Uganda Case Study on Lessons Learned in Planning

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Abstract

The purpose of this case study is to take stock of the planning frameworks that have been used in Uganda for the last 50 years. The study identifies four major planning episodes of development in Uganda. Special emphasis is put on the PEAP and NDP planning frameworks. There was significant progress under The PEAP in terms of poverty eradication and improving access to social services especially health and education. The PEAP was abandoned largely because it was narrowly focused and replaced by the NDP. The first NDP has had some challenges in implementation especially due to its lack of alignment to the budget and expenditure management systems. There are also other challenges related to capacity constraints and procurement to implement the projects on time. The M&E system has also progressively evolved and increasingly being used by government.

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Abbreviations :

BFP	Budget Frameowrk Paper
BTB	Background to Budget
ERP	Economic Recovery Program
HIPC	Highly Indedted Poor Countries
JAF	Joint Assistance Framework
MoFPED	Ministry of Finance Planning and Economic Development
MTEF	Medium Term Expenditure Framework
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action P
SAP	Structural Adjustment Program
SIP	Sector Investment Plan
SWG	Sector Working Group

1.0 Introduction

Over the last 50 years, Uganda has experimented with various planning frameworks which have resulted into varying outcomes. During the period 1962-1971, the strategy at that time was to follow a Mixed economy approach where in this case the state was engaged in activities where markets were considered to be imperfect. These activities included the state directly engaging in for example manufacturing activities and marketing or exporting of key commodities. Over this period Uganda had two medium-term plans which were being followed. The next episode of 1970-79 was characterized by the nationalization of properties especially from Indians and was referred to as the Economic War Plan. There was no formal development plan at the time. Planning again resumed in the form of a Structural Adjustment Program and the Economic Recovery Program (ERP) in 1987. These two programs their role was largely to restore macroeconomic stability and resume growth. However, over the period 1997 and 2008, more emphasis was put on reduction of poverty and increasing access to social services especially health and education in form of a Poverty Eradication Action Plan (PEAP). More recently in 2010, it was felt that the PEAP was narrowly focused on poverty eradication and social sectors. A more encompassing plan "the National Development Plan (NDP)" whose major theme was on wealth creation, employment growth and socio-economic transformation was adopted for the fiscal years 2010/11 through 2014/15. The first NDP is part of the six National Development Plans which underpin the Vision 2040.

Performance under these various plans has been mixed. Uganda's growth story is characterized by three episodes. The first episode after attaining independence in 1962 witnessed growth in GDP per capita until 1970. The second episode from 1972 to 1985 concided with the period when Amin grabbed power and a loss in growth cumulatively estimated at 50 percent using 1972 as the base year. This period was also characterized by expulsion of the Asians which led to collapse of the manufacturing sector, absence of property rights and misuse of institutions to make and enforce laws. In the late 1980s income per capita has been increasing more than doubling its 1986 levels. The key factor behind this rebound has been due to recovery of the lost output especially in the manufacturing and services sectors and a resumption of trade following 15 years of civil strife.

This case study of Uganda is one of the 10 country investigations undertaken under the larger study on "Lessons Learned in Development Planning in Africa" by UNECA. The project is motivated by the need to identify best practices for Africa especially from East Asian countries.

The rest of the paper is organized as follows. Chapter 2 discusses the evolution of the planning process in the country since independence. Chapter 3 discusses the experience of implementing the national development plans. Chapter 4 outlines the Monitoring and Evaluation of each development plan and evaluates the systems and institutional capacities. Chapter 5 highlights the lessons learnt and recommends policy actions. Lastly is the conclusion.

2.0 Evolution of the Planning Process since Independence

During the past five decades since independence, Uganda has gone through various planning frameworks for some years, shifts in policy strategies and at times operated without any planning framework. The earlier years shortly after independence embraced a nationalist strategy where government had a role to play in development. The 1970s witnessed a period where the country existed without any formal planning frameworks. The subsequent years 1981 to date included a mix of programmes targeted at economic recovery, poverty alleviation and socio-economic transformation. The sections below explain in detail the past 50 years and how Uganda has performed.

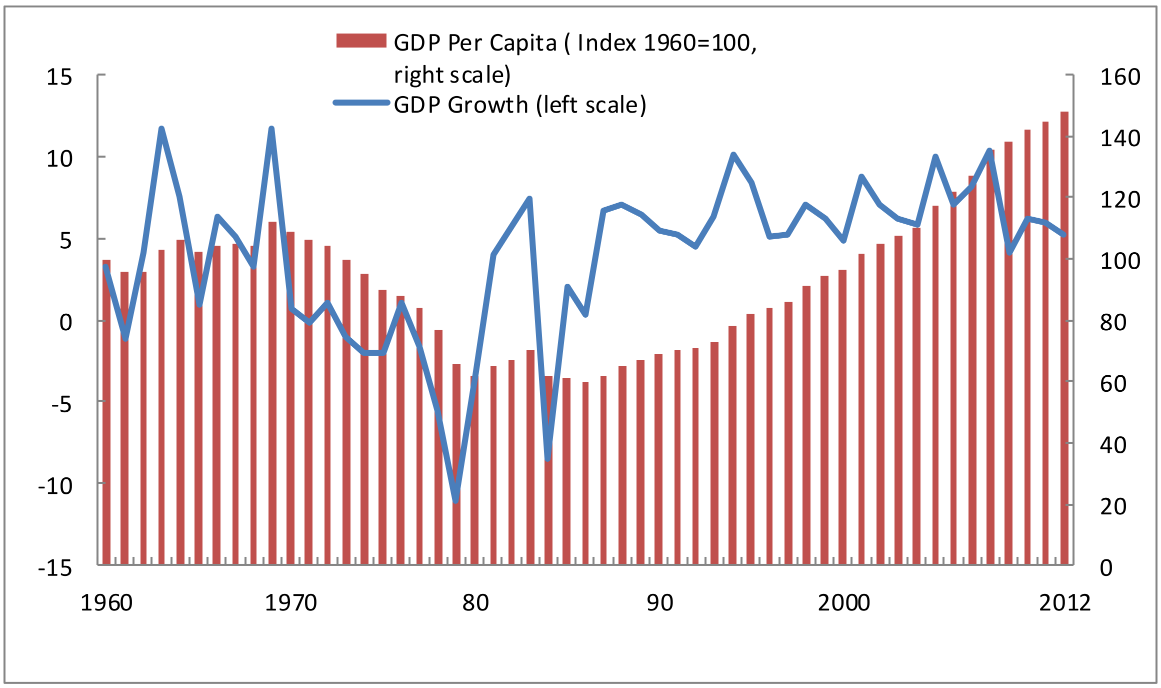
2.1 Planning Frameworks since Independence 1962

2.1.1 Post independence period 1960-1970

Like other African countries that received independence in the early 1960s, the expectations at the time by the nationals were very high. The government that took over from the British colonial legacy was expected to enhance equal distribution of wealth and access to opportunities. To address inequities created as a result of the colonial legacy, the thinking at that time was that government had to play a significant role in driving growth of the economy largely through state controls and engagement in production activities. The government therefore adopted what is referred to as a mixed economy strategy. This strategy entailed the following components: (i) government was to lead in all major economic activities to ensure that it creates employment; (ii) To address the balance of payments problems and stimulate local production government adopted an import substitution strategy.

These strategies were underpinned by a development plan which was developed in 1965 (Uganda, 1965). The main goal of the first national development plan was to raise the standard of living for all Ugandans. The key elements of the development plan entailed stimulating the productivity of the agriculture sector by providing subsidies in form of fertilizers and important equipment while at the same time scaling up extension services to the rural areas. This plan also entailed widening the provision of social services especially health where 22 referral hospitals where constructed in each district. For the education sector, this was partly provided by the private sector and missionaries for the early years (primary and secondary) while government focused on tertiary education and vocational training. For other sectors like manufacturing and services, the government adopted tariff protection strategy to stimulate employment creation locally.

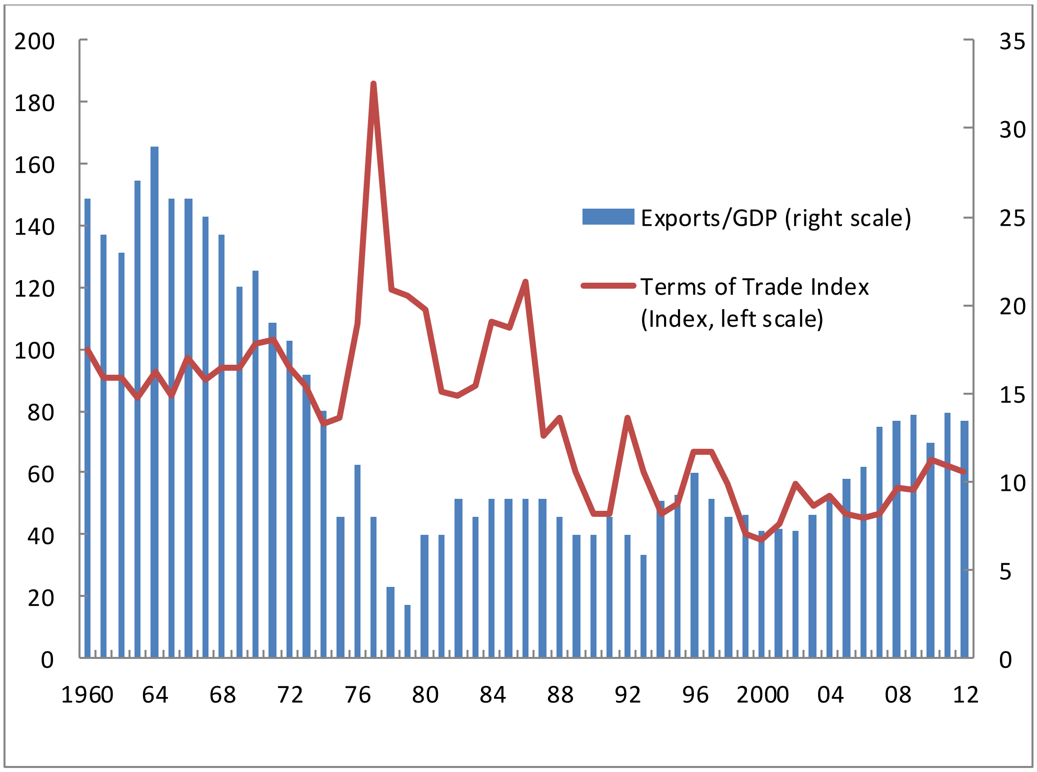
Figure 1: GDP Growth and GDP per Capita



Source: Uganda (1965), Background to the Budget 1965-66; Uganda (1966), Statistical Abstracts (various years); Uganda (various years).

To a large extent, this development strategy was able to deliver some positive outcomes albeit some weaknesses. Between the period 1961 and 1970, growth on average grew by 5.6 percent and 1963 and 1969 witnessed spikes of 11.7 percent respectively (Figure 1). In addition, GDP per capita increased by 9 percent during the same period. Despite the deterioration in terms of trade, exports as a percentage of GDP continued to be high at an average of 25 percent during the period. The macroeconomic environment was also stable with an average inflation rate of 4.8 percent. Until 1965, the stable macroeconomic environment was maintained through the East African Currency Board under the East African Community. Under this arrangement, governments under the EAC did not have leverage to print money to finance their fiscal deficits (Bigsten, Kayizzi-Mugerwa, 1999). In 1966 Uganda and other EAC member established their own commercial banks. Albeit these positive developments, the size of the public sector continued to grow which created an unsustainable path for government. Wages within the public sector also continued to grow and this growth was largely in the urban areas. The growth of wages between 1960 and 1965 also constrained the creation of jobs in 1966-70 as was envisaged under the National Development Plan (Ewusi, 1973).

Figure 2: Exports and Terms of Trade



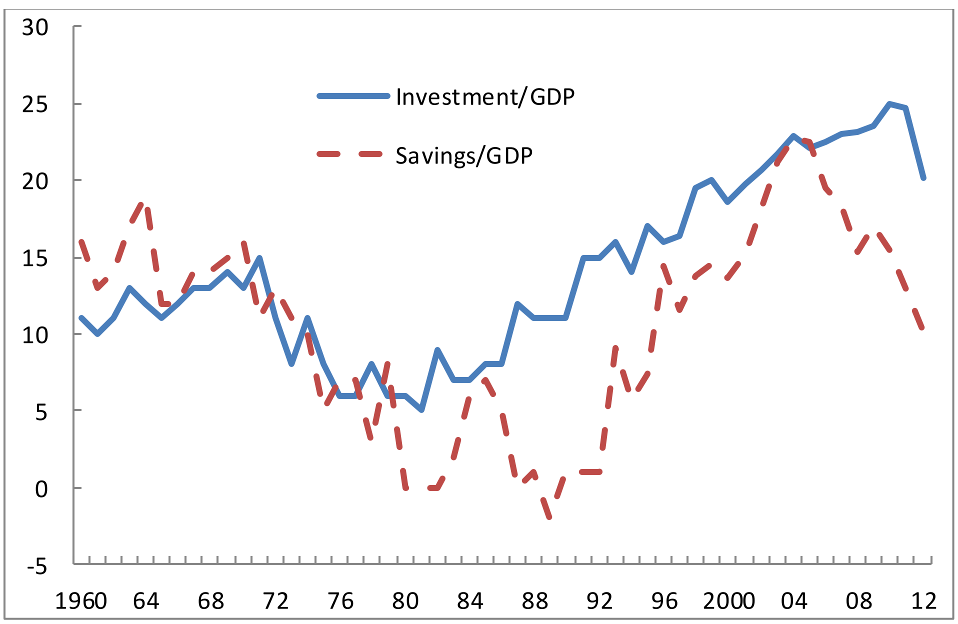
Source: Uganda (1965), Background to the Budget 1965-66; Uganda (1966), Statistical Abstracts (various years); Uganda (various years).

2.1.2 Economic War 1971-80

After the Military coup by Amin, government embarked on a program which was referred to as the Economic War during the period 1971-79. There was no written development plan that was guiding government at the time. The Economic War entailed empowering local Ugandans while at the same time reducing the role of the state intervention in economic activities. In a quest to redistribute income especially in favour of local Ugandans, the government started by expulsion and expropriating properties owned by people of Indians decent and redistributing to local Ugandans.

The economic consequences of this policy decision to expel Indians and a lack of any planning framework being followed were significant. During the period 1971-1979, the economy cumulatively contracted by 23 percent. Part of the reason for this contraction was the lack of managerial skills for the properties that were distributed to local Ugandans. The expulsion also created an impression that the investor's property rights could no longer be protected by the state. As a result the level of investments significantly declined 10 percent of GDP. Domestic savings were largely depleted. With production declining, the level of exports also declined significantly through the period to 3 percent of GDP. The income per capita also declined by 34 percent compared to the 1960 level.

