Final Evaluation of the First National Development Plan (NDP I) (2010/2011 - 2014/2015)

Political Economy Theme (Final Report)

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Prepared by

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Acronyms

AGOA	African Growth Opportunity Act
AMISOM	African Union Mission to Somalia
ARVs	Antiretroviral Drugs
BOU	Bank of Uganda
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
DPP	Directorate of Public Prosecutions
DRC	Democratic Republic of Congo
EAC	East African Community
EPRC	Economic Policy Research Centre
EU	European Union
FDI	Foreign Direct Investment
GAPR	Government Annual Performance Report
GBS	Global Budget Support
GDP	Gross Domestic Product
ICT	Information communication and technology
IDP	Internally Displaced Persons
IG	Inspectorate of Government
IGAD	Intergovernmental Authority for Development
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquitted Immunodeficiency Syndrome
KCCA	Kampala Capital City Authority
KIDDP	Karamoja Integrated Disarmament and Development Program
LGs	Local Governments
LRDP	Luwero-Rwenzori Development Plan
MDAs	Ministries, Departments and Agencies
MEAs	Multilateral Environment Agreements
MFPED	Ministry of Finance, Planning & Economic Development
MITI	Ministry of Industry and International Trade (Japan)
MoH	Ministry of Health
MoW	Ministry of Works
MTR	Mid-Term Review
NAADS	National Agricultural Advisory Services
NCCP	National Climate Change Policy
NDP	National Development Plan
NDR	National Development Report
NEMA	National Environment Management Agency
NGOs	Non- Governmental Organization
NPA	National Planning Authority
NRM	National Resistance Movement
NURP	Northern Uganda Rehabilitation Programme

NUSAF	Northern Uganda Social Action Fund
NWSC	National Water and Sewerage Corporation
OAG	Office of the Auditor General
OECD	Organization for Economic Cooperation and Development
OPM	Office of Prime Minister
OWC	Operation Wealth Creation
PAC	Public Accounts Committee
PEAP	Poverty Eradication Action Plan
PPPs	Public-Private Partnerships
PRDP	Peace Recovery and Development Plan
PRSP	Poverty Reduction Strategy Paper
SAGE	Social Assistance Grants for Empowerment
SAPs	Structural Adjustment Programs
SCG	Senior Citizen Grant
SDGs	Sustainable Development Goals
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
TICC	Technical Implementation Coordination Committee
TOR	Terms of Reference
UBOS	Uganda Bureau of Statistics
UNDP	United Nations Development Programme
UNHS	Uganda National Household Survey
UNICEF	United Nations International Children's Fund
UPDF	Uganda People's Defence Forces
URA	Uganda Revenue Authority
VFG	Vulnerable Family Grant

EXECUTIVE SUMMARY

Introduction

This is the final report of the political economy evaluation for Uganda's First National Development Plan 2010/11-2014/15 commissioned by the National Planning Authority. It assesses the policy choices that the Government, its bureaucracy (central and local) and other stakeholders made during the implementation of the plan, and discusses the trade-offs between what was desired and what was politically feasible and how any eventual alignment was achieved. In that context, the role of the NPA as custodian of the planning function was crucial. The evaluation team reviewed key documents and held extensive discussions with many stakeholders within Government, the private sector, development partners and civil society, based on a set of thematic questions focused on political economy issues.

The running theme of this evaluation is that the country is not lacking in plans, policies nor initiatives for transforming, as headlined in Vision2040, a mostly peasant society to a modern economy. What continues to be a challenge and will require attention in future planning in Uganda is how to raise its capacity for plan implementation. Plans must be more than mere political aspirations, with well costed implementation strategies, and means for follow up, especially at the local level. This will require a higher level of institutional accountability and implementation rigour among the key institutions for the design and delivery of the NDP than has been demonstrated so far.

Context

In terms of political economy context, there are four potential dividends on the Ugandan horizon: peace, reform, demography, and oil. The peace dividend has led to changes in the planning horizons of many stakeholders, boosting investment in physical and human capital, and allowing for a more democratic political dispensation. The return of peace allowed the country to embark on far-reaching economic reforms, that raised growth rates and helped start the process of economic diversification. The demographic dividend, notably the sharp increase in the youth population, looked more disruptive during NDP1 than an asset. However, the youth will be a key ingredient of Uganda's economic transformation and need to be supported in their efforts to boost human capital. Lastly, oil has potential to change the Ugandan economy in unprecedented ways for good or worse. It could boost the country's financial resources, technical capacities and the logistical and supply industry. It could also lead to Dutch Disease, rural impoverishment, and environmental degradation. The oil sector and its impact on the rest of the economy will be a true test of Uganda's planning and implementation capacities and the robustness of its institutions.

Ownership of the Plan

Aside from the National Planning Authority itself, the NDP1 had the prima facie support of key stakeholders, including Parliament, the President's Office, the Office of the Prime Minister, and the Ministry of Finance, Planning and Economic Development.

In terms of policy coherence, NPAs representation by its chairperson in Cabinet notwithstanding,the NDP1 lacked champions within the Ugandan policy universe to ensure that it retained the momentum it had garnered at its launch. This is mostly because the NPA is low and does not command much clout within the bureaucratic hierarchy of the Government. NPA’s work is not linked to an effective sanctions regime and was therefore without consequence. The NPA advisory role was therefore not effective.

It is clear that the roles of the supervisors of the NPA, notably the Ministry of Finance, Planning and Economic Development, and hence with some responsibility for the implementation of the NDP1, were conflicted. The various layers for reporting and feedback would need to be streamlined to make the process less conflict-filled and amenable to follow up. Additionally, the evaluation suggests the creation of a regular forum for discussing national development planning, giving an opportunity to stakeholders, other than Government alone, to express their views. This could provide the private sector a national forum for discussing their investment plans. At the local level, innovative approaches, involving buy-in and instruction would be required.

Taking into account competing national agendas, including securitythe implementation of the NDP1 was weak. The public sector’s infrastructure push, notably in energy and road transport, was sluggish, while the restructuring of Government ministries to curb mission overlap and reduce waste only commenced at the end of the plan period in 2015. In spite of lingering impediments, including the high cost of credit, public inefficiency, aftermath effects of the global financial crisis and the burden of corruption, the private sector responded reasonably well to the opportunities created by NDP1 and there were notable investments in services, especially education,health, real estate, tourism and telecommunications.

In terms of “cross-cutting issues,” such as poverty reduction, equality, gender, social inclusion, and democracy, the impact has been mixed. Poverty remains a serious problem, while inequality did not decline as envisaged by NDP1. However, women have made important inroads in politics, while the access of girl children improved as a result ofuniversal primary education, although attrition rates were higher for them than for boys. The economy was much more diversified by 2015 than when NDP1 began, while the country retained its reputation for macroeconomic stability. Whether Uganda should be further ahead in its democratic dispensation today than when NDP1 was launched in 2010 is largely in the eye of the beholder. The Government points to continued peace in a restive neighbourhood as a great achievement, while the opposition argues that the power and reach of NRM, the ruling party, has obviated hopes for a fully-fledged democratic dispensation.

However, at the end of the NDP1 in 2015, only less that 50 percent of its interventions had been embarked on. While this pointed at institutional inertia, especially at the local government level, it suggested an absence of realism and political grandstanding at the planning stage and distortions in setting priorities. Many NDP1 projects did not have feasibility studies (were not investment ready), while for a number, financing was problematic. This illustrated the difficulty of deploying resources to priority projects and ensuring that the focus is maintained.

The Plan's Implementation

Setting priorities during NDP1 implementation was a key challenge. While the NRM was the lighting rod in this regard, with its manifesto pointing to "prosperity for all," setting priorities amidst numerous binding constraints at the sector level was more cumbersome. The centrally-delegated inspectorate functions that would ensure a degree of uniformity in quality and coverage in the absence of standards were moribund and resulted into uneven service delivery across districts and establishments.

The original tenet of decentralization as enshrined in the policy (1997) was the devolution of power (administration, planning and financial) to local governments. It was envisaged that this devolution would result into transfer of responsibilities from the seemingly far-off centre to LGs, which would ultimately culminate into improved service delivery. However, the evaluation of the NDP I established that while decentralization has been applauded as a good policy, it had not delivered the anticipated results. When this issue was pressed further, the local governments revealed the following constraints[Check constraints]

The role of non-state actors in the implementation of the NDP1 has been uneven. While Development Partners have been consulted more regularly, thanks to their financing role, the private sector, which is more amorphous, has had much less direct influence on the plan's design and implementation. As the engine of growth, the private sector undertook a broad range of investments in the country, but required a more systematic and inclusive engagement with the public sector. On the other hand, civil society, including NGOs and academics, did not receive much attention after the initial consultations. A broader role for non-state actors would have brought a greater degree of realism to the NDP1 projects and programmes. They would have played a useful role in implementation and oversight of the plan's initiatives, especially at the local level.

Corruption distorted financial support and political goodwill, which lowered the Government's capacity to mobilize popular support for the NDP1's initiatives. Above all, by affecting the degree of accountability at the various levels of government, corruption made the policy environment retrogressive and extremely difficult. The implicit tax that corruption imposed on households during NDP1, in both urban and rural areas, began to be resisted i.e. as its impacts on livelihoods exceeded its benefits as the so-called "oil" of the economy. Going forward, its eradication cannot be a one-off, as it will require sustained commitment and making it a very high risk venture.

Inclusive Growth

Uganda's rate of growth declined markedly during the NDP1, maintaining an average of 4 percent, compared to the Plan's projection of over 7%, as a result of variations in weather, slow implementation of projects and programs as well as civil conflicts in neighbouring countries. This had immediate implications on the economy's ability to engender inclusive growth and to address spatial inequalities, notably the rural-urban gaps that still characterize Uganda. The pursuit of macroeconomic stability has held the country in good stead during regional and global economic shocks. However, a number of structural impediments remain, including the high cost of finance. The country has a young labour force, but with few jobs. The bulk of the youth are self-employed, an aphorism for informal sector work, including vending or work as scouts at bus parks in the towns.

Attempt was made to leave no one behind Government introduced on an experimental basis, a number of social safety nets targeted at old people (SAGE), youth (YLP) and other vulnerable groupsOther programs, including the Northern Uganda Reconstruction Programme, introduced in the past decades, and during the NDP1, to address post-conflict reconstruction in northern and eastern Uganda were weak in design and lacked coherence, and their impact has been patchy, in-spite of significant investments in infrastructure. They have depended on development partners support and have tenuous prospects for sustainability. The resettlement programs have been largely successful leading to enhanced production and economic participation.

Overall, urbanization has continued to characterize Uganda's development, with few prospects for slowing down the process. It will be important to embark on orderly urban development, even as the needs of the rural dwellers are addressed—cities should not be ruralized.

The country needs to avoid the "middle-income trap" in which many countries in Africa have descended,comprising some affluence, but in the face of high poverty and inequality rates. Uganda's oil has not yet come on stream in commercial terms, but its impact on domestic expectations is already being felt in terms of investments in infrastructure and human capital. However, care must be taken to moderate future dependence on oil and to ensure that economic diversification continues.

Regional and Global Issues

Being a small, landlocked, trading country, Uganda depends on the goodwill of its neighbours and the exigencies of the international economy to preserve the welfare of its households. In the region, Uganda has sought to maintain good neighbourly relations while maintaining its interests, which include unhindered access to the sea. It has invited regional governments to acquire shares in the oil production project to the west of the country.

Conflicts in the DRC, Burundi and South Sudan have had spill-overs in the rest of the region, in terms of high numbers of refugees and discouraged investors, who see the region as conflict prone. Uganda has thus taken part in all efforts to bring peace to the region, including contributing peace-keeping troops to Somalia, for example. Within the EAC, and in spite of progress on a common passport and labour market, sovereignty issues loom large, with some government's abandoning a common approach to meet regional and bilateral commitments.

In relation to its future trade, in the region and internationally, Uganda needs to pay more attention to international standards and associated protocols. Neglecting these finer details is already affecting Uganda's trade in commodities such as maize, flowers and even honey. It should learn from the experience of Kenya and Botswana that have sizeable food exports to The European Union.

Looking to Future Plans

The pursuit of economic transformation requires a high degree of disciple, it cannot be done on a *laissez faire* basis. The Government will need to design a more rigorous implementation and follow-up mechanism. This will go hand in hand with improved budget management discipline, prioritization, and ability to marshal participation towards a shared vision.

The NDP process should involve the academic community more actively than in the past. Universities should not be spectators in processes of major developmental implication for the country's future.

1.0 Introduction

1.1 Overview

1. This final report on the political economy theme is part of the final evaluation of Uganda's National Development Plan I (NDP1), 2010-2015, which was commissioned by the National Planning Authority (NPA), the focal point for national development planning. It builds on, and extends, the previous mid-term evaluation of the political economy theme, which was completed in 2013.

1.2 Political Economy of National Planning

2. Uganda's approach to national planning has evolved in significant ways in the past decades. In the 1960s, national development plans focused on eradicating poverty, ignorance and disease and forging national unity. However, in retrospect, Uganda's fundamental development challenges have changed very little (Box 1). The issue has not been so much how to design policies and plans, but how to execute them effectively.

Box 1: Uganda's key development challenges have remained relatively unchanged for decades

Uganda was included in a project on "Emerging Africa" executed some 20 years ago (1998) by the Organization of Economic Cooperation and Development (OECD) based in Paris. At the turn of the millennium and with the international community looking at Africa as the next global growth frontier, the OECD sought to highlight the obstacles hindering African countries from taking off. For Uganda, the questions raised twenty years ago regarding what it needed to do to "emerge" were quite similar to those posed for this political economy evaluation:

- How to expand investment and increase economic growth?
- How to incorporate peasants and the rural sector in the development process?
- How to redress inequalities in incomes and opportunities?
- How to bridge regional economic gaps?
- How to preserve political power?

Source: OECD, 1999.

3. Uganda experienced severe external and domestic shocks from the early 1970s to the late 1980s. Household incomes fell, external indebtedness increased, and social and political conflict escalated in parts of the country. Uganda then embarked on structural adjustment policies (SAPs), supported by multilateral and bilateral agencies.

4. During the mid-1990s to 2010, formal planning in Uganda was replaced by the Poverty Reduction Strategy Papers (PRSPs), which were introduced during the Highly Indebted Poor Countries (HIPCs) debt resolution process. Uganda's Poverty Eradication Action Plan (PEAP) which was lauded for emerging from a broad participatory process was a good example. However, in spite of the debt reduction, Uganda resented the "policy dictatorship" of the PRSP process, as did other low-

income country beneficiaries, charging that it was not focusing enough on growth and structural transformation.

5. From 2010 onwards, the Government introduced a new vintage of NDPs focused on the elimination of “strategic bottlenecks.” The focus switched to the pursuit of socio-economic transformation, to achieve industrialization and sustainable development. However, the Government was well aware that political economy constraints, including “ideological disorientation” loomed large. Thus, while the NDP1 and its successor, NDP2 (2015-2020), have sought to provide a coherent response to Uganda’s development challenges, the Government feels that a five-year framework was limiting. A ten-year duration for NDP3, up to 2030, is being considered by the authorities.

1.3 NPA, Institutional Prestige and Impact

6. As the institution mandated to design, develop and guide the implementation of the national development plan, the NPA could potentially wield considerable supervisory power over other government departments. However, this is not generally the case today. The NPA’s place in the policymaking hierarchy is wrought with challenges, including the functional rivalry between it, the agencies that supervise it, and other departments within Government.

7. In countries such as South Korea, which epitomized excellence in national planning, the Economic Planning Bureau was headed by a Deputy Prime Minister to ensure it had enough prestige among government departments for its advice to have the desired impact. The agency wielded considerable power over other government departments, with an enhanced place in the bureaucratic hierarchy. Such institutional elevation has, so far, been elusive for the NPA, which, when compared to similar agencies in other countries, exists in relative bureaucratic obscurity.

1.4 Plan Objectives, Constraints and Prerequisites for Success

8. The compilation of the NDP1 was finalized in April 2010, while its implementation lasted some 5 years. In contrast to the PEAP that preceded it, which had focused on poverty reduction, the NDP1’s mandate was more ambitious and strategic: to transform Uganda from “a peasant to a modern and prosperous country within 30 years.” Its objectives included: boosting incomes and promoting equity; job creation through industrialization; infrastructure development; human capital development; the promotion of science, innovation and technology and ICT to enhance competitiveness; good governance; and managing natural resources and caring for the environment (Table 1).

Table 1: Plan Objectives, Constraints, and Prerequisites for Success

Plan Objectives	Binding Constraints	Prerequisites for Implementation
• Increasing household incomes and promoting equity; • Enhancing the availability and quality of gainful employment; • Improving the stock and quality of economic infrastructure; • Increasing access to quality social services; • Promoting science, technology, innovation and ICT to enhance competitiveness; • Enhancing human capital development; • Strengthening good governance, defence and security; • Promoting sustainable population and the use of environmental and natural resources.	• Weak public sector management and administration; • Inadequate financing; • Inadequate quantity and quality of human resources; • Inadequate physical infrastructure; • Gender issues, negative attitudes and mindset, cultural practices and perceptions; • Inadequate supply and limited access to critical production inputs.	• Ownership of the plan by all; • Political will at the national and local government levels; • Sustained annual and quarterly planning, and commitment of resources; • Increased private sector capacity • Behavioral change, patriotism and progressive reduction of corruption; • Effective monitoring and evaluation to support implementation.

Source: National Planning Authority, 2010.

9. To its credit, the NDP1 did much more than merely list national development aspirations and was candid about identifying the key binding constraints on Uganda’s development as well as the prerequisites for the successful implementation of the plan (Table 1). Among the most critical constraints were weak institutional structures and systems for public sector management and administration. Notably, the NDP1 underlined that legal and regulatory frameworks, and other agencies of restraint, at both the national and local levels, were not working as required, while capacities for planning, implementation and follow-up were inadequate. The NDP1 further noted that upwards of 70% of Government departments had weak or near-obsolete policy frameworks, which explained to some degree the policy incoherence that pervaded the country’s planning and implementation functions during the plan’s lifespan.

10. To resolve Uganda’s binding constraints, in a situation of scarce resources, NDP1 argued that the prioritization of Government interventions was critical. The areas of primary focus included those with high potential for employment creation, capacity enhancement and value addition: agriculture, forestry, tourism, mining, oil and gas, manufacturing, information and communications technology and housing. The NDP1 also identified a number of complementary sectors, which were critical for the plan’s implementation: energy, water, transport, and financial services. Moreover, the NDP1 argued that a competent and motivated public-sector bureaucracies, and hence good governance, were critical for the success of the planned initiatives.

1.5 Goal of this Evaluation

11. This political economy evaluation looks at how the Government sought to reconcile NDP1's policies of structural reform, decentralization, and growth promotion with those of income equality, poverty reduction, and institutional effectiveness and integrity. It discusses the challenge of corruption, which continued during NDP1, and why it was so difficult to eradicate it, even when its proximate causes were well known. Regional and international political economy factors are also considered in the analyses. The evaluation makes suggestions on the policy and institutional adjustments required on the way forward.

1.6 Outline of the Rest of the Report

12. **Chapter 2** discusses the links between politics, the economy and national planning in Uganda. The focus of national planning has varied with the immediate political concerns of the regime in power, ranging from emphasis on agricultural development to today's economic transformation.

