



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

## Synthesis Report (Draft)

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Prepared by



In Association with



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## **Acronyms**

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

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## **Executive Summary**

**The Government of Uganda, through the National Planning Authority, has commissioned a mid-term review of its National Development Plan I 2015/16-2019/20 (NDPII).** The mid-term review covers the period 2014/15 to 2017/18. The mid-term review, conducted by a team of independent consultants, is comprised of six thematic reports: Economic Management, Institutional Framework, Development Partnerships, Political Economy, Results Framework, Policy, and Strategic Direction.

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

### **Key findings**

The paragraphs below provide an overview of the key findings from each thematic report produced for the mid-term review of NDPII. Further details are contained in Chapter 4 of this synthesis report.

### **Policy and Strategic Direction**

- (i) Overall, the theory of change presented in NDPII is coherent and testable.
- (ii) Improvements in the quality of Government policies, plans and strategies could help improve implementation of NDPII and future plans.
- (iii) Several key policies to guide the delivery of NDPII objectives have not yet been developed and/or aligned to NDPII.
- (iv) NDPII identifies 11 pre-requisites required for successful NDPII implementation. This is a positive step. A review, however, on the status of the pre-conditions reveals that more work needs to be done to ensure that these are in place and/or being developed.
- (v) Over the MTR period the number of sector and MDA plans aligned to NDPII has increased. There has been a concerted effort to produce sector plans aligned to NDPII. This is a positive step.
- (vi) At the MTR point of NDPII there is a disconnect between planning and budgeting. The annual budget does not fully align with NDPII priorities, and the annual budget has not been translated into sector specific interventions to deliver the NDPII targets. The

degree of alignment between planning and budgeting has also decreased across the MTR period.

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

## **Results Framework**

- (i) Progress on the NDPI goal of “*strengthening competitiveness for sustainable wealth creation, employment and inclusive growth*” was assessed; progress to date has been mixed. The Ease of Doing Business Index showed a short-lived improvement in competitiveness early in the Plan period but the latest results show that Uganda is lagging behind its competitiveness targets.
- (ii) The economy however did reasonably well in the first few years of the plan, compared to NDP targets, attaining or partly attaining targets for the GDP growth rate, per capita incomes, exports in percent of GDP, ease of doing business ranking, global competitiveness ranking, and employment. 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.
- (iii) 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 the Uganda National Household Survey (UNHS) 2016/17 this trend has reversed.
- (iv) The sustainable wealth creation indicators do not measure up to targets. Indicators such as “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 shown 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.
- (v) There has been progress against the NDPII objective of “Increase Sustainable Production, Productivity and Value Addition in key growth opportunities”. The GDP growth rate in 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 close to its 2017/18 target. 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.

- (vi) To date, indicators on Stock and Quality of Strategic Infrastructure have registered only modest gains with some progress in length of the paved road network in proportion to national network.
- (vii) 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.
- (viii) For both government effectiveness and corruption, the indicators of progress to date are clearly unsatisfactory with less than 75% attainment of 2017/18 targets.
- (ix) There is evidence of growing income inequality in Uganda over the first few years of NDPII, this assertion is supported by data from various sources including the UBOS national household survey of 2012/13 and the Human Development Report (HDR).

### **Economic Management**

- (i) Over the first three years of NDP II, Uganda has registered annual real GDP growth rates of 4.9%, which is lower than the NDP II targeted average annual growth of real GDP of 6.0%.
- (ii) All sub-sectors registered positive annual GDP growth rates over the review period, although the growth rates have not reached the average of 7% recorded for the two decades ending in 2010.
- (iii) The first three years of NDPII have not delivered the rapid growth in GDP per capita required to enable the country to achieve middle income status. The GDP per capita value for 2017/18 - \$799 is below the target of \$833 outlined in NDPII.
- (iv) The NDP II growth strategy relies heavily on frontloading public investment in infrastructure projects. However, there has been slow implementation of several infrastructure projects.
- (v) In the first few years of NDPII, Uganda has continued with an expansionary fiscal policy. The budget deficit (excluding grants) has increased from 4.5% of GDP in 2014/15 to 6% in 2017/18. At present, both the actual and projected fiscal deficits are in excess of the EAC Monetary Union macroeconomic convergence criteria.

- (vi) To date, the NDPII period has been characterised by a low tax to GDP ratio.
- (vii) The Government should reduce its borrowing from domestic markets. The high interest rates on Treasury Bonds and Bills have contributed to high bank lending rates, due to the high interest rates that banks can obtain from risk-free holdings of government paper. This has in turn crowded out credit to the private sector and had a negative impact on investment and growth.
- (viii) The Government of Uganda should consider alternative financing options to finance large infrastructure projects. Alternative financing models include issuance of infrastructure bonds, establishment of a “fund of funds”, use of pension funds and sovereign wealth funds.
- (ix) To date, monetary policy has largely been effective in controlling inflation and maintaining stability of the economy as evidenced by low and stable inflation and the relatively stable exchange rate.
- (x) Uganda’s external trade performance has improved over the past five years. Uganda’s exports have registered a 31.6% growth in nominal value over the first three years of NDPII compare to 19.2% growth over the NDPI period.

### **Development Partnerships**

- (i) Over the first three years of NDPII, external assistance was on average 31.6% of the total budget. The source of funding and funding mechanism is however different to that provided during NDPI.
- (ii) Over the first three years of NDPI, grant inflows amounted to 31% of total Development Assistance to Uganda, of which 96% was in the form of project support. The three sectors that have received the largest amount of financial support (62.7%) are energy and mineral development (31%), health (17%) and works and transport (15%).
- (iii) There is a need to review, update and revise the Development Partners Partnership Policy to ensure it is in-line with NDPII. The current policy (2013) predates NDPII and is owned by OPM.
- (iv) Regular development partnership dialogue is noted to be taking place, however effective dialogue has been challenging in the post Joint Budget Support era.
- (v) Development partner assistance could be more closely aligned to the NDPII. To support this process, the annual performance review (GAPR) could be more systematic and

potentially guide the NPF dialogue. The quality of budget consultations at national, sector and local levels could also improve; this could not only increase alignment of priorities but could help strengthen mutual accountability.

- (vi) In relation to harmonisation and transaction costs, there is a need for Government and Development Partners to strengthen this area of collaboration over the remaining years of NDPII. There is currently no common Joint Assessment Framework (JAF), and annual progress reports have been replaced by GAPR.
- (vii) Lastly, in relation to transparency and predictability, this mid-term review has found that few development partners provide indicative financing (or commitments) in advance, and in most cases, there is a lack of a multi-year perspective.

### **Institutional Framework**

- (i) We found that institutional frameworks already in place are adequate for implementation of the NDPII , the structural and systemic constraints notwithstanding. Overall the evaluation established that the institutions in the above mentioned arms of government have similar challenges as they work towards social-economic transformation of the Ugandan society. Many of the reforms carried forward from NDP1 into NDP2 are yet to be carried out to the detriment of efficiency and effectiveness envisaged in the plans.
- (ii) The country operates a decentralized system of governance, planning and resource allocation through sector wide arrangements and resource transfer. This worked fairly well in the period prior to deepening of democratic dispensation, increased demand for services and a change in focus towards national infrastructural development. The Sector Wide Approaches have not coped with the aforementioned developments by adjusting to the core objectives of the NDP. This has weakened planning, budgeting and accountability.
- (iii)The evaluation has recommended measures to strengthen the decentralized planning both at the centre and local government level, including reinvigorating the Sector Wide Approaches. The Sector Wide Approaches should be reconstituted and tailored towards delivering the objectives of the NDPs through the recently adopted program based planning and budgeting system.
- (iv)Under the NDP1 it was recommended to restructure the architecture of government to a business mode. A number of studies led by the Ministry of Public Service were undertaken. Their implementation were relayed into NDP2 with fragmented execution that is attributed to budgetary challenges and limited political will.

- (v) The evaluation has analyzed the public service restructuring report and classified recommendations into three categories namely: (i) agencies for immediate implementation; (ii) agencies that require further study and reconsideration, and; (iii) agencies that should be stayed and left in the current status quo.
- (vi) The evaluation established weaknesses within the oversight function with regard to NDP at various levels of implementation. The weaknesses are related to inadequacy in legal and regulatory frameworks for oversight, inadequacy of the reporting systems, irregularity in the reporting and hearing of oversight reports, weak legal mandate for execution of decisions and inadequacy in inter-agency collaboration.
- (vii) The National Policy on Public Sector Monitoring and Evaluation (NPPSME) of the OPM (see Section 5.3 of this report) is vague in as far as specifying who is responsible for the coordination and oversight roles in the respective institutional frameworks.
- (viii) Respondents both at Central Government and Local Government levels, cited funding as a major finding to their institutional frameworks.

### **Political Economy**

- (i) The mid-term review of the political economy of the NDP II indicates that there was a degree of learning by doing from the earlier plan.
- (ii) The prioritization indicated at the national level was not wholly transferred to the sector and project levels.
- (iii) The NDP II, similar to the first one, received prima facie support from the President, Parliament and other levels of Government.
- (iv) In terms of ownership i.e. living by the letter of the national plan, government ministries and agencies demonstrated little enthusiasm, the local levels had more pressing issues to attend to, such as resource mobilization, while the private sector and civil society were not actively canvassed.
- (v) Looking ahead, plan ownership must be demonstrated to be meaningful. This will mean that the national planning exercise must have political backing and likewise political implications when targets are not met. The process should not be confined to aspiration.
- (vi) The Government recognises that successful implementation of the plan will require effective follow-up and a broader ownership among all stakeholders, including the local level.

- (vii) Progress on structural issues has been slow. Land management has continued to be a key impediment to the private sector’s investment plans as well as the Government’s infrastructure development programmes during NDP II.
- (viii) With respect to cross-cutting issues, the NDP II demonstrates some successes, particularly in relation to social protection and gender. Progress has been slow in tackling environmental and climate change issues.

**Recommendations for the remaining years of NDPII**

A summary of the recommendations, in order of priority is outlined in the table below. Further details on each recommendation is provided in Chapter 5 of this report.

- |   |
|---|
| <ol style="list-style-type: none"> <li>1. Strengthen public investment management</li> <li>2. Improve the linkage between planning, budgeting and expenditure</li> <li>3. Improve domestic revenue financing and reduce reliance on commercial borrowing</li> <li>4. Revise sector clustering and actively support sector co-ordination</li> <li>5. Consider adjustments to NDPII’s nine development strategies</li> <li>6. Improve buy-in and support to NDPI by non-state and state actors</li> <li>7. Strengthen partnerships with development partners</li> <li>8. Enhance the capacity of and funding to local government</li> <li>9. Continue to focus efforts on addressing structural reforms and combating corruption</li> <li>10. Develop missing policies required to guide delivery of NDPII</li> <li>11. Improve the quality of Government policies, plans and strategies</li> </ol> |
|---|

**Recommendations for NDPIII**

The Government of Uganda has started developing NDPIII. To support development of the plan there are several recommendations from the mid-term review of NDPII, and final evaluation of NDPI, which should be considered. These recommendations are in addition to those outlined for the remaining years of NDPII and are outlined in the table below. The recommendations are not presented in order of priority.

- |  |
|--|
| <ol style="list-style-type: none"> <li>1. In developing NDPIII ensure that the theory of change is coherent and SMART.</li> <li>2. Ensure that NDPII is aligned with regional development initiatives such as East African Union projects and the Compulsory Refugee Response Framework.</li> <li>3. Focus on formulating realistic targets but also consider building in an adjustment or risk mitigation strategy should the assumptions behind the theory of change not hold true, and it appears that the targets may not be met.</li> <li>4. Ensure that Development Partners, civil society, academia and the private sector are actively involved in the formulation and delivery of NDPIII.</li> </ol> |
|--|

5. Continue work on strengthening public investment management and the linkage between planning, budgeting and expenditure.
6. Agree upon the criteria for funding priority projects during the design of the NDP and update the criteria periodically.
7. Extend the investment-planning horizon beyond the NDP period in order to develop a pipeline of projects for the next NDP. Investment planning should be an on-going activity.
8. NDPIII's macroeconomic strategy should focus on maintaining stability and avoiding the excessive cumulation of debt.
9. Focus on completing incomplete projects from NDPII before embarking on any new projects.
10. Ensure that investment in human development is at the core of NDPIII.
11. Considering the increasing level of indebtedness, the macroeconomic strategy for the NDPIII should explore other forms of financing projects.
12. Address high interest rates. Interest rates continue to be high, impacting on the growth of the private sector. This needs to be addressed under NDPIII
13. Support the development of integrated regional development plans.
14. Continue support to ensure that growth and development is inclusive.
15. Over the NDPIII period, the Government should consider supporting industries for employment creation and exports.
16. Support and nurture SMEs to enable them to develop into larger companies.
17. Remain focused on industrial parks but review the institutional framework in place to support implementation.
18. Continue to focus on export-orientated growth in NDPIII.
19. Ensure that NDPIII includes a concerted effort to support effective urbanization.
20. Under NDPIII continue to focus on strengthening all forms of good governance, namely: political and democratic, corporate, public sector administration and accountability.
21. Focus efforts on supporting regional and local development. The NDPI and NDPII advocated for strengthening the devolved functions and fiscal decentralization. However, the mid-term review of NDPII and evaluation of NDPI indicates that there has been a continuous weakening of the devolved authority of local governments and declining fiscal transfers. This should be addressed under the remaining years of NDPII and NDPIII.

## 1.0 Introduction

1. **The Government of Uganda, through the National Planning Authority, has commissioned a mid-term review of its National Development Plan I 2015/16-2019/20 (NDPII).** The mid-term review covers the period 2014/15 to 2017/18. The mid-term review, conducted by a team of independent consultants, is comprised of six thematic reports: Economic Management, Institutional Framework, Development Partnerships, Political Economy, Results Framework and Policy and Strategic Direction.
2. **The objective of this report is to present a synthesis of each thematic report, and provide an assessment on the performance of NDPII, to date.** It seeks to provide conclusions on how relevant, efficient and effective the plan has been in supporting Uganda's development trajectory. Recommendations, for consideration by policymakers in the remaining years of implementation and in NDPIII are also put forward. The report draws upon the findings and conclusions contained in each thematic report. As such, there is considerably more detail in each thematic report than is contained in this synthesis report. This report also drew on findings from visits to select Districts and conclusions from analytical work carried out by the EU on the performance of NDPI and NDPII.
3. **This report is structured into three parts.** Part one presents a background to the topic and the methodology used to collect and analyse information. Part two presents key findings from each of the thematic reports. Part three provides conclusions and recommendations. This report is extremely timely as the Government of Uganda has started the design of its third five-year National Development Plan. This document will hopefully inform and guide this initiative.

## 2.0 Methodology

4. To prepare this *synthesis* report, the consultants drew upon the findings, conclusions and recommendations contained in each mid-term review thematic report. Conclusions from visits to the Districts and analytical work conducted by the EU was also considered. Given the varied nature of topics covered by the thematic reports, Chapter 3 of this reports presents the findings in the context of each report.
5. To prepare each *thematic* report, a small team of consultants requested and analysed several documents from Government and development partners. In addition, semi-structured interviews were held with Government staff and other stakeholders (private sector, civil society, development partners and academia) who are involved in the delivery of NDPII. Semi-structured interviews and document analysis were framed around the guiding questions for each thematic report. The mid-term review team also undertook fieldwork to selected local governments and conducted a series of workshops to validate findings. The guiding questions for each thematic report were set-out in the original terms of reference for the mid-term review and Inception Report and are detailed in Annex 1.
6. The mid-term review started in September 2018 and was completed in March 2019.

