issues in government programmes, projects and plans. One of the NDPI implementation challenges was limited integration of crosscutting issues in sectoral plans, programmes and projects due to lack of synergies and coherence across sectors and Local Governments on what priorities to be undertaken. Cognizant of this challenge, GoU identified integrating key crosscutting issues into programmes and projects as one of the nine development strategies for NDPII. The key crosscutting issues singled out for mainstreaming in government programmes and projects during implementation, monitoring and evaluation of NDPII include gender, HIV/AIDS, disability, environment, nutrition, climate change, social protection, financial inclusion, culture and mind-set, science and innovation, and quality and standards.

219. Similar to NDPI MTR where GoU commissioned six separate studies on crosscutting issues—social protection, human rights, democracy and political governance, gender mainstreaming, environmental protection, and child rights—NPA through EU commissioned diagnostic studies covering NDPII growth opportunities and fundamentals plus others on population growth and impact, gender, social development, and physical planning and urban development, which form the main source of information for assessing the performance of the Plan with respect to key crosscutting issues. This information is complemented by a review of literature on crosscutting issues and different government interventions under NDPII, that specifically target mainstreaming crosscutting issues into planning, implementation, monitoring, and evaluation processes.

Social protection

220. Vulnerability to poverty in Uganda is high. Different studies have pointed out the fragility of the progress against poverty in Uganda. Social protection is an important development strategy to fight poverty, reduce inequality and promote inclusive economic growth. Social protection programmes play a significant role in protecting individuals from deprivation and livelihood risks such as negative events that occur to individuals at various stages in life like at early childhood, school going age, youth age, working age and at old age as well as certain conditions like disability, widowhood and ill health. Increasing access to equal opportunities, enhancing equity and protection as well as safeguarding the rights of the vulnerable groups is an important aspect of life that any government owes to its citizens.

221. The preliminary results of the UNHS FY2016/17 show a significant reversal in the downward trend of poverty incidence, linked to the drought conditions in many areas of the country during the period in which the data was collected and the destruction of crop by a fall armyworm plague (UBOS 2017).Social protection involves provision of care, support and welfare services for vulnerable children, persons with disabilities and older persons. The need to extending social protection services to the vulnerable persons is well articulated in the NDPII as well as the Social Development Sector Plan (SDSP) 2015/16—2019/20 whose theme is "Empowering communities particularly the vulnerable and marginalized groups for wealth creation and inclusive development".

SDSP defines social protection as "public and private interventions to address risks and vulnerabilities that expose individuals to income insecurity and social deprivation, leading to undignified lives" (MGLSD, 2016: xvii). In the same spirit, it defines social protection system as one that "Comprises of a range of coordinated policies, interventions, structures and mechanisms across different sectors which address social and economic vulnerabilities" (ibid).

222. Strategic interventions identified under both the NDPII and SDSP include: Provision of direct income support to vulnerable groups; Expansion of scope and coverage of contributory social security to both formal and informal sectors; Provision of social care and protection services to children and other vulnerable groups; Promotion and protection of the rights of vulnerable groups – Children, PWDs, and Older Persons from abuse, neglect and exploitation; Promotion of Integrated Early Childhood Development; Promotion of community based care and rehabilitation for vulnerable children and people with disabilities; Expansion of access to credit and financial services for youth; viii. Implementation of National Youth Service Scheme; Provision of non - formal vocational, entrepreneurial and life skills to young people; Promotion of youth participation and governance; and Access to equal opportunities goods and services.

223. In Uganda, the planned social protection results have been constrained by a lack of funds from government. While social protection has its own vote function to which funds can be allocated, allocated resources do not match what is required to achieve the outcomes and outputs specified in the NDP. The actual release and expenditure patterns from the Annual Performance Budget Reports show quite a different pattern, with the amount released decreasing steadily during the NDP period. Therefore, while financial commitments were made at the outset, they have not been achieved, and this has resulted in the inability to fulfil social protection targets (as outlined in the SIDP 2).

224. Given the degree of vulnerability of households in Uganda and the recent poverty trends, social protection programs should be scaled up and expanded beyond the Northern region. Ugandan households face a high degree of vulnerability to poverty as a result of high dependence on factors outside the control of households and individuals. While the existing social safety net programs help to reduce poverty and inequality and enhance the livelihoods of beneficiaries, the coverage is limited.

Financial Inclusion

225. The Uganda: Staff Concluding Statement of the 2019 IMF Article IV Mission notes that Uganda's financial soundness indicators for September 2018 suggest that the banking sector is healthy. Banks remain well capitalized, liquid, and profitable, except for some smaller banks. Non-performing loans have declined. Bank of Uganda's stress tests suggest that the system's ability to withstand shocks has improved, though concentration risks are rising.

226. Ugandan's access to financial services has improved dramatically in recent years. More than half of Uganda's adult population now has access to an account at a formal financial institution. This is almost twice as many as in 2009. The entry and fast penetration of mobile money is the main reason for the increase, having allowed 8 million Ugandans to conduct financial transactions.

227. This positive development is only one piece of the puzzle, given that a very small proportion of individuals, households, and firms are able to utilize the formal financial system. Only 16% of the adult population keep their savings at formal deposit taking institutions, including banks, micro finance institutions and savings and credit institutions. Up to 60% of adult Ugandans still keep their savings at home and in the form of assets such as animals, 65%, are unable to access formal financial institutions for credit. This proportion of the population relies on informal sources of finance or their own, their families', or their friends'. A significant proportion of the population face obstacles when attempting to increase productivity through investments in better equipment. Too many Ugandans continue to rely on subsistence activities, particularly in the agricultural sector.