13. **Chapter 3** presents the methodology of the evaluation. It includes literature searches, structured interviews, and benchmarking to East Asia's "developmental state" and examples from African national planning.

14. **Chapter 4** examines the extent to which NDP1 was owned by political leaders, the bureaucracy and other stakeholders. In a multiagency environment, the challenges of policy incoherence, or "uncoordinated movements" in Ugandan parlance, are a major threat to the NDP1 process. The chapter also looks at what can be done to strengthen political commitment.

15. **Chapter 5** looks at how political economy considerations affected the setting of priorities and the participation of non-state actors i.e. civil society, the private sector and development partners. The chapter discusses what more needs to be done to ensure more effective implementation of future plans.

16. **Chapter 6** investigates the issues of growth, poverty reduction and spatial inclusion and the comprehensiveness of the NDP1 in addressing the country's competitiveness and potential for employment creation as it seeks middle-income status.

17. **Chapter 7** looks at how regional and global political and economic developments impacted the NDP1. The chapter also looks at how the potential benefits of regional integration could be best factored into the next NDP.

18. **Chapter 8** provides a policy discussion, draws key lessons, and concludes the report.

2.0 Methodology

2.1 Introduction

19. For this evaluation, we adopt the same approach as that in the TOR for the mid-term evaluation of the NDP1 in 2013 i.e. that the political economy theme would “assess the changes in policy choices” for the Government and the country “against the backdrop of national and international political and economic developments.”

2.2 Approach

20. Our methodology is based on the following three approaches:

- **First,** we conducted in-depth and structured surveys among a cross-section of the public sector employees, covering the key ministries, the President’s Office, the private sector, development partners, academics, and civil society. We attempted, where possible, to solicit an institutional, as opposed to an individual view, from the respondents. We also undertook a limited number of focus group discussions in the agencies and the ministries. Annex 1 provides a list of the people and institutions met.

- **Second,** we collected a substantial amount of data from official (mostly the Uganda Bureau of Statistics (UBOS) and the Bank of Uganda) and unofficial sources, in a bid to collaborate the information received from the structured interviews and group discussions.

- **Third,** with the goal of benchmarking Uganda’s experience, we reviewed studies on national planning and economic transformation among selected African countries and the “developmental states” of East Asia. We also looked at the associated issues of fiscal federalism, household responses to income shocks in rural and urban areas, the behaviour of central and local bureaucracies in an environment of limited human and financial resources.

2.3 Evaluation Questions

21. The TORs for the evaluation of the political economy theme had a total of 14 thematic questions (Annex 2). They were mapped onto four areas of political economy relevance, numbered A to D (Table 2) i.e. leadership, ownership and policy coherence; implementation, non-state actors, governance and results; growth promotion, poverty reduction and spatial inclusion; and regional and global developments. The individual sections in Table 2 are expanded into fully-fledged chapters of the evaluation.

Table 2: Mapping Thematic Evaluation Questions to Areas of Political Economy Relevance

Areas of Political Economy Relevance/Thematic Questions	Rationale for the Mapping/Comments
A. Ownership of the Plan **Question 1:** The relevance, ownership and leadership of the NDP I amongst key stakeholders (Executive, Parliament and Civil Society **Question 5:** What political economy factors have contributed to exceeding / missing NDP objectives/targets? **Question 13:** What can be done to strengthen political ownership, leadership and behavioural change for achievement of the NDP objectives?	In spite broad consultations with stakeholders, the NDP1 is mostly a product of the central Government and its bureaucracy i.e. to work, the plan must be adopted and owned by the lower segments of Government (i.e. local bureaucracies) as well as by other stakeholders in the economy. This section looks at how the views of the various actors were brought into alignment and the incentive structures, economic and political, used to achieve it.
B. The Plan's Implementation **Question 6:** How has political economy affected the (setting of) priorities within and between sectors? **Question 7:** To what extent has the private sector, civil society and DPs played the role envisaged for them in the NDP and why? **Question 9:** How have political economy factors influenced the effectiveness of institutional arrangements surrounding the development, implementation and monitoring of the NDP? **Question 11**: From a political economy perspective, what needs to be done to influence more effective implementation of the NDP? **Question 14:** Extent of implementation of the proposed reforms.	The pace of implementation of the NDP1 was closely intertwined with the politics of the country. While official capacity to raise revenue, borrow from domestic and foreign markets or receive grants and loans from the multilateral agencies was crucial for the implementation of the plan, so too was the quality of governance. High levels of corruption during NDP1 limited what could be achieved. The NDP was conceived as a multi-stakeholder process. In reality few levers were extended to civil society or the private sector during the design and implementation phases of the plan—and they are little involved in its monitoring and evaluation. On the other hand, development partners were consulted repeatedly, given that they were expected to partly finance the plan. While development partners were key players in the Ugandan economy in past decades, the relationship has shifted with time.
C. Inclusive Growth **Question 3:** 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. **Question 8:** To what extent has the NDP addressed regional disparities in development, particularly in Northern Uganda? **Question 10:** What is the emerging evidence as to what extent the focus on economic growth had an impact on poverty reduction and socio-economic transformation?	Uganda embarked on the NDP1 because it needed a development vehicle that focused on growth in a more aggressive manner than the Poverty Reduction Action Plan. However, the NDP1 underlines that the poverty reduction and equality motive were not being abandoned nor was the ambition to reduce spatial inequality, especially between the northern and southern parts of the country. In other words, the growth that the NDP1 and the authorities envisaged was to be inclusive, notably with respect to gender, children, the youth and the elderly, and other vulnerable groups. It was the kind of growth that generated employment and boosted prospects for all segments of the population. Increasingly, that growth has also touched on the proponents of wealth creation in the country, notably land.

D. Regional and Global Issues **Question 2**: The flexibility of the NDP I to cater for emerging integration issues **Question 4**: How have international and regional political and economic trends had an impact on the implementation of the NDP and the ability of Government of Uganda to meet the targets in the NDP? **Question 12:** How can the potential benefits of regional integration be best factored into the next NDP?	National plans are invariably subject to the exigences of external shocks and those of regional and global economic development. Uganda, a landlocked country, with a number of neighbours in a state of perennial conflict, has had to contend with unexpected political and economic adversity emanating from conflicts in the region. On the other hand, greater regional integration has boosted regional trade, investment and tourism. These factors have had important implications for the assumptions made by the NDP1 and for the type and size of the remedial measures required to address them.

22. As part of the analysis, we shall establish baselines from the NDP1 for key aspects of the political economy, such as “ownership” and “governance” and examine the extent to which they evolved. It should be underlined, however, that the full extent of the impacts of the NDP1 will likely not be known until several years after its completion.

3.0 Politics, Economy and National Planning: An Overview

3.1 Background

23. At independence in 1962, Uganda's political leaders were enthused by an egalitarian ethos and a partiality for poverty reduction. However, incessant political conflict led to the country's economic collapse. Milton Obote, the independence leader, was overthrown by his military in the early 1970s. There was a succession of governments, including Obote II, in the early 1980s, before Yoweri Museveni assumed power in Kampala in 1986.

3.2 From State-led to Market-driven Policies

24. As leader of the armed opposition to Obote II, Yoweri Museveni had published a "Ten Point Program" in 1985 on which to base his eventual leadership of the country (Table 3). The first item on the agenda was the restoration of democracy, followed by the consolidation of national unity, elimination of sectarianism, the defence and consolidation of Uganda's independence—hinting at non-alignment in foreign affairs—and laying the basis for an integrated, self-sustaining national economy. It sought the restoration of service delivery, and the rehabilitation of war-ravaged areas.

Table 3: Shifts in NRM's 10-point Programs—1985 and 2012 Compared

Items in First 10-point program, 1985	Items in Second 10-point program, 2012
• Democracy	• Fighting ideological disorientation
• Security	• Eliminating sectarianism
• Consolidating of national security and elimination of Sectarianism	• Improving education to refine human resources
• Defending and consolidating national Independence	• Facilitating private sector-led economic growth
• Building an independent, integrated and self-sustaining national economy	• Developing road, rail and electricity infrastructure
• Restoration and improvement of social services	• Market expansion through regional integration
• Elimination of corruption and misuse of power	• Pursue industrialization for exports' value addition
• Redressing errors that have resulted in the dislocation of sections of the population and improvement of others	• Develop the services sector to create jobs
• Cooperation with other African countries in defending human and democratic rights of our brothers in other parts of Africa	• Modernize agriculture to increase household incomes
• Following an economic strategy of mixed economy	• Deepen democratic governance

Source: NRM Secretariat, 1985, 2012.

25. Additionally, the program underlined the importance of combating corruption within and outside the public sector, resolving the issues of land ownership and the displacement that had affected peasant households in diverse areas of Uganda,

encouraging a pan-Africanist approach to regional issues, and seeking to find African solutions for African issues. Lastly, the ten-point program argued that an NRM government would pursue a mixed-economy approach, which meant active government participation in the economy.

26. On attaining power, the main obstacle to NRM's ambitions was a severe lack of financial resources, and the "wait and see" attitude adopted by the international community. The civil conflicts had decimated the coffee and cotton sectors, while the population, in both rural and urban areas, had resorted to subsistence. In analytical studies of the period, Bigsten and Kayizzi-Mugerwa (1992, 1995) noted that to make ends meet, Kampala households took to urban farming, using plots in their backyards to grow vegetables, while farmers indulged in informal (i.e. smuggling) exports of coffee, maize and other crops. The Government's attempts to barter goods and services with countries in Asia and Eastern Europe proved unsuccessful.

27. In second half of the 1980s, the Government embarked on structural adjustment policies (SAPs) with support from the World Bank, the IMF and bilateral donors. It soon liquidated parts of the parastatal sector and removed regulatory controls that discouraged foreign investment. With time, President Museveni became the singular champion of foreign investment in Uganda, especially manufacturing.

28. Macroeconomic stability and the taming of inflation were early and critical achievements, helping to halt the erosion of the incomes of the poor, and reducing distortions in economic management. However, SAPs did not examine the issue of poverty in Uganda explicitly.

29. In 2012, two years after the launch of the NDPI, the NRM issued a new Ten-Point Program (Table 3), which illustrated explicitly the shift in policy emphasis, with a more explicit focus on the private sector, infrastructure development, regional integration and industrialization. It also showed a keen appreciation of the political economy strictures to development i.e. ideological disorientation and sectarianism (parochial politics), while suggesting a deepening of democracy as a means to counteract them.

3.3 Decentralization and Local Autonomy

30. In 1993, the NRM Government introduced what has become its signature accomplishment, the political decentralization of Uganda. Under the policy, the Government devolved powers to popularly elected local governments, including at the sub county, municipal/town council and district levels. While the rationale behind decentralization was to "bring services closer to the people" the process has proven to be much more complex. Golola (2001) noted that owing to paucity of financial resources at the local level and a general lack of administrative capacities, especially in the newly created entities, local Governments continued to be beholden to the

centre, through grants and other support, with implications for their independence of action.

31. With at least 100 districts to contend with during NDP1, however, questions were raised about the political viability of administrative “atomization” and the costs of coordination and financing involved. The impact has been the dismal performance of local government in regard to the expected original mandate. The proceeding analysis illustrates the performance of Local governments.

Devolution of powers and authority: The local Government perspective

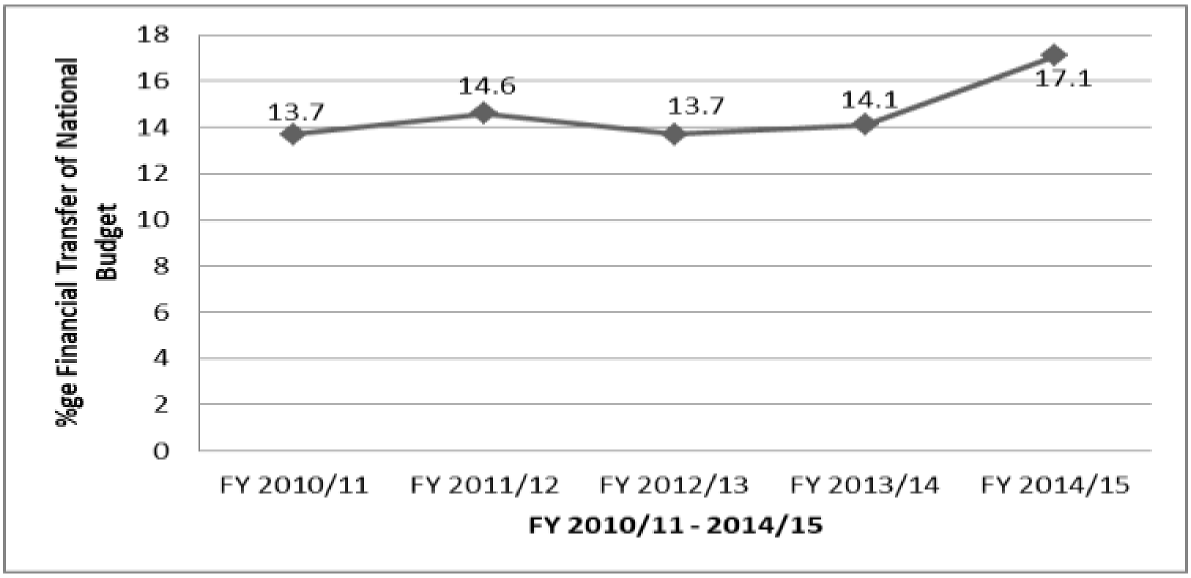
32. The original tenet of decentralization as enshrined in the policy (1997) was the devolution of power (financial, administration, planning and financial) to local governments. It was envisaged that this devolution would result into transfer of responsibilities from the seemingly far-off centre to LGs, which would ultimately culminate into improved service delivery. However, the evaluation of the NDP I established that while decentralization has been applauded as a good policy, it had not delivered the anticipated results. When this issue was pressed further, the local governments revealed the following constraints:

(i) Resistance of the Centre to fiscal decentralization

(a) **Grossly Insufficient Fiscal Transfers:** Without being overly pedantic, the evaluation of NDPI revealed that the central government devolved planning and administrative responsibilities to local governments but without corresponding fiscal decentralization. Consequently, LGs were mandated to carry out a number of functions but with no financial capability to effect implementation of these functions. Indeed, the evaluation team established lack of basic materials (gloves, cotton wool and syringes) in health facilities in Bushenyi, Kiruhura and Kanungu districts. The department of Environment and Natural Resources in Bushenyi district received a paltry UGX 4,000,000 as the total budget for FY 2018/19 (Bushenyi District Local Government, February, 2019). Figure 1 shows the trends in financial transfers from the centre to LGs over the period of FY 2010/11 – 2011/15.

As shown in figure 1, the financial transfers to Local Governments in the FY2010/11 to FY2014/15 have been in the range 13.7% to 17.1%. The Central government argued that large projects are implemented at the national level and this required significant resource outlay at the centre. However, this argument was found insufficient because not all projects require central governments implementation. Secondly, the evaluation of NDP 1 established persistent conditional grants from the centre to LGs, a situation that greatly erodes the essence of the principle of decentralization.

Figure 1: Financial Transfers to LGs, FY 2010/11 – 2011/15



Source: ***MoLG 2019***

(b) **Conditional grants:** The evaluation of NDPI established that over 90% of financial transfers to LGs were largely conditional grants. The implication is that there was no room for LGs to plan for their priorities as provided in the Local Government Act. Instead, almost all the entire resource envelope had pre-determined expenditure lines, a situation that significantly undermined the very essence of decentralization. As revealed by the Official of LG in Bushenyi District;"most of the money we receive is already earmarked and there is no way the district can plan and make any financial decision" (Bushenyi District February 2019).

When the issue of financial transfers was further analyzed, it was established that the central government has consistently resisted devolution of financial authority to LGs. This issue was also found to have been a major hindrance to decentralized service delivery as revealed in MTR of NDP I as an outstanding constraint. There were two major explanations for this contradiction.

(c) **Fear of Loss of Power and Authority:** The central government perceived fiscal devolution of powers to LGs as a deflating phenomenon. They construed transfer of fiscal authority to LGs as a form of "loss of territory" and therefore, they still exhibit resistance whether overt or covert, a scenario that has undermined the essence of the principle of decentralization.

(d) **Corruption:** The central government has continued to exercise financial control over LGs. The Centre controls 86% of the National budget, implying that only a paltry 14% is controlled by LGs (Local Government Finance Commission, February, 2019). A further analysis of this issue established that the centre has resisted substantial fiscal decentralization, largely arising from greed to control financial resources. The recent study on "Spend Analysis across Uganda Government" (MoFPED 2018)established widespread resistance for the centre to devolve powers of big procurements to local governments. There were instead widespread suggestions that the procurement function should be recentralized purportedly because LGs were unable to handle large procurements. Furthermore, the study established widespread virements, mischarges and out right diversion of public funds.

(e) Interestingly, the centre has continued to justify the meagre transfers to LGs, citing lack of capacity in LGs. But as has been re-iterated in the old adage "the testing of the pudding is in the eating". Similarly, people learn swimming through the swimming pool. The implication is that denying LGs to control significant resource outlay is a pretex by the centre, which further marginalizes LGs and "destroys" their little available commitment for LGs to carry out her mandated functions. A venture some critic may hazard a question "where do financial officers in LGs train from? Aren't they the same training schools where financial managers at the centre train. "Such blackmail and marginalization must stop" (Official in Bushenyi District, Local Government, February, 2019).

(ii) Lack of viable decentralized LGs

The survey of LGs across the country established that Uganda has 127 District Local Governments; 41 Municipal Local Governments; 1862 Sub counties and 421 Town Councils. All these LGs have planning and implementation mandates, all aimed at service delivery. However, the evaluation of the NDPI and MTR of NDPI established that most of the LGs were unviable entities that could not carry out the mandated functions. Many LGs were small entities, remote and without sufficient infrastructure to facilitate service delivery. One could argue that remoteness and poor infrastructure could instead have been the very reason for granting such seemingly unviable entities, the LG status, but the evaluation of NDP I in the district of Kanungu,, Amudat, Nakapiripirit, Kapelebyong, and Napak revealed that these entities have persistently failed to attract critical skills such as Medical officers, Planners, Civil Engineers and Accountants (LGs February 2019). In Kanungu and Amudat districts for example, there were no qualified Civil Engineers for a period of 4 years. These districts have for far too long advertised for these positions but have failed to attract qualified staff. These LGs had even tried to institute "top – up" allowances to the official salary for these skills, but have still failed to attract candidates for these positions. The implication here is that it is not viable to work in such a remote and un viable entities. As revealed by officials in Kanungu district, "you know working here is such a big sacrifice……..where do you get a school for your child?.... How about health care?.... As you know, there are no services here…., the hospital itself lacks basic materials such as gloves, (Kanungu District, February 2019).

It should be noted that Kanungu district has been in operation for 12 years. One would assume that by now, the district would be able to attract sufficient staff with critical skills but the evaluation of NDP I established that there was no Civil Engineer and Planner in the district (Kanungu District Local Government February 2019).

(iii) Lack of local revenue generation

One of the critical objectives of decentralization policy was that LGs would mobilise local revenue and supplement fiscal transfers from the centre to LGs. However, this was found to be a distant star. The evaluation of NDP I established low capacity for revenue generation across all LGs in the country, estimated between 1%- 3% of their (LG) annual budget (MOLG February, 2019). When this issue was furtheranalysed, it was established that the central government has remained in control of highly lucrative revenue sources such as import duties, VAT and income tax, while LGs have been mandated to collect market dues which are relegated revenue sources. Even the local taxes such as parking fees in Town councils have been recentralized.