## 3.0 Background

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

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



8. **NDPII focuses on fewer goals and sectors than NDPI** (2010/11-2014/15), namely: productivity enhancement, infrastructure development, human capital accumulation and quality service delivery. Moreover, NDPII has moved away from the earlier plan’s approach, where sectors were placed into four pots (primary sectors, complementary sectors, social sectors and enabling sectors) but not explicitly prioritised. Instead, the current development plan has identified several constraints and bottlenecks that must be addressed, through detailed strategies and approaches, for Uganda to reach lower middle-income status by 2020. Further details on NDPII’s theory of change is in Annex 2.

**Table 1: NDPI and NDPII**

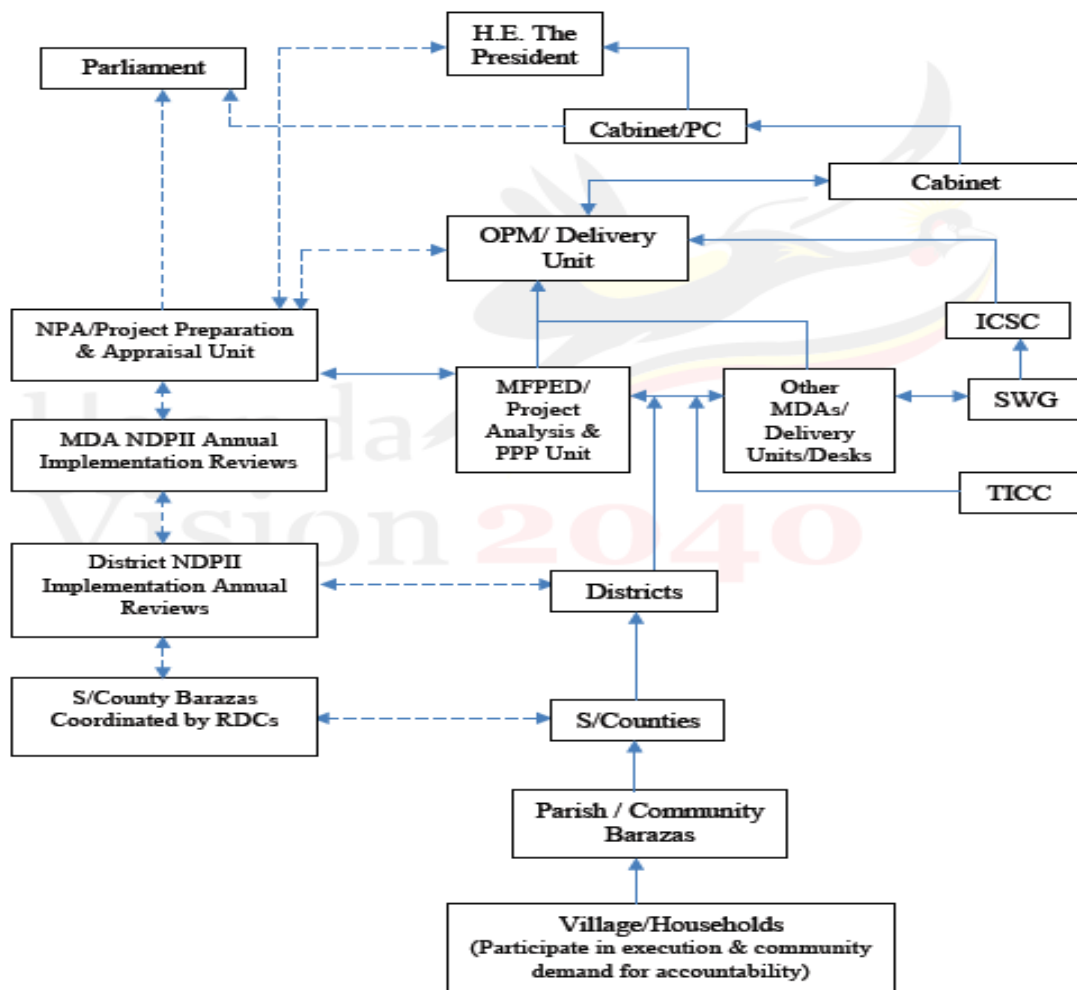
<p><b>NDPII Theme:</b> To achieve middle-income status by 2020, through strengthening the country’s competitiveness for sustainable wealth creation, employment and inclusive growth</p>	<p><b>NDPI Theme:</b> Growth, employment and socio-economic transformation for prosperity.</p>
<ul style="list-style-type: none"> <li>• Increase sustainable production, productivity and value addition in key growth opportunities (agriculture, tourism, minerals and oil and gas);</li> <li>• Increase the stock and quality of strategic infrastructure to accelerate the country’s competitiveness;</li> <li>• Enhance human capital development; and</li> <li>• Strengthen mechanisms for quality, effective and efficient service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase household incomes and promote equity;</li> <li>• Enhance the availability and quality of gainful employment;</li> <li>• Improve the stock and quality of economic infrastructure;</li> <li>• Increase access to quality social services;</li> <li>• Promote science, technology, innovation and ICT to enhance competitiveness;</li> <li>• Promote sustainable population and use of the environment and natural resources.</li> <li>• Enhance human capital development; and</li> <li>• Strengthen good governance, defence and security.</li> </ul>

*Source: NDPI, NDPII*

### 3.2 Key stakeholders

9. The institutional architecture for the design, implementation and monitoring of NDPII is provided in Figure 1. Key institutions include the Office of the President, Cabinet, Office of the Prime Minister, National Planning Authority (NPA), Ministry of Finance, Planning and Economic Development (MoFPED), sector Ministries, Departments and Authorities (MDAs) and local Governments. Non state actors included the private sector, civil society, academia and development partners. Ultimately, implementation of NDPII is a shared responsibility across society, with support from external partners.

**Figure 1: Institutional architecture for NDPII implementation**



Source: NDPII Implementation Strategy, 2015

10. The Office of the President is tasked with overall leadership and oversight of the plan, the timely communication of cabinet decisions and quality assurance of policies presented to Cabinet. Cabinet, as the highest policy making organ of the Executive, is empowered by the Constitution to determine, formulate and implement the policy of the Government (Article 111(2)). Cabinet ultimately provides the policy and strategic direction for NDPII, approves the budget allocations and champions implementation. The Office of Prime Minister is tasked with the role of tracking the implementation of priority projects and programmes and for public sector performance information and reports which inform good policy development. The NPA develops national development plans, including NDPII, ensures alignment of MDA and local Government plans to NDPII and develops NDPII performance indicators and targets in liaison with sectors. MoFPED is responsible for resource mobilisation and allocation and for ensuring a direct linkage between planning and budgeting. Sector MDAs and local Governments both develop sector plans and policies and align their objectives to national level directives such as NDPII. A more detailed breakdown on the roles

and responsibilities of entities charged with implementation and monitoring of the plan is contained in Annex 3.

### 3.3 Overarching structures informing NDPII

11. In reviewing the performance of NDPII it is important to keep in mind that implementation of the plan does not take place in a vacuum. It must take place in the context of wider, governing documents. Key documents which both inform and guide implementation of NDPII include:

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

### 4.0 NDPII performance

12. This chapter presents a summary of the key findings from each thematic report. Recommendations on ways in which the Government can improve the performance of NDPII and subsequent plans are provided in Chapter 5 and 6.

#### 4.1 Policy and Strategic Direction

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

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

15. **Improvements in the quality of Government policies, plans and strategies could help improve implementation of NDPII and future plans. A sample analysis of 64 policies revealed that most had** done a good or excellent job at identifying the problem that needs to be addressed. However, in most cases improvements are needed in the communication and dissemination of the policy and in ensuring cross-analysis against other policies takes place (see table below). It is recommended that the Government renews its commitment to develop the capacity of the policy analyst cadre, guidance on what good policies, plans and strategies look like, and when each intervention (or alternatives) are appropriate.

**Table 2: Policy quality determinants**

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

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

16. **Several key policies to guide the delivery of NDPII objectives have not yet been developed and/or aligned to NDPII.** The development and/or improvement of six key policies, with linked funding may help increase the likelihood of delivering on NDPII’s targets. The six key policy areas identified in this MTR includes the need for: a

comprehensive industrialisation strategy; an improved budget strategy which focuses more explicitly on improving domestic revenue mobilisation and aligning financial resources to NDPII; an inclusive growth index; improved regional and local development planning and fiscal decentralisation; continued investment in green growth policies; and an explicit human capital development strategy.

- 17. NDPII identifies 11 pre-requisites required for successful NDPII implementation.** This is a positive step and builds on the identification of pre-conditions needed for effective implementation under NDPI. A review, however, on the status of the pre-conditions reveals that more work needs to be done to ensure that these are in place and/or being developed. There is a need to increase meaningful engagement with the private sector and civil society and invest in building good governance – political will, ownership, reduced corruption, effective use of M&E and information for decision-making. Whilst these are not small tasks, incremental efforts can and should be made in the remaining years of NDPII to ensure that NDPII has a greater chance of success.
- 18. Economic growth has fluctuated over the review period and is below the NDPII target of 6.3%.** Growth has also not been as inclusive as desired – GDP per capita is below the NDPII targets and Uganda has seen a decline in the growth and development index by 4.2%. Agriculture value addition, mineral beneficiation, manufacturing and private-sector activities have also performed at a slower rate than expected. The implementation of Government policy has not, to date, delivered the desired results under NDPII. Weaker than expected performance has been the result of slow or ineffective policy implementation (in turn the result of insufficient funding, leadership, buy-in, capacity, underutilised acquired capacity, policy gaps/inconsistencies, and/or poor performance management), a challenging operating context over the MTR period (e.g. drought) and persistent weaknesses in the efficiency and effectiveness of Government.
- 19. Over the MTR period the number of sector and MDA plans aligned to NDPII has increased.** There has been a concerted effort, across Government to produce sector plans that are aligned to NDPII. This is a positive step. However, more needs to be done. In some cases, strategies are still missing e.g. industrialisation and should, ideally, be developed. There is also value in continuing to invest in strengthening sectoral, local Government and MDA level capacities in planning, budgeting, monitoring, learning and evaluating actions. Moreover, to improve the effectiveness of NDPII's policy and strategic direction, Government could continue to invest in improving the quality of policy, invest in

improving public investment management (across the full project management cycle) and in the timeliness and certainty of fund release to sub-national Governments and MDAs. Engaging more *consistently* and *closely* with implementers of public policy and ensuring that there is continuity of action may also help to improve policy implementation.

**20. At the MTR point of NDPII there is a disconnect between planning and budgeting.**

The annual budget does not fully align with NDPII priorities, and the annual budget has not been translated into sector specific interventions to deliver the NDPII targets. The degree of alignment between planning and budgeting has also decreased across the MTR period. The overall score for alignment in 2016/17 was ‘moderately satisfactory’; in 2017/18 alignment was rated ‘unsatisfactory’ (see Table 3). It is important that this trend is reversed in the remaining two years of NDPII, and in future plans, to ensure that implementation of the NDPII is fully supported. To improve alignment the Government could: include NDPII processes into the Budget Calendar, strengthen public investment management, focus efforts in the budget strategy and budget allocations on improving domestic resource mobilisation and reducing corruption, consider sanctions/penalties for sector agencies who significantly deviate from planned and approved development priorities under the NDPII and work closely with stakeholders across Government on ensuring buy-in and commitment to NDPII.

**Table 3: Certificate of compliance assessments (2015/16-2017/18)**

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

Source: National Planning Authority

**21. The level of understanding of NDPII vis-à-vis NDPI by stakeholders appears to be**

**higher.** Discussions with stakeholders during this MTR revealed that there is a common understanding on the priorities of NDPII and some evidence of the broad policy and strategic directions it espouses. Stakeholders noted that NDPII is more succinct and focused than NDPI. Non-state actors, the private sector and development partners have however expressed that they would like to work with Government in a more meaningful way moving forward. To improve buy-in and support to NDPII, it is recommended that the Government considers strengthening the co-ordination of development partners, enhances the involvement of development partners in preparing NDPIII, streamlines joint sector working groups and ensures that partnership dialogue within the

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

## **4.2 Results framework**

### **22. The Results Framework thematic report reviews the performance, to date, of NDPII**

by assessing results at various levels of the Plan. The review of progress has been determined based on data extracted from the best primary sources available. It also considers factors and conditions that have contributed to the results and makes recommendations for amendments in planning, coordination of implementation, monitoring and evaluation for NDPII and subsequent Plans. Overall, progress against the NDPII goal, and objectives has been mixed. There has been some excellent progress in some areas; in other areas, progress has been less than satisfactory. A thorough breakdown of results is provided in Annex 4.

### **23. 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 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.

### **24. 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.

- 25. 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. 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.
- 26. The sustainable wealth creation indicators do not measure up to targets.** Indicators such as “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 shown 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.
- 27. In contrast, there has been progress against the NDPII objective of “Increase Sustainable Production, Productivity and Value Addition in key growth opportunities”.** The GDP growth rate in 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 slightly closer to its 2017/18 target, the industry sector reaching only 19.8 % compared to the 27.7 target. 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.
- 28. The indicators on Stock and Quality of Strategic Infrastructure have 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. 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 with potential for energy production in Uganda such as solar and wind. 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.

**29. 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 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 the NDPII 2017/18 target.

30. In addition to the indicator statistics several 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 Early Childhood Development (ECD) with special emphasis on early aptitude and talent identification, no ECD indicators were included in the Plan to assess 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 (see **Error! Reference source not found.**).
- (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.

31. **The lack of data for health indicators is such that only one of the indicators for 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.
32. 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.
33. 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.

**34. 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 program outcomes if it only benefits households that have already achieved the goals. 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. 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. We have no 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.

**35. The NDP1 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<sup>1</sup> (33.6 per cent) in human standard of living due to inequality in distribution. 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. 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.

36. 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. 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.

### **4.3 Economic management**

37. **Over the first three years of NDP II, Uganda has registered annual real GDP growth rates of 4.9%, which is lower than the NDP II targeted average annual growth of real GDP of 6.0%.** Slower than anticipated growth has occurred due to drought, slow implementation of infrastructure and energy project and delays in achieving improvements in the business environment and competitiveness. To attain the NDP II target average GDP growth rate of 5.9% by end of NDP II (2019/2020), Uganda will need to register an 8.4% annual GDP growth rates over the remaining two years, which is ambitious given that a number of prioritised infrastructure projects to drive growth have progressed at a very slow rate, while productivity of the agricultural sector and the industrial sector have not gained

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<sup>1</sup> However, population data are based on estimates.

traction to deliver the anticipated growth. To revitalise economic growth of the economy Uganda should strengthen delivery of infrastructure projects and strengthen alignment of NDPII to the MTEF and the National Budget.