Gender mainstreaming

228. The Government of Uganda has been committed over 20 years to promote gender equality and women's rights. In 1997 the first National Gender Policy (NGP) was approved. Since then awareness of the importance to promote gender equality has increased, not only as a question of human rights and social justice, but also as an important contribution to achieve development goals pursued by Uganda.

229. The NDPI saw gender inequality as one of the binding constraints hindering Uganda's development and socio-economic transformation. However, during the implementation of the NDPI reoccurring under NDPII it is clear that gender inequality still needs to be addressed. The NDPII stresses that there was limited integration of gender issues in sectoral plans, programmes and projects. These implementation challenges were due to lack of synergies and coherence across sectors and local governments on what priorities to take on. As a result, under NDPII, focus was put on the synergies in the identified priority growth sectors and development fundamentals.

230. In the **agricultural** sector the focus was put on gender and equity issues related to limited access to labour-saving technologies for food production for women farmers and other vulnerable groups; and un-equal access to agricultural credit facilities for appropriate agro-processing. The goal is to reduce the gender gap in access to agricultural resources and production by enhancing women's productivity along the value chains of the above selected commodities. In **tourism**, focus is on addressing limited participation of women and other vulnerable categories in formal tourism; and the lack of articulation of gender and equity issues in policy and regulatory standards. The tourism sector has *great* potential for generating employment for young women and men in the service sector such as airline companies, tour and travel bureaus, hotels and restaurants.

231. While the **Minerals, Oil and Gas** has a great potential for domestic revenue, and employment creation, interventions proposed are biased to favouring the men who are more involved in this sector due to the technicality of its operation. Given the high illiteracy levels of women, their consideration in key decision making positions in this sector has been highly under-rated and exaggerates the gender gap.

232. A key game changer in inventions for human capital development that are gender sensitive under the **health** sector include sensitive increase of access to family planning services, increasing skilled birth attendants, and providing adequate equipment and personnel to handle Emergency Obstetric Care. Under the **education** sector, emphasis

is on ECD and quality enhancement and retention at primary and secondary levels especially for girls, reflecting a policy shift move from emphasizing increasing enrolment rates to refocusing investment to ensuring quality education in schools.

Child and Human Rights

233. Child rights report finds that there has been mixed performance in the area of child rights during the first phase of NDPI implementation. However, assessment of specific child rights results during NDPII implementation is not possible due to a lack of indicators related to this crosscutting issue. Using income poverty measures for children is likely to mask huge inequalities since children do work and earn income on their own. The EU report recommends incorporating child rights indicators into the NDP monitoring matrix and states that child protection related issues should be included in national surveys such as the UNHS and UDHS to improve M&E of this cross-cutting issue.

234. The human rights study finds that the indicators in the NDP results framework are not sensitive to human rights. For example, they provide no measure for finding out whether budget allocations are meeting minimum core obligations on human rights, ensuring equity in the development process, or supporting economic social and cultural rights. There is also an absence of indicators to measure governance principles such as participation, transparency and accountability. The report finds that the results matrix is missing baselines and targets which create an obstacle for citizens and CSOs to hold the government to account for delivering on the plan, including elements relating to human rights.

Disability

235. NDPII strategies target equalization of opportunities, rehabilitation and inclusion of Persons with a Disability (PWDs) in their communities. The current Government strategy towards interventions of PWDs is through the Community Based Rehabilitation Programme (UBOS 2015). Persons with Disabilities face various forms of barriers ranging from negative societal attitudes; discrimination, inaccessible physical environment, information and communication technology to those resulting from insensitive regulatory frameworks. These result in unequal access to services in the area of education, employment, healthcare, transportation political participation and justice in communities by persons with disabilities (GoU, 2015).

236. The 2014 NPHC shows that overall, for the population aged 2 years and above the disability prevalence rate was 12.4 percent while the equivalent for 5 years and above was close to 14 percent. Sex differentials reveal that disability is higher among women compared to men. The disability prevalence rate among those living in the rural areas was higher than among those in the urban areas. The NPHC figure is much lower than that reported in UDHS 2011 report which indicate that 19% of the Ugandan population was estimated to have some form of disability (UBOS, 2012:pp.27; World Health Organization & World Bank 2011:ix).

HIV/AIDS

237. In 2017, an estimated 1.3 million people were living with HIV, and an estimated 26,000 Ugandans died of AIDS-related illnesses. The epidemic is firmly established in the

general population. As of 2017, the estimated HIV prevalence among adults (aged 15 to 49) stood at 5.9%. Women are disproportionately affected, with 8.8% of adult women living with HIV compared to 14.3% of men. Other groups particularly affected by HIV in Uganda are sex workers, young girls and adolescent women, men who have sex with men, people who inject drugs and people from Uganda's transient fishing communities.