One critical contradiction is that even entities such as tows and other rural growth centres that are endowed with business enterprise where revenue would have been collected revenue for the district local governments, these LGs have been granted Town Council status, hence, they collect and administer own revenue. This phenomenon has significantly depleted the revenue potential for the district. As revealed by one official in Bushenyi district "You see, when a sub county is granted a town council, it collects the revenue originally collected by the district. Secondly, the road fund to town council is two times the one for a sub county. So as a district, you are at a disadvantage" - Bushenyi District Local Government, Feb 2019. When this issue was further analysed, it was found ironic that while the elevated town councils collect their revenue and receive more funding such as the road fund, the TC councillors to the district council demand allowances when they attend district council sessions. The paradox is; where do the councillors expect the district to secure funding to pay for their allowances, when the TCs themselves do not contribute to revenue generation for the district as an administrative entity.

3.4 Key Challenges that have Hindered Performances of Local Governments

33. There are a number of constraints that have hindered performance of NDP I and these included the following:

i) Low functional capacity of Local Governments: As re-iterated in the foregoing sections of this report, the Ugandan government devolved functions originally implemented by the centre to LGs. However, in reality, there is minimum decentralization as it was evident in all LGs surveyed that LGs were mandated to carry out functions, but without financial capacity to implement these functions. As revealed by an official of Bushenyi District, Local Government February 2019, there was wide spread dysfunction of a number of core structures and lack of tools, resulting in low functional capacity of LGs. Indeed, it was established that majority of LGs were functioning at 60% but some LGs such as Nakapiripiriti and Kole were operating at less than 20% capacity, LGs February, 2019)**.**

ii) Poor leadership: This was manifested in the mix between governance and technical management. Most LGs did not delineate the governance functions from management roles. There was a fusion of governance (councils and technical management),culminating into persistent conflicts on parochial matters, a situation that has bogged down LG operations and subsequent service delivery. This issue was found to be fuelled by failure of the leaders to understand their role, but also the problem emanated from greed where the leaders wanted to use their leadership positions for personal gain.

iii) **Corruption:** This was found to be a malaise that had "eaten up" the bone marrow of the district LGs. Corruption was largely manifested in tendering of LG procurement where shoddy work in civil infrastructure facilities was observed across the country.

Similarly, corruption was reported in recruitment of staff in LGs. This was reportedly fuelled by the fact that the LGs had local services commissions, where nepotism and selling of positions were rampant. Procurement was found to be heavily "infested" with corrupt practices in evaluation of bids, leading to poor quality services, inflated prices and delay in service delivery ((Inspectorate of Government, February 2019).

iv) **Lack of understanding of the concept Local economic development:** Among the major objective of decentralization as provided in the original decentralization policy was to implement decentralization as a vehicle to harness Local Economic Development (LED). However, NDP I evaluation established that all LGs did not clearly understand the concept of LED. The leadership in LGs, misconstrued decentralization as a means for merely dispensing administration and "bringing services near to the people" There was hardly any understanding of decentralization as a means for harnessing enterprise development or harnessing marketing infrastructure that would facilitate local business development. This issue was exacerbated by political leadership at various levels, which has persisted to conceptualize local governments as administrative entities and not vehicles for delivering economic enterprise development. As revealed by one official in Kiruhura district; "when one mentions a District Local Government, the immediate perception is that this is an entity for service delivery. It is very hard for anyone to understand that a district can be a vehicle for enhancing business"(Kiruhura District Local Government February 2019).

Indeed, the mindset of most district officials across the country was "service delivery". Similarly, political leaders were mainly concerned with delivery of services such as health, education and agricultural extension. Throughout the LGs surveyed, nowhere was it understood that the District Local Government could function as a tool for enhancing business enterprise development. This issue was clearly manifested in the absence of functional Commercial office. Where the commercial office was available, it was not functional as it was heavily underfunded.

3.5 The Land Question

34. Uganda has four systems of land tenure (Republic of Uganda, 1995): customary, *mailo*, leasehold, and freehold. The customary land tenure, where land is held in trust for the communities predominates. *Mailo* is characterized by dual rights of the registered owner and the *bonafide* occupant. Under leasehold, the rights are held for a specified period, say 49 years, after which they can revert to the original owner. Freehold land is held in perpetuity by the owner and is free to utilize as he/she deems fit.

35. Land is the quintessential political economy issue in Uganda and other Sub-Saharan economies. Researchers and even colonial administrators had argued, in the years leading up to independence, that because land alienation in Uganda had not been extensive, land issues there would be easier to handle post-independence, than, for example, in comparison to Kenya. This conclusion proved to be largely illusory as Uganda has seen many political and economic disruptions emanating from its legacy of multiple land tenure systems, listed above, and the many failed attempts to unify the system, through legal and institutional reforms. Wabineno, Musinguzi and Ekbäck (2011) estimated that only about 20% of the land in Uganda is registered.

36. Land-related disputes have added another layer of potential discontent in the country. In particular, poor land administrative systems as well as inadequate infrastructure for settling land disputes have been a source of much political acrimony. The mixture of land tenure systems, especially in urban areas, has made infrastructure development difficult, while also threatening the security of land ownership.

Communally held land has attracted inter-generational disputes, especially in Northern Uganda, including over loss of rights during absences caused by civil strife and involuntary displacement.

37. There have been cases of "land grabbing" by well-connected individuals. Recent cases have included the privatization of parts of public forests and national parks, and wetlands at the fringes of urban areas. The generally chaotic land situation has prevented the development of an efficient real estate market and the use of land collateral in developing the financial sector.

3.6 Conclusions

38. This overview of Uganda's political economy and the evolution of its national plans indicates that leaders were constrained at every turn by economic and political considerations of one kind or the other. In the evaluation we dwell on how the changes in political and economic factors affected the implementation of the NDP1.

4.0 Ownership of the Plan

4.1 Introduction

39. This chapter addresses the issues of leadership, ownership and policy coherence related to the NDP1 process, including a discussion of the stances taken by the country's Parliament and top leadership. It examines disagreements over policy issues among the various stakeholders, including civil society, and looks at how the political process encouraged some alignment on the key issues, and areas where disagreement has persisted.

4.2 Key Stakeholder Roles in the NDP1 Process

40. The success of national plans relies crucially on the extent to which it is owned by the Government and other stakeholders. The responses of the stakeholders are outlined below:

41. **The Parliament of Uganda:** Although Parliament has been a keen supporter of the national planning process from inception in 2002, and has sought, at various times, to unify what it sees as a fragmented framework for economic policy advice (currently under the MFPED, the Bank of Uganda and the NPA), it has not delved into the intricate issues of NPA supervision. Through its committees on the economy, Parliament follows the work of the NPA closely, indeed a recent "Motion for the Resolution of Parliament" from members dated August 2018 sought to compel the Government to adhere more closely to NDP1's policy guidance.

42. **The Presidency:** The existence of a State Minister for Monitoring and Evaluation at the President's Office suggests keen presidential interest in those issues, although potential collision with NPA's work seemed inevitable. However, respondents at the

President's Office suggested that this need not be the case and that, given the breadth of the development agenda, their primary focus during the NDP1 was on "burning" issues—such as youth unemployment. At initiation of the NPA, the President chose a senior cabinet minister to run it and accorded him an ex-official sit in the Cabinet.

43. **Office of the Prime Minister:** The Office of the Prime Minister (OPM) was the supervisor of the NDP1, although the extent to which it influenced the Plan's implementation is not clear. Among OPM's instruments were the Government Annual Performance Report (GAPR) and meetings with individual ministries and agencies to discuss its contents. The GAPR for FY2010/11 noted that the NDP1 could only be effective and impactful if it was a "living document" that was able to influence budgets at the national and sector levels. In the view of the OPM, "the NDP as a plan was not being consciously implemented." However, while the OPM and rest of the Government were aware that effectiveness required a strong plan-budget link, political and administrative constraints made it difficult to redesign the implementation process during the course of the NDP1.[1]

44. **Ministry of Finance, Planning and Economic Development:** The relationship between the Ministry of Finance, Planning and Economic Development (MFPED) and the NPA was conflicted during the plan period. There were several areas of potential friction, linked to the supervisory and enforcement architecture for the NDP1, which we discuss below:

(i) The NPA Act stipulates that the Government's annual budgets had to be aligned to the 5-year NDPs. However, NPA had no means of enforcing the provision. The MFPED has been, understandably, reluctant to loosen its grip on its functions of resource mobilisation, planning, budgeting and monitoring, sources of its own power and influence within Government.

(ii) To be effective, the monitoring and evaluation activities of the NPA, including over economic performance, would have required a mechanism for feedback as well as a sanctions regime for non-compliance for Ministries, Departments and Agencies (MDAs) which would have entailed more power to the agency, at the expense of the MFPED, its supervisor.

(iii) The MFPED undertook its own planning and monitoring activities, notably involving work on trends in poverty. The latter received much praise in the past from development partners.

[1] The relevant passage from the GAPR for FY2010/11 (p. 6) reads as follows: "For the National Development Plan to be achieved, it must become a living plan. The level of detail that it outlines already makes aspects of it redundant, as the fast pace of economic and material change overtakes the projections made in 2009/10. It is proposed that the Plan be formally annualized through the budget planning process, enabling the NDP document to be a point of departure for annual plans, while retaining the focus on the Plan's outcomes. In order to do this, an addendum will be needed to the Plan to explain this, while further work will be needed on the NDP outcome indicators that lack data and targets."

(iv) NPA's budget is set by the Ministry of Finance. Hence, the MFPED exercises discretionary power over NPA's work. Moreover, respondents at the NPA indicated that, as a supervisor, the MFPED also had the authority to clear (or block) the work of the NPA for broader dissemination within Government.

In a range of countries, notably South Africa, Malaysia and Mauritius, the planning activities are funded directly from the consolidated fund, through parliamentary appropriation, hence removing the budgetary stranglehold on the planning agency and boosting its freedom of action.

Some respondents noted that the complicated relational architecture between the MFPED and the NPA was intentional. There was real fear that too strong an NPA would have counteracted the culture of "wheeling and dealing" that has been a feature of the conduct of government business in recent years.

(v) The MFPED and the NPA have not been able to collaborate on mutually beneficial analyses of the economy i.e. modernization of agriculture, urbanization, industrialization, the demographic dividend, debt sustainability etc. Such collaboration could help make the NPA, which is the de facto "think-tank" of the Government, and MFPED real centres of analytical excellence in the country.

(vi) Above all, to remain relevant, the NPA needed to establish its own credibility and gain respect from other departments and agencies within Government through effective design and implementation of the NDP1 and through critical analytical work to establish its credentials as a rigorous national "think-tank." In the event, it fell well short on these scores (Box 2).

Box 2: Extract from the Report on Comprehensive Review and Restructuring of Government Ministries—"Key Issues on the National Planning Authority"

(i) The National Planning Authority operations do not comply with the provisions of operating as a Corporate Independent Body due interference in the planning process from the Ministry of Finance, Planning and Economic Development;

(ii) Whereas the legal framework is adequate and clear, there are overlaps in the mandate of National Planning Authority with the overall functions of the Ministry of Finance, Planning and Economic Development, Office of the President and Office of the Prime Minister in respect of planning specifically for Ministry of Finance, Planning and Economic Development, and Monitoring and Evaluation for the four institutions;

(iii) There is no clear mechanism on how the National Planning Authority exercises its mandate of advising H.E. the President on national planning issues and priority strategies that should propel the country into the right direction;

(iv) Although planning is an important function in Ministries, Departments and Agencies, its processes, procedures, practices and linkages with National Planning Authority are not clearly defined; which has a negative effect on the systematic process of MDAs and LGs;

(v) The Authority has not taken the issue of acting as a "national think tank; and providing strategic direction to the economy of Uganda" as a priority;

(vi) The fulltime operations of Board Members of Institution make Board members get involved in the day-to-day activities carried out by the Secretariat. This is a" fertile ground" for unwarranted conflict between the Members of the Board and the Secretariat and a full time Board violates the rules of Corporate Governance.

Source: Ministry of Public Service, 2017

45. **Other Ministries, Departments and Agencies:** The NPA lacked the means to influence the behaviour of MDAs through the NDP1. MDAs were routinely non-compliant leading to misalignment of sector plans and budgets. Moreover, the OPM and ministries were wont to develop a range of policies of their own, including on gender, youth etc. without coordinating with the NPA. A good number of the projects implemented during the NDP1 period were not included on its initial list of priorities, and had been attached through direct bureaucratic intervention.

46. Respondents in key ministries noted that, beside the development plans, NPA's monitoring and evaluation work was not well known among their operations people. It is difficult to envision how the NPA could popularize its work, but it could begin by devising strategic outreach activities. How well, for instance, is its work known among civil servants, academics and professionals in the private sector? (Box 3)

Box 3: On NPA's National Development Report

The National Development Report (NDR), prepared annually by the NPA as a statutory requirement, is a potentially great opportunity for the Authority to demonstrate its analytical prowess and influence throughout government and to other stakeholders, provide insight into the country's challenges and demonstrate its leadership and relevance in the development debate. However, the NDR reports produced under the NDP1 period were not prioritized in terms of topics, too detailed, and seemingly directed at a specialized audience within the ministries, and possibly the NRM (as a section is dedicated to assessing the degree to which its Manifesto commitments were being met).

Above all, they were not well researched and sounded like extracts from MFPED documents, notably the Background to the Budget. Given the descriptive nature of the reports, it is very difficult to tell from them, with any degree of confidence, NPA's assessment of the direction of the economy under the plan, what was missing, and what adjustments needed to be undertaken to remain on track i.e. the issues of causality and impact. The NDR should be improved and better packaged for the use of a broader internal and external audience.

Source: Author's notes based on quick reviews of NDRs.

47. **Local Governments:** A number of respondents at the local government level confessed that their planning efforts were mostly proforma and were not used for the allocation of resources in the districts to any large extent. The bulk of the resources from the centre were generally inadequate, with fiscal transfers to the devolved local units amounting, on average, to between 13 and 17 percent of the total budget over the plan period. This indicates that the bulk of the funds were managed by line ministries from the centre, which contradicted the goal of the decentralization effort i.e. operational independence.

48. Local governments have found it very difficult to attract critical skills such as engineers, medical doctors, veterinary doctors/other scientists, accountants, and economists. The most affected districts are those in northern and eastern Uganda where decades of civil strife have made them unattractive for a civil service career.

49. **Civil Society:** Civil society, broadly defined, was expected to play an important role in the NDP1 process. Notably, the NGO community was expected to monitor and evaluate the plan's interventions. However, lacking reliable data and information and in the absence of an established platform for engaging with the government, NGOs felt marginalized. Many respondents in the NGO sector indicated that the Government's current outreach to them was relatively circumscribed, and their interventions were often overlooked.

50. **The Ruling Party, NRM:** As a sign of political alignment, the National Resistance Movement's (NRM's) manifesto drew on the NDP1, and likely vice versa, especially the emphasis on infrastructure. Still, a general critique from the opposition is that the Government tends to develop good strategies but is often found wanting in implementation rigor.

4.3 Political and Structural Factors

51. In the event, political economy factors hindered progress on the NDP1 on several fronts:

52. **First**, elections in Uganda have tended to have quite violent aftermaths, as was the case in 2011, leading to business disruptions and to reduced foreign direct investment (FDI), with negative implications for the NDP1.

53. **Second**, with over 100 districts to contend with during the NDP1, decentralization and the gargantuan coordination effort required to align policies and programs, as well as the implications for the size of representation in Parliament, the exercise could well have reached saturation point.

54. **Third,** while Parliament had many able MPs, consultations within individual constituencies and debates on policy alternatives continued to be patchy.

55. **Fourth,** the NDP1 noted that the most important constraint on the Ugandan economy was weak public sector management and administration. Institutions were poorly designed and lacked qualified staff. This meant in turn a weak client responsiveness, limited strategic oversight, and poor service delivery.

56. **Fifth**, corruption was rife within Uganda's public sector, especially in procurement, administration of public expenditure and management of revenue. The country scored lowly on the Transparency International Corruption Perceptions index, with its ranking falling during the NDP1 period. The NDP1 noted that the "citizenry was not sufficiently empowered to fight corruption."

57. **Sixth**, Uganda has not put as much emphasis on regional and international protocols for benchmarking to international standards in manufacturing, export production and the hotel industry. This has put the country at a competitive disadvantage in the cutthroat export sector. A number of initiatives have been embarked on recently, notably by the country's Ministry of Trade, Industry and Cooperatives, to rectify the situation.

58. **Seventh**, the days when President Museveni insisted on an umbrella approach, with all the political strands brought together under one roof, seem to be long gone. Although this is what democracy would dictate, given the NRM numbers in Parliament, a measure of complacence has set in and the credibility of the party's traditional claim of "having its ear on the ground" and being the champion of the poor and the disenfranchised is eroding.

59. **Eighth**, a sense of intransigence pervades the politics of Uganda today, with implications for its long-term investment prospects and growth profile, but with no quick solution in sight. Efforts are undergoing to strike a grand bargain across party lines.

4.4 The Search for Coherence

60. Political economy challenges within the policymaking constellation, constrained NPA's effectiveness and impact. Its monitoring and evaluation work as well as its advocacy role, had little impact on the behaviour of MDAs and other stakeholders. Respondents blamed the inertia on "uncoordinated movements" within Government. New agencies or units were created to address "problem areas" or those deemed of enhanced strategic importance, even where existing agencies could have handled the new issues with only minor adjustments to their TOR and organizational structures. This was caused by a silo mentality among MDAs, with inadequate collaboration in the execution of government programs.

61. The Government committed to undertake a comprehensive review and restructuring of government ministries, departments and agencies in 2015 (Ministry of Public Service, 2017). The report provided guidance on how to address the challenges, including nurturing a well-trained, well-remunerated and motivated civil service, operating within a modern reward and sanctions systems. However, action on the recommendations was delayed by the runup to the elections, which took place in 2016, and hence pushed the challenges into the NDP2 era.

62. It is noteworthy that the Government, with World Bank support, launched a school for the civil service in Jinja in 2012 (commissioned by the President in November, 2014) dedicated to boosting the skills and competences of civil servants and to raise the capacity to fight corruption and malfeasance, which are endemic within the public sector. A notable innovation introduced in the process was called the "caravan" approach, where trainers used mobile vans to bring their teaching

materials as close to the areas where the training was required as possible. A total of 1120 civil servants were trained in the first year of the school's launch. Respondents noted that the school for civil servants has provided a framework for improved networking. Despite several pronouncements about salary rationalization, concrete action on a "salaries commission" was yet to be established by the end of the NDP1 period.

4.5 Toward National Plan Ownership

63. In discussions with NPA officials, it was estimated that only about 45% of the NDP1 initiatives were actually embarked on by 2015. In the Government's view, some of the implementation shortcomings it was experiencing were to blame on a generally low level of "civic competence," especially among the lower echelons of government. In this regard, dedicated efforts were undertaken to build community-based capacity to monitor service delivery. However, at the local level, the perennial problems of lack of information, illiteracy and inadequate access to policymakers persisted. As noted earlier, the big challenges do not lie in drafting policies, plans or visions but in creating an institutional framework that supports successful implementation.