38. **All sub-sectors registered positive annual GDP growth rates over the review period,** although the growth rates have not reached the average of 7% recorded for the two decades ending in 2010. For the first three years of NDPII, agriculture has continued to register the lowest annual growth at 2.7%. This is however an improvement upon 2.1% over NPDI. Industry grew at an average of 4.7% over the same period, reflecting a decline compared to the rate of 6.1% experienced over NDPI. The service sector grew at an average of 6.4% over the review period.
39. **The first three years of NDPII have not delivered the rapid growth in GDP per capita required to enable the country to achieve middle income status.** The GDP per capita value for 2017/18 - \$799 is below the target of \$833 outlined in NDPII. Nominal GDP has grown largely in line with NDPII projections, however depreciation of the Ugandan Shilling and a high population growth rate has limited growth of GDP per capita. This situation is likely to continue in the short to medium term due to a limited export base.
40. **The NDP II growth strategy relies heavily on frontloading public investment in infrastructure projects. However, there has been slow implementation of several infrastructure projects** including the oil refinery, oil pipeline, standard gauge railway and key roads identified under NDPII, which has constrained growth due to reduced public investment. Most of the projects were included in NDP II before completing the preparatory phases of project appraisal to confirm the socio-economic or commercial viability of the projects. Slow project implementation is attributed to: 1) slow procurement processes; 2) Inability to plan for government counterpart funding; and 3) weak institutional capacity to manage and supervise the projects. Government should look to address their known weaknesses in public investment management.
41. **In the first few years of NDPII, Uganda has continued with an expansionary fiscal policy.** The budget deficit (excluding grants) has increased from 4.5% of GDP in 2014/15 to 6% in 2017/18. At present, both the actual and projected fiscal deficits are in excess of the EAC Monetary Union macroeconomic convergence criteria which requires fiscal deficit including grants to be less than 3% of GDP. Expenditure has increased rapidly from 18.9% of GDP in 2014/15 to 21.7% in 2018/19. This expansion has been achieved through

domestic and external borrowing which has increased the deficit and public debt. Public debt as a percentage of GDP stood at 40.2% in 2017/18.

42. **A review of actual expenditure against target NDPII sector allocation reveals significant misalignment.** Out of 17 sectors in NDPII, 5 received funding above allocations in NDPII targets (social development, public administration, interest payments, justice, law and order and legislature and accountability). Interest payments in particular account for 12.2% of government expenditure but was estimated to only account for 8.23%. All growth sectors, to date, have received allocations below NDPII targets.
43. **To date, the NDPII period has been characterised by a low tax to GDP ratio.** This is due to several challenges in the tax administration process. A number of reforms have been initiated that continue to improve tax administration but more effort is still needed.
44. **The Government should reduce its borrowing from domestic markets.** The high interest rates on Treasury Bonds and Bills have contributed to high bank lending rates, due to the high interest rates that banks can obtain from risk-free holdings of government paper. This has in turn crowded out credit to the private sector and had a negative impact on investment and growth. Government should manage its domestic borrowing requirements better and avoid going to the capital market with large funding requirements towards the end of each fiscal year, when it is easy for the banks and institutions to demand high rates. To achieve this, government needs to avoid adding unfunded spending commitments to the budget.
45. **The Government of Uganda should consider alternative financing options to finance large infrastructure projects.** Given the large financing requirements of projects that are being carried over from NDPII to NDPIII and the limitations of borrowing as the country hits the debt ceiling-- it is unlikely that Uganda will be able to raise these resources only from concessional borrowing and tax revenue efforts. It is imperative that Government also starts exploring other options especially to finance large infrastructure projects whose economic returns may not be viable in the short run but with enormous social benefits. The MTR recommends that the Government considers alternative financing models, including:
- (i) **Issuance of Infrastructure Bonds:** Bonds provide an alternative to traditional funding, making infrastructure debt more accessible to a wide array of institutions. Government should consider issuance of a Euro bond in international markets. The

size of this bond will depend on the financing needs that are not fully covered under by concessional or semi-concessional borrowing, the costs and risks associated with such financing instruments. With an estimated financing gap of about US\$1.4 billion a year for infrastructure investment, the Government can initially issue a bond of US 7 billion dollars for infrastructure development over a five year NDP III period. Government can also initiate project specific infrastructure bonds to finance infrastructure projects and municipal infrastructure bonds to finance municipal and city infrastructure needs.

- (ii) **Uganda should also consider establishing a Fund of Funds.** The Fund of Funds enables the government to have a stable and unified source of venture investment which can be targeted to priority sectors expected to grow at a high rate and generate employment. Over time the fund of funds can be gradually opened to the private sector, allowing for its efficiency and additional funding to be exploited. To improve governance and management of fund of funds, it is proposed that, although the Fund of Funds would be financed partly by government, management of this fund would require being autonomous in its decision making and not influenced by government. This would enable the managers to make decisions based on the viability of the projects in question. Notwithstanding the above proposal, the Fund would also have to be regulated by the Capital Markets Authority to ensure that it meets the generally acceptable standards and practices of capital markets and does not out-compete private venture capital initiatives.
- (iii) **Use of Pension Funds.** Pension funds have not made progressive investments in infrastructure – especially in those sectors with the potential for high returns and stable and long-term cash flow and inflation-protection possibilities. While the government is expediting the development of the pension sector and implementing the Capital Markets Master Plan, it should also mobilize domestic currency financing by establishing syndicates of commercial banks and large surplus institutions to finance infrastructure projects, such as pension funds, particularly the National Social Security Fund (NSSF).
- (iv) **Sovereign Wealth Funds (SWFs)** provide alternative financing role in developing much-needed infrastructure across the world, provided that their investment strategies and underlying mandates support countries’ macroeconomic policies and development plans. Infrastructure projects provide long-term investment returns that



are protected against inflation and bear little to no correlation with other financial assets, making them less vulnerable to economic shocks.

**46. To date, monetary policy has largely been effective in controlling inflation and maintaining stability of the economy** as evidenced by low and stable inflation and the relatively stable exchange rate. The whole structure of interest rates in Uganda is high, in real terms, due to a combination of factors, including high policy rates (Central Bank Rate - CBR), crowding out through higher government borrowing (bond rates), and structural factors in the banking system (high NPLs, over-capitalisation, and high operating costs). The economic management thematic report proposes recommendations that the BoU/MoFPED investigate in more detail what the appropriate level of the CBR should be to achieve the desired inflation objective.

**47. Uganda's external trade performance has improved over the past five years.** Uganda's exports have registered a 31.6% growth in nominal value over the first three years of NDPII compare to 19.2% growth over the NDPI period. On the other hand, imports have grown by 19.8% compared to 6.3% registered during NDPI. Whilst the external sector performance has been generally positive during the first half of NDPII, there are some future external account risk which must be considered. Imports are expected to risk sharply as major infrastructure project are implemented and this may lead to larger current account deficits, hence greater reliance on capital inflows and potential pressure on the exchange rate and international reserves.

#### **4.4 Development partnerships**

48. This thematic report examines development partnerships and considers: trends in Uganda's development partnership including the volume and direction of aid; development partner alignment with the NDP-II; the progress that has been made during the NDP-II in improving harmonisation, reducing transaction costs, and strengthening mutual accountability; and the growing importance of development assistance from Uganda's non-traditional development partners.

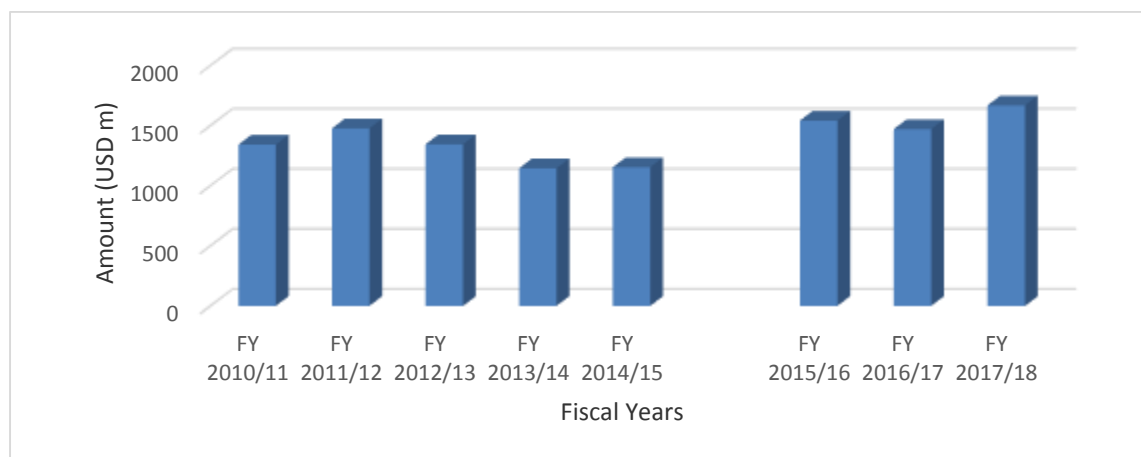
**49. Over the first three years of NDPII, external assistance was on average 31.6% of the total budget. The source of funding and funding mechanism is different to that provided during NDPI.** Development partner assistance is a critical source of finance for NDPII, and the amount of annual assistance is currently higher than levels seen during NDPI. There has however been significant volatility in the level of funding year-on-year,

due to the pace of project implementation (see figure 2). Over the first years of implementation, there has also been a tendency for development partners to use off-budget support mechanisms, outside government systems. Budget support has declined. Moving forward, Development Partners are considering blending grant funds with private sector money. At present, 60 Development partners provide assistance to Uganda, however over 84% of funds disbursed to-date have come from 10 partners (China, IDA, ADF, USAID, AfDB/F, PTA/TDB, African Union, JIBC, Japan, IdDB and France). Over the first three years of NDPII, China and IDA have contributed the largest amount of assistance to Uganda; this is in contrast to the NDPI period when IDA and USA provided the greatest amount of funding.

**50. Over the first three years of NDPI, grant inflows amounted to 31% of total Development Assistance to Uganda, of which 96% was in the form of project support.**

The three sectors that have received the largest amount of financial support (62.7%) are energy and mineral development (31%), health (17%) and works and transport (15%). It should however be noted that over the first three years of NDPII, there has been a declining trend in actual disbursements compared to commitments. On average 73% of commitments were disbursed. Low absorptive capacity in MDAs is cited a key reason for delays in implementation and fund disbursement.

**Figure 2: Development assistance (total disbursements)**



**51. There is a need to review, update and revise the Development Partners Partnership Policy to ensure it is in-line with NDPII.** The current policy (2013) predates NDPII and is owned by OPM. At the time of writing a Development Cooperation Policy (DCP) has been designed by MoFPED and it is recommended that this policy is finalised as soon as

possible to support the coordination and engagement with Development Partners. It would be good to consider south-south cooperation in the Partnership Policy.

**52. Regular development partnership dialogue is noted to be taking place, however effective dialogue has been challenging in the post Joint Budget Support era.**

Moreover, on-going dialogue does not include all Development Partners. Some, non-traditional partners, are not currently bound by the National Partnership Forum arrangements. This mid-term review has also indicated a need to improve how the National Partnership Forum, sector working groups and local development partner groups are running. A view amongst some stakeholders is that they may not be as efficient and effective as possible.

**53. Development partner assistance could be more closely aligned to the NDPII.**

To support this process, the annual performance review (GAPR) could be more systematic and potentially guide the NPF dialogue. The quality of budget consultations at national, sector and local levels could also improve; this could not only increase alignment of priorities but could help strengthen mutual accountability. Ideally, consultation with Development Partners should be aligned to the Budget Calendar.

**54. To date, Development Partners have contributed significantly to NDPII.** In particular:

- (i) Development Partners' support has helped implement some NDP-II core projects. Support from China Exim Bank helped to finance the Karuma and Bujagali hydro powers station and associated transmission lines projects; Finance from UKEF and Standard Chartered Bank has been secured to finance the construction of Kabaale Airport in Hoima; Funds from the AFD and KfW to finance the project has been secured to finance Mbrarara-Maska Transmission line; Funds from IDA secured to finance Gulu- Nebbi- Lira Transmission line; Secured lines of Credit from BADEA and IDB helped to recapitalize UDBL.
- (ii) In the health sector development partner support both "off-budget" and "on-budget" have been directly associated with improvements under the NDP-II in increasing the proportion of deliveries that take place in health facilities, increasing child immunisation, increasing the proportion of health facilities without drug stock outs and increasing the number of couple years of protection through contraception programmes.

- (iii) Development partner support in the roads sector, especially from the World Bank, European Union, AfDB, China and Japan have helped secure recent improvements in the proportion of both paved roads and unpaved roads that are in fair to good condition. This investment is set to increase over the remaining period of the NDP-II especially as a result of projects which are already underway or in the pipeline for example to Kampala – Jinja Express highway, Kibuye –Busega Express Highway and metropolitan network around Kampala.
- (iv) In education, donors, such as the AfDB, Belgium and World Bank have increased their support for vocational training and skills development in line with NDP-II objectives.

**55. In relation to harmonisation and transaction costs, there is a need for Government and Development Partners to strengthen this area of collaboration over the remaining years of NDPII.** There is currently no common Joint Assessment Framework (JAF), and annual progress reports have been replaced by GAPR. It was anticipated that a key focus for the Partnership Policy would be improved harmonisation between development partners, which would help reduce government’s transaction costs. To date this has not happened. Moreover, there are no joint programme-based approaches and no agreement among development partners on common principles for disbursement and accountability.

**56. Lastly, in relation to transparency and predictability, this mid-term review has found that few development partners provide indicative financing (or commitments) in advance,** and in most cases, there is a lack of a multi-year perspective. This makes development and use of the Medium-Term Expenditure Framework difficult.

#### **4.5 Institutional framework**

57. This thematic report assesses the robustness of the institutional framework at the national and subnational levels in supporting implementation of the second National Development Plan (NDPII) in a coordinated, cohesive and integrated manner.

58. This MTR notes indeed that the Plan lined up a very useful institutional implementation structure comprising oversight, coordination and implementing institutions. The monitoring and evaluation roles and responsibilities of the different institutions are also well articulated in the plan. NDP2 maintained the oversight Institutions of the NDP I but this time introducing some reforms for enhanced efficiency and in line with the lessons

learnt in the NDP I period; NDP review forums were expanded to include the private and civil society forums, the Local Government review forum and sector review forum. These forums were to be established and operationalized with each playing a key role towards an integrated, coordinated and timely monitoring and evaluation function. Despite the existence of these well intentioned M&E systems and structures, the MTR notes that the NDP implementation remains highly constrained by weak M&E capacity and systems at both LG and MDA level.

59. Political and technical Leadership of the NDP remain crucial components of the institutional framework for the NDP delivery. However, the aligned roles and responsibilities continue to be undermined by the limited financial and technical capacity especially to monitor NDP processes and outputs in relation to planned priorities. Cabinet, the highest policy making body of Government has not yet put in place a standing committee to handle NDP implementation matters. Similarly, there is no committee of Parliament dedicated to National Development Planning.

60. Just as NDP I, NDP II not only lined up the right institutions but also considered their comparative advantages in roles, functions and interdependence. However, it is worrying that at MTR, the most desirable political and technical leadership of the NDP II remains wanting. A number of reforms in NDP institutional implementation and Monitoring function particularly the oversight functions of The Annual Review Forum, Sector Review Forum, The Private Sector and Civil Society Forum or the Local Government Review Forum have inadequately been prioritised so far. Owing to this gap, timely identification of warning signs requiring an all-to-own action is weak. Given that the five year NDP was part of Uganda's Comprehensive National Development Framework, the failure to undertake regular stakeholder reviews as had been intended under the proposed annual review forums has meant a lost opportunity for such forums to consciously direct all their planning, implementation, monitoring and evaluations towards attainment of medium and long term targets conceived in relation to the national Vision 2040.