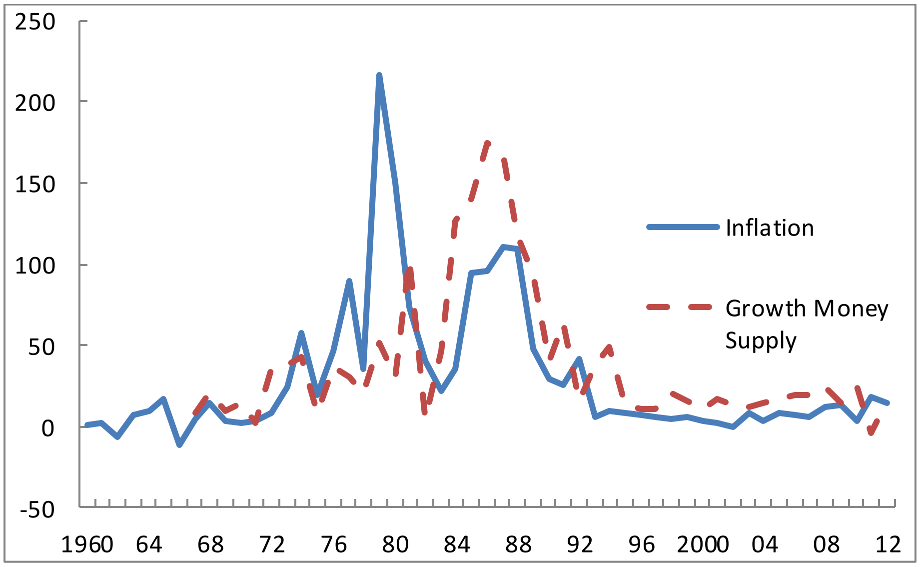
Figure 3: Investment and Savings



Source: Uganda (1965), Background to the Budget 1965-66; Uganda (1966), Statistical Abstracts (various years); Uganda (various years).

With the donor financing becoming increasingly difficult to attract and decline in tax revenues due to reduced economic activity, the government resorted to financing the fiscal deficits through printing money. This resulted into high inflationary environment where in 1979 it was at its peak of 216 percent (Figure 4). As tax revenues dried up, the size of the public sector also expanded as parastatals increased from 10 to 23 during the period 1972 and 1975 (Katumba, 1988). These parastatals were mainly used for partronage by the regime. With all these challenges combined with external oil shocks at the time, the economic war agenda was unsustainable.

Figure 4: Inflation and Broad Money



Source: Uganda (1965), Background to the Budget 1965-66; Uganda (1966), Statistical Abstracts (various years); Uganda (various years).

2.1.3 Economic Reform Program 1981-85

After a decade of economic decline, an economic reform program was embarked upon by the government. This program was supported by the IMF and World Bank. The main pillars of this program included the following: (i) floating of the exchange rate, (ii) increasing farm gate prices of export crops which at that time where controlled by government marketing boards, (iii) the abolition of price controls on all commodities what were established in the late 1970s as a way to address supply constraints, and (iv) improving fiscal prudence through control of public expenditures and improving public sector accountability.

Implementation of the economic recovery program yielded some positive results where growth resumes during the first three years of implementing the program at an average of 5.7 percent. This high growth occurred albeit an unstable macroeconomic environment where inflation was on average 45 percent. The intensification of the guerrilla war movement in 1984 rendered the program untenable as the bulk of spending was being allocated to defence spending. Due to increases in expenditures where for example public sector wages increased by four times and bank credit to government increased by 70 percent in 1984, the IMF withdrew its support for the economic recovery program. This was shortly followed by a shortage of consumer goods and subsequent quo and war that resulted into change of government in 1986 (Bigsten, Kayizzi-Mugerwa, 1999).

2.1.4 Economic Recovery Program 1987-1996

After the National Resistance Movement (NRM) took over power, it inherited an economy that had lost significant output compared to the 1970 level. There was no budgetary discipline, inflation was rampant, the official exchange rate was grossly overvalued with two parallel windows offering different rates and key export revenues had plummeted. The government therefore embarked on an Economic Recovery Program in May 1987. This program was supported by the World Bank and the IMF. The key components of this program included stabilization of the economy, resumption of growth and maintenance of a sustainable balance of payments. The program entailed reforms of the public sector, exchange rate reforms and trade liberalization.

Growth under this program resumed averaging about 5 percent during the period 1986 to 1990. The resumption in growth was mainly a recovery of the lost output for the previous 15 years. Despite the recovery in growth, the macroeconomic environment remained unstable with inflation averaging more than 100 percent in 1987 and 1988. The cause of high inflation was partly attributed to the high fiscal deficits which were partly financed by monetary expansion where credit to government increased by 145 percent in 1988. With increased lending to the government, there was limited credit for the private sector and interest rates continued to be high at an average of 40 percent. The lack of financing was also partly due to limited domestic tax mobilization and shallow financial markets to finance the required spending. The level of exports also further declined to an average of 7 percent of GDP owing to the deteriorating terms of trade.

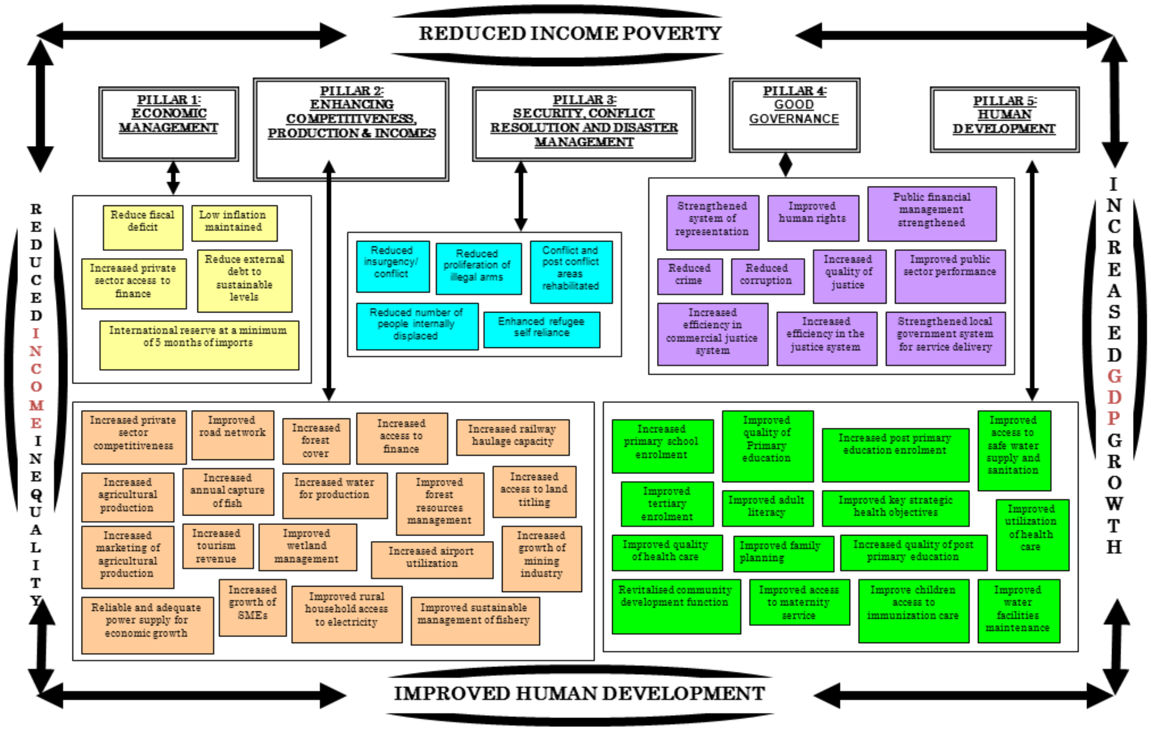
With the external shocks emanating from the deteriorating terms of trade particularly a reduction in coffee prices in 1991, this put considerable pressure on the exchange rate which depreciated further. The government continued to rely on printing money to address its fiscal imbalances. As a way to circumvent these challenges, the government adopted a cash budget management system where expenditures were tied to revenues collected. As a result of rationalizing and reducing unnecessary spending, macroeconomic stability was restored and considerable growth was attained until 1996.

2.1.5 Poverty Eradication Action Plan 1997-2008

In November 1995, a national seminar on poverty was called, which included civil servants, academics, civil society and donors. The outcome of this was a decision to develop a Poverty Eradication Action Plan. The PEAP was intended to provide a framework for policies to address poverty over a 20-year period. This goal was defined by an ambitious target of reducing the proportion of the population living below the poverty line to 10% by 2017. The policy approach behind the PEAP was to enable the poor to benefit from market opportunities while extending access and improving the quality of basic social services This was supposed to be done while maintaining the fiscal discipline that was started in the pre-PEAP era (MFPED, 1997)

The main goal of reducing poverty remained unchanged even after the subsequent revisions that were done in 2000 and 2004 (MFPED, 2000 and 2004). These revisions involved making adjustments and additions to the content of the PEAP in response to changing political and economic conditions in the country, and to respond to research undertaken on progress towards the targets set. Amongst the changes made was the introduction of pillars under which multi-dimensional strategies were developed. Major social and economic policies were introduced under the umbrella of the PEAP pillars, such as universal free primary education, primary health care initiatives, a plan for the modernization of agriculture and a ten-year roads sector plan (See Figure below). Through the PEAP, the Ministry of Finance, Planning and Economic Development played a central role in design, implementation and oversight.

DIAGRAMATIC REPRESENTATION OF THE GOVERNMENT STRATEGIC RESULTS AREAS OF PERFORMANCE



2.1.6 National Development Plan 2010/11-2014/15

In 2007, Government approved the Comprehensive National Development Planning Framework (CNDPF) which provides for the development of a 30 year vision. This framework is to be implemented through three 10-year development plans; six 5-year National Development Plans (NDPs); sector investment plans (SIPs); Local Government Development Plans (LGDPs); annual work plans; and budgets.

The NDP 2010/11-2014/15, which is the first of six plans that comprise the Vision 2040, builds on the successes of the last two decades (NPA, 2010). The NDP maintains a strong focus on sustaining progress in areas such as health, education and access to water. However, the NDP also focuses strategically on actions required to support economic diversification and modernization of the economy. It aims to support export led growth with a focus on value addition and transformation of agriculture. It recognises the contribution of emerging sectors such as oil and mining which can potentially spur growth. The NDP anticipates the need to put the necessary regulatory frameworks and institutions in place, especially with respect to development of the oil industry. Beyond the poverty agenda, the NDP also recognizes the need to focus more specifically on employment creation and social economic transformation. The NDP emphasizes the need to have a diversified economy to circumvent the “dutch disease syndrome” associated with economies endowed with natural resources such as oil.

A key objective of this NDP is to enhance competitiveness through strategic investments in infrastructure and action to raise productivity. The agenda presented in the NDP is broader than previous frameworks such as the PEAP and includes many challenging reforms to be implemented simultaneously, e.g. improvements in skills, action to address the full range of supply side constraints and improved efficiency in the public sector. All of these areas will take time to address and many may spill over into subsequent planning frameworks. Whilst the private sector is vibrant and growing it is still small and largely comprises micro, small and medium sized enterprises (SMEs). Many SMEs need to upgrade skills, knowledge and gain access to new technology and finance to modernise. This level of transformation will take more than a five year period.

The NDP also emphasizes that the core foundation for growth is macro-economic stability. The NDP macro-economic strategy aims to “maintain a balance between macroeconomic stability, acceleration of growth and continued progress towards achievement of social development goals”. It presumes that greater government efficiency and growth will generate new resources that can be invested in infrastructure which will help improve the performance of productive sectors.

Two major conceptual differences distinguish the NDP from its PEAP predecessor; the NDP places much greater emphasis on the:

- Need for economic growth to create jobs that generate additional employment opportunities for the population, increasing per capita income and providing the financial resources needed to continue to fund the pro-poor social policies;

- Role of the private sector as the engine of growth. It seeks to emulate the successes enjoyed by many East Asian economies where the state adopted a strong central planning mandate.

The NDP economic strategy seeks to support improved productivity in the agricultural sector and anticipates that the workforce, released through productivity gains, would be absorbed by newer, higher value, export focused sectors of the economy. This transformation would be led by the private sector. The main sources of economic growth were expected to come from the 8 'primary growth sectors' which are agricultural development, forestry, tourism, mining, oil and gas, manufacturing, information and communications technology (ICT) and housing development.

The NDP identifies the need for significant improvements in complementary sectors of the economy; most notably energy, water, transport and financial services. The Plan outlines the need for more trained professionals and better quality infrastructure to increase the potential for Uganda's health and education systems to boost Uganda's human capital and to create a workforce that is well equipped to support economic development. Special attention is afforded to tackling high levels of population growth, gender inequality and the corroding impact of HIV/AIDS on society. The NDP acknowledges that a key constraint to further economic development is the performance of "enabling sectors", including the public sector. It outlines improvements required in public sector administration and management to address criticism in the previous national evaluation of the PEAP.

2.1.7 Vision 2040

In line with the Comprehensive National Development Planning Framework, Uganda launched its first vision for the period 2010-40 in April 2013. The Vision 2040 is to be implemented through 3 successive development plans and 5 national development plans. The main theme of the vision is to achieve "A Transformed Uganda Society from a Peasant to a Modern and Prosperous Country within 30 Years". This will involve changing Uganda's population from a predominantly low income to a more competitive upper middle income country. Within the framework, the country vision stipulates achieving the middle income status of US$1,000 per capita by 2017 and increasing the per capita income to US$ 9,500 by 2040. There are three sectors that are targeted to achieve this high growth rate by 2040. These include services particularly tourism, industry especially value addition for the agriculture sector and the new emerging sectors like oil and gas and agriculture by boosting its productivity. The Vision places special importance on benefitting from the new opportunities from regional integration within the EAC. Implementation of the vision will also be supported Sector Investment Plans (SIPs), Local Government Development Plans (LGDPs), Annual work plans, and Budgets in 2007 (NPA, 2012). Some of the highlights and targets for the Vision 2040 are provided in Table 1 below.

Table 1: Vision 2040 Targets

Indicator	Current	Target 2040
Per capita income	USD 506	USD 9500
% of population below the poverty line	24.5	5
GDP	USD17 Bn	USD 580 Bn
% share of national labor force employed	70.9	94
Manufactured exports as a % of total exports	4.2	50
% population with access to electricity	11	80
% population with access to safe piped water	15	80
% of standard paved roads to total road network	4	80
% of cargo freight on rail to total freight	3.5	80
% level of urbanization	13	60
Life expectancy at birth (years)	51.5	85
Literacy Rate (%)	73	95

Source: NPA 2012

2.2 Economic Theories behind planning processes

Uganda's planning frameworks have been underpinned by various approaches. The period after independence, Uganda adopted a "mixed economy" approach during the period 1962-1971. This period was characterized by several countries within the region (for instance Tanzania) moving to the left. The approach at the time emphasized greater state involvement and enforcing equality of incomes for all citizens. For Uganda's case, the two medium term plans that were developed during that period emphasized increasing incomes and improving the standard of living for all Ugandans while at the same time the state engaged in various production activities.