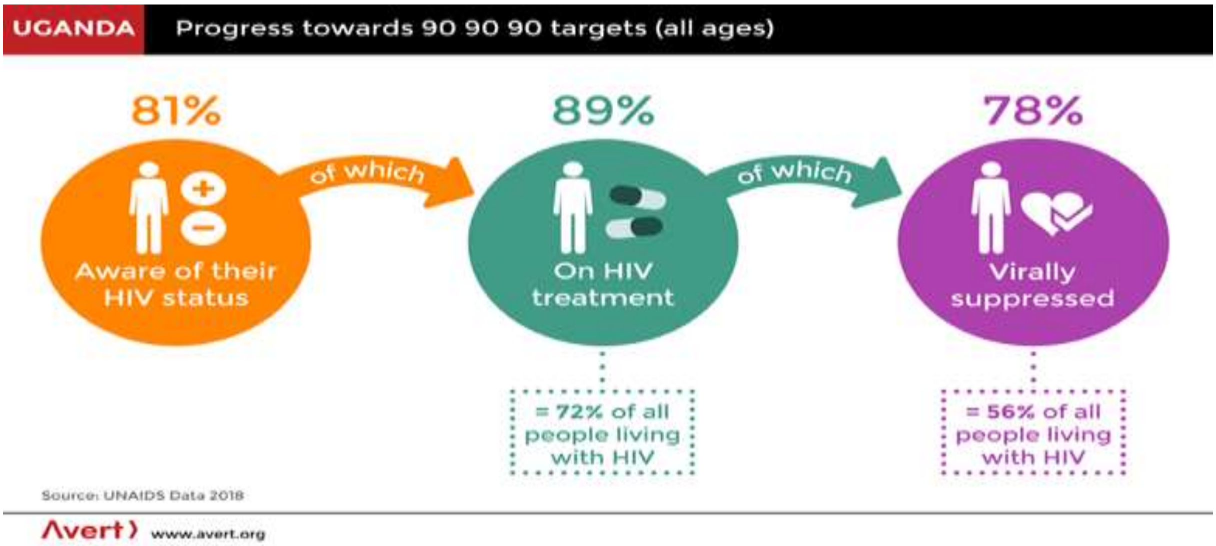
238. There are many political and cultural barriers which have hindered effective HIV prevention programming in Uganda. As a result, new HIV infections are expected to rise in coming years. While there have been increased efforts to scale up treatment initiatives in Uganda there are still many people living with HIV who do not have access to the medicines they need. Punitive laws and stigmatising attitudes towards men who have sex with men, sex workers, and people who inject drugs has meant that these groups most vulnerable to infection are far less likely to engage with HIV services.

239. There has been a gradual increase in the number of people living with HIV accessing treatment. In 2013, Uganda reached a tipping point whereby the number of new infections per year was less than the number of people beginning to receive antiretroviral treatment. However, as of 2016 around 33% of adults living with HIV and 53% of children living with HIV were still not on treatment. Persistent disparities remain around who is accessing treatment and many people living with HIV experience stigma and discrimination (Figure 22).

240. Despite the above-mentioned progress, children have poorer access to ARV-treatment than adults. For example, in 2016, only 47% of children were on treatment, compared to 69% of adults (and >95% of pregnant women). Consequently, viral suppression among children was only 39%, compared to 63% among adult females. The poor access by children is because they are dependent on adults for their care, and sometimes there are changes in caregivers. In addition, both diagnosis and treatment of children is more complicated, due to the specialized equipment and drug formulations needed, particularly for the youngest children (<3 years).

241. Issues of HIV/AIDS prevention and counselling are still largely missing in many workplaces. The recent Manpower Survey showed that overall, 40 percent of employees compared to 37 percent of employers indicated that their HIV/AIDS workplace policy contained information on Voluntary Counselling and Testing (VCT) services while 29 percent of the employers and 22 percent of the employees revealed that it contained free condom distribution for workers.

Figure 22: Progress on HIV/AIDS targets



Culture and Mind-set

242. The success of NDPII requires all Ugandans, particularly the leaders, policy makers and implementers, to have a positive mindset and the right ideological orientation to facilitate efficient and effective implementation of the plan. Indeed, negative attitudes and mindsets was identified as one of the binding constraints under NDPI.

243. There is also still a problem of poor attitudes to work especially among the public service and youths. The Auditor General continues to raise the issue of staff absenteeism as one of the major causes of poor service delivery, especially in education and health sectors. A diagnostic study on human capital development conducted by EU to support the MTR of NDP 2 and evaluation of NDPI, found evidence to support the mindset challenge in the health sector. The report notes that the mindset of some health workers who think of getting quick money soon after their graduation from the health training is affecting health care delivery system. This leads to the establishment of drug shops or health clinics to get quick money and abandoning service in the hospitals or health centres. This type of mindset may tempt health professionals to engage in theft of property, bribery, and corruption in an effort to get quick money.

Environment and climate change

244. The stock of stock of environmental and natural resources are critical components in any country's struggle to achieve its goals. For Uganda its overall goal is to become a middle income country by 2020.

245. Many African countries including Uganda are already experiencing catastrophic climate change and variability impacts in inter-related ways across many sectors - including water, energy and agriculture. This calls for integrated approaches in responding to the increasing energy and water demand to enhance livelihoods, sustain economic growth, and address the additional pressures on natural resources due to urbanization and population growth in a continent affected by the changing climate.

246. The 2030 Agenda for Sustainable Development recognizes the centrality of energy and water resources to sustainable development, and the vital role that improved access to both water and energy play in advancing progress in other areas, including health, education and poverty eradication. Therefore, the nexus approach (stressing interrelatedness and interdependence) should be at the forefront of government's implementation of its nationally determined contributions (NDCs) to climate change under the framework of the Paris Agreement. With increasing demands for land, water, energy, and food in the country, it is important for policy makers to understand the synergies between key sectors like agriculture, water, land and energy as well as potential climate-land-energy-water use and food security nexus options that can effectively contribute to meeting Uganda's development goals.

247. An integrated planning approach to climate-land-energy-water use and food security nexus can increase energy efficiency, decrease water pollution, reduce costs of energy and water delivery, increase access to services, and reduce greenhouse gas emissions.

7.0 Conclusion and Policy Recommendations

Introduction

248. This section starts by presenting key summary findings of NDPII MTR, and sets out the conclusions and policy recommendations. In addition, the section highlights the limitations and/or challenges faced in conducting the analysis presented in this report.

Priority Areas/Fundamentals

249. Uganda's second National Development Plan (NDPII) 2015/16—2019/20 was launched in June 2015 and is the second in a series of six five-year Plans under Vision 2040. The overall goal of the NDPII is to achieve middle-income status by 2020, through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth.

250. This section presents the conclusions of the Results Framework of the Mid Term Review (MTR) of the NDPII (see section 18.7 of NDPII document). The results framework is one of six Thematic Reports describing progress of the NDPII. The other thematic areas of the MTR are: Economic Management; Development Partnerships; Policy and Strategic Direction; Political Economy; and Institutional Framework. The thematic reports will form the basis for an overall synthesis report.