61. The National Policy on Public Sector Monitoring and Evaluation (NPPSME) of the OPM (see Section 5.3 of this report) is vague in as far as specifying who is responsible for the coordination/ oversight role in the respective institutional frameworks. While most of our respondents blamed the OPM for failing in this role, the truth is that the policy (the

NPPSME) gives coordination/ oversight roles to almost every MDA – notably Parliament playing this role through its sectoral committees; the Office of the Auditor General (OAG); the Office of the Prime Minister (OPM); at times President’s Office (PO); and the National Planning Authority (NPA); even the Ministry of Finance, Planning and Economic Development (MFPED); among others. If each of those MDAs is responsible, who is indeed responsible for the coordination/ oversight role? None in our view. The coordination/ oversight roles for each of these MDAs ought to be clarified. The policy (NPPSME) of the OPM needs to be amended to make it clear who is responsible for the coordination/ oversight role in the respective institutional frameworks.

62. Both the NDP I and II recognise the private sector as a key drivers of the economy especially in terms of implementation of the major projects. It was seen in terms of its ability to attract human expertise and financial resources needed for undertaking major projects. Strategies to re-vitalise the predominantly micro, small and medium enterprises (SMEs) and a large informal sector have continued to remain inadequate. The NDP II proposed PPP unit in the Ministry of Finance was put in place but much more needs to be done to build a fund for access by both local and international investors.
63. The role of civil Society in monitoring of progress in implementation of the NDPs remains weak. By MTR, many still felt that they were ‘far away’ from action because their proposals were not usually considered and business remained as usual. Similarly, communities as producers and consumers of development have not yet fully gained an understanding of the National Vision and are yet to demonstrate ownership through effective monitoring and demand for accountability for service delivery. Moreover, there is a weak sanctioning framework for poor performance. Client charters and Performance contracts proposed since NDP1 have not effectively been enforced, let alone making them known through the Barazas proposed in both NDP I and II.
64. There is need by higher level oversight and coordination institutions (Cabinet, The OPM, NPA, MoFPED) to collectively commit to a deliberate and purposeful ‘drive to make things happen’. Given the importance Uganda has attached to national development planning as reflected in Uganda’s comprehensive national development plan and vision 2040, there is need to for a standing committee of cabinet that focus on National Development Planning and implementation. As far as NDP is concerned, the Parliamentary roles in

oversight, legislation and appropriation should also be seen not in the usual generic frame; implementation of an earlier recommendation by the MTR that a committee of parliament focusing on National Development Planning be formed is also long overdue.

65. In order to enhance the effectiveness and efficiency of the NPA, the authority should be deliberately re-equipped both in terms of hierarchical positioning and technical capacity. That way the Authority will not only carry stronger clout over other MDAs but most importantly it will more directly support Cabinet decision making on policies that drive National Development Planning. Through research and policy analysis, NPA will generate policy papers that will quickly be utilised to inform cabinet decision making on development including those that seek to identify short and medium term institutional bottlenecks requiring reforms and adjustments that will more efficiently and effectively propel positive NDP results.
66. Local Government Capacity to deliver in NDP priority areas such as Agriculture, Health and Education should immediately be prioritised to tap from their strategic positioning within the NDP delivery structures which brings them closer to the end users of development. Monies disbursed to LGs could easily be wasted if they do not effectively take care of the technical staffing gaps as well as capacity building to deliver on NDP objectives. Agricultural productivity at household level needs real support through effective agricultural extension services. Health facilities from HC II to regional referral Hospitals will obviously remain ineffective if the required human resources and medical supplies perpetually lack. Similarly, the capacity to deliver primary education services will require regular supervision and engagement with communities over quality and standards. The extension services sub-sector crucially needs full local government capacity. These and other critical LG service areas will need a different decentralised service capacity and system from what NDP1 and NDP2 were implemented under. It is still important that the principle of subsidiarity adequately informs the character of decentralised institutional mandates in NDP regimes ahead.
67. At sector level, more support in regards to a strong coordination system of the sectors is required. The NPA should take lead on the re-constitution of SWGs and development of their terms of reference to further enhance joint development planning, prioritisation and reporting. This will address tendencies for individual MDAs to feel like they do not belong

where they find themselves. This effort should go along with strategies to enhance leadership, technical and financial capacity and other incentives for improved coordination and collaboration and removal of conflicting mandates. Thankfully, the recent report by the MoPs on rationalization of Government Agencies and Authorities makes several strategic recommendations regarding harmonisation of Agency mandates, reduction on duplication of functions and unproductive functions.

68. Upon review of the rationalization report, the evaluation concluded that the approach to its implementation should be three pronged: (i) some recommendations can be executed without further analysis; (ii) some recommendations require more in depth functional analyses, and; (iii) some recommendations need to be stayed for the medium term.

a. Agencies where implementation should be undertaken without need for further analysis include the following:

- (i) Merging Agricultural Chemical Board and National Drug Authority into one agency but leaving Uganda National Bureau of Standards out of this merger. The UNBS should be left out of this merger due to its unique and overstretched role of ensuring standards of all manufactured goods.
- (ii) Transferring the Electricity Regulatory Authority back to MEMD to strengthen policy, regulatory, inspection and monitoring function of the Ministry. However, the status regarding the Petroleum Authority of Uganda should remain until practical lessons are identified.
- (iii) Transferring the Uganda Atomic Council to MEMD for consistent policy pursuance.
- (iv) Merging Uganda Communications Commission and NITA-U due to technological convergence reasons.
- (v) Creating one council with specialized departments for Uganda Nurses and Midwives, Allied Health Professional, Medical and Dental Practitioners and Pharmacists.
- (vi) Merging Post Bank and Pride Micro finance to create one adequately capitalized publicly owned commercial bank which will lead enhanced financial intermediation in rural areas of the country. This arrangement should however exclude the Micro Finance Support Centre a lender to micro finance agencies.
- (vii) Merging Economic Policy Research Centre, National Population Secretariat with the National Planning Authority. This is a best practice that will strengthen the research component of NPA. The advocacy component of the population secretariat should be transferred to MGLSD under the directorate of social development. The NPA will then be headed by a director general under a single full-time board.



- (viii) Merging Uganda Investment Authority, Uganda Free Zones Authority and Uganda Exports Promotion Board. Private Sector Foundation should be left out of the merger to avoid compromising its advocacy role. Similarly, Enterprise Uganda should not be merged with the rest because it's a skills development arm with no role in investment and export promotion.
- (ix) Reintegration of NAADS, Uganda Trypanosomiasis Control, Cotton Development Organization, Dairy Development and Coffee Development Authorities into MAAIF to enhance coordination and policy and programme implementation.
- (x) Phasing out the Non-Performing Assets Trust and Departed Asians Custodian Board.
- (xi) Transferring the UNCST mandate and functions to the MSTI
- (xii) Merging the various councils for the vulnerable into one council (National Youth, National Women, Children, Disability and Older Persons councils) to improve coordination and balanced affirmative action.

(b) The following would particularly require more in-depth functional analysis prior to any merger decision.

- (i) Merger of UNRA, SGR, URC, Transport Licensing board, National Roads Safety Council and Marine Transport into a single infrastructure development agency should be reconsidered. This requires in depth functional analysis of the various agencies involved to avoid back and forth policy reversals.
- (ii) Merging the Insurance Regulatory Authority, Uganda Retirement Benefits Regulatory Authority, Capital Markets Authority and Uganda Microfinance Regulatory authority would require further review given that the functions of all these agencies are very distinct and hardly relate to each other.
- (iii) Mergers under the Tourism sector should be restricted to Uganda Wildlife Authority and Uganda Wildlife Education Trust, with the Uganda Tourism Board left out of the merger to enable it focus on its core mandate of promotion and marketing of tourism.
- (iv) Merging the Uganda National Examinations Board with the Uganda Business Technical Examinations Board, UAHEB and UNMEB requires more consideration given that each examination board applies different examination approaches.

c) The evaluation recommends staying of the proposed mergers below:

- (i) Mainstreaming the functions of the National Lotteries Board into the Ministry of Finance Planning and Economic Development requires further study given that National Lotteries are a private activity whereby the role of government/MoFPED stops at regulating them.

- (ii) The National Identification and Registration Authority, Uganda Registration Services Bureau, Uganda Non-Governmental Registration Board and National Citizenship and Immigration Control play different roles, have different objectives and are aimed at delivering different results. Their merger into one agency complicates coordination, budgeting and planning for results.
- (iii) The evaluation does not support the notion of merging Rural Electrification Agency, Uganda Electricity Distribution Company, Uganda Electricity Generation Company and Uganda Electricity Transmission Company Ltd. At the time Uganda Electricity Board played the role of these four companies, it was a sole monopoly in generation of power. With more players generating power, this would require specialized agencies because of the varying tasks in generation, transmission and distribution.
- (iv) The evaluation does not recommend the transfer of National Records and Archives Authority to Ministry of Public Service as there are enormous advantages in the semi-autonomy of the National Records and Archives Authority and risks associated with archiving or National records with a Ministry whose mandate is different.
- (v) Consolidation of social programs such as the Youth Livelihood, Women and disabled persons funds into the Uganda Development Bank is inappropriate. The bank's core mandate is to lend to private investors.
- (vi) Consolidation of all funds for microfinance activities under MDAs into a directorate of Microfinance in MoFPED is also inappropriate given that savings are private sector initiatives with different and unique objectives.
- (vii) The Hotel and Tourism Institute-Jinja should remain under the Ministry of Tourism, Wildlife and Antiquities, while the Ministry of Education and Sports should continue its regulatory role on curriculum and examinations.
- (viii) Merging the Uganda Warehousing Receipt Systems Authority with the Uganda Commodity Exchange would be erroneous. Commodity Exchange is mainly for purposes of hedging against financial risk while the warehousing receipt system is for safeguarding against post-harvest losses.
- (ix) The transfer of the directorate Urban Water Supply to the National Water and Sewerage Corporation should be stayed as Urban water has a role to play in policy formulation and extension of free water to many existing and emerging urban areas where NWSC may not reach in the medium term.

69. The National Policy on Public Sector Monitoring and Evaluation (NPPSME) of the OPM needs to be amended to make it clear who is responsible for the coordination/ oversight role in the respective institutional frameworks. We support the proposal from President's Office (PO) (Thursday November 29, 2018 and Friday November 30, 2018) to the effect that coordination of government projects be improved, so that the work of one (e.g., OPM) is an input in the work of another (e.g., PO). We concur with their suggestion that

monitoring and evaluation (M & E), should be better defined, in such a way that it is contextual and not generic. Ministries, departments and agencies (MDAs) which implement government policies, ought to do “operational” M & E. The Office of the Prime Minister (OPM) should thus desist from doing “operational” M & E. The OPM being responsible for monitoring and coordinating the implementation of government policies at MDA level, should do “institutional coordination” and macro-level M & E. At the strategic/ apex level, we should have “results/ oversight” M & E, which looks at long-term impact of government policies. Such M & E ought to be done by the President’s Office (PO), National Planning Authority (NPA), Civil Society, Academia, independent researchers and development partners. In particular, the PO does its “results/ oversight” M & E through its departments (e.g., DEAR); State House; Internal Security Organisation (ISO); and the Resident District Commissioners (RDCs).

70. The delivery unit was established in the OPM with the sole responsibility of oversight function and ensuring implementation of government initiatives. The mandate of the delivery unit is to ensure that key public investments are implemented in accordance with the strategic direction of government. **However, the MTR has found that the specific roles of the delivery unit are not clearly understood across both central and local governments. Secondly the MTR was unable to establish the functional relationship between the delivery unit and other MDAs.** Furthermore, the delivery unit has continued to focus on a more narrow scope of its mandate and to some extent replicating the roles of the MDAs. The roles of the delivery unit should be clearly operationalized and its relationship to the rest of government should be well articulated.

#### 4.6 Political Economy

71. **The mid-term review of the political economy of the NDP II indicates that there was a degree of learning by doing from the earlier plan.** The new plan abandoned the broad-ranging coverage of its predecessor, focusing on a narrower set of sectors i.e. agriculture, and minerals, oil and gas and tourism, with infrastructure and human capital as enablers. To improve coordination and follow-up, a Delivery Unit was created in the Office of the Prime Minister to deal with “big results” issues, removing structural impediments, ensuring visibility of public interventions and inculcating a culture of delivery in the public service.
72. **The prioritization indicated at the national level was not wholly transferred to the sector and project levels.** Projects not started during NDP I for lack of time or funds were wholly transferred to NDP II, while the new plan added many more. Moreover, the linkage between plans and budgets at the national, sector and local levels was tenuous at best. There seems to be a lack of political will to hold the various levels accountable for inadequate planning and for missing targets. The parliamentary committees have commented on this anomaly, but to reach some sense of alignment will require that the national plan and its

derivatives at the ministry and local government levels become stronger resource allocation tools than is the case today.

73. **The NDP II, similar to the first one, received prima facie support from the President, Parliament and other levels of Government.** The core agencies with regard to its implementation—the Office of the Prime Minister, the Ministry of Finance, Planning and Economic Development, and the National Planning Authority—were eager to ensure a better streamlined and more impactful process than was the case for NDP I.
74. **In terms of ownership i.e. living by the letter of the national plan, government ministries and agencies demonstrated little enthusiasm, the local levels had more pressing issues to attend to, such as resource mobilization, while the private sector and civil society were not actively canvassed.** First, the MDAs tended to pay the national plan little attention, not following its stipulations to any large extent, as there were no consequences for missing targets. Second, the private sector, the “engine of the economy,” while responding well to the incentives in the system (notably tax holidays), had few opportunities to strategize on the economy—as happened in the developmental states of East Asia that Uganda is seeking to emulate. Civil society, like the private sector, had had discussions with the Government during the preparation phase of the plan, but it had little or no involvement in the monitoring and evaluation activities of the NPA.
75. **Looking ahead, plan ownership must be demonstrated to be meaningful.** This will mean that the national planning exercise must have political backing and likewise political implications when targets are not met. The process should not be confined to aspiration. It should not be an exercise that is repeated every 5 years without leaving any appreciable impact on institutional behaviour.
76. **The Government recognises that successful implementation of the plan will require effective follow-up and a broader ownership among all stakeholders, including the local level.** Two innovations have been the Prime Minister’s Delivery Unit and the participatory meetings “Barazas” organized by the Office of the Prime Minister and held at local levels to discuss the role of staff from line ministries and local leaders in plan implementation. By the end of 2018, the OPM had held Barazas in some 30 districts. However, given the breadth of issues and the fact that there are over 130 districts in the country, it will take a while before the whole country is covered. The PMDU has potential

to improve implementation and follow-up, but more time is required for a more accurate assessment of its value addition.