This approach was interrupted by the "Economic War Plan" in the 1970's. There is no standard economic theory that can fully characterize the Economic War Plan that was adopted by Amin's regime. Nonetheless, the Economic War Plan was largely driven on sentiments to nationalize the economy which was considered to be in the hands of foreigners especially Indians. To a large extent, the objective of nationalizing and awarding businesses to indigenous Ugandans was achieved albeit at a significant economic loss given the adjustment costs and declining investments owing to the lack of enforcement of property rights.

During the period 1980-97, a Structural Adjustment Programs (SAP) and the Economic Recovery Program (ERP) were adopted. These two programs which were supported by the World Bank and IMF were largely focused on recovering growth and restoring macroeconomic stability. The approach was mainly to reduce the role of the state in economic activities. At the climax of the ERP program, various reforms were undertaken to achieve this objective which included privatization of all state enterprises and downsizing the civil service.

Between 1997 and 2008, the Poverty Eradication Action Plan (PEAP) was the planning framework for the country. This was after recognition of the fact that despite the growth that was restored under the ERP, poverty remained very high at a level of more than 50 percent of the population living on less than a dollar a day. The objective of the PEAP was therefore to reduce poverty levels. This was to be achieved by emphasis of the social sectors especially education and health. To a large extent this objective was achieved as poverty declined to 32 percent towards the end of the PEAP program.

Overemphasis on poverty and social sectors led to neglecting other sectors which are critical for private sector development. In particular, it was noted that infrastructure was becoming a key binding constraint to private sector growth. The government therefore adopted an approach referred to as "Quasi-Market approach", where government was to play a significant role to address the key binding constraints to growth. In this context, while poverty reduction remains on the agenda more emphasis is put on "inclusive growth" through creation of employment, wealth creation and socio-economic transformation. This approach has been adopted for the current vision 2040 and the first NDP.

2.3 Planning Processes in the Country

The planning processes that have been used under the PEAP and the NDP are to a large extent very different. While the PEAP adopted a more consultative approach under MoFPED, this approach has over time evolved into a more centralized process especially after the planning role was taken over by the NPA.

2.3.1 PEAP

The Ministry of Planning and Economic Development played the leading role in the preparation of the first PEAP in 1997. For the revised PEAP in 2000, the Ministry established a steering committee whose work was to oversee the preparation and implementation of the PEAP. The members of the steering committee were drawn from the Sector Working Groups (SWG). The SWG also contributed to the MTEF process which underpinned the financing of the PEAP. The steering committee also included NGOs given their important role at the time in contributing to the social sectors.

SWGs were also critical in the preparation of the sector strategic plans sometimes refered to as sector investment plans (SIPs). These plans provided a framework for each individual sector on the key activities and required financing for a sector. They also varied in terms of the period covered which could stretch up to 10 years. While the PEAP was a rolling document, the sector strategic plans were fixed documents which were not revised during the period they were prepared. These plans highlighted the key areas where the PEAP would intervene with the key objective of reducing poverty levels. The second role of the SWG was to prepare the annual Budget Framework Paper (BFP). The objective of the BFPs was to highlight the priorities of the strategic plans and the PEAP and how these priorities could be accommodated in the budget. The sector BFPs were thereafter consolidated into one national BFP by the MoFPED and submitted to the Budget Committee of Parliament for comments, scrutiny and approval. To a large extent therefore, the sector BFPs created the link between the PEAP and the MTEF. The key problem with this approach was that emphasis was mainly put on priorities and budgeting rather than linking allocations to outputs and outcomes (OPM, Volume 1-3, 2008).

In addition to the SWGs, the Districts also produced BFPs supported by three year development plans. Parish and sub-county development plans were aggregated into district plans. The district BFPs were also being consolidated into the national BFPs. The districts were guided by the objectives of the PEAP framework as specified in the results and policy matrix. The MTEF provided the overall resource envelop available to implement the PEAP. Once the resources available were established under the MTEF, work plans and quarterly reporting of progress was effected by the sectors and districts.

2.3.2 NDP

The planning process for the NDP to a large extent attempted to divert from the PEAP although in principal the processes remained very similar. The NDP preparation process started by classifying sectors using the “egg” analogy. This entailed classifying sectors into the following categories: (i) primary growth sectors, (ii) complimentary sectors, (iii) social services sectors, and (iv) enabling sectors. The primary growth sectors included agriculture, manufacturing, mining oil and gas, forestry, housing, tourism and ICT. The complimentary sectors included energy, transport and works, water for production, science and technology, and financial services. Social services included education, health, water and sanitation, and other cross-cutting areas such as HIV/AIDS, population growth and skills development. Lastly were the enabling sectors which included defence and security, public administration, justice law and order, regional integration and environment. The rationale behind the egg analogy was to highlight sectors that are critical to generate growth and those that would enable or create the necessary environment for these sectors to thrive.

The preparation of the NDP was moved away from the MoFPED to the National Planning Authority (NPA). As a first step to prepare the first NDP, the NPA prepared a macroeconomic framework paper in 2009 which was presented to various stakeholders. The paper outlined the key macroeconomic outcomes in terms of growth, inflation, fiscal path and monetary stance and the related social outcomes including poverty and all MDGs. After the paper was presented, the NPA organized a large workshop, where all sectors presented summaries of their sector strategies for the period 2010/11-2014/15. For the sectors that did not have sector strategies, these were provided resources and time to develop background papers that could be used in the NDP. To a large extent, the NPA was not working through the SWGs as was earlier done by the MoFPED. The NPA consolidated all the background papers from the sectors and derived the NDP. In addition, all sectors were requested to do costing for their strategies and plans for the period. The derived costings were the basis for the sector resource allocations in the NDP. The challenge was therefore to reconcile the allocations derived from the costings submitted by the sectors to NPA with what the MoFPED considered to be feasible given the resource envelop. After a series of meetings, there was agreement between the MoFPED and the NPA on the expenditure framework which was underpinned by Uganda’s desire to join the Monetary Union under the EAC.

While there was a significant change from PEAP where the NPA was in partial control of the planning process, other procedures which were critical for the implementation of the NDP did not significantly change. Sectors and local governments continued to prepare BFPs and these were submitted to the MoFPED for final consolidation of the national BFP. The BFPs prepared were not necessarily following the priorities of the NDP. Rather, sector BFPs were mainly driven by the earlier activities in each sector and expected resources from the MoFPED. The MoFPED also remained in control of the MTEF with less involvement of the NPA during the first three years of implementation of the NDP. As a result, there was a disconnection between the NPA, sectors and MoFPED. In addition, the systems that supported the PEAP planning process were also not revised to accommodate the new changes reflected in the NDP. For the districts, apart from the preparation of a five year development plan, the rest of the processes under the new planning framework of the NDP remained the same as in the PEAP period. The districts therefore become more alienated from the planning process and worked more closely with the MoFPED.

2.4 Relationship between NDP and Vision 2040

As quoted in the Vision 2040, the National Vision of Uganda is "A transformed Ugandan society from a peasant to a modern and prosperous country within 30 years". This will involve changing from a predominantly low income to a competitive upper middle income country within 30 years. The theme of the Vision is, "Accelerating Uganda's Socio-economic transformation" (see Vision 2040). The main attributes of the Vision include the following: (a) Independence and sovereignty; (b) Democracy and the rule of law; (c) Stability and peace; (d) Knowledgeable and skilled; (e) Able to exploit and use its resources gainfully and sustainably; (f) In a strong federated East Africa with an effective African Common Market and a strong African Defence Mechanism.

To achieve this Vision, five NDP are being implanted over the period of 30 years. The themes of objectives of the first NDP are in line with the Vision 2040. The theme of the NDP 2010/11-2014/15 is "Growth, Employment and Socio-Economic Transformation for Prosperity". It is envisaged that by the end of the first NDP, Uganda will be close to attaining its middle income status of US$1000 dollars per capita income. The emphasis of the first NDP on addressing the key growth binding constraints is also consistent with the desires of Uganda in the Vision to transform the society from peasant to modern country.

2.6 Areas of Priority under the PEAP and NDP

The areas of priorities have also evolved and differed under the various planning frameworks. The ERP programs were largely targeted to resuscitate the economy onto a more sustainable path of growth. It's only under the PEAP and NDP where a clear agenda was in place on which direction the country should take.

2.6.1 PEAP

In 1997, there was wide political consensus that the country had to take specific steps to reduce poverty. This political consensus was also widely shared by donors and the civil society organizations. Eradication of poverty was to be achieved through planned and coordinated action which was named the Poverty Eradication Action Plan (PEAP). This plan was to build on the successes of the previous SAPs by maintaining macroeconomic stability and growth while at the same time putting more emphasis on growth. The one single priority of poverty eradication did not only attract donors but also set the stage to rally government and its stakeholders. The priorities of PEAP evolved over time. The first two PEAPS embraced Universal Primary Education (UPE) and the abolition of cost sharing in health delivery. The third PEAP put more emphasis on improving the quality and efficiency social service delivery.

Prioritization of PEAP around poverty eradication also affected the resource allocation process. For the first PEAP in 1997, resources were reallocated to sectors which were considered to have a larger impact on poverty eradication. These largely included health and education. In order to protect sectors that were considered to have poverty eradication focus from budget fluctuations, the Poverty Action Fund (PAF) was established with the intention of using budgetary savings from the HIPC multilateral debt relief initiative on poverty reduction. The PAF fund was ring fenced within the budget and disbursements were guaranteed provided performance of these sectors was on truck. As a result of this strategy, the share of PAF in the total budget increased from 18% in 1997/98 to 38.2% in 2006/07. PAF also provided a window for donors to ensure that savings from the debt relief initiative were all spent on education and health sectors. Notwithstanding the innovation of *ring fencing* social sectors through PAF, a study by the Ministry of Finance found that the bulk of the resources under the PAF were indeed not well targeted to poverty interventions. In particular, only 20 percent of the PAF resources were allocated to poverty related interventions in health and education. The rest of the resources were spent on staff salaries (MoFPED, 2008a).

Towards the end of the PEAP, it emerged that PAF had skewed expenditure allocations in favour of the social services. Also the ring fencing of PAF put undue pressure on allocations for other sectors especially when there were budget cuts. This led to a negligence of other sectors particularly roads, rural electricity, water and sanitation which would also have long-term productivity effects on the economy and which would indirectly reduce poverty. By 2007, it was noted that in the World Bank Public Expenditure Review that PAF excluded key infrastructure categories which were critical for industrialization and growth such as urban infrastructure, energy and trunk roads (World Bank, 2007). With these observations, the role and influence of the PEAP had waned and Uganda was looking at developing a framework with an agenda that was beyond poverty eradication.

2.6.2 Priorities under the NDP

The agenda of the NDP is much broader than the previous PEAP which narrowly focused on poverty eradication. Similar to the PEAP, the NDP priorities were born as a result of the realization that some key sectors were being neglected under the PEAP despite their importance to long-term growth and poverty eradication. In an effort to broaden the agenda, the NDP started by identifying the key binding constraints to growth. The seven binding constraints identified included the following:

- Weak public sector management and administration
- Inadequate financing and financial services
- Inadequate quantity and quality of human resource
- Inadequate physical infrastructure
- Address gender issues, negative attitudes, mind-set, cultural practices, and perceptions
- Low application of science, technology and innovation
- Inadequate supply and limited access to critical production inputs

To achieve the NDP theme, the following were considered to be the main priorities of the plan and therefore the basis of its strategic direction.

- Increasing household incomes and promoting equity.
- Enhancing the availability and quality of gainful employment.
- Improving 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 use of the environment and natural resources.

2.7 Poverty reduction, Employment creation, Agriculture and Industrial Development Under PEAP and NDP

2.7.1 Poverty Reduction

There is significant progress that has been achieved to reduce poverty under both the PEAP period and the current NDP planning frameworks. The PEAP which prioritized poverty as the key issue to address achieved considerable progress. Its emphasis on provision of education, health and sanitation led to some gains in the improvement of the wellbeing of Ugandans. As shown in Table 2, poverty has been declining since 1992 The number of Ugandans in poverty has reduced from 9.9 million in 1992 to 7.5 million in 2009. This translates into a reduction in the share of people leaving below the poverty line reducing from 56.4 percent to 24.5 percent from 1992 to 2009 (MoFPED, 2011). Over the same period, the number of people who have joined the middle class has also increased from 1.8 million to 10 million a clear indication that there is welfare improvement.

Table 2: Poverty Status During the PEAP and NDP

Year	1992/93	1999/00	2002/03	2005/06	2009/10
Absolute Poor (millions)	9.9	7.4	9.3	8.5	7.5
Percent below poverty line	56.4	33.8	38.8	31.1	24.5
Non-poor but insecure (millions)	5.8	9.6	9.6	11.0	13.2
Percent of non-poor but insecure	33.4	43.9	39.9	40.2	42.9
Middle class (millions)	1.8	4.9	5.1	7.8	10.0
Percent of Middle class	10.2	22.4	21.2	28.7	32.6

Source: UNHS various years.

Despite the significant progress achieved under the PEAP to reduce poverty, inequality at the national level has continued to increase. The Gini coefficient increased from 0.365 in 1992 to 0.426 in 2009 an indication that growth process is not inclusive or equitably shared. There is also evidence that the number of households which are marginally above the poverty line but still vulnerable is increasing.

Table 3: Income inequality Using Gini Coefficient

Year	1992/93	2002/03	2005/06	2009/10
Uganda	0.365	0.428	0.408	0.426
Rural	0.325	0.363	0.363	0.375

Urban	0.396	0.483	0.432	0.447

Source: UNHS various years.

It is difficult at this stage to assess the progress made in the areas of poverty and income inequality under the NDP given that the last household survey conducted was in 2009/10 while the NDP implementation started in 2010/11. Notwithstanding, the focus of the NDP maintains the vision of poverty eradication, but with additional emphasis on economic transformation and wealth creation. The argument is that it is difficult to sustain the reduction of poverty without addressing the need to achieve structural transformation which would entail removal of key binding constraints.

2.7.2 Employment Creation

Employment creation is one of the key priority areas for the current NDP. Despite unprecedented growth rate under the PEAP and current NDP, this has not been rapid enough to create jobs needed to keep pace with a high population growth rate estimated at 3.2 percent. According to the 2009/2010 Uganda National Household Survey, the level of unemployment is registered at 4.2 percent, an increase from 1.9 percent in 2005/06. The survey also shows that the pressure for creating jobs has intensified with the proportion of the youth (18-30 years) increasing from 44 percent in 2005/06 to 48 percent in 2009/10. The level of youth unemployment has also considerably increased currently estimated at 32 percent. Likewise, the labour force has also increased from 9.5 million persons in 2005/06 to 11.5 millions in 2009/10 which poses challenges for the country to secure more jobs to match the increasing labour force.

While there is some registered movement of the labour force out of the agriculture sector, the bulk of these workers are being absorbed in the services sector and informal self-employment (Table 4). With limited job growth within the industrial sector, this raises questions whether the current growth pattern will sustain the necessary job growth to meet the population growth.