64. Looking forward a greater degree of realism with respect to the economic and the political plausibility of the national plans needs to be taken into account. It serves little purpose to include large and ambitious projects in the portfolio of the plan when they are not even in the feasibility study stage. It is also not good policy to embark on new initiatives mid-stream in response to political exigencies, such as new elections or on the basis of changed financing expectations i.e. as yet unearned projections of oil flows.

4.6 Conclusions

65. Although the policy agenda in Uganda is much more domestically driven today than before, many respondents see the lack of a regular and formalized dialogue on the national plan as a policy lacuna. It could be redressed by the creation of a forum that enables a broader interaction over the national plan's projects and programs, as well as their sequencing. It would enable stakeholders to express their views and the authorities to provide responses to specific queries. It could also be an opportunity for the private sector to reveal its investment plans, and other parts of civil society to voice their concerns, and provide inputs on possible remedies.

66. However, more innovative approaches, tailored to local level needs, including the production of popular versions of the national plans and summaries of the NDR (including in the vernacular), will be needed for rural areas. The majority of the population in Uganda still dwells there and should not be left behind when it comes to the discussion of the country's development prospects.

5.0 The Plan's Implementation

5.1 Introduction

67. This chapter looks at progress in implementing the NDP1. Uganda's capacity to raise tax revenue improved over the NDP1 period, as did its ability to mobilize funding from international borrowers, other than bilateral and multilateral agencies. Its exports to the region and beyond have shown remarkable growth, with indications of an expanding volume of manufactured goods. However, corruption has remained a key policy challenge, with implications across the economy.

5.2 Setting Sector Priorities

68. At the political level, sector priorities have been set for much of the past three decades by the NRM and its leader, President Museveni. In recent years, a more technical guide to setting priorities was Vision 2040, produced by the NPA. Its list included service delivery, support to science, technology and innovation, and front-loading infrastructure investment to lower the cost of business, including capturing the externalities that have come with the production of oil, and the attraction of offshore industries. With respect to region integration, the Vision implores the government to implement as a matter of course all the existing standards and protocols.

69. Within sectors, however, the situation was less coherent. The Government's enthusiastic manifestos (i.e. "prosperity for all") did not necessarily translate into quick action on the ground. In the event, priorities were ex-post set on an ad hoc basis. Supplementary expenditures came to characterize the budgetary process, with examples of midstream shifts of allocations to areas that the state considered more urgent. The Auditor General has been critical of this behaviour, indicating that it has become more the rule than the exception.

70. A critical analysis of service delivery in health, education and agriculture revealed that problems persisted. In education, the inspectorate function, once the means to ensure high quality services throughout the country, was moribund. For a number of schools visited during the evaluation, no teacher could recall that their school had been inspected in the previous decade.

71. This neglect has unwittingly led to a three-tier system of schools in Uganda. The elite government schools are run pretty much like PPPs, with parents providing extra cash to meet shortages and also monitoring standards. The bulk of the schools within government, especially in rural areas, have struggled under increased numbers, thanks to universal primary and secondary school education, and insufficient funds. Some private schools, run on a commercial basis, have done very well. However, few parents can afford them. The children of the poor are condemned to receive an

inferior education, which lowers their prospects for employment, and for escaping the cycle of poverty.

72. Similarly, extension services in agriculture and animal husbandry have suffered much neglect, in spite the emphasis in the NDP1. The provision of such services was the rationale for the creation of the National Agricultural Advisory Services (NAADS) but due to rampant corruption, mentioned earlier, the services were halted and subsequently transferred to Operation Wealth Creation (OWC), which operated under the auspices of the country's defence forces (UPDF).

73. However, though a seemingly timely intervention, an evaluation of the extension services offered under OWC revealed little improvement. With military precision, OWC had distributed agricultural inputs to a range of farmers but without taking into consideration the climatic zones. Furthermore, there were frequent and serious delays in distributing seeds, and other inputs, leading to crop failure. These discouraging results watered down OWC's enthusiasm for the task and illustrated the fallacy of policy shortcuts as opposed to the fundamental reform of existing structures. The biggest victim of these shortcomings has been the policy of agricultural modernization in Uganda. During the NDP1, the agriculture sector's contribution to GDP declined from 9.2% in 2011 to 3.2% in 2015, although partly weather-related, policies issues also played a role.

5.3 Non-State Actors

Civil Society

74. At the beginning of the NDP1 process, many NGOs and academic institutions were encouraged to provide views, and help mobilize voices from civil society. Some NGOs, a number of them with headquarters outside Uganda, suggested international best practices that could be adopted and scaled up for effective NDP1 implementation and monitoring. But as the design and formulation of the NDP1 firmed up, the quality and level of consultation with civil society diminished visibly

75. Civil society respondents indicated that while subsequent NDP1 consultations were carried out under a number of thematic task forces, the key contributors were Government technocrats from the NPA, MFPED and OPM and to a lesser extent, the Bank of Uganda and the Economic Policy Research Centre. The contributions of civil society at the feasibility stage were, reputedly, not reflected in the final blue print of the NDP1.

76. Respondents noted that neglecting the advice from civil society, which had emphasized the need for a more focused approach, given the size of the resource envelope, had led to the expansion of the NDP1 into all directions. They argued that the NDP1 lacked a real strategic thrust, and attempted too much to match the NRM's political manifesto, without the finance to back it up. That ultimately it had created

too many unfunded mandates. It is, therefore, not surprising that the midterm review of NDP1 argued that the plan had too many activities and had spread itself too thin—a major cause of lack of effectiveness in government.

The Private Sector

77. The NDP process envisaged a big and strategic role for the private sector in achieving Uganda's Vision 2040 objectives. Indeed, Government policy is premised on the mantra of "private sector led growth". Over the NDP1 period, the private sector gained increasing prominence in the performance of the economy. This has happened in spite of the relative neglect of private sector views by the Government and the implications of official corruption and public sector inefficiency on its activities.

78. Unlike in the Asian countries, where the private sector was delegated into predetermined priority sectors via licensing procedures and access to foreign exchange, in Uganda the involvement of the private sector in production and service delivery was largely on own terms, with little official guidance. This hands-off approach, with few regulatory interventions, would hardly form the basis for an integrated industrial policy that the NDP1 sought to pursue. There were few industrial linkages to form a self-sustaining industrial sector, that produced export-grade manufactures. However, it is noteworthy that the Uganda Development Bank has been revived, and being prepared to assume a bigger funding role in the economy.

Box 4: Private Sector Investment and Development During NDP1

In spite of its limited involvement in the NDP1, the private sector made significant investments in several priority areas. It could well be that the Government's policy actions on their own were strong enough to elicit a notable private sector response in certain sectors.

Education sector: There have been significant investments in primary, secondary and tertiary education institutions, thanks to a liberal policy and the high demand for education services in the country. During the NDP1 period, 12 new private universities were established taking the total to 38 private universities, compared to 9 public universities. Many private primary and secondary schools, of varying quality, were established as well. On the whole, the government's emphasis on science, technology, engineering and mathematics (STEM) is not well reflected in the education programs being offered by the new universities, while many schools, lacking laboratories and demonstration fields, pay them lip service. Uganda might need to borrow a leaf from the experience of India, where, while allowing for the growth of the education industry, made sure that centres of excellence emerged which other institutions could emulate.

Health sector: Similarly, the private sector has invested heavily in health facilities including hospitals, private clinics and pharmacies. Further investments are in drug manufacturing, including that of ARVs. For instance, CIPLA-Quality Chemicals Industries is now one of the largest drug manufacturers in the country and East African. It has listed on the Kampala Stock Exchange and supplies HIV drugs and other essential medicines throughout the region.

Telecommunication sector: This sector grew at a phenomenal rate during NDP1, with the entry of new investors, including Africell, Airtel/K2 and many others. This has moderated prices and heightened innovation, including mobile banking. The sector is a major contributor to tax revenue.

Housing sector: Housing and related construction have been growing at the rate of 7.2% during the past decade. So far, the emphasis of the industry has been on high-end accommodation, shopping arcades and office space, and not as much on homes for middle-income earners or for young people, yet to form families. Another concern is that apart from providing short-term employment for male workers during construction, the multiplier effects of the housing sector on the NDP1 have been limited.

Agriculture: The Government had counted on the private sector to boost agricultural productivity. However, so far, private sector participation in agriculture has not been enthusiastic, owing to a multiplicity of obstacles. Land issues in the fertile parts of the country are endemic, while Ugandan agriculture uses few modern inputs, is susceptible to pests, and access to irrigation is limited. Other constraints include a poor road network, lack of storage facilities, and poor post-harvest handling. Respondents argued that while agriculture's backbone used to be peasant farmers, today the target of Government's support was not as clear-cut. They pointed to rotting produce during harvest seasons and the lack of markets. Peasants were hard pressed to find markets for themselves, respondents added.

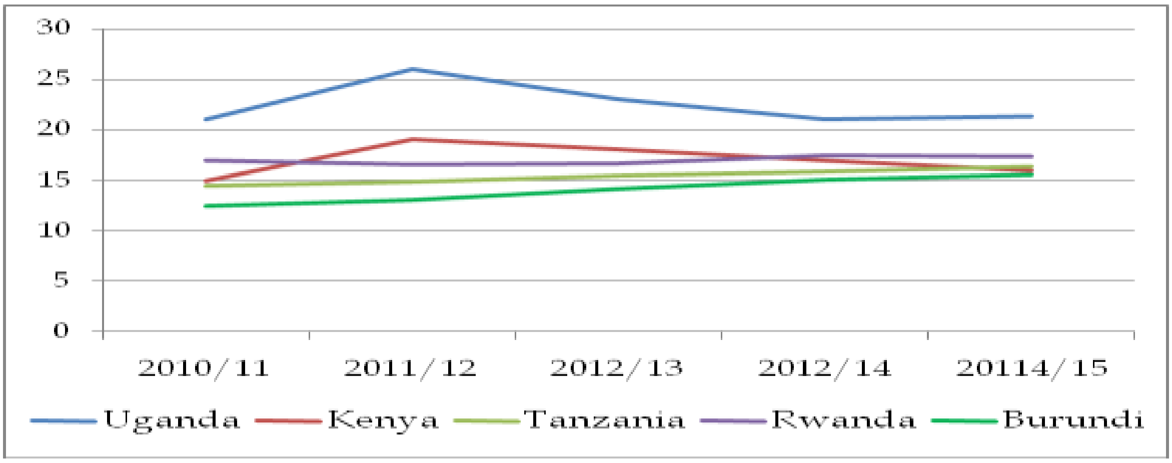
Public-Private Partnerships: The Government has entered a number of partnerships with the private sector in a range of sectors, including power generation, where a number of mini-hydro stations have contributed power to the main grid. A notable example is the case of the Bujagali power generation plant, commissioned in 2012, where the government entered an alliance with bilateral partners (mainly Japan), multilateral development partners (World Bank and the African Development Bank) and the private sector (The Aga Khan and Bujagali Energy Limited (a consortium of private sector interests put together to manage the construction and running of the plant)). For its part, the Government focused on the power evacuation infrastructure component, leaving the power generation to others. Recent years have seen the Government seeking to bring down the cost of energy from the plant, through tax and financing adjustments.

Source: Author's notes

79. Thanks to a broad range of business-friendly reforms in the 1990s, Uganda's position in the Ease of Doing Business ranking had improved from a low base. However, recent surveys for countries within the East African Community show that the country now ranks below Kenya, and much below Rwanda.

80. Respondents in the private sector noted that in spite the Government's laissez-faire approach, many bureaucratic hurdles remained for the private sector. The high transport costs, owing to the country being landlocked, are compounded by lack of reliable electricity, and the high costs of credit. Uganda has by far the high cost of credit in the region, in the order of 10 basis points above its neighbours, i.e. interest rates were above 25% in many cases.

Figure 2: Commercial Lending Rates in East Africa, 2010/11-2014/15



Source: World Bank, 2015

Development Partners

81. The international community has been a key player in the Ugandan economy in past decades, helping the economy to emerge from a long period of economic crisis in the 1990s and 2000s, and to undertake structural transformation. Development partners were crucial in helping to reduce Uganda's external debt through the HIPC process and to finance the post-conflict reconstruction of Northern Uganda. However, with Uganda's rapidly changing economic and political circumstances, the relationship between the Government and the development partners is changing. In the view of some becoming more mature and business-like and that of others aloof and disinterested

82. During the heyday of their cooperation, the Government and development partners (DPs) had undertaken policy dialogue based on the framework of General Budget Support (GBS). However, the latter was downgraded as a delivery model by the bulk of the DPs. Formulating a "post-aid" relationship with development partners has been difficult for many other African countries. In Tanzania, the government and the development partners were compelled to sit down and think through their relationship going forward (Centennial and Uongozi, 2017). A major resolution from the Tanzanian effort was that a mature relationship between the country and development partners requires that commitments made by both sides must be met.

83. The success of the NDP hinged on the full participation of all external stakeholders, including development partners. Development Partners were expected to provide financial resources as well as technical expertise during NDP1 implementation. The operational framework for their engagement was mainly through the Technical Implementation Coordination Committee (TICC) framework and Sector Working Groups (SWGs). The High-Level National Partnership Forum, which would have involved the President, has not met.

84. However, as opposed to the agreements reached during the PEAP era, conclusions reached at these meetings have no binding implication and are mainly advisory. In particular, the SWGs for the ministries of Works, Health and Education performed poorly, eroding their effectiveness. The locus of the development dialogue has shifted back to the bilateral level, along with the potential for overloading government officials, which the Uganda Partnership Policy of 2013 has sought to avert.

85. Moreover, the government's increased focus on transport and energy, as opposed to the social sectors, has shifted the domestic development cooperation architecture in favour of non-traditional partners, notably China, who rarely participate in broader development partner events (MFPED, 2017).

5.4 The Governance Question: Combating Malfeasance and Corruption

Corruption has been a policy concern in Uganda for decades

86. In the 1990s, Uganda created specialized agencies with competitive emoluments outside the traditional civil service to handle critical and strategic tasks of government and avoid corruption i.e. Uganda Revenue Authority (URA), Uganda National Roads Authority (UNRA), while to get a handle on low agricultural productivity, NAADS was established etc. However, performance in the new centres of excellence quickly cascaded downwards to the levels of the traditional civil service—while the opportunities for corruption in the new agencies, through procurement malpractices, for example, has been "mind-bugling" in the view of a respondent.

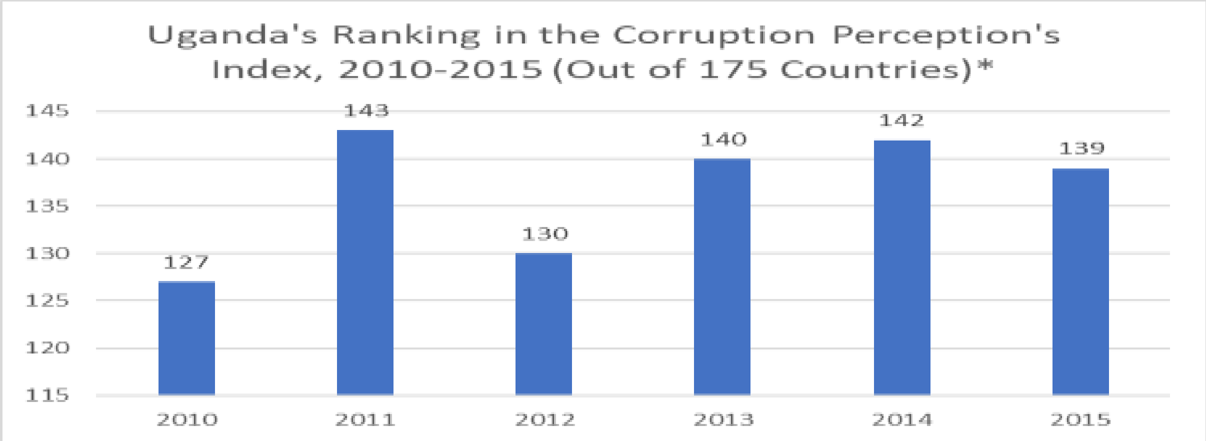
87. Corruption was a big issue in service delivery across the country during NDP1[2]. Incidents included misuse of funds in the office of the Prime Minister, abuse of the public service pension scheme, embezzlement of funds for the procurement of bicycles for Local Council officials in the Ministry of Local Government, the embezzlement of funds meant for the construction of a major road artery near Kampala (i.e. Katosi Road), the existence of "ghost pupils" in the Ministry of Education etc.

88. In 2014/15, Uganda was ranked 139 of 175 countries on the Corruption Perceptions Index of Transparency International (Figure 3). Within the East African Community (EAC), it compares with Rwanda at 44, Kenya at 139, Tanzania at 117 and Burundi at 150. For Uganda, estimates put the annual loss of funds due to corruption at US $1bn, which is about 4 percent of GDP. Some fear that the amounts involved might be much higher.

89. Over the years, the Government has set up or strengthened a range of institutions to address corruption: The Inspectorate of Government, CID, Anti-Corruption Court, Office of Directorate of Public Prosecutions, and Office of the Auditor General. In Parliament, a number of oversight committees were constituted, notably the public accounts committee (PAC). The State House has its own Anti-Corruption Units (notably for health service delivery monitoring).

[2] The GAPR for FY2008/09 discusses the introduction of an Accountability Secretariat headed by the Office of the Auditor General and comprising the Directorate of Ethics and Integrity, Ministry of Finance, Planning and Economic Development, Inspector General of Government, Uganda Bureau of Statistics, the Public procurement and Disposal of Assets Authority, and the Uganda Revenue Authority. However, the Secretariat has been moribund since.

Figure 3: Uganda's Corruption Ranking, 2010-2015



Source: Transparency International, 2018; * number of countries surveyed fluctuated but was 175 in 2015

90. To avoid corruption in the implementation of NDP1 required, above all, an efficient public sector. However, analyses by government and others continue to characterize it as inefficient, corrupt, and with low productivity. Over the NDP1 period, not much headway was made towards redressing these issues. A number of interventions, such as the introduction of performance contracts, civil service salary enhancements, and other motivational measures, were planned but had not been implemented by the end of the plan period.

Towards a Critical Mass on Corruption

91. Still, to be fair, there is a sense that the fight against corruption in Uganda is reaching critical mass, not out of altruistic motives nor a moral awakening by the state, but out of sheer economic necessity and political dynamics. Stakeholders in the Ugandan economy are aware that unbridled malfeasance is bad for the health of the economy and could well lead to a return to inflation, disinvestment, infrastructure collapse, parallel markets and rising insecurity.

92. The expanding middle class has a clear stake in whether to allow corruption to take over all walks of life or to oppose it openly (the recent case of stopping the infiltration of petrol being a case in point—too many middle-class stakeholders were being affected). Middle class pressure is more or less what brought about change in public sector behaviour in India and Brazil, and to some extent neighbouring Kenya. The ruling "coalitions" in Uganda (many politicians also own vast businesses) have too much at stake to risk a further expansion in petty corruption—as it would hurt them directly as well as the country's push to middle income status. The anti-corruption mood is catching on in Parliament and the courts, the media, and above all the population.

5.5 Assessing the Plan's Implementation Progress

Local Government Level

93. As of the fiscal year 2011/12, locally generated revenues amounted, on average, to only about 0.24% of the resources required at that level (MFPED, 2015, MLG, 2012) i.e. with more than 99% coming from the central government. At the end of NDP1, the amount from own sources had dwindled to half that. The bulk of the central government's transfers to the local level were "conditional grants" implying that their use was already predetermined at the centre.