- 77. Progress on structural issues has been slow.** Land management has continued to be a key impediment to the private sector's investment plans as well as the Government's infrastructure development programmes during NDP II. A land commission was setup to study the issues and suggest a way forward. Given past experience, however, expectations are low. Procurement reforms are also ongoing, but even here progress has been slow, caught up in corruption and the institutional malaise of the public sector. It is clear that institutional strengthening at all levels will be required and much store has been put into the ongoing restructuring of the public sector, involving the merger and revamping of institutions to reduce role duplication, curb malfeasance, improve supervision and enhance efficiency. However, at NDP II midterm, the structural reform efforts were yet to bear fruit.
- 78. The emphasis on infrastructure, notably roads and energy, continued during NDP II with visible results.** The country is about to launch the Isimba and Karuma dams, adding some 750MW to the national grid. Given that additional power projects are planned, there is concern that power supply might exceed demand in the near term, an argument that the Government dismisses readily. Roads (asphalt quality) have been completed in most areas of the country under NDP II, while a number of road projects are planned around Kampala, including flyovers. Improved infrastructure has mitigated the cost of doing business in Uganda to some extent, although structural impediments and the cost of capital continue to erode the country's competitiveness. There is need for a wholesome and well-sequenced approach to national planning so that the benefits of the infrastructure improvement are not distorted, or even reversed, by slow structural reforms.
- 79. Oil is the quintessential development issue in Uganda today.** Oil-related projects are already having an impact on the country and expectations are rising among the population. A much-repeated caution is not to treat oil income as an excuse to expand current expenditure and to use it on investments that enhance the welfare of the population on a sustainable basis. This will require that the encashment of oil leads to projects that support economic diversification and create employment in other areas of the economy, notably manufacturing. However, this is easier said than done and macroeconomic discipline of the highest order will be required.

80. **Although the private sector has no explicit role in monitoring and evaluating of the NDPs, it has responded well to the Government's incentives, especially in the area of ICT.** It complains about the low level of aggregate demand, and the generally high cost of credit, with local businesses much more affected than others. Moreover, the framework for PPPs is not yet clarified.
81. **With respect to cross-cutting issues, the NDP II demonstrates some successes.** Social protection is now high on the government's agenda as the number of aged people increases in the country. However, the grants to the elderly, on a pilot basis, are supported by development partners and there are fears they might not be sustainable. Uganda has been consistent in pursuing gender equality, in spite the challenges. Women have advanced in politics, government and academia in recent decades. However, maternal mortality rates remain high, while female morbidity and deaths due to HIV/AIDs are higher than for men. Universal primary and secondary school programmes have increased the number of women and girl children in school although, for a variety of reasons, including pregnancies and early marriage, their attrition rates are higher than for boys.
82. **The youth in Uganda are held in some consternation today, while their restiveness is unmistakable.** The biggest demands of the youth are education and jobs. However, one does not necessarily lead to the other, causing distress across the board. The youth are demanding that their voices should be heard, and that they should be given the resources needed to enable them be part of the country's economic transformation. However, the NDP II and the previous plan gave the youth issues cursory treatment, with no specifically tailored programmes to meet the urgent employment needs of the youth.
83. **The Ugandan economy continued to perform below NDP II projections, during 2015-18, a gap of 200 basis points, a prolongation of the low growth episode that set in in 2011.** The question is whether it is the result of external shocks or that of a structural shift in Uganda's growth. Uganda's agriculture has performed poorly for close to a decade. In effect industry and services are the real engines of the economy. Two conclusions are, first, that Uganda should intensify its structural reforms, especially to reduce the inefficiencies in the system, including those caused by rampant corruption; second, that alternative growth scenarios should be considered when drafting development plans. Politically motivated (high) growth projections serve little purpose.

84. **The labour market is segmented, with a small wage sector and a large informal sector, where the bulk of the population seeks a livelihood.** Not much can be done in the short-run to fix the imbalance, but a lot could be done to ensure the youth that policies are being put in places to improve their situation. Today some 30 percent of the youth in Uganda are neither in School nor in employment, putting a question mark on the achievement of the youth dividend.
85. **Uganda's rate of poverty reduction in past decades was unprecedented in the region, but there have been recent setbacks.** The poverty decline during the 1990s and 2000s was caused by rapid growth and well-targeted interventions, notably agriculture grew by over 5 percent on average. Similar recent attention in northern Uganda helped to reduce poverty incidence in the area from 50 percent of Uganda's total to 25 percent. Conversely, poverty in eastern Uganda and that in Kampala has increased—caused in the former case by slow recovery of livelihoods, including restocking herds, and in the latter by a constrained urban economy in an environment of slow growth. The Income inequality at household and spatial levels has increased in recent years, although still much lower than, say, the Southern African countries.
86. **Uganda's future is with the EAC and it has sought to align its national plans with those of its neighbours and the region as a whole.** However, the country is no longer the leading reformer in the region and needs to address a number of institutional weaknesses as a matter of priority to avoid a sharp decline in its competitiveness. With respect to the EAC convergence criteria and other international commitments, the country seems well placed to meet them, although the expanding debt and relatively large fiscal deficit (with grants) will require additional attention as the region moves towards the full Common Market.

## 5.0 Recommendations for the remaining years of NDPII

87. This chapter presents recommendation for Government to consider in the remaining years of NDPII. Implementation of the proposed recommendations may help to improve the performance of NDPII. A summary of the recommendations, in order of priority is outlined in the table below. Further details on each recommendation is provided in the following paragraphs.

**Table 4: Recommendations for the remaining years of NDPII**

1. Strengthen public investment management
2. Improve the linkage between planning, budgeting and expenditure
3. Improve domestic revenue financing and reduce reliance on commercial borrowing
4. Revise sector clustering and actively support sector co-ordination
5. Consider adjustments to NDPII's nine development strategies
6. Improve buy-in and support to NDPI by non-state and state actors
7. Strengthen partnerships with development partners
8. Enhance the capacity of and funding to local government
9. Continue to focus efforts on addressing structural reforms and combating corruption
10. Develop missing policies required to guide delivery of NDPII
11. Improve the quality of Government policies, plans and strategies

### (1) **Strengthen public investment management**

- (i) Moving forward it is recommended the Government revisits its Public Investment Management Assessment (PIMA) and recommendations to address deficiencies and focuses on implementation. A PIMA measures the performance of the PIM system along three main pillars: planning, allocation and implementation and some cross-cutting elements such as IT, staff capacity and public procurement. It is understood that the Government carried out a diagnostic report in 2016 to strengthen public investment management – political and technical support must now be put in place to implement recommendations. In the short-term, in addition to implementing the recommendations contained in the diagnostic report, the Government could consider improving the risk assessment and risk management processes of high-priority NDP projects, focusing on capacity development within implementing entities to support the delivery of projects and improve forward planning on land acquisition to ensure land is available for high priority projects.



- (ii) Ensure that Ministries, Departments and Agencies budget for recurrent expenditure to accompany the increasing infrastructural development to ensure maximization of return/performance from project expenditure.
- (2) **Improve the linkage between planning, budgeting and expenditure**
- (i) To improve the alignment at the macroeconomic level, the Government could include NDPII processes into the Budget Calendar to ensure that analysis produced by NPA is being factored into the budget process. It is also recommended that there is a discussion between agencies of Government on how to harmonise and reconcile differences in purposes between IMF PSI processes, the annual budget and NDPII.
  - (ii) To improve the alignment of sector and MDA plans to the budget and NDPII, the Government could consider:
    - a. Strengthening public investment management;
      - i. Focusing efforts in the budget strategy and budget allocations on improving domestic resource mobilisation and reducing corruption. Stronger linkages and specification of key NDP processes in the Budget Calendar is recommended;
      - ii. Consider sanctions/penalties for sector agencies who significantly deviate from planned and approved development priorities under the NDPII;
      - iii. Working closely with agencies and stakeholders across Government on ensuring buy-in and commitment to NDPII;
      - iv. In light of fiscal constraints, the Government should also improve its prioritisation of investments in the short-to-medium term;
      - v. The certificate of compliance issuance framework should be reviewed to set minimum deviations (flexibility) that can be allowed on both recurrent and development budgets and releases for the different sectors. Accordingly, the responsibility for “alignment” should be placed on the MTEF and the implementing MDAs;

vi. The NDP MTR should be adopted as a tool to revise the NDP, including its projected outcomes and costs, as well as adding/dropping/rescheduling projects, although this would require lengthening of the NDP period for it to be meaningful.

b. **Ensure that funds are released in a timely manner.** The 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.

(3) **Improve domestic revenue financing and reduce reliance on commercial borrowing**

- (i) Remove the zero VAT rate for firms involved oil related investments, which is undermining tax collection. This has resulted in government paying high refunds (negative VAT receipts from these firms), because their outputs are VAT zero rated and yet they can claim refunds on inputs.
- (ii) Strengthen the tax administration to achieve higher efficiency in tax collection. The tax administration is considered inefficient as it has persistently failed to tax the informal sector and professional service providers effectively, due to weak enforcement and penalties. This partly explains why, while the registration rate is high, the filing rate is low. Furthermore, compliance to custom duties is high compared to domestic taxes yet the Asycuda system allows for following a firm from importation to domestic business activities.
- (iii) Strengthen the analysis of tax policy proposals to ensure better tax regimes. Stakeholders consulted as part of this mid-term review indicated that there is a currently an absence of clear guidelines on policy processes to understand tax implementation implications and the impact of new tax proposals on business growth, economic growth, employment and income before new tax

measures are implemented. At present, tax proposals that originate from different parts of government are not always submitted to the Tax Policy Department at the Ministry of Finance for analysis of their implications prior to consideration by Parliament. This should be addressed.

- (iv) Focus on improving tax morale, to increase tax compliance and the social cost of tax evasion or avoidance. This has several elements. On tax administration side, the quest for revenues should ensure that at all times the tax payer is comforted by the fact that their tax obligation is fairly determined. On the expenditure side, tax payers ought to see that their contribution to the national resource envelope results in improved quality and stock of public services and infrastructure. This would result in an increase in the social cost of evading tax payment. Examples of corruption or the wastage of public funds undermines the social commitment to contribute tax revenues.
  - (v) Government should reduce its borrowing from domestic markets and focus its efforts on investigating new ways of financing NDPII. Alternative financing models include the issuance of infrastructure bonds, a fund of funds, use of pension funds and/or sovereign wealth funds. The high interest rates on Treasury Bonds and Bills have contributed to high bank lending rates, due to the high interest rates that banks can obtain from risk-free holdings of government paper. This has in turn crowded out credit to the private sector and had a negative impact on investment and growth. Government should manage its domestic borrowing requirements better and avoid going to the capital market with large funding requirements towards the end of each fiscal year, when it is easy for the banks and institutions to demand high rates. To achieve this, government needs to avoid adding unfunded spending commitments to the budget.
- (4) **Revise sector clustering and actively support sector co-ordination**
- (i) Review current sector clustering and ensure that it is logical and fit-for-purpose. Without clear clustering and understanding of how individual agencies with different outcomes/objectives interact, it will be difficult to achieve policy co-ordination within and across sectors. This is particularly important for cross-cutting programmes such as tourism, skills development

and industrialisation. Once reviewed, and revised as necessary, look to strengthen intra-and-inter sector co-ordination through clear performance metrics. Administering and enforcing performance contracts at both political and technical levels from Ministers, Permanent Secretaries, up-to commissioner levels (or equivalents) though clear annualised performance targets in line with NDPII may help provide clarity on what each MDA and sector is responsible for and change behaviour towards closer collaboration.

- (ii) Devote more resources to support sector co-ordination. The NPA should take lead on the re-constitution of Sector Working Groups and development of their terms of reference to further enhance joint development planning, prioritisation and reporting. This will address tendencies for individual MDAs to feel like they do not belong where they find themselves. This effort should go along with strategies to enhance leadership, technical and financial capacity and other incentives for improved coordination and collaboration and removal of conflicting mandates. Thankfully, the recent report by the MoPs on rationalization of Government Agencies and Authorities makes several strategic recommendations regarding harmonisation of Agency mandates, reduction on duplication of functions and unproductive functions.

(5) **Consider adjustments to NDPII's nine development strategies**

- (i) This MTR suggests that no significant adjustments are required to the four objectives (outcomes) of NDPII. They are logical; small changes would merely strengthen them. Subtle adjustments should, however, be considered in the interventions (nine development strategies) which are assumed to lead to the desired outcomes. Recommendations on adjustments to NDPII's strategic direction are provided in Table 5. These re-prioritisations could support Uganda reach the desired targets in NDPII.
- (ii) In addition to adjustments to the nine development strategies, the mid-term review also advocates for a more balanced approach to spending on social sectors and infrastructure development. 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. Current levels of funding for education and health are inadequate and the burden of spending on these services has fallen disproportionately on poorer households.

**Table 5: Potential re-prioritisation of NDPII's strategic direction**

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

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

NDPII strategies	Potential adjustment/re-prioritisation of NDPII's strategic direction
7. Urbanisation	<ul style="list-style-type: none"> <li>Review the current Land Policy and make better use of the national urban policy and guidelines for spatial planning for appraising and selecting future projects.</li> </ul>
8. Strengthening governance	<ul style="list-style-type: none"> <li>Of the core projects outlined in NDPII, none focus on improving the efficiency and effectiveness of Government, or more broadly on strengthening governance. However, this is rightly highlighted as a key strategy (strategy 8) and pre-conditions for effective implementation of NDPII (PR1-4, 6-10). It is recommended, in the remaining years of NDPII, that a stocktake is undertaken on which initiatives are currently in place (and being funded) to strengthen governance, and what gaps remain.</li> </ul>
9. Integrate cross-cutting issues	<ul style="list-style-type: none"> <li>Pursue environmentally sustainable green-growth strategies in designing and implementing growth strategies for agro-processing and industry. Ensure that green-growth credentials support the appraisal and funding of programmes.</li> <li>Focus on strengthening co-ordination of social protection mechanisms at all levels to develop and implement a multi-tiered social protection system. Consider ways to increase government funding to social protection, protecting an increasing number of vulnerable adults (aging population and high youth unemployment).</li> </ul>

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

**(6) Improve buy-in and support to NDPI by non-state and state actors**

- (i) There is need by higher level oversight and coordination institutions (Cabinet, The OPM, NPA, MoFPED) to collectively commit to a deliberate and purposeful ‘drive to make things happen’. This should be done through a standing committee of Cabinet that focuses on National Development Planning and implementation.
- (ii) In order to enhance the effectiveness and efficiency of the NPA, the authority should be deliberately re-equipped both in terms of hierarchical positioning and technical capacity. That way the Authority will not only carry stronger clout over other MDAs but most importantly it will more directly support Cabinet decision making on policies that drive National Development Planning. Through research and policy analysis, NPA will generate policy papers that will quickly be utilised to inform cabinet decision making on development including those that seek to identify short and medium term institutional bottlenecks requiring reforms and adjustments that will more efficiently and effectively propel positive NDP results.