Table 4: Employment by Sectors

		2002/03				2005/06		
ISIC		Urban	Rural	Total		Urban	Rural	Total
Agriculture, Hunting		169,232	5,379,700	5,548,932		350,641	7,478,259	7,828,901
Fishing		4,921	73,755	78,676		11,955	93,605	105,560
Mining		4,758	19,412	24,170		1,468	13,381	14,849
Manufacturing		156,878	391,275	548,153		145,705	297,190	442,895
Eletricity, Gas and W		3,381	3,213	6,594		3,632	3,663	7,295
Construction		40,386	74,221	114,607		59,883	87,459	147,342
Trade		370,930	684,995	1,055,926		414,149	455,044	869,193
Hotels and Restaurant		82,347	158,630	240,977		88,876	81,261	170,137
Transport, Storage an		78,482	100,411	178,893		90,880	119,221	210,100
Financial Intermediate		1,901	819	2,720		11,394	5,424	16,818
Real Estate, Renting		19,723	13,300	33,024		32,552	13,817	46,369
Public Administration		41,056	34,063	75,118		38,530	33,053	71,583
Education		50,519	185,524	236,043		81,097	200,205	281,303
Health and Socail Work		23,714	49,287	73,001		45,076	56,997	102,072
Other Community, Social services		74,492	73,501	147,994		89,352	89,822	179,174
Private household with employed persons		68,674	33,014	101,688		50,067	41,285	91,352
Extra Territorial Organistaions		4,715	…	4,715		1,696	2,346	4,042
Total								
Sector								
Primary		5,453,455	174,153	5,627,608		364,064	7,585,245	7,949,309
Manufacturing		410,687	161,636	572,323		145,705	297,190	442,895
Service		1,410,980	860,320	2,271,299		1,007,184	1,189,596	2,196,780
Total		**7,275,121**	**1,196,109**	**8,471,230**		**1,516,953**	**9,072,031**	**10,588,983**

Source: UBOS

It is estimated that currently the Ugandan economy needs to absorb about 392,000 new entrants into the labour market (Ministry of Gender, Labour and Social Development 2010). The labour force growth rate is estimated at 4.7 per annum in 2009/10 a rate which is even higher than the population growth rate. The growth in the youth labour force is even much higher estimated at 5.7 percent annually. Underemployment comprises of time related, skills related and wage related employment. In addition, the 85 percent of the labour force is self employed a clear indication that job creation in formal sectors remains limited. Agriculture employs a high and rising proportion of the economically active population and absorbs about 40 percent of the new entrants into the labour market. This certainly shows that labour productivity of the sector continues to decline given that the sector has been shrinking and its share of GDP is declining. This has also been exacerbated by declining yields for most crops. The second largest absorbing sector of the labour force is the small-scale unregistered non-farm enterprises. These are also characterized by low productivity given their limited access to technology, finance and inadequate markets.

In recognition of the challenges paused by unemployment, the government has adopted several measures to address the problem through its budget under the current NDP. The government recognizes the lack of skills especially in technical areas, low school completion rates and limited capacity in vocational schools which results into low productivity of the labour force. Government policies can be broadly categorized as follows: (i) enhancing agriculture production and productivity—which would implicitly generate jobs; (ii) pursuing fiscal policies by reorienting resources towards vocational training, enhance the level of completion rates and extending universal education to the secondary level; (iii) promoting value addition especially through agro processing; (iv) targeted initiatives like establishment of the youth fund in 2010/11 whose main objective was to create jobs among the youth through formation of small enterprises; (v) introducing specialized programs through public works to generate jobs, and; (vi) use of active labour market policies especially public works.

2.7.3 Agriculture and Industrial Development

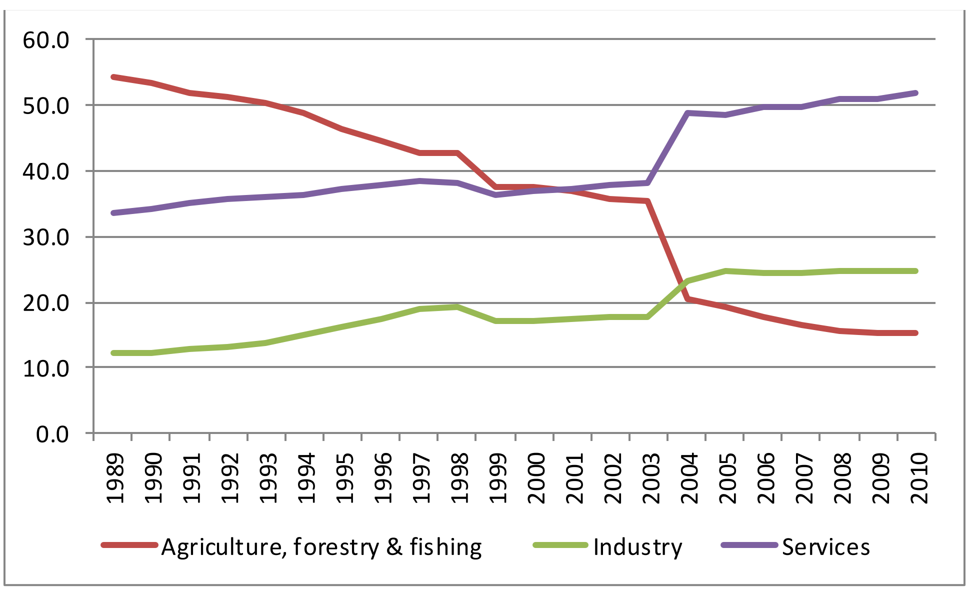
Economic transformation which is one of the themes adopted by the NDP has been defined as a combination of accelerated growth, rapid growth of exports, economic diversification, and structural change. It also involves the evolution of labor productivity. It's synonymous with transformation from a traditional to a modern one through high capital accumulation, technological change and productivity growth. Non-agriculture sectors also grow very fast in this process (Chenery 1980 and Syrquin 1988).

In recognition of the desire for socio-economic transformation, the government has put several initiatives to address the bottlenecks that constrain growth in Uganda. These interventions are enshrined within the NDP which is being implemented for the period 2010-2015 and the Vision 2040. At the core of these policy declarations is the drive to make Uganda an export led economy especially in sectors like agriculture and tourism where it's considered to have a comparative advantage. There are several initiatives that have been attempted to boost exports. Between 1960 to date, Uganda has largely depended on traditional exports including coffee, tea, cotton and tobacco. Even though their composition to total exports has been decreasing due to new emerging export commodities and trading partners, these commodities still contribute significantly to Uganda's total export receipts. More recently, the non-traditional exports have become important and they comprise of commodities like fish and horticulture commodities.

Albeit all these developments, the export receipts generated from the traditional exports and more recently from non-traditional exports are not enough to close gaps within the current account imbalances and later on deliver the socio-economic structural transformation that has been witnessed in other countries. In that vein, there is a drive to add value especially to primary commodities in the agriculture sector for the current NDP. The arguments for value addition are two pronged. By value addition, Uganda would be able to get more in export revenues but also this would generate employment especially for the semi-skilled and skilled labor categories. In addition, the country has also identified exportable service sectors. Key among them is tourism and ICT with an objective of tapping the outsourcing industry.

Uganda's strong economic growth since 1992 has been driven mainly by the services, manufacturing and construction sectors (Figure 5). In 2010, the share of value added contributed by the services sector was almost half of total gross domestic product (GDP) from about 32 per cent in 1990 and that of agriculture diminished steadily from 50.3 per cent to about 15.2 per cent in the same period. The recent decline in agriculture partly reflected the fall in productivity of the sector, deterioration in farming methods synonymous with poor technologies and resources especially in form of labor being reallocated to services. Other structural problems, including the use of inferior inputs and lack of value addition to raw materials that have limited productivity and profitability of the sector have contributed to the low growth of the sector. The recent numbers suggest that this trend has not changed

Figure 5 – Sector Composition of GDP (Percentage)



Source: UBOS: Statistical Appendix 2012

2.8 Consultations and stakeholder engagement in the planning process

Civil Society Organizations

In 2001 it was estimated that the number of NGOs in service delivery and in monitoring were over 5000. Since PEAP was mainly centered on service delivery especially for the social sectors like health, education and health, it was important to engage the civil society right from inception. In 1992, civil society was engaged in the design and revision of the PEAP. NGOs were also consulted by the Task Force in a consultative role for the first PEAP. As the PEAP evolved, NGOs started providing alternative PEAP frameworks for example in 2004/05 which largely reflected their interests and agenda. These alternative views were accommodated to the extent possible by the Task Force (OPM 2008).

The CSOs have continued their role as a watchdog of government and private sector performance particularly in its reporting and advocacy on issues like social protection, good governance and corruption, respect for human rights and the environment. However ever since the winding down of the PEAP, the intervention space for the CSOs has continued to shrink as government has continued to view CSOs as agencies funded from abroad which are not accountable to any government institution and largely pursuing interests that are sometimes contrary to government policy.

During the preparation of the NDP, there was therefore limited consultations and engagement with the CSOs compared to the PEAP. The most recent Mid-term review of the NDP points to the fact that the CSOs view the NDP as largely a government document and urge the next NDP to be a broader Uganda development document. This will involve a concerted effort, not just for Government, but also involving civil society and the private sector.

Donors Consultations

It has been argued Uganda's PEAP, and its focus on poverty reduction, constituted a largely externally-created and externally-driven initiative. This initiative moved in tandem with the implementation of PRSP strategies which were being implemented in various countries and supported by the World Bank and IMF. In order for the citizenry to be part of the process, donors attempted to engage various stakeholders where government and CSOs were all rallied around the same theme of reducing poverty. In the process, the guiding principles of the partnership between donors and government under the PEAP were as follows:

- Aid funds had to be consistent with the poverty objectives outlined in the PEAP and developed in sectoral plans;
- Project proposals which were not compatible with these objectives and plans were not accepted;
- The preferred modality of aid was through budget support and donors had to provide aid increasingly in this form;
- Donors had to provide funds within the budget frame;
- Proposals by donors for projects which do not fit into this framework were not accepted;
- Donors had to inform government of the funds channelled to CSOs;
- Aid funds had to be predictable;
- Technical assistance had to be tailored to supporting capacity building.

In 2003, a group of development partners began discussing what was to become the Joint Assistance Strategy for the Republic of Uganda (2005-2009)—commonly referred to as the Uganda Joint Assistance Strategy (UJAS). The final version was completed in December 2005. UJAS' stated purpose was to outline concrete ways in which this group of donors would harmonise their individual efforts and "fully align" their activities in order to help achieve the goals of the PEAP

However, overtime government increasingly became alienated from the donors as the PEAP was getting to the end. This was partly due to two factors. First, the government strongly felt that the PEAP agenda was too narrow to achieve the desired structural transformation of the country. Second, donors started taking very strong positions especially in the areas of governance of which were outside the core objectives of the PEAP. This led to the government putting more effort in developing and controlling its future policy discourse with limited involvement of donors. Indeed, the first NDP was written by the NPA staff in consultation with the sectors and local governments. Involvement of donors was limited to provision of resources to support cross-cutting work for the NDP. The current NDP is popularly referred to as a "locally" developed plan. As a result, there was a lukewarm reception of the plan by the donors for the first two years and this was reflected in their financing as demonstrated in chapter XX.

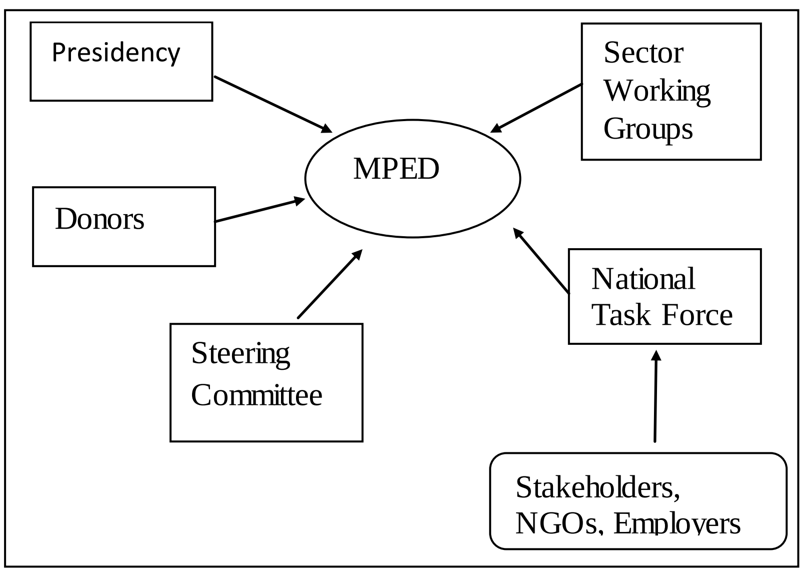
3.0 Implementation and Financing of the Development Frameworks

3.1 Institutional Framework for Implementation of Development Frameworks

3.1.1 PEAP

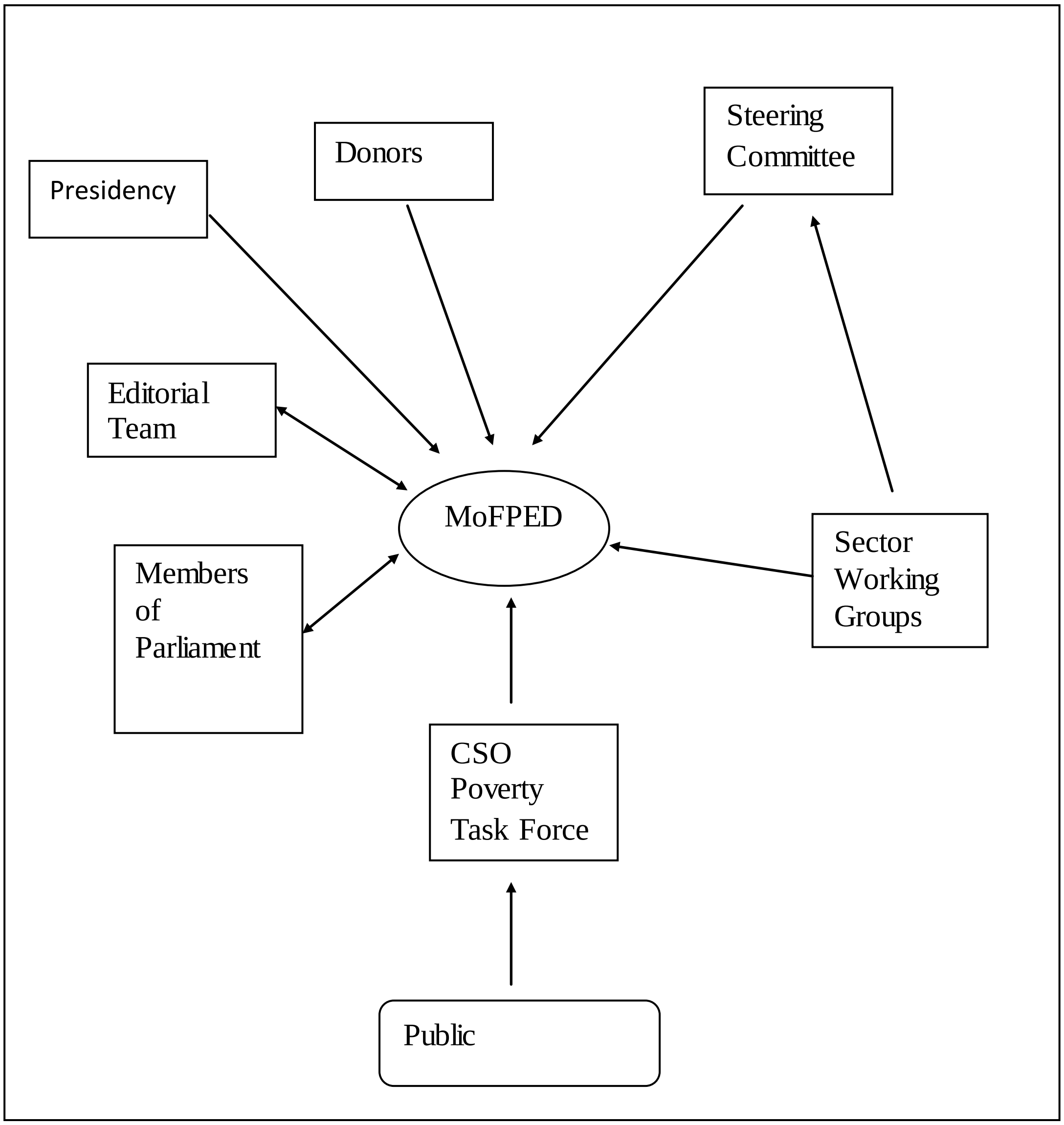
The institutional framework for the PEAP evolved over the years as the PEAP was being revised. The dominant actor in the original preparation of the PEAP was the then Ministry of Planning and Economic Development, whose Minister signed the Preface to Volume 1 in 1997. The process of developing the plan was highly consultative and established a broad base on the most appropriate approach to reduce poverty. After the strategy was put in place, Sector Working Groups SWGs were responsible for the preparation of the Action Plans. In addition, there was a Steering Committee of stakeholders in charge of managing and coordinating the implementation of the plan.