94. The mechanisms for disbursing funds added yet another layer to the problems of transferring resources to local governments, making it difficult to recruit staff (Table 4), service providers and execute projects on time. These issues led to the paradoxical result of financially hard-pressed LGs returning unspent resources to the consolidated fund each year, amidst unmet local demand for services.

Table 4: Technical Posts at the Local Level, 2014/2015 (rate at which filled in %)

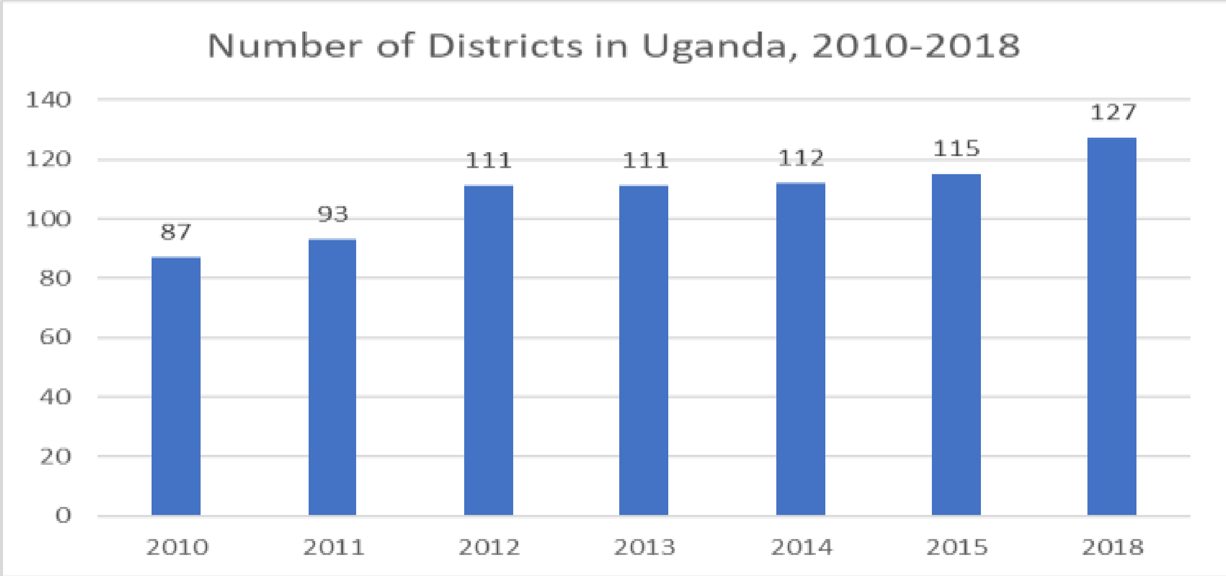
Technical posts at the local level	% of posts filled
Chief Finance Officer	76
District Planner	81
District Education Officer	73
Health Officer	55
Production Coordinator	49
Engineer	63
Community Development Officer	62

Source: *Ministry of Local Government, 2014/2015*

95. On average, many technical and managerial posts at the LC level remained unfilled by the end of the plan period. However, a factor seemed to be the district's level of development. Thus, Mubende in the central region had all its posts filled while remoter Lyatonde and Amolatar districts had less than 10% of their posts filled. If the choice is left to the candidates, such gaps will never be closed. Incentive packages might be required to support the recruitment of technical staff in the remoter districts of the country.

96. The rapid expansion of the decentralization program has aggravated the staff shortages. The number of districts increased from 87 in 2010/11 to 115 in 2014/15, and is still growing (was expected to reach a total of 127 by 2018) (Figure 4). The subdivisions have exacerbated the staffing challenges and those of service delivery.

Figure 4: Growth of the Number of Districts in Uganda, 2010-2018



Source: Ministry of Local Government, various years

Deployment of Resources to Priority Areas

97. In terms of resources for NDP1 implementation, the low level of domestic revenue mobilization in Uganda, at 13% of GDP, on average, during the plan (compared to 25% for Kenya and 17% for Tanzania), was a key obstacle. For the "developmental' states of East Asia, tax and revenue issues were given the highest priority (Sindzingre, 2007). If it is to achieve its goal of economic transformation, Uganda cannot be an exception.

98. Moreover, inadequate access to finance by medium and small-scale businesses, high interest rates (lending rates were about 17-23% on average, but much higher within the microfinance segment, with rates of 24-36%), and still low level of banking services, compared to Kenya, for example, were serious impediments to private sector activities.

99. With respect to the deployment of resources to NDP1 priority areas, it seems that infrastructure, notably roads and energy saw a real boost in resources, as did education. On the other hand, agriculture, tourism and ICT fared less well. Notably, agriculture received some 4% of the budget over the plan period on average, although it sustained the bulk of the households in the country. Similarly, although the health sector had enjoyed an increase in resources during the height of the HIV/AIDS pandemic, thanks to development partners support, resources to the sector were more modest during NDP1, in the range of 4% to 6% of the national budget, compared to over 10% in early 2000s, and the 15% recommended in the Abuja Declaration of 2001 (MFPED, 2018).

Monitoring and Evaluation

100. The monitoring of the NDP1 implementation was guided by the NDP's M&E framework. But as already indicated the competing mandates of the key stakeholder institutions, NPA, OPM and the MFPED, have made it difficult to create the synergies required for such a huge exercise. While the NPA has focused on keeping track of the long-term NDP benchmarks, the OPM is more interested in the performance of Government through the budget-focused GAPR process. The MFPED, on the other hand, has monitored the process through its annual budget performance outturns.

101. The mid-term review of the NDP1 recommended that the issue of alignment of sectoral plans and budgets to the plan be reinforced through issuance of certificate of compliance by the MFPED. The plan was to force compliance through denial of funds. But such a threat was politically incredible and errant MDAs and LGs have continued to access funds regardless.

102. Parliament is mandated to oversee the implementation of the plan, although focus has tended to gravitate toward the annual budget rather than the NDP targets. There is no evidence that civil society, notably the private sector, has been involved in a systematic monitoring of the NDP1.

Box 5: NDP1's Contributions to Achieving Uganda's Vision 2040

(a) Infrastructure Development – Over the NDP1 period, Government continued to promote big infrastructure projects. A total of over 700 Km of paved roads were added during the plan period. Energy generation capacity is bound to triple to close to 2000 MW with the coming on stream of the Karuma and Isimba dams. The Bujagali Dam in Jinja, which helped stabilize the country's power supply was inaugurated in 2012. Investments in ICT by the private groups have brought efficiencies to the sector, while lowering unit costs. Innovations have led to the rapid catching up of mobile money technologies. Under the Rural Electrification Programme, a total of 1,568 kms of medium voltage lines and 688 kms of large voltage lines were completed and commissioned in 2014/15. An additional 15 districts were connected to the national grid bringing the total number of connected districts to 98 out of 112 districts.

(b) Oil Production - A lot of effort, including extension of modern infrastructure to the oil producing region, was expended during NDP1 to prepare the country for commercial oil production. However, ten years after the formal announcement of the oil discovery by the government in 2008, the oil project is yet to reach commercial production. Still, expectations related to future oil production have had impacts across the economy, including on land values, and the development of technical capacities. The milestones, including the construction of an oil pipe line and an oil refinery have not yet happened, owing to complicated protocol and procurement procedures.

(c) EAC Integration progress – A lot of progress was made towards extending and deepening the EAC integration process during NDP1. South Sudan is now part of the Community h the entry of South Sudan. However, the NDP1 period also witnessed setbacks in regional collaboration with the erection of non-tariff barriers on Uganda's agricultural exports. ADD, ADD

(e) Human capital development and cross-cutting issues - During the NDP1, human capital development, through better health and education, was emphasized. Likewise, a broad reform effort was undertaken in the areas of cross-cutting issues, including gender, youth, the environment and law and order. As in other areas, implementation has been the big issue. With limited resources, pushing reform in these areas has been difficult.

Source: Author's notes

Impact on Cross-Cutting Issues

103. **Social Protection:** In the area of social protection, interventions have included the cash transfers to people aged 65 and above, the liberalization of the pension sector to make it more competitive and efficient; and the introduction of a health insurance scheme. The Social Assistance Grants for Empowerment (SAGE) scheme was started in 2015 in 15 districts (13% of the total) as a pilot scheme. It comprises senior citizen (SCG) and vulnerable family (VFG) grants. Under the schemes, elderly persons from the pilot districts are given monthly allowances of Shs 25,000. However, the money used is from development partners and there are fears of sustainability. With regard to the liberalization of the pension market, there have been disagreements among stakeholders, especially regarding the regulatory regime. The fledgling pension sector does not inspire enough confidence in potential savers and policy holders. However, pension funds are a potential source of financing for future development plans. On health insurance, little headway had been made by the end of NDP1.

104. **The Environment:** The NDP1 period saw the Government acceding to international and regional commitments and protocols on climate change, notably the Multilateral Environment Agreements (MEAs) and conventions. In 2012, it took stock of its performance under Agenda 21 and other Rio+20 commitments, and found that much had been done to bolster the environment pillar, although a great deal more needed to be done. In 2015, a National Climate Change Policy was developed to provide guidance on sectoral impacts, the remediation of climate change; facilitation of climate change adaptation; and the building of an overarching national development process to enhance resilience. Furthermore, new policy and regulatory frameworks were introduced through the renewal of the National Environment Management Policy in 2014.

105. In spite the above, environmental challenges remain: First, forest depletion continued unabated, caused mainly by charcoal production and illegal logging. During 2014/15, it was estimated that 100,000 hectares of forest cover was lost (MoWE, 2016). Second, wetland reclamation has continued a pace, under the pressure of real estate and industrial developers in Kampala and other urban centres. According to the National Environment Management Authority (NEMA), politically well-connected individuals have been able to contravene environmental laws and regulations with impunity. Third, human and industrial pollution has increased in Uganda in recent decades, especially urban centres—to blame on rapidly increasing populations, poor sanitation and sewage facilities, and emissions from an increasing number of old car imports.

106. **Gender Issues.** In Uganda, the promotion of gender equity, youth participation and the protection of children has received much focus in recent years, in conformity with the Millennium Development Goals (MDGs) and the Sustained Development Goals (SDGs). Gender equality, in particular, is enshrined in the 1995 Constitution

and the NDP process. A number of policies have been enacted in the area, including the Domestic Violence Act, 2010 and the Prohibition of Female Genital Mutilation Act, 2010. Moreover, other policies, such as the introduction of universal primary education has brought about gender parity in school enrolment.

107. Affirmative action on the part of the government, which ring-fenced certain political positions, such as those of District Woman MP and similarly targeted positions at the local government level, have improved women's participation in Ugandan politics. At the end of NDP1, in 2015, there were 131 Women MPs out of a total house membership of 375 (Parliament, 2016**).**

Box 6: Brutally Honest? NDP1's Portrait of Sources of Uganda's Negative Mindset

In discussing the challenges of modernizing the country, the NDP1 spent some time discussing the intertwined issues of gender discrimination, negative social attitudes and mindset and cultural practices and perceptions that needed to be eradicated to enable the country to move ahead.

The NDP1 argued that in terms of culture, Uganda has lagged behind in development partly because of its "backward cultural practices, beliefs, attitudes and a lack of national ethical values in political, social and economic spheres." These led, among others, to poor time management, negative attitudes towards work that in turn were reflected in low human productivity and low entrepreneurial spirit.

Women were expected to assume inferior roles, and female genital mutilation continued to be practiced in parts of the country. Furthermore, women were marginalized in their access to land, education, business ownership, skills development, financial resources and employment. The inheritance rights of women and girl children were subordinate to those of their male counterparts.

Moreover, households were invariably large, with high dependency ratios. The utilization of contraceptives was generally low, while slow behaviour change has implied that HIV/AIDS prevalence has remained high among the population.

The general lack of ethics, integrity and patriotism has led to a high tolerance for corruption.

Source: Republic of Uganda, NDP1, p.31.

108. Despite impressive achievements, much more needs to be done. Gender-based violence is rampant across the country. Although the number of girl children is school increased with UPE, there is a high rate of attrition for girls, mainly attributed to early marriages, teenage pregnancies, and discriminatory attitudes of parents and lack of sanitary pads for girls (NPA, 2015). Moreover, women continued to have less access to production factors, notably land and credit, and fewer employment opportunities.

109. **Youth and Children:** With regard to youth and children, the Government is dedicated to their protection, as part of the Constitution and through its policy blueprints such as Vision 2040. A National Youth Policy was embarked on during NDP1 and completed in 2016. On the other hand, children's rights have been strengthened. Since 2010, there have been extensive immunization exercises against measles, polio, whooping cough, tuberculosis and tetanus with an attainment level estimated at about 80% by 2014/15 (MoH, 2016). Universal access to free primary

education continues to mark a significant change in child entitlements as has universal secondary education for the youth.

6.0 Inclusive Growth

6.1 Introduction

110. This chapter looks at the issues of growth, poverty reduction and regional disparities in Uganda during NDP1 and examines the comprehensiveness of the NDP1 in addressing them. In spite the success of the PEAP, the Government felt strongly the need for a greater say in setting the country's development priorities, notably how best to generate high and sustainable growth. While the policy of poverty eradication was not abandoned, the authorities argued that the promotion of growth would take precedence.

6.2 Sustaining Growth in a Liberalized Economy

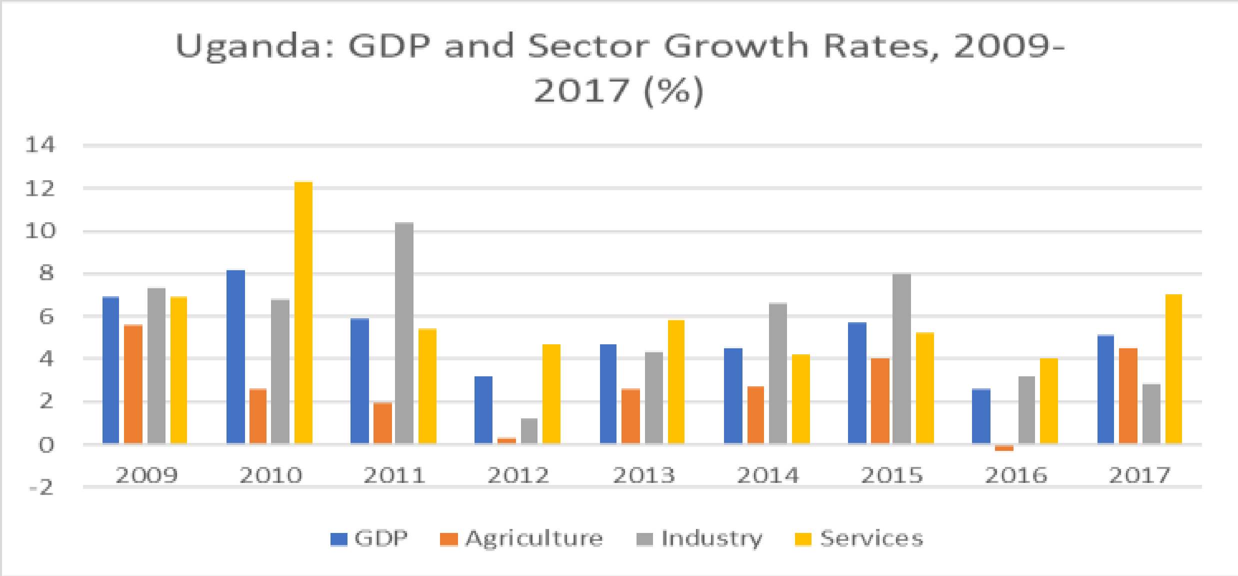
Growth and Macroeconomic Stability

111. At the end of 2000s, Ugandan authorities could point at two areas of economic performance with pride: during the first decade of the 2000s, growth rates were, on average, above 7% per annum— the rate required to propel a low-income country to middle-income status in a decade or so. Importantly rising growth rates raised living standards and boosted state legitimacy. Secondly, the country enjoyed monetary stability with inflation rates that remained in single digits for over a decade.

112. However, as Figures 5 and 6 show, owing to external shocks, growth rates were halved during NDP1. Inflation rose during the global financial crisis of 2008 and 2009, and once again during the fuel crises, capital flight, and related turbulence during 2011-2012. In other words, the Ugandan economy was still very much exposed to shocks from global performance: the well-performing world economy had helped boost Uganda's performance in the early 2000s, while the global turbulence affected it in equal measure, thereafter. What is notable, however, is Uganda's relatively high speed of recovery—at least with respect to containing inflation. In the language of the IMF, it had become a "mature stabilizer."

113. During NDP1, in particular, the average rate of growth for the economy did not return to levels attained in 2000s, although inflation had returned to single digits, around 5 percent, during the last three years of the plan. The relative underperformance of the economy could be blamed on the lethargic performance of agriculture, with average growth rates that fell well short of NDP1 targets in almost every year—and registering near zero growth in 2012. On the other hand, industry performed well, reflecting the activities of the new oil sector, but also increases in light manufacturing activity—notably agro-processing.

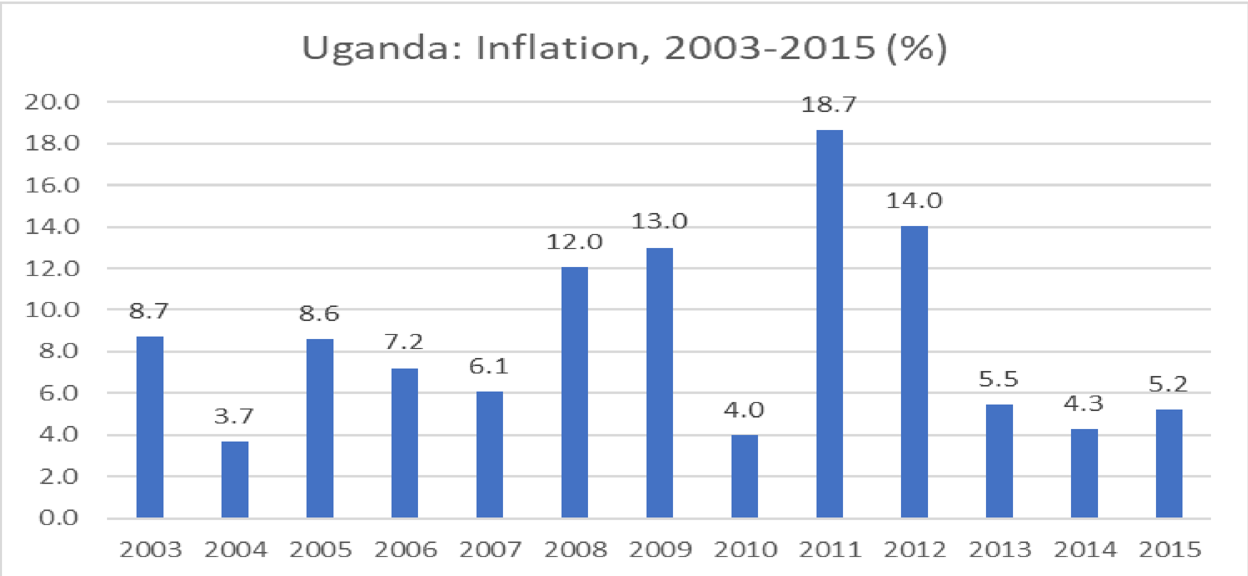
Figure 5: Uganda's GDP and Sector Growth Rates, 2009-2017 (%)



Source: UBOS (various years)

114. The performance of agriculture is important because the sector still commands a large share of the Ugandan economy, and crucially sustains the bulk of the population (70%) in terms of livelihood. On average, agriculture contributed about a quarter of GDP in the 2000s, although tending towards a fifth by the end of NDP1 in 2015. The service sector seems, at about half of GDP, to have assumed much of the slack left by a declining agricultural sector (Figure 7), while the share of industry, at below a fifth, has increased, but not by much.