- (iii) To enhance the level of commitment and buy-in to the plan from Government stakeholders it is recommended that the Government revisits and revises the communication plan outlined in the NDPII Implementation Strategy and ensures that carries out a series of small meetings with agencies, in addition to larger forums. Focused, meaningful discussions should also ideally be more frequent with civil society and the private sector.
- (7) **Strengthen partnerships with development partners**
- (i) The Government of Uganda should demonstrate stronger leadership in managing development co-operation and encouraging better co-ordination amongst Development Partners (including with non-traditional partners), through one entity of Government. This will require clarity on roles and responsibilities between OPM and MoFPED in relation to development partnerships;
  - (ii) Engage in dialogue with Development Partners to identify alternative sources of development financing to address global declining ODA;
  - (iii) Engage in dialogue with Development Partners to ascertain how they can provide more funding on-budget, on-treasury, on-procurement and on-audit. Request assistance from Development Partners to further develop country systems if this is required before more funding can be on-budget;
  - (iv) Engage in dialogue with Development Partners to determine how their planning cycle can be better aligned to the budget calendar, including indications of long-term financial commitments;
  - (v) Harmonise “development partnership” and “development cooperation” policies in order to have a stronger framework for the management of development assistance;
  - (vi) Review and revise, as appropriate, the partnership dialogue within the National Partnership Forum to make it more inclusive, NDP focused and results-orientated. Ensure non-traditional partners are included in the partnership forum and sector working groups; and
  - (vii) Streamline joint sector working groups in line with NDPII priority areas;



- (viii) Strengthen mutual accountability through improved monitoring, joint programme reviews and reporting including for off-budget projects; and
  - (ix) Accelerate the use of the aid management platform (AMP) to improve aid transparency and the government's ability to manage development assistance in support of the NDP.
- (8) **Enhance the capacity of and funding to local government**
- (i) Developing local government capacity to deliver in NDP priority areas such as Agriculture, Health and Education should be prioritised to tap from their strategic positioning within the NDP delivery structures which brings them closer to the end users of development. Monies disbursed to LGs could easily be wasted if they do not effectively take care of the technical staffing gaps as well as capacity building to deliver on NDP objectives.
  - (ii) 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 also a need to clarify roles of the sectors/ and Ministries Departments and Agencies and local governments with respect to devolved functions to ensure effective implementation.
- (9) **Continue to focus efforts on addressing structural reforms and combating corruption**
- (i) Progress on critical structural reforms, including on land issues, procurement and institutional strengthening remains slow and tentative. Moreover, corruption continues to have a stranglehold on the public sector and the rest of the economy. Its persistence threatens to reverse the gains made in some key areas, for instance the delivery of feeder roads and potable water to local communities. It is recommended that Government develops an explicit strategy to focus efforts on the 11 pre-requisites/structural reforms and carries out a review as to why current strategies are not working, and what incentives need to be in place to change behaviour(s).

**(10) Develop missing policies required to guide delivery of NDPII objectives and ensure that existing policies are aligned to NDPII**

- (i) The development and/or improvement of six key policies, with linked funding may help increase the likelihood of delivering on NDPII's targets. It is recommended that the Government considers resolving the policy gaps and provides associated funding, as required. The six key policy areas identified in this MTR includes the need for:
  - a. A comprehensive industrialisation strategy;
  - b. An improved budget strategy which focuses more explicitly on improving domestic revenue mobilisation and aligning financial resources to NDPII;
  - c. An inclusive growth index;
  - d. Improved regional and local development planning and fiscal decentralisation;
  - e. Continued investment in green growth policies;
  - f. An explicit human capital development strategy;
- (ii) With a revised and updated policy/plan/strategy inventory managed by one entity of Government it is recommended that Government undertakes a stocktake to understand which policies have been updated to reflect priorities outlined in NDPII and where there is outstanding work. The Certificate of Compliance work could help in this regard.

**(11) Improve the quality of Government policies, plans and strategies**

- (i) It is recommended that the Government continues to compile an inventory of policies, plans and strategies in relation to NDPII. At present it appears that the NPA and the Office of the President have separate inventories, with different information. Pooling resources and sharing best practice across agencies may help in ensuring that the right policies are being produced to the required standard.
- (ii) In reviewing and revising Government policies, plans and strategies from a quality perspective, focus efforts on ensuring that communication and

dissemination of the policy/strategy/plan takes place and that there has been sufficient cross-analysis against other policies. A sample analysis of 64 policies revealed these areas to be particularly weak.

- (iii) A complete inventory would also assist the Government in determining if the behaviour and policy direction of MDAs has changed as a result of having a National Development Plan, and in identifying duplication and gaps.
- (iv) It is also recommended that the Government renews its commitment to develop the capacity of the policy analyst cadre, guidance on what good policies, plans and strategies look like, and when each intervention (or alternatives) are appropriate.

## 6.0 Recommendations for NDPIII

88. The Government of Uganda has started developing NDPIII. To support development of the plan there are several recommendations from the mid-term review of NDPII which should be considered. These recommendations are in addition to those outlined in the previous chapter; those actions should also be considered as a priority during the NDPIII period.

- (1) **In developing NDPIII ensure that the theory of change is coherent and SMART.** The theory of change could incorporate SDG targets and indicators, could articulate the *evidence* behind the logic (i.e. why should it hold true?) and be clearly documented (in graphic form or a short paragraph) to aid buy-in across stakeholders. Moreover, to strengthen the ability to test the theory of change, the Government could also consider explicitly stating what assumptions are in place for each building block of the theory of change to hold true and could test and monitor assumptions throughout implementation. The monitoring framework could also be expanded to ensure that *processes* e.g. engaging with the private sector are also be assessed and not just the outputs of those processes.
- (2) **Ensure that NDPII is aligned with regional development initiatives such as East African Union projects and the Compulsory Refugee Response Framework.** There is a need, when developing NDPIII to ensure the policies and strategies outlined in the plan are in-line with domestic, regional and international commitments.
- (3) **Looking ahead to NDPIII, the Government of Uganda should continue to try and formulate realistic targets** but also consider building in an adjustment or risk mitigation strategy should the assumptions behind the theory of change not hold true, and it appears that the targets may not be met. An adjustment or risk mitigation strategy would allow the Government to adjust the plan throughout the implementation period in-line with available financial resources and the external environment. Adjusting details within the plan, whilst keeping the broad focus constant, may help aid understanding as to why targets are not being met and what targets are realistic for the future based on historic trends. To increase the success rate in meeting the targets, greater emphasis should also be given to interventions that will address binding constraints (e.g. weak project management capacity) which in turn would help deliver the development strategies outlined in NDPII

(e.g. number eight, strengthening governance). Emphasis on the interventions should include details on how the constraints will be addressed and funded consistently.

- (4) **Ensure that Development Partners, civil society, academia and the private sector are actively involved in the formulation of NDPIII.** Request Development Partners to provide acute information on their commitments over the NDPIII period, what they will/won't fund and the conditions and modalities of funding. Moreover, following formulation of the plan ensure that there is a practical communication and dissemination plan which allows for state and non-state actors to regularly be involved in supporting and driving implementation of the plan. Build up a sense of the plan being a 'national' plan and not a Government plan.
- (5) **Continue work on strengthening public investment management and the linkage between planning and budgeting.** As the next NDP is developed it is worth exploring how to improve investment planning and links between critical NDP projects, sector investment plans (SIPs) and the Public Investment plan projects (PIP). This could draw on other countries experiences in driving forward flagship projects as part of their national planning process. One possible model would be to split projects into three categories:
- **Tier 1: On-going priority projects** (projects where implementation has started, brought across from earlier NDPs).
  - **Tier 2: Investment ready** projects that have been fully appraised and have met the necessary cost-benefit analysis criteria and will start up during the early years of the NDP. This would imply that no project would get into the NDP without an evaluation of its viability technically, financially, socially and economically.
  - **Tier 3: Priority pipeline projects.** These would have gone through the pre-feasibility assessment stage, but only have conditional approval for inclusion in the NDP. They would have been assessed as high impact and high priority and would have a preliminary costing. In the course of the NDP these projects would be fully appraised and, depending on the results of the appraisal, then allocated funding as appropriate through the PIP process.

- (i) **Agree upon the criteria for funding priority projects during the design of the NDP and update the criteria periodically.** These criteria should also be mainstreamed into PIP and sector planning processes. Economic rate of return is clearly important for all projects but the expected returns may vary according to whether projects are focused on economic or social transformation. For example roads projects would be scored highly if they enhance connectivity to new regional markets or link lagging and leading regions. Social sector projects might be scored more highly where they enhance access to education in lagging regions (e.g. Northern Uganda). To qualify for Tier 1 or Tier 2 status projects would require sequenced time bound implementation plans that are fully costed and include annual milestones. Tier 3 projects would require costed plans and milestones for appraisal. These would need to be finalised and scrutinised as part of the PIP process before they can be incorporated into the new NDP and moved to Tier 2. The NPA would need to be closely involved in this process. All projects falling in Tier 1 and 2 <sup>2</sup>would be accorded the highest priority in SIPs and the annual PIP. These would be regarded as Uganda's flagship projects. They would be rigorously tracked at the highest level. Sector MDAs would be held fully to account for ensuring they are accorded priority for implementation. The MOFPED would be held to account for ensuring funding is available to support design and implementation of these projects.
- (ii) **Extend the investment-planning horizon beyond the NDP period in order to develop a pipeline of projects** is always being worked on in readiness for the next NDP. This requires a good understanding of the required sequencing of investments, which should be informed by the Uganda Vision 2040, and a clear theory of change to achieve socio-economic transformation in Uganda.
- (iii) **NDPIII's macroeconomic strategy should focus on maintaining stability and avoiding the excessive cumulation of debt.** Moreover, NDPIII's strategy should focus on strengthening tax administration with a view to increase domestically generated resources to finance the NDPIII and

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<sup>2</sup> A Tier 3 project would only get priority once it has been fully appraised in moved to Tier 2

meet debt obligations in a sustainable manner. The few measures highlighted in the Economic Management report include: (i) expanding the tax net including the informal sector coverage; (ii) introduce well studied new tax policy measures to minimize impact on business growth, economic growth, employment and income; (iii) removal of the zero VAT rate for firms involved oil related investments, which is undermining tax collection; (iv) improving tax morale through well-articulated and implemented service delivery programmes that benefit tax payers. This will increase tax compliance and the cost of tax evasion or avoidance.

- (iv) Focus on completing incomplete projects from NDPII before embarking on any new projects.** These projects are largely in the roads and railway, energy, and oil and gas sectors. There is also a need to continue investing in the electricity power generation in order to support industrialization. To minimize the cost of transmission and distribution of power, industrial clusters should be strategically located except for raw material considerations (e.g. iron ore, oil and gas and phosphates). Rural electrification should also be reconsidered in light of new cheaper technologies and the high cost of distribution especially in scarcely populated areas. Ensuring that the existing rail network is also maintained and serviced should also be a priority over the NDPIII period. Overall, the core projects under works and transport that should underpin the NDPIII include the following outlined in Table 6.

**Table 6: Priority projects for NDPIII**

No.	Infrastructure (WTS) Development Priority Area	Status/Stage
1	Rehabilitation of Entebbe Airport	On-going
2	Kampala-Jinja Highway	Detailed Design
3	Kibuye-Busega-Nabingo	Under Procurement
4	Kampala Southern by-pass	Detailed Design
5	Kampala-Bombo-Expressway	Procurement
6	Upgrading of Kapchorwa-Suam Road	Ongoing
7	Kampala-Mpigi Expressway	Detailed Design
8	Rwekunya-Apac-Lira-Kitgum-Musingo Road	Under Procurement
9.	Rehabilitation of existing rail network	Under study
10.	Standard Gauge Railway	Preliminary design

- (v)** Alongside these projects, the Government should also fund infrastructure for irrigation to help revitalize the agriculture sector. Owing to the changing

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

**(vi) Investment in human development should be at the core of the NDPIII.**

Budgetary shares to education and health sectors have continued to drop over the years since 2008. This trend has decelerated the momentum that was built since mid-1990s. Whereas significant progress has been made towards achieving access to health and education, quality service delivery in the two sectors continue to be undermined by limited budgetary allocations. Performance on education indicators, in particular, have lagged behind, especially primary and secondary completion rates. More resources are required for recruitment of both primary and secondary school teachers and health workers.

- (6) In light of the increasing level of indebtedness, the macroeconomic strategy for the NDPIII should explore other forms financing projects.** Uptake of PPPs as an alternative source of financing for large infrastructure projects has been slow due to lack of capacity within the public sector to design PPP projects. Other sources of financing that could be explored include issuance of long-term infrastructure bonds. This will require enacting the requisite laws and policies for issuance of these instruments by both the central and local government entities. In addition, it will be necessary to strengthen Uganda's capital markets with the objective mobilizing resources for long and medium-term financing. Developed capital markets could also be used to intermediate investment for pension funds into long-term infrastructure projects. The recently established oil fund will be another source of financing large infrastructure projects.



- (7) **Address high interest rates.** Interest rates continue to be high and have resulted into making business in Uganda practically unviable for the private sector. Part of the quasi-market approach by government should include taking bold steps by government setting up specialized banks in priority areas such as agriculture, industry and tourism. Commercial banks which are largely foreign owned and profit driven are not the most suitable financial intermediaries to transform the country especially in risky sectors such as agriculture where they have continued to play a minimal role. There is need for government to support and strengthen its Banks such as Posta Bank and Housing Finance to leverage access to affordable credit, private sector growth and faster export growth and diversification. In addition, it is recommended that the UDB should be meaningfully recapitalized so that it can be able to provide loans to the private sector at reasonable cost.
- (8) **Support the development of integrated regional development plans.** Each region or sub-region should develop an integrated regional development plan that will be endorsed at the national level and guide sector ministries in their planning and allocation of resources so that they become much more sensitive and responsive to these differences in development potentials and needs. Industrial development and value addition based on the resource base of the region should be at the core of these plans.
- (9) **Continue support to ensure that growth and development is inclusive.** To date, the issue of vulnerable groups particularly women, youth and persons with disabilities has been tackled with mixed results mainly due to ad hoc interventions. Specifically, for the youth livelihood fund, challenges have been experienced regarding revolving the fund, availability of viable economic activities, and overhead costs and outright corruption. There is need to change the approach for these programs from social to economic objectives in order to create jobs and enhance household incomes. These programs need to be consolidated under the microfinance support centre where viability of projects can be competently assessed. The latter is endowed with capacity to develop frameworks that link with existing support and delivery systems such as SACCOs and other social development associations.

- (10) **Over the NDPIII period, the Government should consider supporting industries for employment creation and exports.** At present, the private sector is not investing in large industrial projects. Specific areas where government could have a direct role for NDPIII include: carrying out a comprehensive Iron and Steel Feasibility Study for Muko Iron-Ore and other related industries by the year 2019 with the objective of setting up an iron and steel based industrial ecosystem for the country. This will result into a spinoff of steel-based industries in the region and absorb the increasing numbers of job seekers. The Government should remain firm on the development of the oil refinery and also consider investing in the petrochemical industry during the NDPIII. The refinery will have large spill over effects on plastics, fertilizers and pharmaceutical industries within the region. Lastly, establishing a large biofuels industry aimed at mixing ethanol with oil would create an enormous market for agriculture products such as maize, sugar and cassava. In addition, this would stabilize prices for petroleum products as well as enhance the incomes of households engaged in maize, sugar cane and cassava value chains. These industries would also have other associated products such as starch, glucose, animal feeds and fertilizers. At the moment, maize and cassava produced have no large-scale industrial demand apart for domestic consumption with minimal processing.
- (11) **Support and nurture SMEs to enable them to develop into larger companies.** The industrial sector is currently dominated by small and medium enterprises (SMEs); 93.5% of firms are SMEs. sector. This represents a serious challenge as firms are not able to reap the benefits of economies of scale. Given the strong correlation between firm size and export capacity, firms have difficulties competing internationally. Coupled with the quasi-market approach, there should be deliberate efforts to fast track nurturing of SMEs into large industries. This will require establishing an industrial bank to focus on supporting SMEs with a view of to transform them into large production units. Drawing on international practice, the industrial bank will have to meet the needs of industrialists particular in providing long-term and affordable financing. Government should embark on undertaking feasibility studies for these specialized banks before implementation of the NDPIII.