Figure 6: Institutional Set-Up of the PEAP 1997



After the merger of the Ministry of Finance and Planning, MoFPED continued to play the dominant role of preparing and implementing the revised version of the PEAP through its steering committee with members representing SWGs. The SWGs drafted the BFPs that were later used to prepare the national BFP. Given the merger of the two ministries, implementation of the PEAP was also underpinned by the Medium Term Expenditure Framework (MTEF). The SWGs also broadened their scope by preparing sector-wide plans. In addition, the CSOs established a CSO Poverty Task Force which was represented on the Steering Committee. The last PEAP which was revised in 2004 also saw an emergence of a working group on cross-cutting issues including gender, HIV/AIDS and the environment

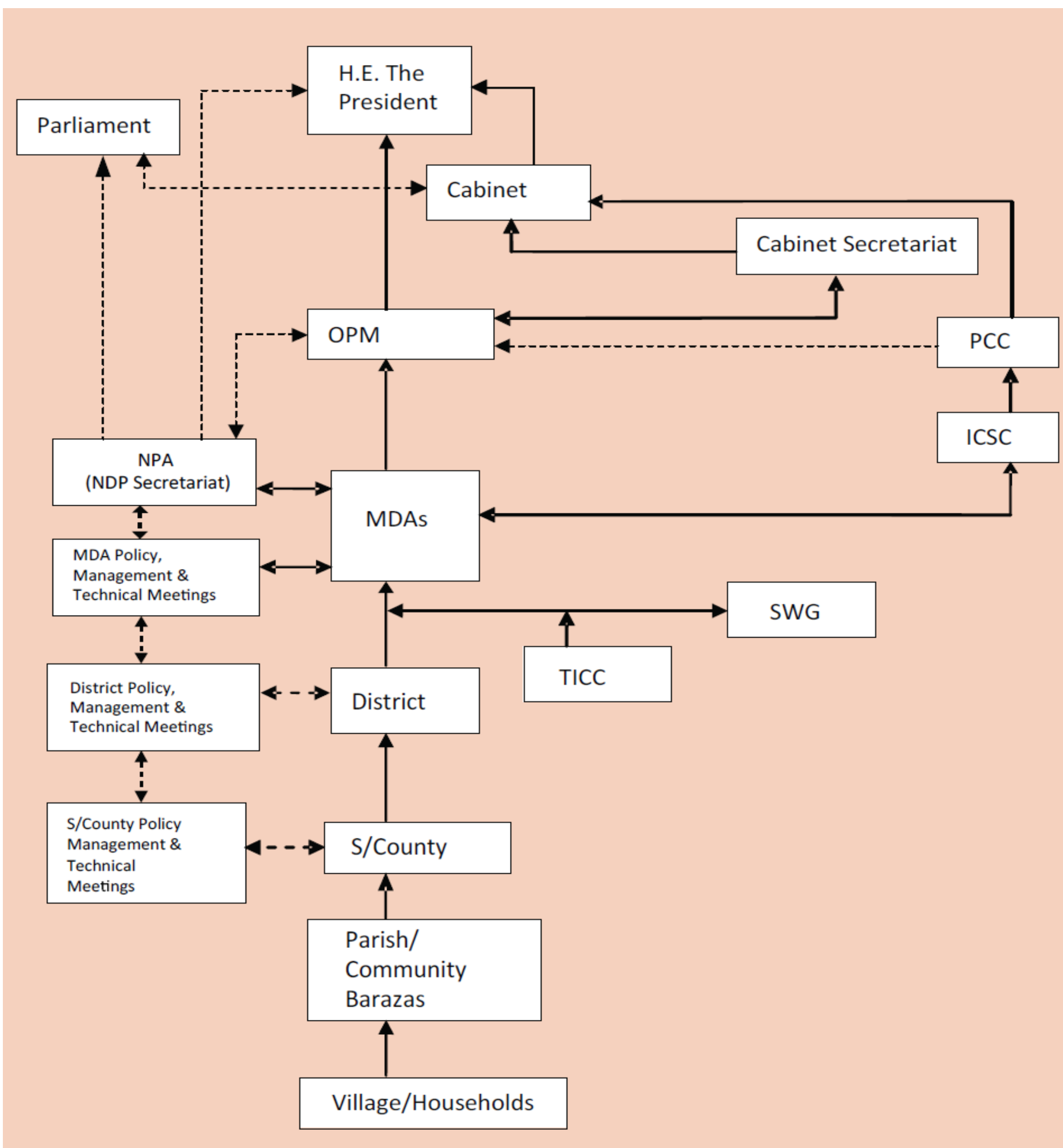
Figure 7: Institutional Set-Up of the PEAP 2000



3.1.2 NDP

The NDP is being implemented through a combination of both central and local government structures. As shown in Figure 8, the NDP is under the overall leadership of the President. Implementation is a shared responsibility of the public sector, private sector and non-state actors. Among the public sector, the main implementers include Permanent Secretaries, Heads of autonomous and semi-autonomous departments, Chief administration officers at the districts, town clerks and sub-county chiefs. The NPA acts as a secretariat for development of the plan in collaboration with the Ministries, Departments and Agencies (MDAs), districts. The NPA reports directly to the Parliament and President's office. In addition, the Chairman of the NPA is a member of the Cabinet without voting powers. The Office of the Prime Minister (OPM) is responsible for the coordination of the implementation of the NDP within government. In addition, the OPM has also been responsible for the monitoring and evaluation of government programs. Parliament through its oversight, legislative and appropriation functions also ensures effective implementation of the plan. For the districts, the Ministry of Local Government in liaison with other MDAs is responsible to provide guidance in their implementation of the NDP.

Figure 8: Organisational structure for NDP Implementation

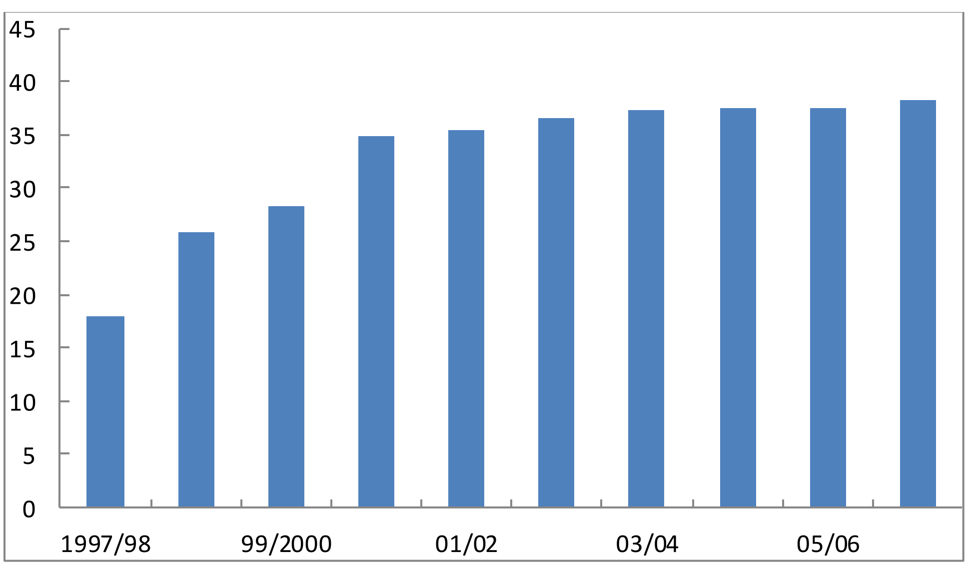


3.2 Challenges and Mechanism to link the plan to the budget/expenditure framework

To implement the PEAP, the government relied on a number of systems to formulate and execute its budget which included the Medium Term Expenditure Framework, Output-Oriented Budget Tool, Government Chart of Accounts and the Integrated Financial Management Information System (IFMIS). For the budgetary process, this was complemented by the Sector Wide Approach with Sector Working Groups (SWGs). Planning processes were supported by Sector Investment Plans (SIP), District Development Plans (DDPs), Sub-County and District and Sector Work-Plans.

To implement the PEAP within the budget, government initiated a Poverty Action Fund (PAF) in 1997. The fund was supposed to provide a link between the pro-poor activities identified in the strategy and the budget. The PEAP was organized according to pillars and the pro-poor activities were from pillar 3 and 4 and these included primary education, primary health care, water and sanitation, agriculture and rural roads. Increasingly, items identified under the PAF got special treatment where government increased the share of the allocation that was going to PAF activities from 17 percent in 1997/98 to 35 percent in 2003/04 financial years. The PAF budget allocations were also ring-fenced and protected from any budget cuts in a financial year. Donors also gained confidence in supporting the PAF activities as this was consistent with their international agenda in line with the PRSP strategies.

Figure 9: **Share of PAF in total Budget, 1997/98-2006/07**



Source: OPM, 2008

However the growth of the PAF presented its own challenges in budgeting. First, other areas of the budget became increasingly alienated including infrastructure which is also critical for long-term growth. Budget allocations became increasingly more in favor of the social sectors. In addition, the flexibility of the budget was compromised as expenditures under the PAF were not supposed to be modified or changed albeit the resources available. In that regard, in the event of lower resources collected or use of supplementary budgets within the year, the adjustments were effected on other expenditure items outside the ring-fenced PAF activities. This inflexibility was also passed on to the local governments which were receiving a large share of their resources as conditional grants all related to PAF activities. The priorities of the districts were therefore being dictated by the central government. Also all the monitoring of resources was mainly focused on PAF activities at the expense of other expenditures.

To a large extent, PAF delivered in terms of reorienting the budget towards the poverty agenda. However, with the limitations highlighted above, it seemed to be a short-term budgeting tool with a narrow focus to be implemented within a broader agenda of planning that would span beyond poverty. Other systems that were put in place to implement the budget included the output oriented budget tool. The objective of this tool was to facilitate annual planning and budgeting and contains modules for Ministerial Policy Statements, Budget Framework Papers, annual and quarterly performance reports and performance contracts for accounting officers.

The biggest challenge the NDP has had in its implementation process is that it inherited a lot of instruments and tools from the PEAP which are not fully aligned with the NDP. When the NDP was being drafted, it was recognised that modification to (or in the use of) existing systems would be required to support execution of the NDP. In practice progress on modifying these systems has been limited and they often measure different outputs and outcomes than those specified within the NDP.

Government fiscal policy stance in the medium term is underpinned by the priorities of the five years NDP 2010/11-2014/15. Indeed, the NDP provides guidance over the period on how resources should be mobilised and spent on the various sectors. Based on this framework, the MoFPED prepares a five-year MTEF which forecasts revenues and grants, expenditure (sectoral allocations) and financing. The MTEF is prepared on a rolling annual basis based on the recent economic developments.

Each year's budget has tended to diverge to some extent from the NDP in terms of composition of spending (Table 4). In part this is due to the fact that the NDP is a fixed five year development plan whose projections were based on the premise that growth would continue at 7% and the macroeconomic environment would remain stable. Both of these assumptions were not realised and this impacted on available resources for NDP implementation. While it is implausible to have an MTEF that would directly mirror NDP expenditure priorities, it is reasonable to expect that the composition of spending would be broadly maintained in the MTEF and the NDP. Whilst there has been movement in the right direction in some key sectors, most notably energy, works and transport, many sectors have consistently attracted funding below NDP targets. The ones that have attracted more funding than expected are primarily the enabling sectors like security and public.

The NDP envisaged achieving efficiency gains to create further fiscal space and increase allocations to priority sectors. This was to be achieved through strengthening the link between public spending and outputs/results, increased productivity, eradicating corruption and reducing duplication of functions. Whilst there has been some progress on linking public spending to outputs, duplication of functions across MDAs and corruption continue to be serious problem. In addition spending in areas such as defence and security has limited scope to absorb efficiency savings in other sectors.

What is currently missing is a direct link between sector plans, the MTEF, the NDP and ultimately to the Vision 2040. Ideally sector plans should reflect NDP priorities and the MTEF should prioritise funding for critical sector NDP priorities. Where sector plans and NDP priorities cannot be fully funded due to overall resource constraints then sectors should only be held to account for delivery of priorities that are fully funded. This should be clearly articulated in Ministerial Policy Statements.