251. The Results Framework thematic report reviews the results framework for NDPII by assessing results at various levels of the Plan's and, factors and conditions that have contributed to the results. It also makes recommendations for amendments in planning, coordination of implementation, monitoring and evaluation for NDPII and subsequent Plans.

252. The NDPII and its MTR builds on the experience of NDPI. Also, outcomes of regional and international discussions (such as Agenda 2030 for Sustainable Development Goals (SDGs)) and development priorities set out in the Vision 2040, informed the design of NDPII. The NDPI MTR identified weak alignment of NDPI to the budget, underfunding of NDPI core projects, and inadequacy of human resources, inadequacies in NDPI results framework, weak public sector management, and limited integration of

crosscutting issues (e.g., HIV/Aids, climate change, and gender) as major challenges for effective implementation of NDPI.

253. The NDPI experience led to attempts for the NDPII design to focus on development of a detailed macro-economic strategy, ensuring that sector plans, investment and local government plans were reviewed and aligned to NDPII priorities, making sure cross cutting Issues (e.g., population, social protection, human rights, gender, culture and national values, environment etc.) were properly integrated in government interventions, developing appropriate instruments of monitoring and evaluation, putting measures in place to improve capacity to implement (e.g., human resource and institutional capacities), addressing challenges of implementation (e.g. procurement processes, resource mobilisation), and addressing issues of physical planning among others.

254. The NDPII document sets out a large number of indicators related to the sectoral aims, core investment projects and financing for the Plan period. Essentially the task of The MTR is to use available data to assess to what extent the indicators set and (financial and investment) plans contained in the NDPII have been met. The review of progress against NDPII goal and objectives has been based on data extracted from the best primary sources available including UBOS (Statistical Abstracts, cross-sectional household and panel survey datasets and reports), human development reports, other global survey publications, EU diagnostic studies to support evaluation and MTR of NDPII, and respective annual sector performance reports among others.

255. Progress on the NDPII goal of "*strengthening competitiveness for sustainable wealth creation, employment and inclusive growth*" was assessed through measuring performance against targets of identified development indicators in the areas of growth, competitiveness, sustainable wealth creation, employment and inclusive growth.

256. The Ease of Doing Business Index showed a short lived improvement in **competitiveness** early in the Plan period but the latest results shows that Uganda is lagging behind its competitiveness targets and also behind its competitors in the region. The Global Competitiveness Index shows a similar trend. The Government's on-going and planned projects such as infrastructure projects - Roads, Railway, airport expansion, Energy and ICT projects as well Education and health infrastructure development projects were expected to improve the competitiveness of the economy but the, implementation of most of those projects has been slow.

257. The economy however did reasonably well compared to NDP targets, attaining or partly attaining targets on the GP growth rate, per capita incomes exports in percent of GDP, Ease of doing business ranking, global competitiveness ranking, and employment. Also, the Global Gender Gap Index goal was attained. The attainment of targets for important indicators like poverty, income distribution and child poverty could not be determined because of lack of data.

258. Poverty and inequality remain critical development challenges for the country. While Uganda experienced a remarkable reduction in the incidence of poverty between 2006 and 2013, according to most recent wave of the Uganda National Household Survey (UNHS) 2016/17 this trend has reversed. The wide gap between rural and urban inequality could be attributed to differences in earnings between the two areas.

Inequality is lower in rural areas mainly because majority relies on agriculture and thus gets comparable income.

259. Evidence from the latest labour force survey indicates that most of the employed Ugandan's, 44.2% in 2016/2017, were working in the services sectors that are largely informal. The agricultural sector provided 39.8% of jobs in 2016/2017, followed by industries (16.0% in 2016/2017). For youth the situation is difficult as 4 out of 10 young Ugandans are currently out of work. The EU diagnostic report on employment stresses the importance of improving labour market statistics. Government produced a national employment policy to boost employment and labour productivity for socio-economic transformation. However, the actual effects of initiatives with regard to improving employment (especially for the growing number of youths) are yet to be seen.

260. The **sustainable wealth creation** indicators do not measured up to targets. Indicators like "share of manufacturing to GDP" and "share of manufacturing jobs to formal jobs" were nowhere near the targets target at NDPII mid-term. Manufacturing's contribution to GDP has sown a declining trend from 2014/15 to 2017/18. Other indicators dealing with sustainable wealth creation could not be assessed because of the lack of data.

261. Progress on the objective named **Increase Sustainable Production, Productivity and Value Addition in key growth opportunities** scored some gains. The GDP growth rate it the NDPII target and the actual GDP in UGX billions at market prices was close to its target in 2017/18. The sectoral composition of GDP in 2017/18 came only slightly closer to its 2017/18 target, the industry sector reaching only 19.8 % compared to the 27.7 target. As for many other indicators, the progress on labour productivity, ratio of manufactured exports, forest and

262. The total labour force participation rate stood at 53.0 per cent in 2016/2017, pointing towards a very high proportion of the working age population not employed and still working for own-production use only. In each of the three sectors, output per worker exceeded the NDPII target for 2016/17.

263. A positive development registered in detailed statistics for share of GDP by industry was that information and communication now nearly has overtaken trade and repairs as the biggest contributor within the services category.

264. The indicators on **Stock and Quality of Strategic Infrastructure** registered only modest gains with some progress in length of the paved road network in proportion to national network. However the 4,193 km of paved road network represents 79.2% against the NDPII 2020 target of 5,292 km. The country might be on track to meeting the target by 2020.

265. Indicators for **power consumption** per capita and fiber optic coverage in districts however were far behind their 2017/18 targets. For more than half of the indicators in the infrastructure category progress could not be assessed in 2017/18 because of lack of data.