- (12) **Remain focused on industrial parks but review the institutional framework in place to support implementation.** At present, only three out of the twenty-two gazetted industrial parks are currently operational. The slow pace of establishing the parks indicates that the industrialization strategy may not timely achieve the objective of using it as a flagship for structural transformation. The challenges for establishing the industrial parks include: (i) poor coordination and limited implementation capacities among responsible agencies; (ii) high cost of land acquisition; (iii) lack of financing for most parks, and; (iv) attracting quality foreign investors. The industrial parks are aimed at reducing the cost of establishing industrial plants, enhancing agro-processing and balanced regional development. Government should remain focused on establishing the industrial parks; however, it should review the institutional framework for implementing industrial parks in light of the above-mentioned challenges. In particular, the establishment and operationalization of the parks should be transferred to a strengthened and restructured UDC for quicker results. UDC is more mainstreamed to handle investments on the ground and is already building a critical mass of capabilities to implement similar projects.
- (13) **Continue to focus on export-orientated growth in NDPIII.** At present, Uganda remains a net exporter of low value primary products such as coffee, tea and tobacco. Other key foreign exchange earners include Tourism, remittances by Ugandan's in the diaspora, gold and fish. Uganda's exports to the region have significantly increased. However, the enumerated export earnings are not sufficient to generate enough earnings to meet the increasing import bill. Under NDPIII there is need to identify one or two niche high value commodities that would boost export earnings. Preliminary analysis of the evaluation of NDP I and NDPII indicates that the country would do well to focus on developing the iron-ore and oil and gas industrial ecosystems with a view to be the lead exporters of steel and petrochemical products in the region. This would be complemented by exports of agro-processed products.
- (14) **Ensure that NDPIII includes a concerted effort to support effective urbanization.** At present, even with a relatively low rate of urbanization, the country's urban areas are responsible for 70% of GDP with almost one third of that from Kampala alone. The approach to develop cities as metropolis such as

the greater Kampala metropolitan area has failed to generate sufficient consensus from relevant stakeholders. For Kampala in particular, haphazard urbanization continues to be experienced due to poor physical planning and failure of enforcement. There is paralysis in Governance of Kampala city owing to ambiguities on leadership roles. The development of the other metropolitan and strategic cities has also been hindered by lack of requisite legal frameworks, slow physical planning processes within government and limited infrastructure financing. Moving forward, NDP-III should reflect a new approach of fully integrating Economic and Physical and Urban Planning into one Development Plan. These three components, when combined, should create the over-arching “umbrella” framework.

- (15) **Under NDPIII continue to focus on strengthening all forms of good governance, namely: political and democratic, corporate, public sector administration and accountability.** Progress has been made in institutionalizing regular elections at all levels; progress should continue under NDPIII. Political party dispensation established in 1995 is gradually taking root together with significant separation of roles among the Executive, Judiciary and Legislature. There is however need for Uganda to harmonize with the rest of the partner EAC States in regard to architecture of legislative structures. In regard to corporate governance, the evaluation established shortage of corporate leaders that are a requisite to market-led corporate world. In relation to public sector efficiency and productivity, there is a need under NDPIII to continue focusing on removing inefficiencies, corruption and ineffective bureaucracy.
- (16) **Focus efforts on supporting regional and local development.** The NDP1 and NDPII advocated for strengthening the devolved functions and fiscal decentralization. However, the mid-term review of NDPII and evaluation of NDPI indicates that there has been a continuous weakening of the devolved authority of local governments and declining fiscal transfers amidst increased roles and lack of local revenue. The dominance of conditional transfers continues to erode the spirit of decentralized authority. The increased creation of local governments has further reduced the viability and capacities of districts and lower local governments. There is need to consider establishment of regional centers of

planning and service delivery in order to realize the NDPIII objectives. Policy reversal on creation of districts should be considered during the NDPIII.

## Annexes

### Annex 1: Mid-term review guiding questions

The tables below provide the mid-term review questions that guided development of the thematic reports.

1. Policy and strategic direction questions	
PS1	Consistency of Government in guiding the country towards middle income status – are the imperatives in place to achieve this milestone?
PS2	Extent of pursuance of export-orientated growth through value-addition, agro-processing, mineral beneficiation, selected heavy and light manufacturing
PS3	Extent of the progress on private-sector led growth, and quasi-market approaches towards achievement of NDPII objectives and targets
PS4	Is there a common understanding of NDPII strategy and policy among Government, development partners, civil society, the private sector and others?
PS5	Is there a valid theory of change behind the NDPII that informs its logic and underpins a coherent, appropriate and credible strategy map?
PS6	To what extent have the NDPII policies/strategies informed and driven priorities for sector and MDA plans?
PS7	Have the NDPII policy and strategy been developed with a clear understanding of the necessary phasing and sequencing of implementation?
PS8	Has sufficient attention been given to communicating the benefits and necessary pre-conditions to all major stakeholders for successful change management to underpin NDPII implementation?
PS9	What major policy changes need to be made to increase the likelihood of delivering NDPII targets so far?
PS10	How effectively have growth and poverty reduction policy objectives been reconciled in the course of NDPII implementation at this stage?
PS11	To what extent have efficiency and productivity gains been realised in Government as a result of NDPII?
PS12	To what extent has the NDPII been an effective mechanism for ensuring that economic growth does not have a detrimental impact on the environment?

2. Results framework questions	
RF1	Review of the state of the national economy since 2015
RF2	Assessment of progress against NDP objectives
RF3	Analysis of 16 MoFPED sector financial allocations
RF4	Assessment of outcome trends and output indicator achievement by 16 sectors
RF5	Analysis of budget release and spending by 16 sectors
RF6	Revised assessment of output indicator achievement based on funds actually released
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
RF9	Analysis of amounts invested / progress in NDP core projects
RF10	Analysis of regional variations in development
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
RF14	Assessment of the availability of unit cost data in Budget Framework papers (BFPs) by sector
RF15	What are the factors and conditions that have contributed to these results?
RF15	Make recommendations in planning, coordination, implementation and M&E for the results

3. Economic management questions	
EM1	Are we on track to achieve the macro-economic objectives/targets articulated in NDPII?
EM2	<ul style="list-style-type: none"> <li>The extent to which the NDPII macro-economic framework has strengthened the country's competitiveness for sustainable wealth creation, employment and inclusive growth</li> <li>How has the NDP influenced macro-economic strategy and related reforms in Uganda?</li> </ul>
EM3	Extent of pursuance of macro-economic stability with fiscal expansion for frontloading infrastructure investments and industrialization
EM4	To what extent have reforms in economic management been guided by NDPII
EM5	To what extent have NDPII priorities been effectively budgeted for and financed
EM6	To what extent has the NDPII focus areas been adopted as priorities for implementation
EM7	How well have macro policy instruments been used to achieve economic stability and growth?
EM 8	To what extent have public expenditure and related accountability systems changed to ensure alignment of budgets, spending and financial reporting with the NDP objectives?
EM 9	What progress has there been on unlocking the key economic constraints to growth?
EM10	How has NDP implementation so far contributed to improvements in productivity, private sector development and competitiveness?
EM11	To what extent is deregulation taking place and how well is this facilitating private sector growth and competitiveness?
EM12	To what and how have additional private sector funds been harness to finance NDP priorities?
EM13	How environmentally sustainable has been Uganda's economic growth?
EM14	From an EM perspective, what can be done to improve the next version of the NDP?

4. Development partnerships questions	
DP1	The extent to which donor support has been aligned to NDPII financing so far?
DP2	The extent to which the NDP II has provided a basis for mutual accountability;
DP3	To what extent has donor support to NDP II priorities contributed to the countries ownership of the results and achievement of the planned targets?
DP4	To what extent has government been transparent in utilizing donor support?
DP5	To what extent has Uganda implemented the donor partnership policy?
DP6	What have been the trends in recent years in the amount and modalities of development partner resource allocation (traditional and non-traditional donors) to fund elements of the NDP-II?
DP7	To what extent have donor priorities changed significantly in the course of NDP II implementation so far and how well are DP strategies aligned to the Plan?
DP8	What mechanisms does GoU use to ensure that DP support is aligned with NDP II priorities?
DP9	How have donor programmes tangibly / measurably contributed to achievement of NDP II progress?
DP10	To what extent has NDP II provided a framework for improved harmonisation and reduced transaction costs in dealing with different development partners?
DP11	To what extent has the NDP II provided a basis for mutual accountability between GoU and DPs
DP12	How effective have GoU-donor partnerships been in the course of NDP implementation? Extent of pursuance of Public/Private Partnerships (PPPs) for sustainable development;
DP13	How can GoU / DP relations be strengthened so that the efficient and effective implementation of the NDP is enhanced?
DP14	What was the scope of effective collaboration with non-traditional donors?
DP15	What has been the role of DPs in development of local governments?

5. Institutional framework questions	
IF1	What is the effect of the change of Government re-alignment as a result of NDPII structure of goals and objectives under a new institutional alignment?
IF2	What is the efficacy of different government structures in public service delivery?
IF3	To what extent are local governments, civil society, private sector and local development actors integrated in the implementation of NDPII?
IF4	To what extent is there ownership, unequivocal leadership and a sense of urgency and commitment to drive the changes envisaged in the NDP from the Cabinet/highest levels of government?
IF5	How effective has the Forum and the NPA been in reviewing progress of the NDP?
IF6	What efficiency gains have been realised through enhancement of inter and intra-sectoral linkages?
IF7	What is the actual institutional/management 'architecture' (for oversight, authority, accountability and management of NDP implementation as a 'programmatic' plan, and how effective has this been?)

5. Institutional framework questions	
IF8	To what extent are the roles of NPA, OPM, MoFPED, MPS and other MDAs and LG bodies separate, distinct, harmonised and carried out in order to maximise efficiency and effectiveness of NDPII preparation, implementation and monitoring?
IF9	What are the mechanisms for aligning the NDPII to resource allocation and how can these be improved?
IF10	To what extent has NDPII implementation at the local government level been enabled or hindered?
IF11	To what extent are institutions working together to effectively develop, deliver and monitor cross sectoral policy outcomes/results relevant to the NDPII?
IF12	To what extent has the NDPII influenced policy, planning and budgeting at all levels?
IF13	To what extent have government structural changes led to more efficient and effective delivery of NDPII objectives?
IF14	How effectively does central and local government, civil society and the private sector work together for joined-up implementation of the NDPII?

6. Political economy questions	
PE1	The relevance, ownership and leadership of the NDP II amongst key stakeholders (Executive, Parliament and Civil Society)
PE2	The flexibility of the NDP II to cater for emerging integration issues
PE3	The comprehensiveness of the Plan in addressing its overall target of attaining middle income status by 2020, through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth.
PE4	How have international and regional political and economic trends had an impact on the implementation of the NDP II and the ability of Government of Uganda to meet the targets in the NDP?
PE5	What political economy factors have contributed to exceeding / missing NDP II objectives/targets?
PE6	How has political economy affected the (setting of) priorities within and between sectors?
PE7	To what extent has the private sector, civil society and DPs played the role envisaged for them in the NDP II and why?
PE8	To what extent has the NDPII addressed regional disparities in development, particularly in Northern Uganda?
PE9	How have political economy factors influenced the effectiveness of institutional arrangements surrounding the development, implementation and monitoring of NDPII?
PE10	What is the emerging evidence as to what extent the focus on economic growth had an impact on poverty reduction and socio-economic transformation?
PE11	From a political economy perspective what needs to be done to influence more effective implementation of NDPII?
PE12	How can the potential benefits of regional integration be best factored into the next NDP?
PE13	What can be done to strengthen political ownership, leadership and behavioural change for achievement of the NDP II objectives?
PE14	Extent of implementation of the proposed reforms



## Annex 2: NDPII’s Theory of Change

A theory of change is a causal framework which explains how and why a change process can happen in a particular context. It should be coherent, plausible, feasible and testable. In the context of NDPII, the theory of change should indicate how changes in the economy, society and environment will contribute to Uganda’s objective of becoming a middle-income country by 2020. There are several ways to develop theories of change, however five steps are typically followed. These are: 1) Define the long-term state you want (goal); 2) Define what has to change for the long-term goal to happen (outcomes); 3) Determine interventions which will lead to the relevant outcome (inputs and outputs); 4) Articulate what assumptions are in place for the theory to hold true; and 5) Develop indicators which will assist in monitoring the theory’s validity and success. The table below uses this framework of ‘theory of change building blocks’ to present NDPII’s theory of change.

Theory of change building block	NDPII’s theory of change building block
<p><b>Vision/goal:</b> What is the desired long-term state?</p>	<ul style="list-style-type: none"> <li>• <u>Vision 2040</u>: “A transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years”</li> <li>• <u>NDPII theme</u>: “Strengthening Uganda’s Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth”</li> <li>• <u>NDPII goal defined in Plan</u>: “To attain middle income status by 2020 through strengthening the country’s competitiveness for sustainable wealth creation, employment and inclusive growth” (Page 101).</li> <li>• <u>NDPII goal defined in the NDPII Implementation Strategy</u>: “To realise increased competitiveness for sustainable wealth creation, employment and inclusive growth” (Annex 2, ii)</li> </ul>
<p><b>Outcomes:</b> What has to change for the long-term goal to happen?</p>	<p>To achieve the long-term goal (middle-income status) four objectives must be achieved (Page 101):</p> <ol style="list-style-type: none"> <li>1. Increase sustainable production, productivity and value addition in key growth opportunities (agriculture, tourism, minerals and oil and gas);</li> <li>2. Increase the stock and quality of strategic infrastructure to accelerate the country’s competitiveness;</li> <li>3. Enhance human capital development; and</li> <li>4. Strengthen mechanisms for quality, effective and efficient service delivery.</li> </ol>
<p><b>Inputs and outputs:</b> What interventions will lead to the desired outcomes?</p>	<p>To achieve the four objectives, nine development strategies will be pursued (Page 101). These are:</p> <ol style="list-style-type: none"> <li>1. Fiscal expansion to support infrastructure investment (concessional and semi-concessional financing and other development support facilities alongside maintain macroeconomic stability)</li> <li>2. Industrialisation (promotion of value addition activities and manufacturing through sector-specific interventions (Page 110-111 agriculture, Page 114-115 minerals, oil and gas)</li> <li>3. Fast tracking skills development (establishment of five centres of excellence to build the necessary skills required in key priority areas)</li> <li>4. Export-orientated growth (prioritisation of investment in energy, ICT and transport infrastructure)</li> <li>5. A quasi-market approach (creation of strategic partnership with private sector through PPPs)</li> <li>6. Harnessing the demographic dividend (policies to accelerate a rapid decline in fertility and ensure the labour force is well educated, skilled and healthy)</li> <li>7. Urbanisation (accelerate planned and controlled urbanisation, ensure a link between urbanisation and modernization of agriculture and organisation of communities into cooperatives)</li> <li>8. Strengthening governance (constitutional democracy, protection of human rights, rule of law, free and fair political and electoral processes, Government effectiveness and regulatory quality, citizen participation)</li> </ol>