Table 6: Expenditure framework under the NDP and budget 2010/11-2014/15

	Percent of Annual Budget								
	2009 /10	2010/2011		2011/2012		2012/2013		2013 /14	2014/ 15
		NDP	Budget	NDP	Budget	NDP	Budget	NDP	NDP
Agriculture	4.4%	4.7%	4.9%	4.8%	4.5%	5.0%	3.8%	5.2%	5.3%
Water and Environment	2.4%	3.3%	3.2%	3.4%	2.8%	3.4%	3.4%	3.7%	3.7%
Tourism, Trade and Industry	0.7%	0.9%	0.8%	0.9%	0.6%	0.9%	0.5%	0.8%	0.8%
Energy and Mineral Development	9.9%	11.2%	5.4%	11.8%	13.7%	11.8%	13.5%	12.3 %	12.6%
ICT	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Lands, Housing-Urban Development	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.1%	0.2%	0.2%
Works and Transport	17.2 %	15.6%	14.4%	16.0%	13.4%	16.0%	15.3%	16.2 %	16.4%
Accountability	6.6%	5.8%	6.4%	5.7%	5.6%	6.3%	5.7%	6.0%	5.9%
Social Development	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.4%	0.4%
Health	10.4 %	11.0%	8.7%	11.2%	8.3%	11.3%	7.7%	11.4 %	11.6%
Education	15.3 %	16.2%	15.9%	17.2%	14.7%	18.2%	15.2%	18.9 %	19.1%
Defence and Security	6.9%	6.4%	6.8%	6.4%	10.1%	6.2%	8.0%	6.0%	6.0%
Public Sector Management	10.0 %	9.5%	10.5%	7.9%	10.2%	7.0%	9.3%	6.4%	5.8%
Justice Law and Order	5.1%	4.7%	6.9%	4.5%	5.5%	4.4%	4.7%	4.2%	4.0%
Legislature	1.7%	1.6%	1.7%	1.5%	1.7%	1.5%	2.1%	1.4%	1.3%
Public Administration	3.1%	3.2%	4.2%	3.0%	2.4%	2.3%	2.2%	1.8%	1.6%
Interest Payments	5.2%	4.8%	5.2%	4.6%	5.4%	4.6%	7.8%	4.6%	4.7%
Unallocated	…	0.3%	4.1%	0.3%	…	0.3%	…	0.3%	0.3%

Source: NDP and BTB.

Despite the fact that the MTEF is prepared for five years, the revenues, expenditures and sector allocations are frequently revised to take into account the realities like growth and resource envelop. Typically the budget ceilings for overall expenditure and sector allocations do not match earlier MTEF forecasts. In part this is due to the introduction of supplementary budgets in the course of the budget year that has had knock on effects across the budget. Supplementary budgets undermined the credibility of the budget and its link to the NDP.

Engagement of the NPA with MoFPED and sector ministries to link planning and budgeting for NDP implementation has also been limited. There were intensive consultations between the NPA and sectors as the NDP was being prepared. Also the NPA engaged in various consultations with the MoFPED and BoU to agree on the macroeconomic framework for the NDP. However, as execution of the plan and distribution of resources is mainly done by the MoFPED with sector Ministries, the NPA has not played a direct role in influencing resource allocation. For the subsequent budget cycles, the NPA has not actively or strategically worked with the MoFPED and sector MDAs to ensure the NDP is effectively mainstreamed within the budget. Despite the limited collaboration between the NPA and MoFPED, the 2012/13 budget documentation does clearly emphasize the need to align sector priorities and resources towards strategic interventions included in the NDP.

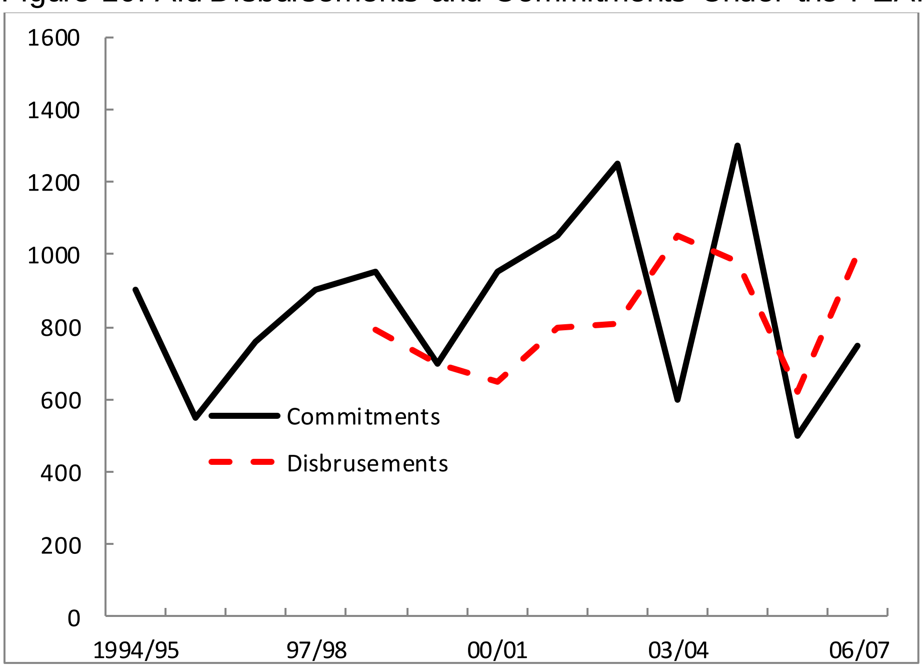
There are process challenges around aligning the budget with sector / district and NDP planning and review processes. At present the budget and sector / district planning and review processes are not well aligned. The budget cycle does not put sufficient emphasis on assessing progress over the preceding year. This makes it difficult to modify and adapt budget priorities in line with past performance or new emerging challenges. In addition, NDP district planning processes are carried out every 5 years whereas the budget is developed annually and sector plans timelines are not necessarily aligned with the NDP planning period. At present there is no formal process in place to review district development plans (MTR 20013).

3.4 Donor Assistance and Alignment with National Development Priorities

The key driver of the PEAP was the financing which was supposed to be derived from various sources including domestic resources and donors. Given the keen interest of the donors in the PEAP and the fact that their resources were well protected within the PAF and implementation of the budget, there was considerable enthusiasm from donors whose commitments to the strategy continued to increase over time. The interests of the donors were also fully aligned with the objectives of the PEAP.

As shown in Figure 10, there was significant increase in donor resources where resources committed for the PEAP more than doubled between the period 1997 and 2002. The donors were particularly keen to avail resources given the government commitment towards poverty alleviation. Notwithstanding, the actual disbursements were always lower than the committed amounts except for the financial year 2003/04. Over time as the PEAP was getting to the end, the interest of donors in the program started waning and this was demonstrated by the amount of resources that were being committed. This reduction in donor support was partly compensated by the domestic revenue mobilization combined with more than tight fiscal policies to maintain macroeconomic stability. The other challenge over the PEAP period was the volatile nature of donor disbursements which complicated the planning process. The fluctuation between the years 2000/01 and 2006/07 was by an average of US$ 190 millions a year.

Figure 10: Aid Disbursements and Commitments Under the PEAP.

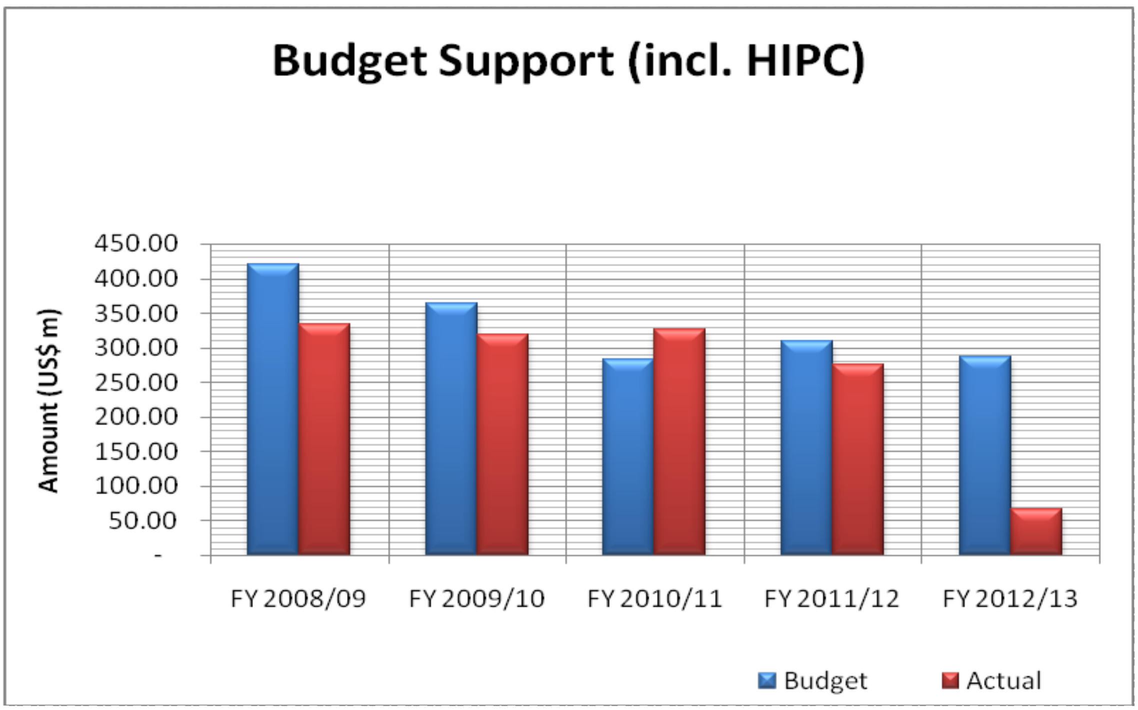


Source: MoFPED 2008

After the implementation of the NDP, aid disbursement has considerably gone down. For instance during the first two years of implementing the NDP, it is estimated that Uganda received aid averaging US$ $1,377 million per annum compared to an annual average of US $1,434 million in the preceding two years. About 62% of the resources provided under the NDP have been included on budget as part of the government's medium term expenditure framework and 38% have been provided off budget.

Despite these negative developments in terms of disbursement of aid, the importance of aid in financing Uganda's development agenda has been on the declining trend. Compared to the PEAP period when aid comprised about 15 percent of GDP, it is now estimated at 6 percent of GDP. Aid disbursement is concentrated where about 71 percent of the amount is disbursed by 6 donors (IDA, ADF, EU, USAID, the UK's DFID and Norway) out of the 31 existing donors. Budget support has particularly declined from US$ 334 million in 2008/09 to US$ 275 million in 2011/12 (Figure 11). This reduction in aid has been replaced by new non-traditional partners. For example, support from China has increased from US$ 31 million in 2008/09 to US$ 104 in 2011/12.

Figure 11: Budget Support Including HIPC



Source: Approved Estimates of Revenue and Expenditure (Recurrent and Development) FY 2008/09, FY 2009/10, FY 2010/11, FY 2011/12, FY 2012/13, MoFPED.

Given how passionate and committed the donors remained to the poverty alleviation agenda, they resorted to support social sectors outside the budget, For example it is estimated that 38% of assistance provided outside the budget in 2010/11 and 2011/12 was committed to health (reflecting in particular USAID spending), 12% to social development (principally social protection) and 10% to agriculture. Health sector spending was nearly half of all "off budget" spending in the previous two years. This has created a scenario where donors have figured out methods of working outside the budget to support their areas of interest.

Given that the NDP is has a very broad agenda, all development partners claim that their strategies are fully aligned with the NDP. However, it has also been argued that the Joint Assistance Framework of donors which determines budget support disbursements is not well aligned to the NDP because of weaknesses in the link between the NDP and the Government Annual Progress Report process in which the JAF is principally developed and reviewed. There are also challenged to assess the extent to which items that are funded off-budget how they are aligned to the NDP. The few donors who have designed country strategies with a long-term financial envelop allied to the NDP include the World Bank, Africa Development Bank, DFID and the EU. In addition as shown in Table 8, it's clear that actual donor disbursements have generally been lower than the budgeted amounts across various sectors. This disrupts the planning process of the sectors and results into their failure to meet their targets.

Table 8: A Comparison of Planned and Actual MTEF Project Aid by Sector (USD m)

SECTOR	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Accountability	78.5	30.0	52.5	27.6	39.7	33.7	46.4	26.1
Agriculture	39.9	51.2	45.8	21.0	35.5	33.9	57.1	13.0
Education	70.5	36.2	65.2	58.9	64.9	16.3	71.4	49.7
Energy And Minerals	128.7	35.0	152.0	123.0	116.2	108.1	87.6	77.6
Health	158.1	9.5	131.5	106.8	42.2	20.1	84.4	67.0
ICT	-	18.3	-	-	-	29.2	-	1.2
JLOS	8.8	-	6.7	16.1	2.9	2.1	0.6	2.3
Land, Housing & Urban Development	-	0.0	-	-	-	2.3	0.6	1.3
Judiciary	-	-	0.6	-	-	-	-	-

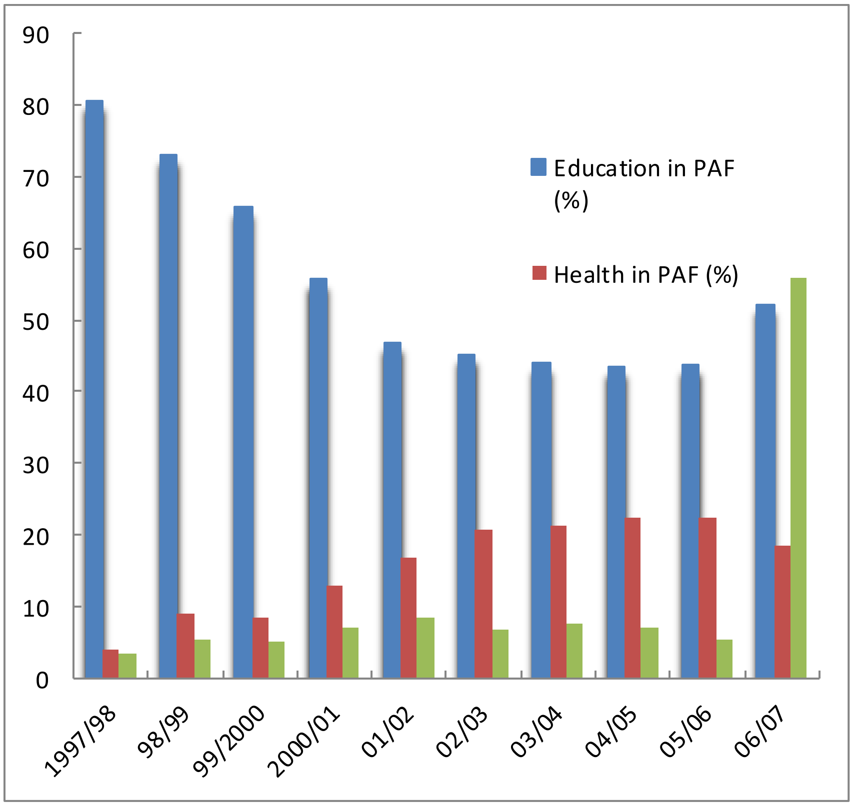
Public Admin	-	0.0	-	0.3	-	1.0	-	0.2
Public Sector Mgt	89.2	51.2	101.3	70.5	80.8	62.8	116.0	171.9
Security	-	-	-	-	52.5	62.8	56.3	75.7
Social Devpt	1.8	0.1	2.7	14.8	1.1	-	0.9	1.7
Tourism, Trade & Industry	2.7	8.9	3.3	1.0	3.5	1.5	2.4	0.6
Water & Environment	32.6	34.0	22.2	27.3	52.6	15.9	54.3	40.2
Works & Transport	216.8	158.4	156.7	67.4	155.3	118.0	190.2	209.7
Total MTEF Project	**827.8**	**433.0**	**740.5**	**534.6**	**647.3**	**507.7**	**768.1**	**738.1**

Source: Approved Budget Estimates and Expenditure (Recurrent and Development; and Annual Performance Reports, FY 2008/09, FY 2009/10, FY 2011/12,Ministry of Finance, Planning and Economic Development

3.5 Proportion of Plan funded from Domestic resources

During the implementation of the PEAP, Government enjoyed a major expansion of resources in the late 1990 and early 2000s. These resources largely came from donor funds as their interest in the PAF activities continued. Tax revenues increased from 10.6 percent of GDP in 1997/98 to 12.6 percent in 2003/04. Likewise, grants which were mainly targeted to the PAF activities also increased from 10 to 11.7 percent over the same period. To a large extent, the PAF was used to demonstrate to the donors the level of commitment of government to poverty eradication. The bulk of the funds under the PAF were spent on local governments in form of conditional grants. The share of expenditures also evolved over time with education taking the bulk of the spending in the intial years and declining over time (Figure 12)

Figure 12: Share of Expenditure Items in PAF



The NDP when conceived was based on an ambitious but quite clear financing strategy. It assumed that funding would be provided through efficiency gains in spending, enhanced domestic revenue mobilization, increased use of public private partnerships, grants and loans and borrowing through capital markets. Domestic resource mobilization entailed the following: (i) expansion of the tax base through bringing the informal sector into the tax bracket; (ii) reform of the structure of taxation and (iii) extensive re-organisation of the institutions that administer taxes to improve tax collection efficiency and compliance with a focus on enhancing Vat returns; (iv) expansion of non-tax revenues including a review of all its rates and (v) streamlining existing exemptions and tax incentive policies.