266. With the commissioning of new power plants, it can be expected that Uganda will move closer to meeting NDPII 2019/20 target of 30%. In the longer term Uganda's energy demand is projected to increase to 13.7 TWh in 2040. This demand is unlikely to be met by hydropower alone and there is therefore a need for an effective energy planning

that directs more investment in other renewable energy sources with potential for energy production in Uganda such as solar and wind.

267. The National Data Transmission Backbone Infrastructure and **e-Government Infrastructure** Project has led to a considerable expansion of optic fiber cabling. At the same time the cost of bandwidth has been reduced leading to a reduction in internet costs. As more MDA sites are connected further price reduction is expected.

268. There has been tremendous improvement in storage for **water for production sub-sector**. The national cumulative storage for water for production increased from 37.2 million cubic meters (MCM) in 2015/16 and to 39.2 MCM by June 2018. Given the NDPII target of 39MCM in 2019/20), this indicates that the target had been met two years ahead of time. With regard to targets however, it should be noted that Table 5B: Objective Level Indicators for NDPII, has no target values for this indicator for FY2015/16-2018/19, except the 39MCM for 2019/20 but Government reports such as GAPR 2017/18 quote an NDPII 2019/20 target of 50MCM instead of 39MCM. Going by the target of 50MC, the current performance of 39.2MCM, signals the unlikeliness of the country to achieve its NDPII target of 50MCM by 2019/20.

269. The Ministry of Water and Environment Sector Performance Report 2018 shows that 70% of Uganda's rural population had access to safe water by end of June 2018. The total number of villages with at least one safe water source increased from 57,585 in 2016/17 to 57,974 (i.e. 66% of all villages) in 2017/18. Access to safe drinking water in the urban areas increased to 74% as of June 2018. The management of water and sanitation by the National Water & Sewerage Corporation has expanded to cover 238 towns. The current performance is an indication that the Ministry has managed to keep up with the population growth, and is a reflection of moderate satisfactory performance against the NDPII targets of 79% and 100% in rural and urban areas by 2019/20.

270. According to NDPII the increased investments in transports, energy and ICT infrastructure are geared towards enhancing **competiveness**. Although the progress in some areas may be slowly helping to improve the country's competitiveness the "Doing Business" rankings however appears to show that improvement has been slower than in comparable economies.

271. Assessing progress on **human capital development** requires an examination of performance indicators under the four different components: education and skills development, health, water and sanitation and social development.

272. Of the 44 indicators for the **"education and skills"** category 25 were not measured in 2017/18 or 2016/17. It was therefore not possible to gauge the position of more than a few of the indicators of university, tertiary, science and technology, literacy numeracy and skills gap for these years.

273. Of the measurable indicators the net primary school enrolment and the transition rate to Secondary 1 were considered satisfactory with 755 of NDP target values in 2017/18. The net Secondary School completion rate and the BTVET enrolment were also satisfactory overall but respectively rate and enrolment stood at less than the 2017/18 target for the *male* category. The P7 completion rates, the net secondary enrolment rates and the transition rate from S4 to S5 were seriously unsatisfactory with less than 75% attainment of thee NDPII 2017/18 target.

274. In addition to the indicator statistics a number of other sources of information were used to map the progress and status in the education and skills area. Important findings were as follows:

(i) While Government committed to strengthening ECD with special emphasis on early aptitude and talent identification, no ECD indicators were included in the Plan to access the progress this objective. A National Integrated ECD policy has been developed, targeting children from conception to 8 years. The percent annual change in enrolment at Pre-primary level has however shown an uneven trend and for example decreased from 18% in 2016 to 8% in 2017.

(ii) Although not measurable in 2017/18 the literacy rate among persons aged 10 years and above has generally increased during the NDPII period from 69% in 2012/13 to 73% in 2016/17. In 2016/17, males (77 percent) and persons living in urban areas (87%) were more literate than their female (70 percent) and rural (69%) counterparts.

(iii) Progress in the gross primary completion rate was insufficient to meet the NDPII target but the *trend* seemed promising with steady increase in gross primary completion rate and an elimination of the gap in completion rates between girls and boys.

(iv) The poor performance on NDPII targets are due to high *class repetition and drop-out rates, which can be attributed to both schools quality and to economic factors, parental attitudes to education and early marriages.* These issues were as highlighted by the Millennium Development Goals Report 2015 (MFPED, 2015) and a recent report on Comprehensive evaluation of Universal Primary Education policy by NPA (NPA, 2019). Research by the Economic Policy Research Centre shows that *school quality* is a very strong predictor of school success

(v) Competence scores by the National Assessment of Progress in Education indicate that student achievement levels in English literacy and numeracy at the primary level are *still low and fall short of expected levels*. The implication is that education standards are low and not improving.

(vi) Data indicating that the Primary Leaving Examinations Pass Rate declined by 2.3 percentage points from 88.30% in 2014 to 86% in 2015 implies that *many children leave school without having mastered literacy and numeracy,* and this is likely to have a negative impact of overall literacy rates for the entire population aged 10 years and above.

(vii) There are *major gender, rural/urban, regional and ownership differences in learning outcomes.* The percentage of P3 and P6 pupils who reached defined competency levels in numeracy and literacy in 2015 was higher for boys than for girls and the trend has not changed much since introduction of UPE.

(viii) Children learning *outcomes significantly differ between government and private schools*. Numeracy and literacy competences for P3-P6 children private schools are more than 30 percentage points higher than their government schools counterparts.

(ix) Existing evidence on welfare impacts of education attainment supports Government's emphasis on technical and vocational training. *Completing vocational training compared to primary training is estimated to increase* *consumption by between 7.1% and 7.6%.* The estimated return to vocational training exceeds that of an additional year of formal education.