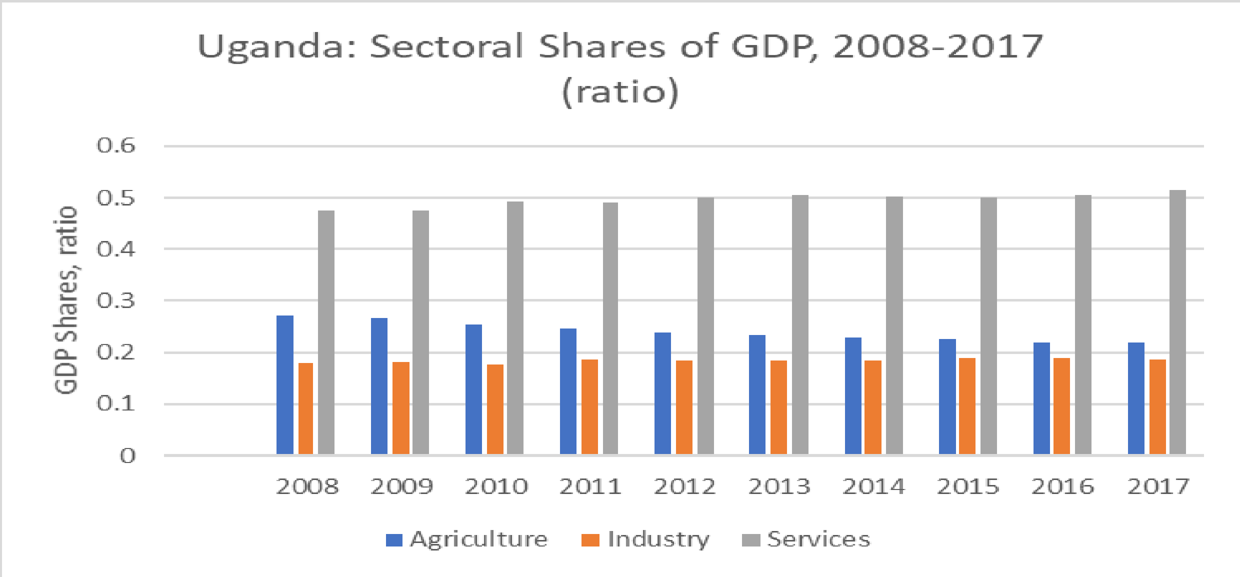
Figure 6: Uganda: Changes in Consumer Prices, 2003-2015 (%)



Source: UBOS, 2017

115. The structural transformation that policymakers are expecting is already happening, but in a manner contradictory to what they projected. The agricultural sector is in retreat, while the service and industry sectors, mostly urban based are expanding. The latter is the natural form of structural transformation, with people leaving low productivity, low-income sectors, to higher productivity ones. Nationally, there will be need to ask whether the public resources that have been invested and continue to be invested in agriculture are having the desired impact, and what more could be done to turn the sector around.

Figure 7: Uganda: Sectoral Shares of GDP, 2008-2017

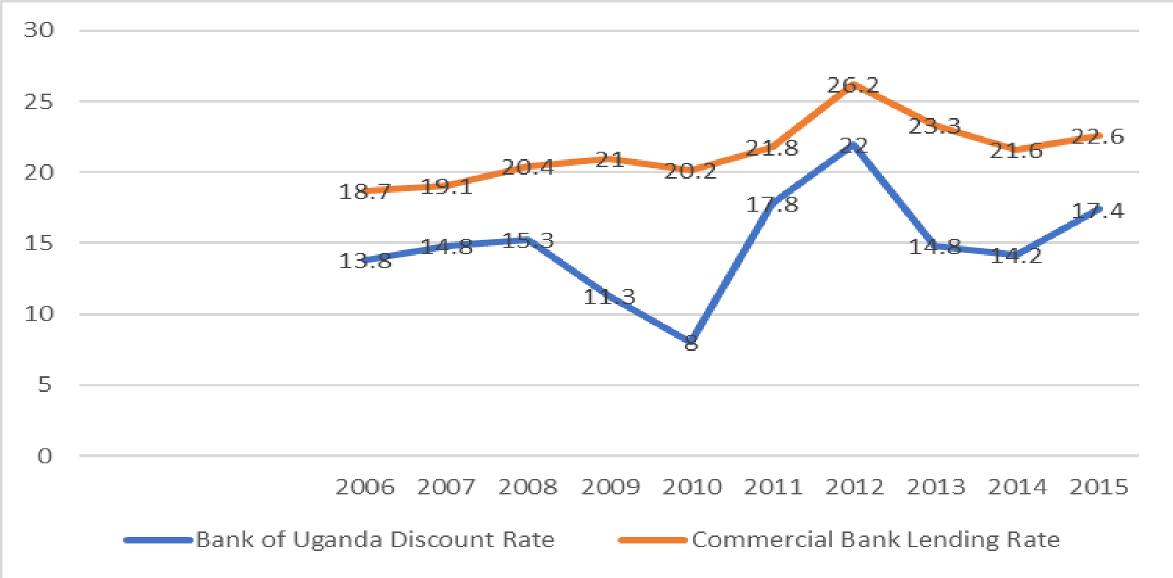


Source: UBOS, 2018

Access to Credit Still a Serious Impediment

116. Uganda sees the private sector as the engine to the economy but the obstacles facing entrepreneurs are formidable, as noted in earlier chapters. Figure 7 shows that a wide gap has existed between the Bank of Uganda discount rate and the interest rates charged by the commercial banks, with the latter at above 20 percent since the late 2000s, and seemingly oblivious to the Bank of Uganda's attempts at quantitative easing during the global crisis. The persistently large gaps between the discount rate and the commercial bank rates, in the presence of low inflation, is a major policy challenge. Such high interest rates make a mockery of the Government's pro-private sector policy pronouncements.

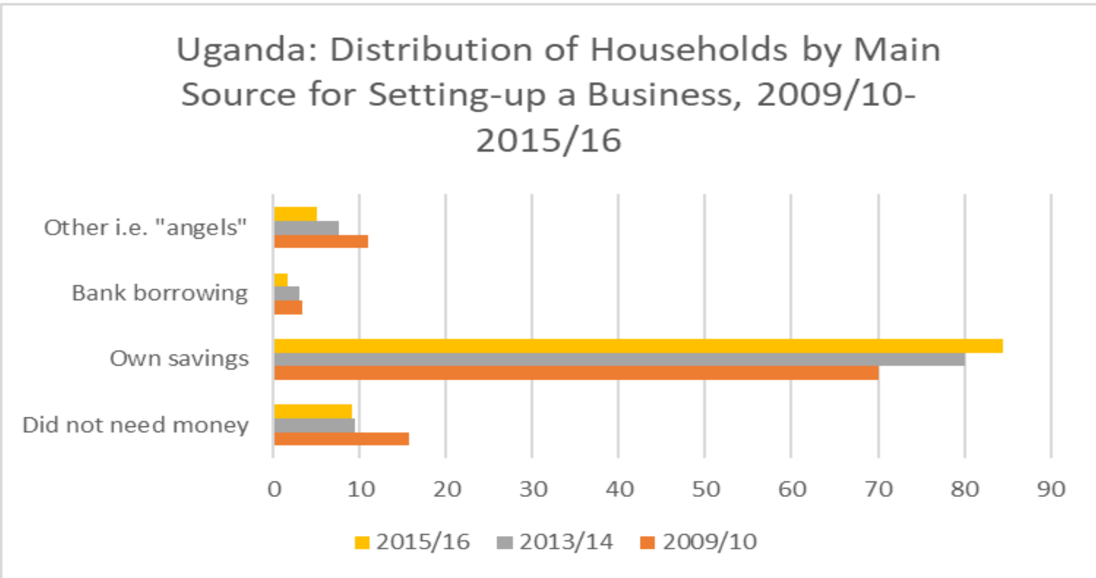
Figure 8: Uganda: Structure of Interests Rates, 2006-2015



Source: Bank of Uganda, 2016

117. A recent UBOS survey (2014) indicated that 70% of households who started a business had used own savings, 15% received support from relatives and friends (i.e. angels), while only 4% had depended on bank borrowing (Figure 8). Households had found bank borrowing rates prohibitive.

Figure 9: Distribution of Households by Main Source for Setting-up a Business (%)

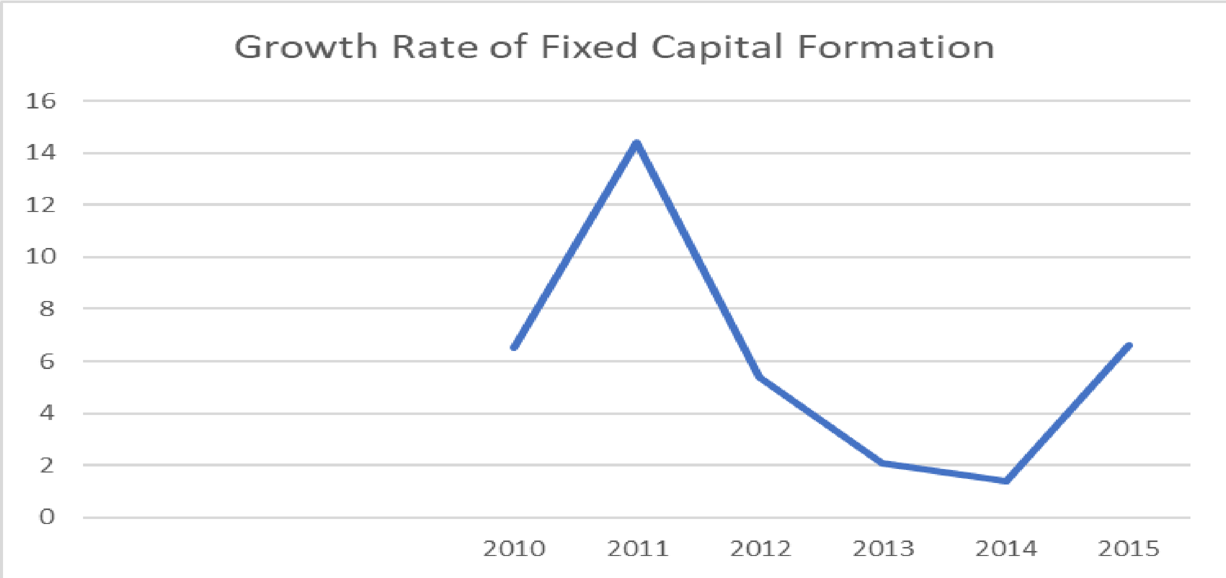


Source: UBOS, etc

118. At the macro level, the economy has been able to attract FDI in quantities (short of US$1bn a year) that are comparable to those of the bigger economies Kenya and Tanzania and resurgent Rwanda. However, fixed capital formation has been subject to serious fluctuation during the NDP1. Figure 9 shows that while fixed capital formation had increased in 2010 in response to high growth, and oil prospecting to the west of the country, it declined sharply thereafter, reaching 1 percent in 2014. A

survey of the Uganda Investment Authority, covering the period 1990-2010, found that the rate of investment by both domestic and foreign investors was about equal (50% each).

Figure 10: Real Growth of Fixed Capital Formation, 2010-2015 (%)



Source: UBOS, various years.

119. However, in terms of employment creation, domestic investment tended to create more jobs, owing to the use of more basic technologies, while foreign investors used more labour-saving technologies and created fewer jobs. Hence it is important to know what kind of technologies are coming into the country i.e. not just to focus on the quantity of investment but also its quality, in terms of employment creation.

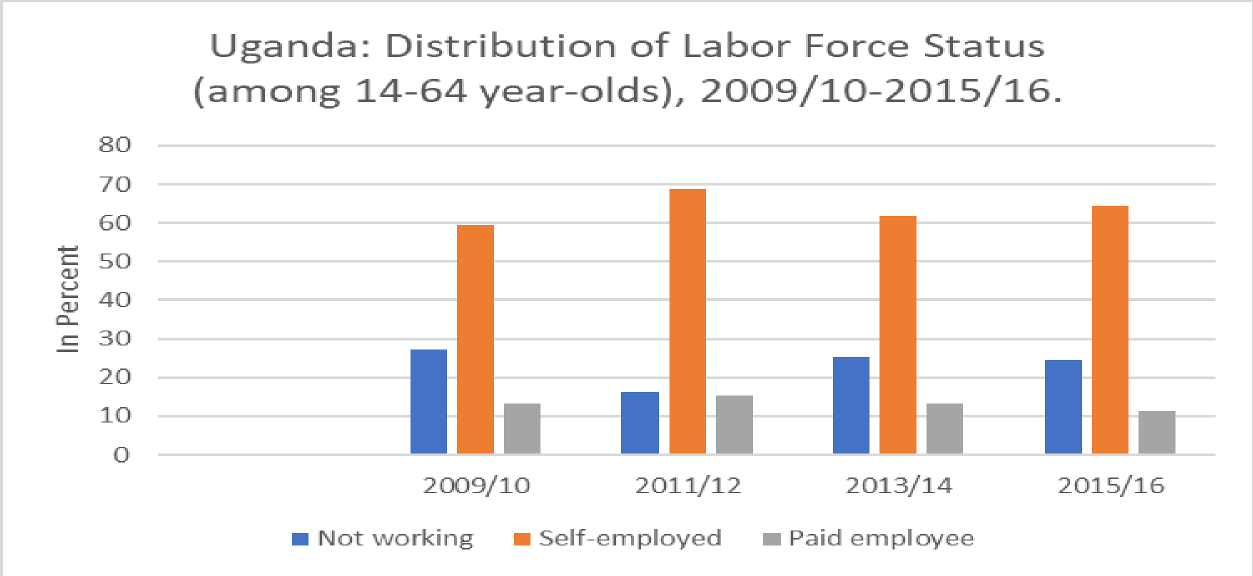
Uganda's Labour Market

120. Uganda's labour market remains largely informal, with over 60% of the labour force of 15 million "self-employed." While this group included some enterprising market women, it also included street vendors, and others whose activities were the equivalent of living from hand to mouth. Just above a quarter of the labour force was not working for a variety of reasons, including schooling, while about a tenth were in wage employment. Within this small group of wage earners, about a quarter belonged to a labour union, although few were actively engaged in union affairs.

121. The panel surveys by UBOS (various years) indicated that participants in the labour market underwent significant transitions. For example, of those "not working" in 2009/10, 40% had become self-employed by 2014/15, while 16% got paid employment. Only 44% were "not working" in the latest sample period. The surveys indicated that education was important for aiding the transition, indeed of those that remained in the "not working" status, the bulk had no formal education. The latter

probably provides a partial reason for the hunger for education in Uganda as it helps place individuals into the transition que.

Figure 11: Uganda: Labour Market Participation, 2009/10-2015/16 (%)



Source: UBOS, 2016.

6.3 The Challenge of "Leaving No One Behind"

Uganda's Progress on Poverty

122. Uganda was praised by development partners in the 1990s and 2000s for its strong policy measures against poverty. Uganda's poverty headcount declined gradually from the upper 30s below 20 during NDP1, with other poverty measures following suit, although economic setbacks, including poor agriculture performance, threatened to push it back up. It can be argued that on poverty, the heavy lifting happened during the PEAP era. Although poverty was further reduced under NDP1, perhaps as part of the earlier momentum, the tendency toward reversal in subsequent years was a cause for concern. In terms of region, the biggest proportion of the poor at the start of NDP1 in 2010 was the Northern region at 2.8m (37.3%) followed by Eastern at 2.2m (29.3%) while Central had 0.9m (12 %) and Western 1.6m (21.3 %).

Table 5: Evolution of Poverty in Uganda

Year	Poverty gap	Poverty Severity	Poverty Headcount
1999/2000	10	4.3	33.8
2002/2003	11.3	4.8	37.7
2005/2006	8.8	3.5	31.1
2009/2010	6.8	2.8	24.5
2012/2013	5.2	2	19.7
2016/2017	5.3	1.9	21.4

Source: UBOS 2018

123. As in a previous example, with respect to the labour market, individuals were not locked into poverty forever and used available opportunities to get out of their economic constraints. A comparison of results from a panel survey for fiscal years 2013/14 and 2015/16 showed that more individuals moved out of poverty during the period than slipped into poverty (Table 6). Moreover, although the Eastern and Northern regions of Uganda had high levels of chronic poverty, they indicated a higher net number of households (i.e. those moving out of poverty reduced by those slipping into poverty) moving out of poverty than the rest of the country. Still, the number of chronically poor in these regions remained high, at about 20% compared to 1.2-1.3% for Central and Western regions, respectively. Even here, education was a key determinant of how the individual fared in the transition out of poverty.

Table 6: Uganda: Household Poverty Dynamics between the Survey Periods 2013/14 to 2015/16

Background Characteristics	Chronically Poor	Moved Out of Poverty	Slipped into Poverty	Never Poor	Total
Sex of Head					
--Female	10.9	11.8	6.2	71.1	100
--Male	9.4	13.8	8.5	68.3	100
Region					
--Central	1.2	6.7	2.5	89.5	100
--Eastern	15.5	22.7	10.3	51.4	100
--Northern	23.8	17.5	12.3	46.5	100
--Western	3.7	7.9	8	80.5	100
Residence					
--Rural	12.2	15.6	8.1	64.1	100
--Urban	2.9	5.8	6.5	84.8	100
Education					
--No Formal Education	23.4	17.4	5.6	53.5	100
--Some Primary	10.3	14	10.3	65.5	100
--Completed Primary	6.5	18	10.1	65.3	100
--Secondary& Above	2.7	6.8	4.4	86.1	100
All	9.9	13.2	7.7	69.2	100

UBOS, Uganda National Panel Survey Report, 2016.

Income Inequality

124. Uganda has experienced rapid growth in incomes and wellbeing for some groups, while those for others have grown much slower. This has led to skewed income distribution and to feelings of relative deprivation by broad segments of the population.

125. Table 7 shows that over a period of 15 years, incomes shares changed in favour of the richer groups in the country. Thus, the richest 10 percent of the households that had some 30 percent of total incomes in 1996, had increased their shares by some 19% to 35.8 percent by 2012. On the other hand, the richest 20 percent of the households now had 51.1 percent of the income share, an increase of 13.7 percent.

The lowest quintile and decile, respectively, with small income shares to begin with, saw over 20% reductions in shares, in each case. This is reflected in Uganda's Gini coefficients during the period after 2005.