Despite this ambitious financing strategy of the plan, there were several vulnerabilities that led to lack of resources for the plan. First, given that the donors were not as enthusiastic about the NDP as the PEAP, relying on grants remained a risk strategy as demonstrated by the fluctuations for the budget support. As shown in Table 8 Uganda is going through a period of fiscal re-adjustment. This year and in the future there will be an increasing need to finance core expenditure and new investments through own resources. This trend is being felt across East Africa as donors are both reducing levels of funding and changing the instruments they are using to support countries such as Uganda. In 2009/10, budget and project support constituted 2.4% GDP. This is estimated to fall to 1.7% in 2012/13. In addition a higher proportion of funding (1.4% GDP, 77% of grants) will be in the form of project rather than budget support. This compares with project funds amounting to 1.1% GDP and 44% of grant funding in 2009/10.

Second, there has been a challenge to increase domestic revenues which consistently performed below the NDP expectations. The revenue/GDP ratio in 2012/13 is projected by MoFPED to be 13.6% GDP compared with 14.1% in the NDP. The disparity in the three year forecast is even greater. The MoFPED Budget Framework 2013/14 forecasts a revenue/GDP ratio of 13.6% compared with 15.1% in the NDP. The financing of the NDP was underpinned by expected improvements in domestic resource mobilisation at least by 0.5 % of GDP annually. Excluding the capital gains tax owing to oil transactions, domestic tax revenues have remained stagnant at a ratio of about 13% of GDP over the last two years (Table 9). The key tax where Uganda continues to underperform compared to its neighbouring countries is VAT despite the uniformity of the rate. The VAT collected in 2011/12 was 3.9% of GDP compared to 5.8, 4.6, and 6.1 for Kenya, Tanzania and Rwanda, respectively.

Table 9: Fiscal operations of the Central Government (percent of GDP)

	Actual				Estimate
	2009/10	2010/11	2011/12		2012/13
Total revenue and grants	14.7	18.4	15.6		15.4
Revenue	12.2	16.2	13.3		13.6
Tax	11.7	12.7	12		13.3
International trade taxes	1	1.2	1		...
Income taxes	3.9	4.5	4.2		...
Excises	2.9	3	2.9		...
VAT	3.8	4	3.9		...
Non tax	0.6	0.6	0.5		0.4
Oil revenue	0	2.8	0.8		0.0
Grants	2.5	2.3	2.3		1.8
Budget support	1.3	1.3	1.2		0.3
Project grants	1.1	1	1.1		1.4
Expenditures and net lending	19.6	22.8	18.6		19.4
Overall Balance	-4.9	-4.3	-3		-4.0
Financing	4.4	4.3	2.4		4.0
External	2.2	1.4	2.4		2.4
Domestic	2.1	2.9	0.1		1.6
Bank financing	2.3	1.1	-2.5		...
Non-Bank financing	-0.2	1.8	2.5		...
Errors and Ommissions/financing ga	-0.5	0	-0.6		0.0

Source: MoFPED BTB (various years)

The poor performance can be attributed to the wide spread use of tax incentives on intermediate goods targeted to attract investors. Exemptions cover a range of areas and link to supply of specialist products linking to power generation, ICT and inputs to agriculture and agro-processing. These incentives have undermined VAT collections and the estimated losses from these exemptions are about 2 percent of GDP. In addition, there are tax holidays on corporate income tax (CIT) for export businesses and agro-processing firms. There is scope over the medium term to also extend VAT to the retail sector which would significantly boost revenues.

Third, the PPP financing strategy was being fronted as a source of financing without a proper legal framework in place to support PPP arrangements. For example, 60 percent of the financing of the flagship projects was envisaged to come from PPP. Use of capital markets as a way to finance large infrastructure projects was also not a viable option given that the financial markets in Uganda are still very shallow.

3.6 Funding Gap of the Plan

This section will mainly focus on the funding gaps between the NDP and the actual budgets. The NDP had two major inputs to demonstrate the funding requiring for the plan. First, was the MTEF which demonstrated how resources would be spent in each sector to realize the plan. The NDP also had a Cost and Implementation Matrix which was used as a basis for the construction of the MTEF in the NDP. The NDP also identified flagship projects to be implemented. The flagship projects were to be funded under the PPP arrangements.

As shown in Table 10, there has been some variations in the required resource envelop depicted by the NPA and MoFPED. When the NDP was written, it was assumed that UGX 54,182 billion would be made available through GoU on-budget channels. It was also assumed that a further UGX 20,441 billion and UGX 16,440 billion would be covered from off-budget financing (primarily development partners) and other (mainly private sector) contributions respectively. This gave total estimated cost for full NDP implementation of UGX 91.063 billion. The core projects which were largely in transport and the energy sectors were expected to cost UG 5,000 billion shillings. On the contrary, based on the resources available and the need for the MoFPED to maintain macroeconomic stability, the funding that could be available for the plan was UG Shs

47,000 billion which is far less that what was envisaged in the NDP. The underfunding therefore led to many departments and agencies not being able to implement the NDP interventions.

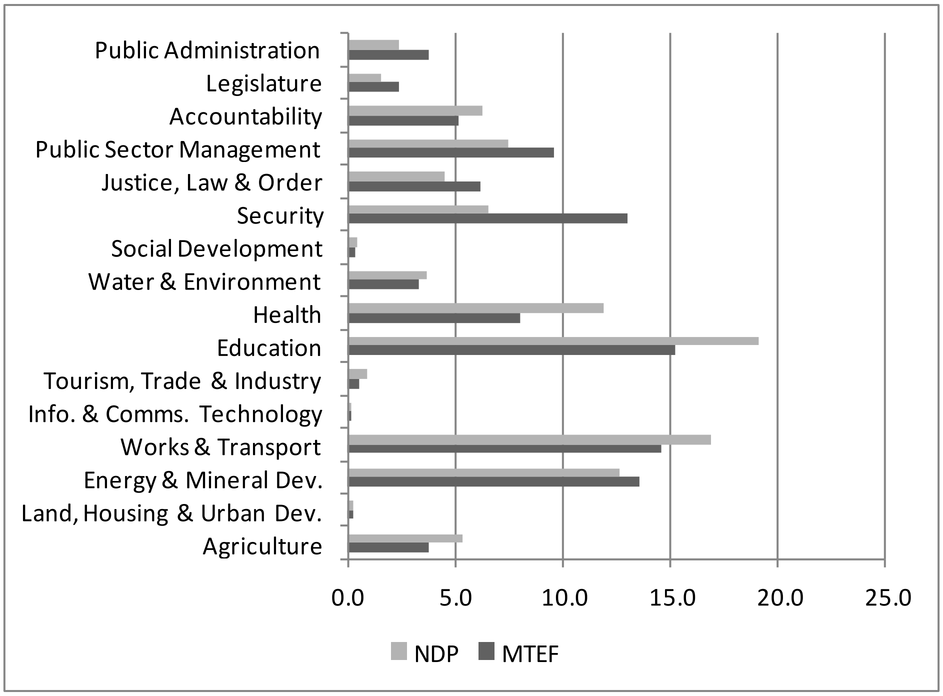
Table 10: Comparisons of NDP costing estimates (on-budget comparisons)

Sector	NDP 5 Year Costing Estimates (UGX Billion)				MoFPED 5 Year MTEF (UGX Billion)
	Core Projects Costing	Priority Costing	NDP MTEF Costing	CIM Costing	
Agriculture	41	1,967	2,701	2,914	1,776
Land, Housing & Urban Dev.	0	0	129	294	104
Energy & Mineral Dev.	3,148	6,236	6,425	10,399	6,389
Works & Transport	1,670	7,196	8,592	11,530	6,870
Info. & Comms. Technology	15	29	60	483	76
Tourism, Trade & Industry	332	285	461	987	252
Education	0	2,602	9,678	6,378	7,192
Health	0	5,560	6,049	6,970	3,793
Water & Environment	0	1,185	1,886	2,243	1,548
Social Development	42	207	233	759	175
Security	0	0	3,300	3,029	6,150
Justice, Law & Order	0	0	2,298	1,703	2,923
Public Sector Management	0	0	3,781	2,977	4,527
Accountability	0	158	3,169	2,039	2,434
Legislature	0	0	765	591	1,143
Public Administration	0	0	1,192	887	1,799
Total Costing	5,249	25,426	50,719	54,182	47,151

Notes: The figures represent GoU on-budget data. Costings exclude interest payments and unallocated amounts. Core project costing details obtained from Chapter 9 of the NDP. MoFPED figures are based on actual releases for 2010/11 and 2011/12 and approved budgets thereafter.

In addition to the resource gap, the priorities of the MoFPED and the NDP have also been different over the past two years. While the NDP provided more resources to sectors like education, health and transport, the MoFPED allocated more resources to what is considered as enabling sectors which include public administration and security (Figure 13).

Figure 13: Comparisons of 5 year GoU on-budget sector allocations for MoFPED led MTEF and NDP



Source of data: NDP and MoFPED reports. MoFPED data relates to actual releases for 2010/11 and 2011/12 and approved budgets thereafter. NDP data relates to costing estimates on page 56, excluding interest payments and unallocated costs.

4.0 Monitoring and Evaluation: Evaluation of the Systems and Institutional capacities

4.1 Monitoring and Evaluation Systems

The government recognized the need of having the Monitoring and Evaluation (M&E) with the objective of keeping the implementation of the PEAP on track. The key driver to implement the M&E framework was derived from the Poverty Monitoring and Evaluation Strategy (PMES) which was developed in 2001. Under the PMES, 33 priority indicators were identified for the implementation of the PEAP. These indicators were classified according to a results chain: input, output, process, outcome, and impact. The strategy also identified the institutions responsible for the various indicators. Sources of data included the Uganda Bureau of Statistics (UBOS) which undertakes household surveys and also responsible for various types of national accounts, ministries through their management information systems and other sources like the Uganda Participatory

Poverty Assessments. In spite of the progress that was achieved to build an M&E system, there were serious challenges:

- Co-ordination of the flow of relevant information to top decision makers remained weak.
- The M&E focused on reporting geared towards budget releases, as opposed to critically assessing the underlying performance revealed by M&E.
- The M&E lacked the performance based management based culture, planning and management of public service delivery processes based on long term objectives.
- The M&E system also lacked a comprehensive information base with gaps in some data bases.

Given the several diagnostic reviews of the M&E in Uganda which were largely commissioned by government, this resulted into Multiple M&E arrangements being developed over the years, resulting in wasteful duplication and repetition of efforts. This resulted into a complex and formidable burden of inspection activity, indicator data collection and reporting formats that planners and managers at the sector, district and facility levels have to deal with (Hauge, 2001 and 2003). Some of the systems developed included the following:

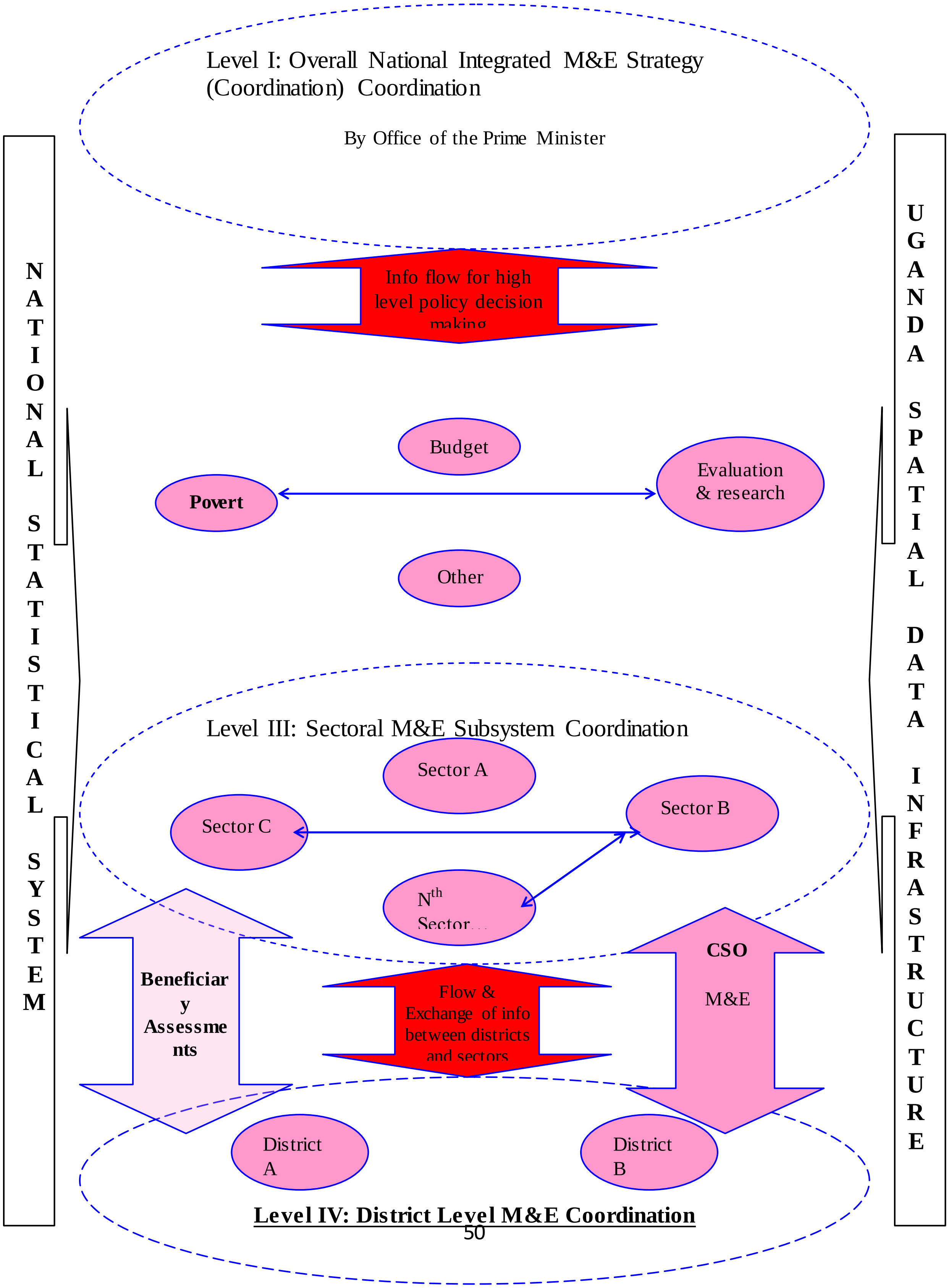
- Poverty Status Report, PEAP revisions, and PRSP progress reports
- Medium Term Expenditure Framework (MTEF) budget planning, commitment control system, and budget performance reports
- Twenty-three PAF work planning, and progress reporting formats
- Local Government Information and Communication System
- Sector working group/Sector-Wide Approach (SWAP) joint reviews
- Separate ministerial management information systems
- Twenty-five different donor agreements with associated reporting requirements
- Development project reporting (Office of the Prime Minister)
- Ministry and district physical inspections
- Accountability investigations: auditor general, inspector general, and treasury inspectorate
- Civil society, and community-based monitoring
- Public expenditure tracking studies
- Ad hoc studies, and research
- Integrated Personnel and Payroll Management System

- Results-oriented management implementation reporting.