275. The lack of data for **health indicators** is such that for only one of the indicators can the 2017/18 level be determined. The indicator on the percentage of births attended by skilled health personnel had a target of 73% for the 2017/18. The target was attained with 74%.

276. Considering levels of indicators in 2016/17 gives some sense of what might be possible in terms of target attainment. Infant mortality appears to be on the way down and very close to the 2017/18 target. While under Five Mortality is still high over. Maternal mortality for 2016/17 was under the NDPII target for 2017/18. Compared to baselines both the contraceptive prevalence rate and the total fertility rate seem to move the right way but both were in 2016/17 far from targets. Life expectancy was still far from target.

277. In terms of Clinical service indicators, proportion of qualified workers in public health facilities, HIV prevalence and health Centres without medicine stock-outs data lacked for all relevant years. Populations living less than 5 km from a health facility and deliveries in health facilities seemed to have exceeded the NDP 2017/18 already the year before, whereas per capita out-patient department utilization, pentavalent vaccine use (%) were clearly under the NDPII targets for 2017/18.

278. Health statistics analysed by the team indicated a number of other relevant facts.

(i) Health statistics show that there are large variations in personal hygiene standards across regions and population densities and that 75% of the country's disease burden is linked to poor hygiene and sanitation standards. There is therefore a need to prioritize hygiene in future more than at present.

(ii) Stunting is an important problem in Uganda where the Demographic and Health Survey in 2016 finds that 31% of children below 5 are stunted and that the rate of stunting varies considerably across districts.

(iii) Out of pocket health expenditure was 41% of Total Health Expenditure compared to a target of 33%. There is need to mobilize additional domestic resources to move incremental allocations to the health sector, tighten efficiency in resource use, scale up the results based financing so that outputs/outcomes match inputs.

279. **NDPII indicators for mechanisms for quality, effective and efficient service delivery** include the government effectiveness index, the index of judicial independence the public trust in the justice system and the corruption index.

280. Government effectiveness and efficiency in service delivery is critical for NDPII outcomes. Targeting is important since spending cannot be effective in improving government programme outcomes if it only benefits households that have already achieved the goals.

281. In 2015, government passed the Public Finance Management whose implementation under NDPII is expected to enhance efficiency and effectiveness in service delivery, especially in regards with aligning budgets and plans at all levels.

282. While PFMA and its associated components like the Certificate of Compliance are a step forward, challenges remain especially in translating strategic sector plans into budget actions that contribute to achieving NDPII targets. This is mainly due to weaknesses in planning. Further, the budget macroeconomic targets continue to significantly differ from NDPII targets and budget release performance and absorption remain low for many sectors. For instance, compliance levels for the AB for 2016/17 and 2017/18 have consistently remained lower than that of 2015/16. Evidence from NPA shows that the 2016/17 and 2017/18 annual budgets were 58.8% and 54.2% compliant to NDPII compared to 68.2% in 2015/16.

283. We have nor baselines, statistics nor targets for the judicial indicators and the situation with regard to these indicators remain uncertain. For both government effectiveness and corruption the indicators were clearly unsatisfactory with less than 75% attainment of 2017/18 targets.

284. The NDPI MTR pointed to evidence of **growth of income inequalities in Uganda** supported by data from various sources including the UBOS national household survey of 2012/13 and the Human Development Report (HDR). For instance, the way incomes are distributed across individuals shows who benefit or miss out on the development opportunities available to society.

(i) Both income and gender inequalities as well as multi-dimensional poverty have been rising since 2010. Uganda's inequality adjusted HDI in 2012 was 0.303, representing a significant fall[16] (33.6 per cent) in human standard of living due to inequality in distribution.

(ii) The UNHS 2012/13 findings indicated that while income inequality (measured by the Gini coefficient) significantly reduced from 0.426 in 2009/10 to 0.395 in 2012/13, it remained high in urban areas and in the Northern region. Women earned less than men in the formal sector. Women were less likely to participate in formal work but participated more in the household sector.

(iii) The Framework for Inclusive Growth and Development presents the underlying processes in society that contribute to inclusive growth. Uganda's overall score on Inclusive Growth declined 4.2 % over the last five years while the cluster 'inclusion' experienced a 14.9 % decline With this decline, Uganda finds itself in the 'watch out' group of countries that have an overall performance below the average score of 3.86 and a declining score over the last 5 years.

(iv) The HDR report for 2017 shows that Uganda's Inequality-adjusted Human Development Index (IHDI) stood at 0.370 in 2017, which represents a reduction of 28.2% of its overall score of 0.518 due to inequalities in society.

(v) Over the years, Uganda has recorded a slow but steady improvement in the GII since 1995. Nonetheless, huge differences remain between men and women that negatively affect the economic growth potential of Uganda and need to be addressed as part of an inclusive growth Agenda.

285. A number of **challenges have been experienced by this MTR in terms of assessing NDPII progress.** Several of the same challenges were also noted in the MTR for NDPI and indeed in the final Evaluation of NDPI. There is however in some respects

[16] However, population data are based on estimates.

considerable improvement compared to the challenges noted for NDPI. Main types of challenges were found to be:

(i) **Missing baselines and targets**. A number of indicators still lack measurable annualised targets and has made assessment of the year by year progress for the NDPII difficult.

(ii) **Validity of progress indicators** in that a good number of the indicators in the NDPII results matrix are not a sufficient measure of the desired progress

(iii) **Un-matched reporting timeframes**. Finding data that matches the period under review was not possible, while in other instances the latest versions of the survey reports predated the current NDP

(iv) **Indicators lacking optimal level standards**. NDPII MTR as the foregoing MTR had difficulties with the relation between growth monitoring figures and specific desired growth levels. The basis for setting the respective target values could not be technically established.