Theory of change building block	NDPII's theory of change building block
	<p>9. Integrating key cross-cutting issues into programmes and projects (Gender, HIV/AIDS, environment, climate change etc.)</p> <p>To achieve the four objectives the Government will also adopt a five-pronged approach (Page 104). The approach is to:</p> <ol style="list-style-type: none"> <li>1. Spatial representation of projects (in line with the Uganda V2040 Spatial Framework) (Page 106);</li> <li>2. Prioritization of <i>growth opportunities</i> and focus on <i>development fundamentals</i> (Page 106). Growth opportunities are: agriculture, tourism, minerals, oil and gas. Development fundamentals are: infrastructure and human capital development.</li> <li>3. Employment of value chain analysis (Page 109-116)</li> <li>4. Alignment of sector priorities and budget systems</li> <li>5. Strengthening of key public sector institutions and involvement of non-state actors</li> </ol>
<p><b>Assumptions:</b> What assumptions are in place for the theory to hold true?</p>	<p>NDPII's Implementation Strategy (Page 14) clearly stipulates that there several pre-requisites for successful NDPII implementation. These are:</p> <ol style="list-style-type: none"> <li>1. Political will and commitment at all levels;</li> <li>2. Ownership of the Plan by all;</li> <li>3. An integrated M&amp;E system;</li> <li>4. Effective use and management of information for decision making;</li> <li>5. Increased private sector capacity;</li> <li>6. Behaviour change, patriotism and progressive reduction of corruption;</li> <li>7. Effective monitoring and evaluation to support implementation;</li> <li>8. Human resource capacity and conducive working environment;</li> <li>9. A fair and transparent pay system;</li> <li>10. Effective and efficient resources mobilisation and utilisation;</li> <li>11. Effective partnership with non-state actors.</li> </ol>
<p><b>Indicators:</b> What indicators will assist in monitoring the theory's validity and success?</p>	<ul style="list-style-type: none"> <li>• Development indicators, baselines and targets, have been developed for each stage of the theory of change (Page 101). Five indicators were developed for the Goal, five for Objective one, five for Objective two, 10 for Objective three, three for Objective 4.</li> <li>• The NDPII Implementation Strategy further articulates indicators, baselines and targets for each stage of the theory of change. The Implementation Strategy contains the same indicators and targets as the main document, but also includes addition areas to monitor.</li> </ul>

### Annex 3: Key roles and responsibilities of institutions involved in NDPII

Institution	Implementation and coordination role	M&E roles and responsibilities
<p><b>Presidency</b></p>	<ul style="list-style-type: none"> <li>• Take overall leadership and oversight of implementation of the plan to ensure its attainment;</li> <li>• Pursue zero tolerance to corruption;</li> <li>• Timely communication of cabinet decisions;</li> <li>• Fast-track implementation of directives from H.E The President; and</li> <li>• Mobilizing the population towards achievement of the plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Take overall leadership and oversight of the Plan to ensure attainment of national goals;</li> <li>• Convene the NDP Annual Review Forum;</li> <li>• Conduct policy dialogues for effective service delivery;</li> <li>• Facilitating community participation in accountability efforts through LG forums;</li> <li>• Conducting independent reviews on the performance of key Government policies, programs and projects;</li> <li>• Mobilizing and sensitizing the population through electronic and print media to own national development goals and empower them to give feedback on performance;</li> </ul>

Institution	Implementation and coordination role	M&E roles and responsibilities
		<ul style="list-style-type: none"> <li>• Monitor the performance of the manifesto commitments for the ruling Party; and</li> <li>• Undertake oversight monitoring on performance of Government projects, programs, policies and the entire economy.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Provide policy direction for NDP II;</li> <li>• Approve the budget allocations;</li> <li>• Champion the implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and assess efficiency and effectiveness of policies, programmes and interventions;</li> <li>• Review the performance of implementation of plans and (other emergency interventions);</li> <li>• Review and monitor the performance of the entire economy of Uganda; and</li> <li>• Monitor governance issues of the country.</li> </ul>
<b>Parliament</b>	<ul style="list-style-type: none"> <li>• Ensure that the National budget is aligned to the NDP priorities;</li> <li>• Oversee the implementation of NDPII;</li> <li>• Enact enabling legislation;</li> <li>• Actively represent views of the public in implementation of NDP II;</li> <li>• Appropriate resources for NDP 2 Implementation;</li> <li>• Approve Government loans and grants; and</li> <li>• Hold the Executive accountable on implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct oversight over implementation of Government policies, programmes and the performance of MDAs and the economy as a whole;</li> <li>• Undertake field oversight monitoring and present reports for corrective action;</li> <li>• Assess alignment of budgets, policies and programmes to the country's strategic direction/goals, in line with the planning framework (Uganda Vision 2040 and the NDP);</li> <li>• Review accountabilities with the view to assess effectiveness and impact of policies and programmes.</li> </ul>
<b>National Planning Authority</b>	<ul style="list-style-type: none"> <li>• Develop the National Development Plans;</li> <li>• Align long term, medium term and annual budget allocations to the NDP priorities;</li> <li>• Report to Cabinet and Parliament on the progress of implementation of the Plan;</li> <li>• Issue Certificate of Compliance of the national budget for the previous year, Sector, MDA and LG Plans and Budgets;</li> <li>• Coordinate implementation planning of the PIP (Project Preparation and Appraisal);</li> <li>• Issue Planning Call Circulars to Sectors, MDAs and LGs;</li> <li>• Assist sectors to develop Service and Service Delivery Standards</li> <li>• Develop NDP II performance indicators and targets in liaison with sectors;</li> <li>• Overall responsibility for the NDPII Results Framework (impact, outcome and output indicators).</li> </ul>	<ul style="list-style-type: none"> <li>• Take leadership in monitoring and evaluation of implementation of medium term and long term National Development goals and Plans;</li> <li>• Report on the outcome and impact results of the Plan;</li> <li>• Coordinate NDPII M&amp;E forums at all levels;</li> <li>• Establish and maintain an integrated M&amp;E system based on the NDPII results framework;</li> <li>• Ensure that the budget outcomes and outputs are aligned to the NDPII;</li> <li>• Undertake pre-investment evaluation of projects and programmes</li> <li>• Undertake reviews, ex-post evaluation and impact assessment of Government Plans, projects, programmes and policies;</li> <li>• Undertake assessment of the performance of sectors, ministries and local governments in relation to the implementation of the national development plan;</li> <li>• Assess performance of the entire economy of Uganda.</li> </ul>
<b>Office of Prime minister</b>	<ul style="list-style-type: none"> <li>• Coordinate implementation of the Plan;</li> <li>• Channel for the flow of public sector performance information and reports</li> <li>• Submit periodic reports on coordination of implementation of the NDP to Cabinet;</li> <li>• Ensure effective and timely implementation of decisions from Cabinet and hold MDAs accountable;</li> <li>• Strengthen functioning of the Sector-Wide Approach;</li> <li>• Operationalize the Delivery Unit framework;</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake performance monitoring and produce annual and semi-annual reports to Cabinet on Government performance.</li> <li>• Receive and analyse quarterly performance reports from MDAs and LGs and provide feedback.</li> <li>• Timely assessment, feedback and follow up of GPR recommendations with implementing agencies.</li> <li>• Monitor adherence to standards during implementation across sectors</li> </ul>

Institution	Implementation and coordination role	M&E roles and responsibilities
<b>Ministry of Finance Planning and Economic Development.</b>	<ul style="list-style-type: none"> <li>• Resource mobilization and allocation;</li> <li>• Timely release of funds for implementation of the NDP;</li> <li>• Ensure accountability for resources disbursed;</li> <li>• Ensure efficient and effective procurement systems;</li> <li>• Ensure direct linkage between planning, budgeting and resource allocation during budgeting and implementation;</li> <li>• Facilitate effective PPP arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor M&amp;E capacity building programmes among MDAs</li> <li>• Resource mobilization and timely release of funds for M&amp;E across Government</li> <li>• Ensure timely accountability for resources disbursed.</li> <li>• Monitor the performance of the budget in line with the national development.</li> <li>• Monitor public debt</li> <li>• Assess sustainability and impact of the public debt in relation to medium term and long term planning</li> <li>• Monitor foreign assistance (Aid), including off-budget support</li> </ul>
<b>Ministry of Public Service</b>	<ul style="list-style-type: none"> <li>• Clearly define the roles and responsibilities of MDAs/LGs to eliminate duplication of roles/efforts;</li> <li>• Enforce and implement performance assessment instruments for Public Servants;</li> <li>• Provide and implement the pay policy;</li> <li>• Provide and implement policy framework for HR Capacity building for the Public service;</li> <li>• Provide a policy framework and ensure proper implementation of HR procedures, policies, practices and systems;</li> <li>• Provide standards and systems for managing and administering the Public Service;</li> <li>• Coordinate joint inspection programs on Public service delivery;</li> <li>• Provide and monitor the reward and sanctions framework.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate performance of the Public Service</li> <li>• Monitor the remuneration, rewards and sanctions framework</li> <li>• Monitor the implementation of capacity building initiatives across Government</li> <li>• Monitor the implementation of approved structures and systems for service delivery</li> <li>• Monitor compliance to established service standards in managing and administering the Public Services</li> </ul>
<b>Ministry of Local Government</b>	<ul style="list-style-type: none"> <li>• Coordinate implementation of the NDPII at LG level;</li> <li>• Support LGs to mainstream NDPII priorities into LG Development Plans;</li> <li>• Support capacity building for NDPII implementation in Local;</li> <li>• Governments in collaboration with MOPS;</li> <li>• Advise on funding modalities for the LGs</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the performance of the LG level results framework</li> <li>• Monitor and evaluate capacity building interventions at Local Government level</li> <li>• Receive and analyse quarterly performance reports from LGs and provide feedback to LGs and key stakeholders</li> <li>• Convene NDP forums at LG level in collaboration with NPA and follow-up recommendations.</li> <li>• Monitor and evaluate the on-budget and off-budget financing arrangements at LG level</li> </ul>
<b>Sectors/ other Ministries, departments and agencies.</b>	<ul style="list-style-type: none"> <li>• Effectively implement plans in line with the sector set targets and Performance indicators;</li> <li>• Provide timely accountability for allocated resources and results;</li> <li>• Provide planning and implementation guidelines to LGs;</li> <li>• Provide technical support supervision to LGs;</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the implementation of sector development plans (SDPs) and strategic plans</li> <li>• Monitor and submit to OPM and NPA reports on performance against set targets/indicators</li> <li>• Monitor and submit reports to OPM and NPA on implementation of sector projects and programmes</li> </ul>
<b>Local Governments</b>	<ul style="list-style-type: none"> <li>• Implement the District Development Plans;</li> <li>• Support the implementation of national projects and programs;</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor implementation of District Development Plans</li> </ul>

Institution	Implementation and coordination role	M&E roles and responsibilities
	<ul style="list-style-type: none"> <li>• Mobilize local revenue to finance LG priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and submit reports on implementation of projects and programs in Districts.</li> <li>• Monitor and submit reports to MoLG on local revenue mobilization within the districts.</li> </ul>
<b>Non-State Actors (Development partners, CSOs, Media, Academia, private sector)</b>	<ul style="list-style-type: none"> <li>• Partner with government through PPPs, and through other development interventions for effective implementation of NDP in line with set priorities;</li> <li>• Partner with Government through bi- and multilateral partnerships, PPPs and other development interventions for effective implementation of NDPII in line with set priorities;</li> <li>• Align partnership strategies to the NDPII and sector strategies and promote the use of government systems and procedures;</li> <li>• Improve policies and procedures in order to increase the impact of development partnerships on the intended results of the NDPII, including promotion of human rights and rule of law;</li> <li>• Promote accountability to Government and the citizens of Uganda in the use of development resources;</li> <li>• Reduce transaction costs and promote value for money;</li> <li>• Assist Government through financial, technical and other forms of assistance to ensure effective implementation of the NDPII.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and submit reports on implementation of their projects and programs to respective LGs and sectors.</li> <li>• Assess and provide over sight reports on service delivery and implementation of planning in the country</li> <li>• Participate in sector and Local Government reviews</li> <li>• Participate in the public sector planning processes at LGs and at sector level.</li> <li>• Provide timely and quality data on the financial and physical implementation of the project for which they are executing agency to the relevant MDAs and LGs.</li> <li>• Participate in the discussion and decision-making committees at program, sector and national level that review and comment on the public sector performance</li> <li>• Assist Government through financial and technical and other forms of assistance to strengthen its performance.</li> </ul>

## Annex 4: NDPII Performance

The tables below, extracted from the Results Framework thematic report, provide a view on the status of results to date, under NDPII.

**Table 7: Trends in NDPII growth, development and employment**

Development Indicators	Baseline 2012/13	Actual 2015/16	Actual 2016/17	Actual 2017/18	NDP Target 2017/18	NDP Target 2019/20	Rating <sup>3</sup>
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	

**Table 8: 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	

<sup>3</sup> Green (achieved) is where the specific target or action committed to has been achieved by the end of the FY2017/18; Yellow (moderately satisfactory) is when the specific target or action committed to has not been achieved by the end of FY2017/18 but performance is above 75%; Red (not achieved) is when the specific target or action committed to has not been achieved by the end of FY2017/18 and performance is below 75%. Where the box is left white it indicates that it has been too difficult to give an assessment due to data limitations.

**Table 9: 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	

**Table 10: 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 <sup>3</sup> )		27	37.2	38.9			39	
Fibre optic backbone coverage in districts (No.)		17	37.2	38.9	39.32	100	112	Not achieved

**Table 11: Progress on education and skills development**

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	



**Table 12: Progress on health**

	<b>Development Indicators</b>	<b>Baseline 2012/13</b>	<b>Actual 2015/16</b>	<b>Actual 2016/17</b>	<b>Actual 2017/18</b>	<b>NDP Target 2017/18</b>	<b>NDP Target 2019/20</b>	<b>Rating</b>
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	

**Table 13: Progress on mechanisms for 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	

**Table 14: Progress of NDPII core projects**

Area / Core project	Implementation status first Q 2018	Comments
<b>Agriculture Priority Area</b>		
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%	<b>Continued from NDPI.</b> Works ongoing. Expect in operation late 2019
<b>Tourism Development Priority Area</b>		
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.
<b>Minerals, Oil and Gas Priority Area</b>		
1. Hoima Oil Refinery	Design	<b>Continued from NDPI.</b> Agreement with four companies to ensure development design financing and construction operation and maintenance of the refinery
2. Oil-related infrastructure projects	Design	<b>Continued from NDPI.</b> 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 I airport
4. Albertine region roads	Works signed contracts	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	<b>Continued from NDPI.</b> Pre-feasibility early 2017. UDC, NPA works on feasibility
<b>Infrastructure Development Priority Area</b>		
	a) Energy	

1. Karuma hydro power plant	Completion>50%	<b>Continued from NDPI.</b> Expect completion late 2018
2. Isimba hydro power plant	Completion >40%	<b>Continued from NDPI.</b> Completion expected late 2018
3. Industrial substations	Completion>0%	Project expected completion revised from 2019 to early 2021
4. Ayago hydro power plant	Feasibility	<b>Continued from NDPI.</b> 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%
	<i>b) Transport</i>	
1. Standard Gauge Railway	Design, feasibility	<b>Continued from NDPI.</b> 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	<b>Continued from NDPI.</b>
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. Rwekunya-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	
<b>Human Capital Development Priority Area</b>		
	<i>a) Health</i>	

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.
	<i>b) Education and Sports</i>	
1. Comprehensive Skills Development Programme	Completion>0%	<b>Continued from NDPI</b> , national non-formal skills development programme. Skill training agreements w. private sector. Rehabilitation ongoing
	<i>c) Social Development</i>	
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.
<b>Economic Management and Accountability</b>		
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
<b>ICT</b>		
1. ICT National Backbone Project	Completion>0%  Works ongoing	Fibre optic cables laid, transmission sites built