Table 7: Uganda: Changes in Income Shares Between 1996 and 2012

Income Group	Income share in 1996 (%)	Income share in 2012 (%)	Difference in income share (%)
Highest decile	29.9	35.8	19
Highest quintile	44.9	51.1	13.7
Lowest quintile	7.3	5.8	-20.6
Lowest decile	3.2	2.5	-21.1

Source: UBOS

126. By the 2009/2010 fiscal year, the coefficient had increased to 0.43 moderated to 0.4 during 2012/2013, but started rising again (Table 8). Rural inequality, notably in the less affluent regions of the country, was, as expected, lower than that of urban inequality. Although, curiously, urban inequality levels for the country as a whole are higher than those of Kampala, implying that proximity to the government machinery and its spending power has positive impacts on the incomes of the less well off.

Table 8: Uganda: Selected Gini Coefficients, 2005/2006-2016/2017

Location	2005/2006	2009/2010	2012/2013	2016/2017
Uganda	0.41	0.43	0.4	0.42
Residence				
--Rural	0.36	0.38	0.34	0.38
--Urban	0.43	0.45	0.41	0.42
Kampala	0.39	0.43	0.34	0.41
Region				
--Central	0.42	0.45	0.39	0.41
--Eastern	0.35	0.32	0.32	0.34
--Northern	0.33	0.37	0.38	0.39
--Western	0.34	0.38	0.33	0.39

Source, UBOS (various years)

Shocks to Livelihoods

127. Poor households have little ability to address shocks, such as drought or crop diseases, to their livelihoods. Lacking "shock absorbers" in terms of savings or off-farm sources of income, such shocks could translate into longer-lasting effects. The 2016/17 UNHS sought information from household about events that had made communities worse off in the five years preceding the survey (i.e. during the NDP1 period).

128. Table 9 provides some information on how various shocks affected households. The most devastating shocks were caused by drought and seem to have impacted a large number of households, 76.7% nationally, and close to 100% in many areas in Northern and Eastern Uganda. Price shocks and crop diseases also had huge impacts on household welfare, with 60% of household made worse off by the shocks

nationally. In many regions of Uganda, these shocks are corrected—causing a perfect storm in places like Teso, Lango and Karamoja.

129. Livestock diseases affected close to 50% of the households, with other shocks, such as inclement weather, human epidemics, floods, power outages and displacement owing to development projects having less impact nationally, although with serious impacts for some communities. For example, over 70 percent of households in Karamoja and Acholi were affected by human epidemics, during NDP1, with serious implications for their engagement in income-generating activities. Addressing these shocks calls for innovative approaches, including insurance schemes, to prevent households from losing their livelihoods or incurring costs that would increase their indebtedness, or loss of assets (meagre to begin with). With respect to crop and animal diseases, more effective extensions services could be very useful in combating them.

130. It is notable that floods are a relatively serious notable problem in urban areas, notably Kampala, where a third of the households were worse off because of them. Power outages are also a problem in urban areas. Experience indicates that poorer households are more affected by these shocks than richer one, who live in better planned areas, free from flooding, and have alternative sources of power, including spare generators.

Table 9: Factors That Made Households Worse Off in Selected Areas of Uganda

	Drought	**Price shocks**	**Crop diseases/ pests**	**Livestock diseases**	**Inclement weather**	**Human epidemics**	**Floods**	**Power outages**	**Displaced by dev. projects**
Uganda	76.7	61.6	60.6	49.9	23.6	20.5	14.6	9.7	9.6
--Rural	80.6	58.1	68.9	53.9	27.9	23.0	14.4	5.0	6.8
--Urban	66.6	70.5	39.6	39.6	12.9	14.0	15.0	21.8	16.6
Kampala	45.6	76.7	2.4	19.8	2.4	15.0	31.8	20.3	20.5
Teso	97.6	72.1	83.1	71.7	69.9	52.6	47.1	8.1	10.4
Karamoja	99.5	90.6	44.5	100.0	26.4	72.9	7.3	3.8	6.6
Lango	99.3	92.6	93.3	84.0	33.8	27.3	33.9	11.4	15.8
Acholi	96.5	74.0	43.1	66.9	22.5	77.1	15.3	0.0	4.3
West Nile	99.6	60.7	6.9	8.7	0.0	0.1	0.0	12.0	4.9
Bunyoro	57.1	24.5	73.0	28.3	19.0	4.6	5.9	2.2	2.9
Kigezi	32.6	44.8	78.7	13.2	16.9	0.4	6.8	2.3	2.7

Source: UBOS, 2018

6.4 Addressing Gaps in Regional Development

Spatial Context

131. Uganda has had a stark rural-urban dichotomy since the early 1960s, reflected most noticeably in the level of household access to social services, modern amenities and wage employment. The years of political and economic chaos in the 1970s and 1980s, saw the rural-urban gap closing in Uganda, as the economy, as a whole, declined. Indeed, during that period many urban centres in Uganda underwent "ruralization" with urbanites turning their flower gardens into vegetable patches to

make ends meet. With rural dwellers able to sell their food to the highest bidder, the rural-urban terms of trade improved, and the flow of rural dwellers into urban areas was contained. This proved temporary as the economic reforms and the resuscitation of industry activity raised urban purchasing power once again.

Urbanization in Uganda

132. Today, Uganda's annual urban growth rate of 5.2 %, greater than the 3.2% of the population, is among the highest in the world (NPA, 2017). While the urban population was some 13% of the total population when NDP1 began in 2010, but had risen to 19% of the total by the end of the plan in 2015, raising the urban population from 3.38 to 7.4m.

133. Urbanization has proven problematic in more than one sense. First, Kampala and other cities in Uganda, tended to mushroom into existence, with the Government extending bits of infrastructure to population centres, but without much strategic urban planning behind the efforts. As a result, many towns have inadequate road infrastructure, poor sanitation and sewage systems, and have made no allowance for storm water management.

134. Second, with reforms and private sector development, urban centres have become very attractive for doing business, and construction activity is booming. The new structures are not always done according to plan. The logistics of keeping the cities clean and managing the effluents are serious headaches for many city leaders.

135. Third, the urban population explosion has raised the challenges of policing and maintaining security in Kampala and other large cities. Unemployment, large income inequalities, and the relatively anonymity of urban life have raised crime to unprecedented levels—including drug peddling, kidnapping, arson, theft and armed robberies.

136. In the 1960s, it had been hypothesized that rural-urban migration was driven by rural expectations of an urban job at some stage. Rural migrants were willing to pay for the cost of waiting, as long as the income from the future job defrayed the cost. Hence as long as it is possible to generate a net income in the urban areas that was greater than that obtainable in the rural areas, migrants will continue to arrive. Given that inevitability, some researchers have suggested the construction of intermediate cities to take the pressure off the larger ones.

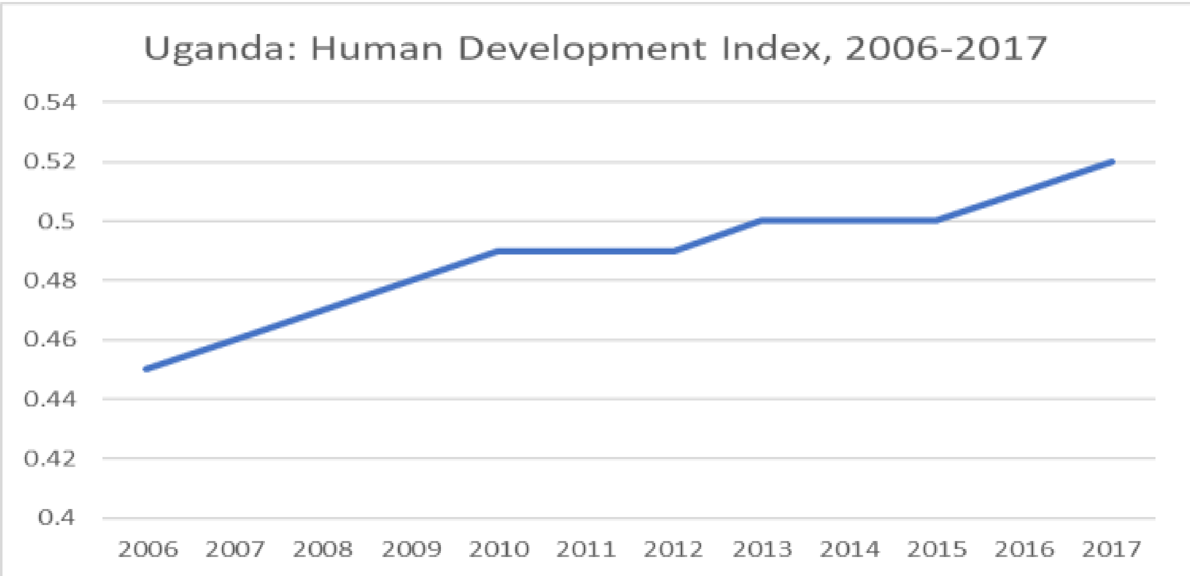
137. In Uganda, similar to other African countries such as Kenya, Zambia and Zimbabwe, urban areas have become political "melting pots." The political jostling has paralyzed service delivery in Kampala city as well as the implementation of new projects. However, recent years have seen innovative interventions by central government, including the appointment of a technocratic city manager and hence was able to make some headway on plans for the city, during NDP1.

Leaving No One Behind

138. The long-lived insurgencies in the north and east of Uganda were subjects of policy concern in Uganda for decades and were reflected in the country's relatively low human development index (Figure 11). For Northern Uganda, in particular, the insurgence destroyed infrastructure and livelihoods and drove people into internally displaced people's (IDP) camps. Here, the many men and women that entered them as young people in the 1980s left them as grownups, but with little knowledge of farming or off-farm income generating activities. Under the Northern Uganda Reconstruction Program (NURP), attempts were made to resuscitate markets and to reskill the population, with mixed results. Many young people soon found their way to the regional towns, while others left for Kampala.

139. In more ways than one, communities such as those in Acholi or Karamoja have been left behind, as the focus of the country shifted from poverty alleviation, to private sector development, and market-oriented strategies. Although Northern Uganda is a fertile region, suitable for agriculture, the elders, who are the custodians of community land, have been reluctant to lease their land to investors for fear of losing it, while there are preciously few activities, aside from tourism, on which they can compete with the bigger cities in the south. But even tourism has brought concerns of land alienation to which communities are demanding answers.

Figure 12: Uganda: Human Development Index, 2006-2017



Source: UNDP, 2018

140. On the whole, government interventions, many of them supported by development partners, have been episodic, lacking an overall strategy for addressing the causes of regional disaffection and its persistence. In the last few decades, for example, at least five major programs were created to address Uganda's regional cleavages and

communal stresses3. There is very little evidence of seeking common threads across the various programs as a means of institutionalizing the lessons learnt. Indeed, NDP1 only makes cautionary arguments about the dangers of social conflict. Still, the institution of district equalization grants for poorer areas of the country was a step in the right direction.

6.5 Avoiding the "Middle-Income Trap"

141. Attaining middle-class status in Uganda will be an important signal to markets that the country is ready to engage with the business community, welcomes risk capital and is building the capacity to be competitive. Domestically, being middle income will mean that the dependency on development partners for capital and policy advice is being transcended and the country can plot its future with confidence. However, middle income status, a GDP artefact, it is not a panacea for the country's development challenges and confers no protection from backsliding.

142. Even before commercial oil production begins in Uganda, expectations of impeding revenue inflows and associated business deals are having an impact on the cost of land, transport and related services in the country and indeed on public service behaviour, more generally. However, the oil business is also opening up many opportunities for medium- and small-scale businesses to operate alongside the oil supply chain and for the integration of the economy, as the countryside is opened up with new infrastructure. However, if the outcome is that of an affluent middle class and disaffected peasants and urban households, the country would not be able to avoid the "oil curse" nor the "middle-income trap."

143. However, Uganda could take a leaf from successful cases of economic transformation, from both Africa and Asia. At least four characteristics were key for success:

144. First, they put considerable importance into the accumulation of human and physical capital. Indeed, countries like Mauritius, South Korea, and India, made sure that physical capital accumulation was in lockstep with increasing scientific and technical prowess.

145. Second, the issue of shared growth was at the centre of economic policy, and not an afterthought. Governments saw equality as important and sought an egalitarian distribution of income and assets. They were not always successful, and there were setbacks, but the political dangers of skewed income flows were never lost on them.

146. Third, trade is the quintessential lifeblood of middle-income countries. Few countries have been able to graduate into middle-income economies and to sustain the status

[3] Northern Uganda Reconstruction Program (NURP); Northern Uganda Social Action Fund (NUSAF); Karamoja Integrated Disarmament and Development Program (KIDDP); Peace Recovery and Development Plan (PRDP) for Northern and Eastern Uganda; and Luwero-Rwenzori Development Plan (LRDP).

without a deep engagement in trade. For a long time, Japan had a powerful Ministry for Trade and Industry (MITI), which in effect ensured that trading was linked to the country's industrial activity. Successful middle-income countries keep abreast of all international standards and protocols for trade activities, and put their best people in trade negotiations with other countries.

147. The last characteristic relates to the quality of government institutions. Effective policy implementation requires that public policy is insulated from undue influence from interest groups in the rest of the economy. Captured "institutions" are ultimately unable to moderate the political and economic tensions that exist in a fledgling economy such as Uganda, hence halting progress.

7.0 Regional and Global Issues

7.1 Introduction

148. This chapter discusses the political economy of regional and global issues in Uganda, mostly via trade links, and how they affected the NDP1. As a landlocked country, Uganda's performance depends crucially on the socio-economic situation of its neighbours, and the goodwill of their governments and the exigencies of the global economy.

7.2 Restive Neighbourhood: Conflict, Trade and Economic Collaboration

149. Uganda shares borders with DRC, Kenya, Rwanda, South Sudan, Tanzania—but also share common interests with many other countries along the River Nile or the Horn of Africa. Geography has been a big factor, but so has been economics, especially ability to trade, conduct business and movement across border. All too often in the last decade, the latter have been disrupted by domestic political conflicts and military skirmishes with neighbours. Belonging to regional groupings has helped to ameliorate the excesses of nationalism and sovereignty. Trade in the region has continued to flow, thanks to regional improvements in infrastructure, including air transport.

Burundi

150. Burundi joined the EAC, along with Rwanda, in 2007. The country is triply landlocked, and Uganda is an important gateway for Burundian trade. In 2013, Uganda exported goods worth US$ 63m to Burundi, although political disturbances there have affected trade in recent years.

Democratic Republic of Congo (DRC)

151. The DRC is a huge neighbour to Uganda. Its size and infrastructure challenges have meant that Uganda has become an important conduit for its trade. The eastern DRC has become a major export destination for Uganda, and, in turn, the latter is an important transit route for DRC exports. During NDP1, Uganda exported goods worth over US$ 300m to the DRC each year, while the potential for expansion is very high. In fact, a portion of Uganda's future oil exports will be destined for the DRC. However, sustainable peace will be a key prerequisite. In the past, conflicts had disrupted trade for months.

Kenya

152. Kenya is the largest economy in the EAC and is Uganda's biggest trading partner in the region. Uganda exported goods worth US$ 523m to Kenya in 2015, imported some US$ 650m from its neighbour in turn. Kenya, is Uganda's trade gateway, through the port of Mombasa, and services the trade to countries further inland—

Burundi, DRC, South Sudan and Rwanda. Kenya and Uganda collaborate closely on transit trade issues and have put in place one-stop border posts along their common border. While attempts have been made to open an alternative Southern corridor, Dar es Salaam to Kampala, through Mutukula, the Mombasa route remains Uganda most important trade route. In trade terms, Kenyan elections have tended to disrupt Uganda's trade with the country and beyond. Notably, the 2012 elections were exceptionally bloody, with serious regional repercussions—including the perennial re-examination of the southern route - mentioned above.

Rwanda

153. Rwanda's trade links with Uganda are close, including energy supply. There have not been serious security issues between the two countries for decades, although domestic politics tend to spill-over, given cross-border relations. The stability of Rwanda has been important for the region, with the country playing a key role in energizing the EAC. Keen to reduce its costs for doing business, Rwanda has been a keen supporter of infrastructure development in the region.

South Sudan

154. South Sudan applied to join the EAC already in 2011 and began its accession talks in 2014. It became a member in 2016. Uganda had played a key role in South Sudan's independence and became a major destination for its exports (worth US$ 407m in 2012). However, the vulnerability of that trade was demonstrated when a civil war broke out in South Sudan in 2013 and Ugandan traders were expelled. By 2015, trade had declined to US$ 88m. At the same time, South Sudanese refugees fled into Uganda in large numbers (close to 400,000 in 2014 alone). On its part, the government offered to compensate Ugandan traders who had lost property during the fighting in Juba.

Tanzania

155. Tanzania is Uganda's large southern neighbour, but with surprisingly limited trade links with the country. It might also be the case that Uganda and Tanzania have quite similar economic structures, exporters of commodities and minerals, but with limited manufacturing.

Neighbours Twice Removed: Egypt, Ethiopia, Sudan and Somalia

156. Uganda has a number of strategic neighbours, only a few borders removed from the country. Ethiopia, Sudan and Egypt have longstanding interest in Uganda's economic and political progress because of their common interest in the River Nile (all members along with Uganda of the Nile Basin Initiative and the Common Market for Eastern and Southern Africa) and in economic collaboration more broadly. Indeed, Egypt is a major exporter of equipment to Uganda, while the latter exports coffee and

tea back. Egyptian and Sudanese firms have won a number of construction bids in Uganda, including power lines and roads.

157. On the other, Ethiopia is a member of the East African Power pool, with implications for regional power supply, given its much expanded power generation capacity. Additionally, Uganda, Sudan, Somalia and Ethiopia are members of the Intergovernmental Authority on Development (IGAD), which has played a key role in the pacification of Africa's Horn. Uganda has one of the largest troop commitments to Somalia under the African Union Mission in Somalia (AMISOM).

7.3 Resilience to External Shocks

158. The past two decades have shown a remarkable shift in Uganda's trade patterns, from Europe to Africa and Asia. In terms of imports (2015), Asia, mostly India and China, accounted for 53%, while the European Union accounted for 11%, exceeded by imports from COMESA, which were 12%.

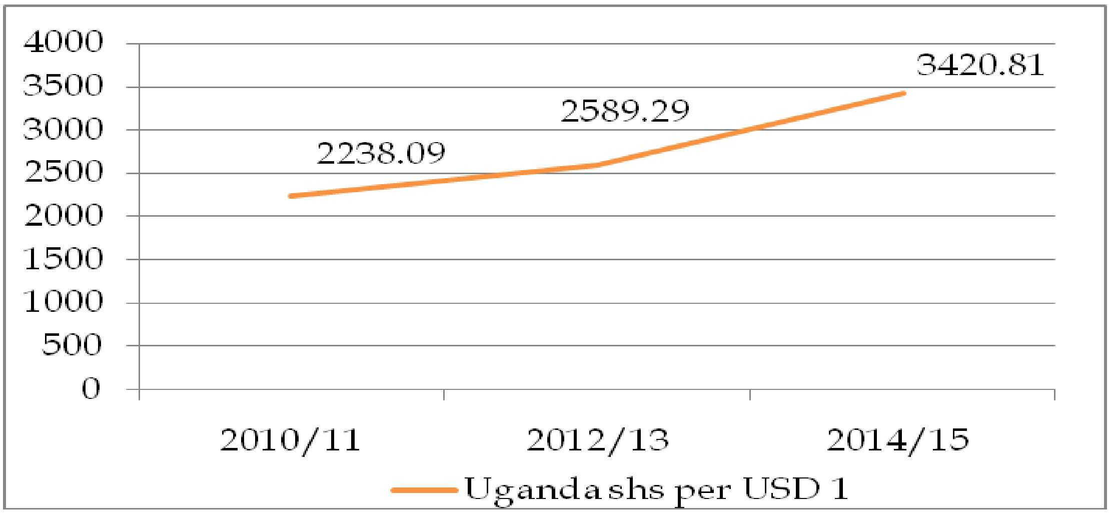
159. Exports, showed a different trend, with exports to COMESA accounting for between 47% to 59% during the NDP1—with fluctuations caused by the political incidents mentioned above. However, overall trade patterns indicate that Uganda has found important trade niches in the region, notably food exports, thus helping it to diversify the markets and to avoid too disruptive negative shocks.