286. The main conclusions from the analysis of progress in **important NDPII (core) investment programmes** was that a number of problems that delayed the NDPI implementation and the assessment of the implementation still seems to exist.

- Lack of information on the status of the projects at a time close to the mid-term of NDPII
- Inadequate technical capacity in public service to prepare and implement such projects,
- delays in mobilizing project financing,
- procurement delays,
- absence of adequate institutional and/or legal frameworks
- Delays in enacting the public-private partnerships Bill

287. Ten of the 39 projects listed as NDPII core projects were in fact continued from NDPI. One might question whether the roll-over of projects in this way is consonant with good planning. If NDPII has an overall different framework than NDPI and different aims, the “old” projects would not necessarily fit into the new frame, thus watering down the clarity and objectives of the NDPII.

288. There were 18 projects, a little less than half of all core projects, where some degree of completion (part complete) was recorded in early 2018. For eight of these, the degree of completion was uncertain (Completion>0%). Of the 10 where it was possible to state a certain degree of completeness only two were among the projects rolled over from NDPI. It appears than that “rolling over” has had little effect on the speed of implementation of former NDPI projects, which do not seem to have come much nearer to completion during the first half of NDPII

289. Of the remaining 21 projects where the team saw no sign of material completion, two were at the very early stage of “Planning”. One of these were “Mineral Development for Strategic Minerals”. This project had in fact not been formulated as a core project. It was rather described as an action area

290. Looking forward it appears fairly clear that given the increase in the number of core projects for NDPII there is no chance that they can all be completed before the end of the Plan period, although ten of the projects are rolled over from NDPI. It appears that the large number of projects have contributed to blunt the focus of the NDPII.

291. Total Planned estimated cost of the NDPII was UGX 196,675 billion, a public sector contribution of UGX 113,644 billion and a private sector contribution of UGX 83,031 billion.

292. The government budget allocation to the to the sector cost set in the NDPII varied with legislature and accountability and justice law and order "over-financed" and other sectors like social development and health underfinanced as off budget (donor) contributions could not be included in the data used for analysis.

293. For the three first year of the NDPII Government allocation was 23% of the planned NDPII budget. Trend analysis for plans up to 2019/20 shows that in the next two years, total NDPII cost and the cost of the priority areas will gradually decline whereas on-budget financing for the NDPII will increase gradually.

294. Actual releases has exceeded government budget by 4% to 8% over the first three years of the NDPII. Amounts released to local Governments have increased from UGX 2,318 billion in 2015/16 to UGX 2,642 in 2017/18 but shows a declining trend in the proportion of the budget allocated to local governments from 38 percent in 2015/16 to 34 percent in 2017/18.

295. Innovative funding models to raise extra money for national development might include, public private partnership financing models, a National Development Fund to finance priority projects, donor budget support to local governments to support development at the local level.

296. Whereas it is difficult to fault the NDPII framework in terms of internal logical and economic coherence and consistency, the **realism** in setting some of the goals and objectives was found to be weak.

(i) A brief look at the numbers that most likely were known at the time of preparing the NDPII shows that with the going population growth rate of around 3% p.a., the GDP growth rate would have to be at around 8% to attain the goal of a middle income status. This would mean that growth in Uganda would have to be in line with African exceptions like Ethiopia. Growth rates in Ethiopia and other fast growing countries however was based on initial previous massive investments. Anything similar did not take place in Uganda and could not have been realistically foreseen in Uganda at the time. The mid-term review of NDPI had already revealed that even the core investment projects were *severely* below planned levels.

(ii) Several of the indicator targets set for the objectives listed in table 4.1 p101 of the NDPII document seem to be overly optimistic.

(iii) The fiscal expansion to be implemented in order to front load infrastructure investment appears considerably higher than what could be expected to be realized while maintaining macroeconomic stability. The experience with the core projects seems to stress the near impossibility of this strategy.

(iv) The strengthening of governance is not realistic as indicators of government effectiveness and corruption have shown a clear worsening over the years when the NDPII

(v) The stress on cross cutting issues and social services is laudable but it is likely that these will compete with the investment needed to the economic growth needed to attain middle income status at the end of the NDPII.

297. It was found that the coherence between NDPII and the Vision was very clear. Also the NDPII is coherent with international plans and obligations such as SDGs, EAC, EAMU, African Agenda 2063.

298. An NDPI implementation challenges was limited integration of crosscutting issues in sectoral plans. Seven cross cutting development strategies for NDPII were set out and analysed by the results framework exercise.

299. **On Social protection** social protection programs should be scaled up and expanded beyond the Northern region. Ugandan households face a high degree of vulnerability to poverty as a result of high dependence on factors outside the control of households and individuals. While the existing social safety net programs help to reduce poverty and inequality and enhance the livelihoods of beneficiaries, the coverage is limited.

300. While Uganda's financial soundness indicators for September 2018 suggest that the banking sector is healthy and Ugandan's access to financial services has improved dramatically in recent years **Financial Inclusion** is characterized by the fact that up to 60% of adult Ugandans still keep their savings at home. A significant proportion of the population face obstacles when attempting to increase productivity through investments in better equipment

301. There was limited integration of **gender issues** in sectoral plans, programmes and projects. These implementation challenges were due to lack of synergies and coherence across sectors and local governments on what priorities to take on. Focus is was put on the synergies in the identified priority growth sectors and development fundamentals.

302. Assessment of **specific child rights** results is not possible due to a lack of indicators related to this crosscutting issue. Using income poverty measures for children is likely to mask huge inequalities since children do work and earn income on their own. The EU report recommends incorporating child rights indicators into the NDP monitoring matrix and including them in national surveys such as the health surveys and demographic surveys to improve monitoring and evaluation of this cross-cutting issue.

303. **Persons with Disabilities** face various forms of barriers ranging from negative societal attitudes; discrimination, inaccessible physical environment, information and communication technology to those resulting from insensitive regulatory frameworks. These result in unequal access to services in the area of education, employment, healthcare, transportation political participation and justice in communities by persons with disabilities.

304. There has been a gradual increase in the number of **people living with HIV** accessing treatment. In 2013, Uganda reached a tipping point whereby the number of new infections per year was less than the number of people beginning to receive antiretroviral treatment. However, as of 2016 around 33% of adults living with HIV and

53% of children living with HIV were still not on treatment. Persistent disparities remain around who is accessing treatment and many people living with HIV experience stigma and discrimination.

305. **Culture and Mind-set.** There is a problem of **poor attitudes** to work especially among the public service and youths. The Auditor General continues to raise the issue of staff absenteeism as one of the major causes of poor service delivery, especially in education and health sectors. A diagnostic study on human capital development conducted by EU to support the MTR of NDP 2 and evaluation of NDPI, found evidence to support the mindset challenge in the health sector.

306. Many African countries including Uganda are already experiencing **catastrophic climate change** and variability impacts in inter-related ways across many sectors - including water, energy and agriculture. This calls for integrated approaches in responding to the increasing energy and water demand to enhance livelihoods, sustain economic growth, and address the additional pressures on natural resources due to urbanization and population growth in a continent affected by the changing climate.

Recommendations

(1) Labour market statistics needs urgently to be improved.

(2) There is a need to prioritize hygiene in future health planning more than at present.

(3) There is a need to enforce compliance of all sectors, MDAs and LGs with development, approval and alignment of their development plans with NDPII. This should also translate into development of all sector and MDA annual work plans informed by the respective plans;

(4) Furthermore, there is need to increase Central Government transfers to Local Governments to cater for the increasing devolved and delegated roles of local governments including: management of wages and pension and retained budgets for core local governments services such as; infrastructure provision in vocational, tertiary and secondary education, construction of health centres and district hospitals, among others. There is need to clarify roles of the sectors/ and Ministries Departments and Agencies and local governments with respect to devolved functions to ensure effective implementation;

(5) All sectors and Ministries Departments and Agencies should prioritize and expedite the implementation of NDPII core projects. There is need for enhanced adherence to project timelines at approval, commencement and full implementation of project timelines;

(6) Ministries, Departments and Agencies should budget for recurrent expenditure to accompany the increasing infrastructural development to ensure maximization of return/performance from project expenditure.

(7) Programs aimed at increasing the agricultural productivity of smallholder farmers should have sufficient funding in the budget. The Government should promote programs that improve the quality of inputs in local markets through certification programs and should increase the availability of extension services and credit to smallholder farmers.

(8) There is need for Government to invest in modernization of the Agricultural Sector to absorb the large proportion of the unemployed but also improve the livelihoods of those that are mainly engaged in subsistence farming.

(9) A more balanced approach to spending on social sectors and infrastructure development needs to be adopted. Uganda needs to allocate more resources to the social sectors (education, health and social protection) and to productivity-enhancing policies in the agriculture sector. Higher levels of investment in education, social protection, health (complemented by investments to increase access to water and sanitation services), and agriculture, are required for Uganda to attain two of its medium-term policy objectives: reducing poverty and inequality, and promoting economic growth in Uganda.

(10) While education has been a major factor in reducing poverty and inequality in the past, current levels of funding are inadequate. Education also helps households to smooth adverse shocks, making them less vulnerable to factors outside the control of households and individuals. Additional investment is needed to address the recent decline in primary enrollment rates and increase the quality of education at this level. Also, improving the availability and affordability of secondary education, especially in rural areas, is essential the raise the stubbornly low secondary enrolment rates.

(11) The burden of spending on education and health has fallen more disproportionately on poorer households. Education spending growth was in fact highest among less-well-off households. Public education spending has barely kept pace with the school-age population and this may have increased the burden on households to use their own resources. This implies that the government should reorient its resources and target them better towards the poor households.

(12) Addressing the high levels of under-five mortality, child stunting and teenage pregnancy requires the GoU to improve the provision of health care services to women and children. This in turn requires devoting more resources to the delivery of these services. Given the multi-faceted nature of these issues, complementary efforts in other sectors are also required, particularly through education programs and investments in sanitation and hygiene facilities.

(13) Building strong coalitions and partnerships with private sector, civil society, and academia remains critical in the implementation of the SDGs.

(14) There is need for government to develop monitoring mechanism to effectively oversee the implementation of its interventions to benefit the beneficiaries to end the high poverty levels. There are many programmes publicized, yet not reflected on ground, highlighting weak monitoring and evaluation efforts by government.

(15) There need to increase investment in pro poor sectors such as public education, health, and agriculture and disaster preparedness to effectively reduce inequality and poverty.

(16) Slow release of budget is causing slow/non-implementation of core projects. For example, the Certificate of Compliance for the annual budget FY2015-16 showed that for agriculture core projects there was a poor record of budget releases, the Agriculture Sector being only 50.5 percent compliant. The approved annual budget for the first three quarters was Ugsh542.5 billion, of which only

Ugsh274.1 billion was released over this period. This is below the required release of at least 75 percent for the sector to be on course.

(17) There is need to set annual targets for NDPII performance indicators for different core projects. Missing annual targets make it difficult to assess progress. Moreover, a few targets appear strange because they show less ambitious performance than current levels and proposes to aim to measure fewer things, making sure that good data are available.

(18) The implementation of core projects are also is being seriously constrained by land disputes. NDPII has managed to prioritize core projects for implementation and has provided an element of focus and common understanding and agreement of some major development priorities. However, several of the core projects are likely to remain work-in-progress by 2020. Lessons are being learned and it will be possible to more carefully select priority projects for the next NDP-3.