Figure 13: Uganda's Competitiveness Ranking, 2010-2015

Source: *World Economic Forum (2017). * number of countries surveyed varied, but was 140 in 2015*.

160. However, Figure 13 shows that Uganda witnessed swings in its competitiveness during NDP1. In 2010, the country was in the third quartile of competitiveness globally, but was pushed into the fourth, and worst performing, quartile with time. The causes were examined in earlier chapters, including the long distance to the sea, bureaucratic and regulatory disruptions, poor access to electricity, expensive credit and corruption.

Figure 14: Uganda: Exchange Rate Trend During NDP1



Source: Bank of Uganda

161. However, the country's relatively good macroeconomic performance, its liberalized forex market and improving infrastructure, including ports of entry, have provided a cushion to external shocks and ameliorated further declines in competitiveness. This inbuilt macroeconomic flexibility was demonstrated in the aftermath of the global financial crisis, the Arab Spring, and the regional disruptions mentioned above. Although growth had declined to below 5 percent by 2011, it had fallen into negative territory for many countries globally. The exchange rate had regained stability by the end of NDP1 in 2015 (Figure 13).

7.4 Regional Projects and Prospects for Further Integration

Oil Pipeline

162. Uganda's nascent oil industry has reenergized the investment climate in the region, and brought elements of regional rivalry and collaboration to the fore. An oil pipeline to evacuate crude oil from Hoima had initially been proposed to pass through northern Kenya and the port of Lamu. Following high-level diplomatic moves, however, its proposed route was shifted to northern Tanzania and the port of Tanga. By the end of the NDP I period in 2014/15, the surveying and feasibility studies for the pipeline had been completed.

Standard Gauge Railway

163. The Standard Gauge Railway has also had important regional political connotations. It principally involves Kenya, Uganda, South Sudan and Rwanda, although DRC and Burundi would stand to gain from easy and quick access to the sea. The SGR has reached Nairobi from Mombasa, while the leg to Nakuru and beyond is under construction. However, Uganda has since bulked at the cost implications and the Ugandan portion of the project is temporarily in abeyance.

7.5 Meeting EAC Regional Integration Commitments

164. As has been said of other regional integration projects, it easier for heads of state to sign the protocols than for their officials to complete the discussions on the trade-offs required to implement them. In the EAC, the entry of new members and the frictions mentioned earlier have made the meeting of commitments difficult, although much progress has been made in recent years.

165. The key commitments under the EAC treaty have included the following elements:

(i) *Zero Internal Tariffs* - Duty free trade among member countries. This was operationalised under the 2005 Customs Union protocol, with a gradual reduction of duty to zero rates over a period of 5 years;

(ii) *Common External Tariff* – A standard duty rate of 25% for all imports into any of the EAC originating from outside the EAC

(iii) *Harmonised Customs procedures* – Adoption of standard procedures at the border points within the EAC

(iv) *Capital* **–** Free movement of capital under the 2010 Common Market Protocol without any hinderances across the region

(v) *Labour* – Free movement of labour across the member countries. No visas or work permit fees are charged.

Box 7: Deepening EAC Integration

A number of impediments remain in the way of EAC integration. They include high transport costs, caused by the still inadequate transport infrastructure and the proliferation of non-tariff barriers. States tend to impose bans on exports from other countries at the least provocation, in response to important domestic pressure groups, such as maize farmers.

However, perhaps the biggest impediment is the fear that greater integration and open trade will lead to an unequal distribution of benefits, with relatively more developed Kenya taking advantage of the others. This has been reflected in a reticence by some countries, notably Tanzania, to accede to further integration. The souring of relations between hitherto close allies i.e. Uganda and Rwanda, has not helped.

Still, a number of initiatives have gone ahead, including a common East African Passport and Visa and the cross listing of stocks on the stock exchanges. Moreover, the countries have streamlined their education certification systems to ensure comparability between standards. The latter is crucial given the protocol on movements of labour.

Looking ahead, regional political leadership will be crucial. Experience has shown that without it, it is tempting to retract into narrow nationalistic concerns. This also relates to the strengthening of EAC structures e.g. EAC Secretariat and the EAC Parliament to enable the adoption and mainstreaming of the EAC Laws and protocols into national laws, policies and programs. Aside from member governments, the EAC will need support from development partners, private investors and other stakeholders.

Source: Author's notes

166. However, as indicated in Box 7, there have been a number of challenges and setbacks, with impacts on national planning in individual countries. At the global level, powerful countries have been able to exert influence on member country

decisions, hence deviating from agreed positions. Examples include the failure of the East African countries to negotiate jointly Economic Partnership Agreements (EPAs) with the European Union and the retraction of the extra tariffs imposed on imports of old clothes from the US, following threats from the US Government that it would have consequences for its African Growth Opportunity Act (AGOA) provisions for the countries involved.

8.0 Policy Discussion and Conclusions

8.1 Introduction

167. This chapter presents the conclusions of this evaluation on the political economy of the National Development Plan I and presents a number of suggestions on how the challenges highlighted could be addressed by future policies and plans.

8.2 Plan Ownership Must be Strongly Demonstrated

168. This section argues that the NDP process requires more overt support from the leadership, the bureaucracy, and other stakeholders:

Political Support

169. At launch, the NDP process enjoyed support from the President and the rest of the Government and was endorsed by Parliament. However, the outward show of support faded with time. In some quarters it was interpreted as a loss of enthusiasm for the project, when likely it was only a reflection of inadequate communication. In particular, the OPM which is mandated with the responsibility for coordination of implementation of the NDP has not demonstrated the leadership required to drive sector towards achievement of NDP objectives and targets.

170. For a process as important as the NDP, the fire has to be kept alive, through related activities and demonstrations of alignment by MDAs. Going forward, there is need to re-establish the original levels of political support and popularize the NDP across central and local government structures. The NDP ought to be reintroduced as a must agenda item for every leadership training and other forums at all levels.

171. At the cabinet government established the Policy Coordination Committee (PCC) whose responsibility is to ensure convergence of policy management. Notwithstanding this initiative, there is no evidence that the PCC has prioritized NPD in its activities. On the other hand, the technical arm of the PPC (Technical Policy Coordination Committee--TPCC) is also not active. Despite the NDP1 MTR (2013) finding of similar gaps, no corrective measures have to date been considered. It is recommended that the role of PCC be reviewed with the view of reassigning this role to the Presidency. The aim is to marshal sufficient clout for this important role. This is a best practice in countries with strong planning frameworks.The Political Economy of resource allocation continues to be adhoc with limited adherence to the NDP framework over the years. It is contended that the budget is a living document wading through the changing political and economic environments against a seemingly static NDP. However, the adhoc resource allocation has over shadowed the NDP strategic direction.

172. It is commendable that the political clout of NPA was raised with the appointment of its Executive Chairperson as member of Cabinet. However, the person-to-holder

nature of the appointment created gaps in representation of NPA as an institution, as no other member of the authority would represent the Authority in the absence of the substantive chairperson. It is recommended that the representation of NPA at Cabinet level should be institutionalized.

173. The location of the NPA under the current institutional arrangements, headed by the Minister of state for Finance Planning and Economic Development (Planning), deminishes the political clout established through representation of the Authority in Cabinet by the Chairperson. There was evidence that this also often complicated the working relationship between the Minister and the Executive Chairperson with adverse effects on the NDP implementation. It is recommended that the NPA be functionally relocated to the Presidency as widely practiced in other countries.

Relational Architecture Between Key Institutions

174. There is a disconnect between the key institutions responsible for implementing and monitoring the NDP. Respondents at all levels of Government pointed at the absence of coherence, as supervising institutions seem to be undertaking similar functions as those supervised, while reporting lines are blurred. The lines of communications were far from straightforward and there was evidence of competition for the attention of the President on similar issues, but from different institutions.

175. Few would deny that there is a disconnect between the core NDP actors namely the OPM, MFPED and the NPA. The debilitating impact this creates for NDP implementation is discussed at length in the report. There is need to ensure more cohesion and buy-in among these core institutions, and if need be to revisit their design and institutional setup to ensure that they are better streamlined, with clear demarcations of responsibility and no duplication of tasks. In many other countries, institutions of NPA's designation, were better structured and consequently more powerful, with highly specialized staff, and able to instruct and censure other departments on all aspects related to the Plan.(go to institutions).

Nurturing Non-State Partnerships

176. It emerged during the evaluation that non-state actors, including civil society and the private sector, were paid little attention during the implementation of the NDP—although they had been welcomed at the concept stage. Development partners highlighted isolation from major policy initiatives in the country, although the development program still depends on their financial input. The recommendation of the NDP1 MTR for the creation of a national development forum to discuss emerging topical issues of the NDP was not operationalized during the NDP1 period. This was attributed to limited capacity within NPA to undertake requisite studies to inform the forums and lack of financial resources. Absence of active development forums further alienated non-state actors including development partners and private

sector. Its recommended to retain the national development forum and to strengthen the secretariat to generate issues grounded in the NDP to inform the forum.

8.3 Addressing NDP Implementation Issues

177. The NDP process has revealed that a number of obstacles tend to impede the plan's implementation. However, there is no institutional machinery to address them on an expeditious basis.

(i) **Poor implementation did not have consequences:** This evaluation established that there were no sanctions for poor service delivery and institutional slippages. MDAs faced no consequences for missing key targets of the NDP1. Absence of performance contracts at all key levels and political patronage encumbered attempts to ensure enforcement, efficiency and effectiveness. There is need to institutionalize a framework of reward and sanctions based on the NDP outputs and outcomes.

The recently introduced performance certificates will remain a bureaucratic finesse if not accompanied by an effective sanction regime for non-compliance and failure to meet targets (to be moved to NDP2).

(ii) **Strengthening decentralization:** The essence of decentralization was to make the local governments the locus of national development. The presumption was that LGs would determine their destiny through the choice of own development priorities within the confines national interest and strategic direction. The centre would devolve administrative, financial, judicial and planning functions with corresponding fiscal decentralization. In reality the fiscal decentralization is yet to be operationalized and the centre continues to hold on to the various devolved functions and resources. If the goals of decentralization are to be realized, there is need to have a serious functional analysis of the decentralization framework with a view to establish the viability of local government structures and the efficacy of both devolution and fiscal decentralization.

(iii) **Corruption:** The proliferation of corruption is acknowledged to be the single most important threat to national planning in Uganda and to the credibility of the Government, more generally. Although a number of anticorruption initiatives have been devised in the past decade, they do not seem to have had more than passing impact. Meanwhile, corruption has expanded into most spheres of the Government with unfathomable impact on public sector discipline, the capacity to plan effectively for the future, and delivery of social services. The evaluation of NDP1 established that efforts to addresscorruption at all levels are viewed as mere "window dressing." Until government institutes measures to make it a highrisk venture, corruption will continue unabated. Such measures should include confiscation of property and long prison sentences. In addition, government should introduce mandatory national service for all post-secondary students with intention to join public service.

(iv) Long-term expenditure framework to support planning for Vision 2040. Absence of a longterm expenditure framework for the country to support phased implementation especially for multiyear projects has hampered strategic resource allocation and the cost of financing projects. To this end, there is need for assertive political leadership on establishing long-term expenditure frameworks that are necessary for systematic implementation of the Vision 2040.

8.4 Poverty, Inequality and Other Cross-Cutting Issues

178. A number of cross-cutting issues were identified for consideration in future NDPs, with the following proposals:

(i) **Poverty and Inequality: During NDP1 there was significant decline in poverty register from 28 percent to 19.7 percent between 2010/11 and 2014/15, respectively.** However, there was growth of inequality during the same period from 0.43 to 0.47. This was largely attributed to corruption which failed service delivery to major sections of the population. The other dimension of poverty was the spatial distribution where the northern and eastern parts of the country exhibited highest levels of poverty compared to the rest of the country. While poverty in the north is explained by the decades of civil war, the poverty in eastern part of the country is attributed to continued effects of the disruption to the primary production and value addition systems in the region. It would be important going forward to check this trend and galvanise production and value addition in addition in these areas for faster and shared sustained growth.

(ii) **Social Protection:** For a rapidly changing economy, traditional methods of social protection and taking care of vulnerable groups in rural and urban areas are no longer feasible. The Government has experimented with a variety of promising approaches such as cash support to senior citizens and reforms of the pension sector. Further work on these as well as on funding modalities will be required, as the country builds a future arsenal for addressing poverty. With respect to regional inclusion, the Government will need to combine pillar infrastructure projects criss crossing the country with smaller interventions for boosting local livelihoods. SAGE has remained an exclusive programme targeting age groups of 80 years and above. This exludes a large majority of the old vulnerable population. There is a need to roll out the SAGE programme to the wider population and also consider reviewing the policy with a view to lower the minimum age to benefit from 80 to 70 years. Attention should also be paid to management overheads to the program. In addition, government should accelerate the establishment of universal health insurance scheme. As a way to propel the rate of savings amongst the working age population, universal health care would greatly ease the burden and enhance savings.

(iii) **Democracy and Political Governance:** During NDP1, there was a perceptible demand for an expansion of the political space, and for dialogue between the ruling NRM and the opposition to reduce the animosity that pervades Ugandan politics. Regular elections are held in Uganda but on their own have not been enough to guarantee democratic behaviour and good governance in the country. The exercise of politics in Uganda should continue to ensure that the voices of vulnerable groups and those not in power are also heard to enhance their participation in development discourse

(iv) **Environment: Owing to inadequate spatial planning for industrial development as well as urban human settlements, there is considerable pressure to marginal areas comprising of wetlands, road reserves and national parks. The problem is exacerbated by the influential elite and politicians exploiting weak enforcement systems. There is a need to balance the quest for development ad sustaining natural resources and this would require a stronger commitment at the highest political level.** In addition, low incomes have deprived the majority of households accessing better sources of energy such as gas for cooking. This has put enormous pressure on biomass where the country continues to lose 100,000 hectares per annum. Government should champion use of alternative sources of energy such as solar energy. New initiatives like use of energy saving stoves should be popularized throughout the country especially for large institutions.

(v) **Employment Creation**: Short-term measures have been put in place to address production such as Operation Wealth Creation and Youth Livelihood Programs. However, the impact of these programs to generate meaningful gainful employment opportunities has been dismal. The NDP1 evaluation was unable to find any evidence in increased production, value addition, exports and job creation attributed to these programs.

(vi) **Gender, Youth and Children:** Uganda's progress will ultimately be measured by how it treats women and children. While government had taken great strides in mainstreaming gender in politics and governance, there was laxity in keeping this momentum during the NDP1. This is manifested in reduced representation of women in parliament and stagnation of women chairperson district local governments. In addition, the cultural norms continue to be discriminative against women particularly in regard to property ownership. There is need to uphold and strengthen affirmative action while at the same time creating an environment where women can actively participate in any economic activity of their choice. The NDPs make policy statements about the importance of investing in the youth and taking care of the children. However, youth unemployment continues to be a challenge and threat to political stability. Government needs to emphatically create employment opportunities for the youth through industrialization and value addition in the agriculture sector. In regard to children, there has been rampant abductions and child sacrifice. There is need to strengthen enforcement of justice for children.

8.5 Regional and International Developments

179. In recent years, Uganda has become demonstrably less competitive than its neighbours, and its ease of doing business ranking has declined in comparison to Rwanda and Kenya. Uganda is also trailing its neighbours in adopting international standards in trade areas and in accenting to international protocols in crucial areas. Moreover, Uganda has not been current in paying annual dues to international institutions. In looking ahead, it must be strategic in its choice of international commitments.

8.6 Looking to Future National Development Plans

180. From the experience of the NDP1 process, we provide a number of proposals below to guide future development plans:

(i) **Inclusive growth and spatial development:** For the NDP3 there is need to put more emphasis on inclusive growth particularly by ensuring that issues pertaining to employment creation, poverty reduction and inequality interventions are equitably shared. There is also a need for regional integrated planning taking into consideration the differing endowments for various regions and the capacity for implementation of public investments. This is the only recipe for sustaining and consolidating the gains from NDP1. The spatial inequalities between urban and rural areas, and the southern, eastern and northern parts of the country, will have to be addressed by pro-active government policies targeted at deliberate public and private investments.

(ii) **Taking a Leaf from the Experience of “Developmental States.”** The pursuit of middle-income status and economic transformation cannot be done on a *laissez faire* basis. It is critical that the government puts in place a structure that can help to align needed investments with financial and human capacities and to create or strengthen institutions, such as the Uganda Development Bank, to help close the long-term financing gap.

(iii) **Avoiding the middle-income trap.** The middle-income trap, consisting of high levels of inequality, commodity-export dependence, susceptibility to shocks and macroeconomic imbalances i.e. Dutch Disease effects must be avoided at all costs. However, this is easier said than done. It will require that oil riches do not dictate policy, rather that policy dictates how they are used. It will require a higher level of macroeconomic and institutional discipline than has been demonstrated so far.

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9.1 ANNEX 1: Institutions Visited During the Political Economy Evaluation[4]

President's Office: Economic Monitoring

Office of the Prime Minister: Delivery Unit

Parliament: Committees on Economy

Judiciary: Anti-Corruption Court

Ministries: Finance, Planning and Economic Development; Public Service; Health; Education; Agriculture; Local Government and Works;

Development Partners: World Bank, African Development Bank, DFID, Sweden

Civil Society: Private Sector Foundation Uganda; NGOs; Academia and Research Organizations (Makerere); Media;

Local Government: Local Government Finance Commission; Kampala Capital City Authority; Central Region (Masaka, Nakaseke and Kalangala); Eastern Region (Buyende, Mbale and Soroti); Northern Region (Adjumani, Kole, Gulu and Arua); Western Region (Bushenyi, Kiruhura, Ntugamo and Kanungu); South Western Region (Kabarole, Notoroko, Hoima) and; Northwestern region (Moroto and Nakapiripiriti). In districts, aside from the political leaders, discussions were also held with the Chief Administrative Officer (CAO), Planners, Finance Officers, Production and Marketing Officers, and Community Development Officers.

[4] The list of individuals met is too long to reproduce here. Moreover, a number responded on the promise that their identity would not be divulged. Moreover, in many cases we sought an institutional view as opposed to a personal one.

9.2 ANNEX 2: Political Economy Thematic Questions

No.	Evaluation Question
PE1	The relevance, ownership and leadership of the NDP I amongst key stakeholders (Executive, Parliament and Civil Society);
PE2	The flexibility of the NDP I 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 and the ability of GoU to meet the targets in the NDP?
PE5	What political economy factors have contributed to exceeding / missing NDP objectives/targets?
PE6	How has political economy affected the 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 and why?
PE8	To what extent has the NDP 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 the NDP?
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 the NDP?
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 objectives?
PE14	Extent of implementation of the proposed reforms.