A review of ministry data collection systems in the health, education, and water and sanitation sectors revealed that Uganda's district administrations are required to report on more than 2,000 different performance indicators with an average monthly reporting volume of more than 300,000 data entries. Some data records, for example, on program expenditures, are manually entered several times into different systems.

In order to address these challenges, government developed a more comprehensive M&E system referred to as the National Integrated M&E Strategy (NIMES) with a secretariat in the Office of the Prime Minister. The objective of NIMES was to harmonize the existing systems to reduce duplication of efforts and enhance timely quality data. Figure 14 provides the flow chart of NIMES.

Figure 14: THE NATIONAL INTEGRATED MONITORING AND EVALUATION FRAMEWORK



NIMES also faced some challenges. The first challenge was due to the so many indicators that were derived from the PEAP matrix and this became very complex to follow. The second problem was that the data was not available on a more frequent basis for the NIMES to be able to influence the budgeting process. In addition, the routine monitoring of spending and results was not well embedded across the public service. Management information systems existed in few Ministries, and annual sector reviews cover less than one third of sectors. The utilization of data to strengthen performance and accountability is generally weak. The regular evaluation of public policies and programmes was also sparse, with the majority commissioned and managed by Development Partners, not Government.

Under the NDP, NIMES was extended to include the following components: (i) Monitoring and Evaluation Strategy for National Development Plan (NDP), (ii) Results and Performance Frameworks at three levels including sectors (e.g. water and sanitation), Ministries (departments and agencies) and local governments, and (iii) developing indicators and targets at each of these levels. There is also a logical flow on how outcomes from for example the sectors influence overall outcomes at the national level. The NDP elaborates roles and responsibilities around M&E for the NDP that have been clarified with the passage of the national M&E policy (OPM 2010). Both these documents place the mandate for coordination and monitoring of government performance through the NDP on OPM. OPM is responsible for monitoring government performance through the annual and bi-annual GAPR, reporting to Cabinet, but with a broadened focus on private sector indicators as well. On the other hand, the role of the NPA is to establishment the results framework and the elaboration of the NDR, capturing high-level assessment of NDP progress and presenting it alongside the GAPR in Cabinet. All MDAs and local governments as well as CSOs and the private sector are responsible for reporting on their performance with OPM and NPA guidance on GAPR and NDR respectively, and with a purpose of assessing progress against the NDP and the Vision 2040.

4.2 Institutional challenges experienced in the Monitoring and Evaluation of development plans

The responsibilities of the NIMES were in the Office of the Prime Minister (OPM). The rationale for putting the responsibility with the OPM was derived from the Cabinet decision in August 2003 where all coordination and implementation of government policies and programmes was under the OPM. This however created tension with the MoFPED whose responsibilities at the time included planning, budgeting and to a certain extent monitoring through the PMES. There clash on mandates was apparent especially between the OPM, MoFPED and the NPA. Yet the OPM did not have much leverage in terms of authority as the MoFPED exercised over its budgeting process. In the process therefore, M&E under the PEAP remained weak and fragmented even after establishing the NIMES. Besides, the development of the required capacity to undertake M&E also remained weak even after establishing an Evaluation Coordination Working Group under the NIMES owing to institutional power struggles over mandates.

The responsibilities of M&E are still with the OPM under the current NDP. However, there are still challenges with the NPA as it also has an M&E department. The argument is that while OPM only covers the M&E framework for the entire government, there is no institution that covers the private sector and civil society who are key actors for the implementation of the NDP. However this has also resulted into duplication of efforts where the NPA produces annual National Development Reports while the OPM also produces a similar report called the Government Annual Performance Report.

4.3 Use of Monitoring and Evaluation Reports and Influence in Policy Making

As part of the GoU's and donors' monitoring of the implementation of the Poverty Eradication Action Plan (PEAP) annual sector reviews were conducted which were consolidated into Annual PEAP Implementation Review (APIR). Overtime these processes have evolved into Government Annual Performance Reports coordinated by the OPM. The GAPR report covers the entire performance of government and is used by various agencies including the following:

- The office of the Auditor General in the process of conduction its annual financial value for money audits requires evaluations assessing what has been accomplished.
- Evaluations are used by parliamentary committees while conducting their oversight work. Of particular interest are the Public Accounts Committee (PAC) for central government MDAs, The Local Government Accounts Committee and the Committee on Statutory Authorities and State Enterprises for public and parastatal bodies.
- The donor community is the largest initiator, commissioner and manager of evaluations in Uganda. At country level, demand for evaluation is expressed through requirements that national development plans such as the PEAP, and

the NDP, be systematically evaluated. As well, demand for evaluative information is addressed through annual sector and budget support reviews.

- From a social accountability perspective there is demand from civil society or citizen's organisations. These reports are have also been used to strengthen social accountability through processes such as participatory budgeting, public expenditure tracking, citizen monitoring of public service delivery, citizen advisory boards, social audits, lobbying and advocacy campaigns.

4.4 Achievements of the various plans

Performance under the PEAP

It is estimated by the Uganda Bureau of Statistics (UBOS) that the average annual growth rate under the PEAP period between 1997/98 and 2006/07 was 6.94 percent. There are various factors that contributed to this unprecedented growth rate. First, for the larger part of the country there was increased security and political stability which led to the resumption of key factors of production especially land and labor (IMF, 2005). Most post-conflict countries have exhibited similar growth patterns and it is therefore difficult to attribute this significant growth as a result of implementing the PEAP. However, it can be argued that policies that underpinned the PEAP contributed to the resumption of growth. Such policies included for example the liberalization of the primary commodities sectors which led to farmers benefitting from higher world prices of coffee during the period in the late 1990s. For the sector contributions to growth, agriculture has been growing at a slower rate than industry under services and its GDP share fell to less than 17 percent by 2007/08. Overall the actual average growth rate was in line with the 7 percent growth target for the PEAP.

Prior to the implementation of the PEAP, poverty at the national level was declining owing to the resumption of GDP growth. All of the measures (the headcount ratio, poverty gap and squared poverty gap) show a steady fall in overall poverty before the launch of PEAP 1997. Under the PEAP period, poverty continued to decline in 1999 before rising slightly in 2002. By 2005/06, overall poverty level was much lower than in 1997. Poverty fell much more rapidly in the rural areas than the urban areas. However, when the PEAP was implemented, overall inequality started to increase. After eight years of the PEAP (1997–2005), inequality was higher overall and in both rural and urban areas.

On human development, the PEAP set ambitious target levels for the Infant Mortality Rates (IMR). In 1997 the IMR was set at 60 deaths per 1,000 live births by 2000 when the actual IMR was around 115 deaths. As shown in Table 11, these targets were not met. For the revised PEAP in 2000 there was no target that was set for IMR. In 2004 the target was revised accordingly to 68 per 1,000 live births in 2007/08. The 2006 Uganda Demographic Health Survey shows that the IMR declines from 89 to 75 during the PEAP period. The decline in the IMR is attributed to the improvement in the coverage of immunization programmes especially in 2001. There was also some marked improvement in the maternal mortality rates which declined by 17% between 1995 and 2006.

Table 11: Millennium Development Goals

Year	**1992/93**	**2002/03**	**2005/06**	**2009/10**
Net Enrollment Ratio in primary education	87	90	93	96
Completion rate to primary 7	63	62	47	54
Year	**1995**	**2000/01**	**2005/06**	**2011**
Under five mortality rate (per 1000 live births)	156	152	137	90
Infant mortality rate per 1000 live births	81	88	76	54
Marternal mortality rate per 100,000 births	506	505	435	352
Proportion of births attended by skilled personnel	38%	39%	42%	59%
Contraceptive prevalence rate	15%	23%	24%	30%

Source: UNHS and UDHS various years.

Significant progress was also made in the areas of education. The first PEAP had a target of increasing the literacy rates to 76 percent and this was raised to 85 percent in the revised PEAP of 2000. During the period 1992/93 and 2005/06, the national literacy rate increased from 75% to 83%. The improvement in literacy rates could be attributed to the adoption of the Universal Primary Education which was one of the cornerstones for the PEAP. The UPE programme had a significant impact on the education sector as it resulted into doubling of primary school pupils from 2.9 million in 1996 to 5.3 million in 1997. Enrollement of students was over 7 million pupils in primary schools (MoES, 2004b). Also the number of teachers on the public payroll increased from 65,000 in

1996 to 144,000 by 2005, and the number of classrooms more than doubled from 40,000 to 97,000 over the same period.

Macroeconomic Achievements Under the NDP

This section presents some of the achievements of the NDP. First, we focus on the NDP three goals which included growth, employment and social economic transformation. The NDP was underpinned with an average real growth rate of 7.2 percent ranging from 6.7 percent in 2010/11 to 7.5 percent in 2014/15 (Table 12). This high growth rate was based on two assumptions: (i) it was expected that there would be recovery in agriculture growth with the sector growing at 5.6 percent over the period; (ii) growth in the industrial sector would be sustained between 6 and 7 percent annually and; (iii) key binding constraints including the reduction in the cost of energy and transport would have an impact especially on the manufacturing sector. However, the growth outcome for the first 2 years of the implementation fell short of expectations. Real growth in 2011/12 decelerated to 3.4 percent compared to the 7 percent that anticipated in the NDP (Table 12). For 2012/13 it is now projected that growth will be about 4.3 percent compared to the 7.3 percent in the NDP.

There are various factors explaining why real growth has decelerated over the past two years. The first factor are spill-over effects due to the global economic downturn which resulted in deteriorating terms of trade as commodity prices declined while fuel prices, a key input for most sectors, continued to increase. The second factor was slow implementation of NDP projects that aimed to unlock the key binding constraints to growth. The third factor was the prolonged drought which had an impact on agriculture production—a key sector where growth was expected to increase 2010-15.

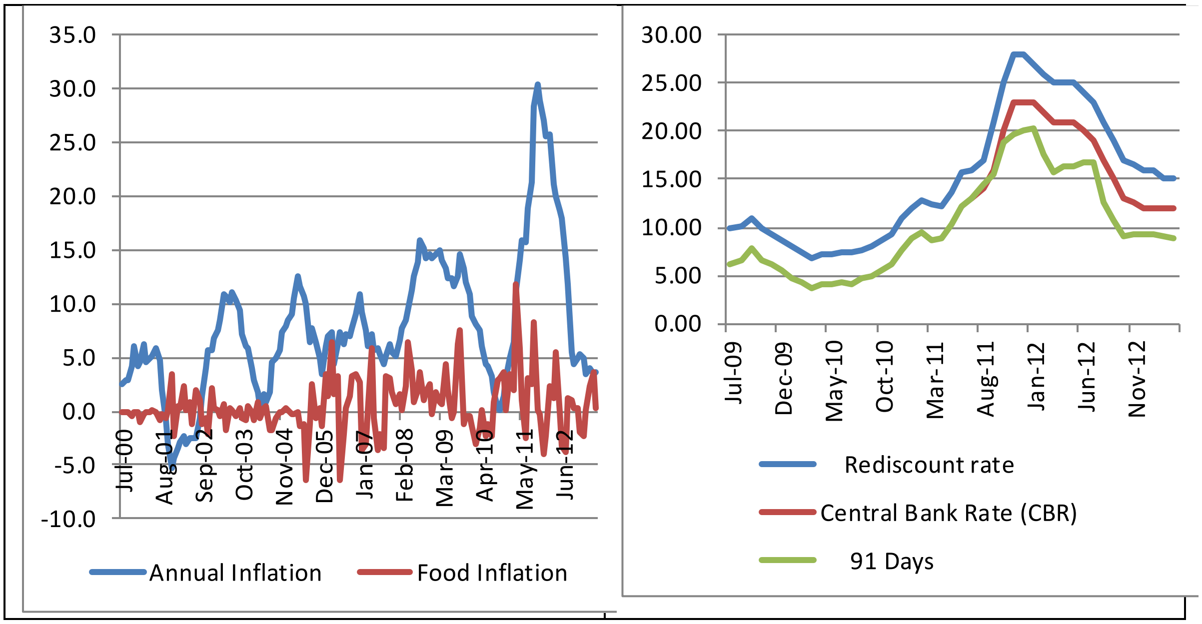
Table 12: Selected macroeconomic and finance indicators

Selected Macroeconomic and Financial Indicators, 2010/11-2014/15								
Maccroeconomic Indicators	2010/2011		2011/2012		2012/13		2013/14	2014/15
	NDP	Actual	NDP	Actual	NDP	Estimate	NDP	NDP
Real Sector								
Annual GDP Growth rates (factor cost)	6.6%	6.7%	7.0%	3.4%	7.2%	5.1%	7.4%	7.5%
GDP (mkt) -shs bn	41.397	39.051	46.934	49.849	53.904	54.688	62.227	72.094
Private investment (% of GDP)	16.9%	18.1%	17.4%	18.8%	18.1%	19.3%	18.2%	18.3%
Public investment (% of GDP)	8.0%	6.7%	8.8%	5.7%	8.9%	6.0%	9.2%	10.0%
Private consumption (% of GDP)	76.4%	83.7%	75.3%	82.9%	74.1%	77.3%	73.4%	73.9%
Public consumption (% of GDP)	10.3%	9.8%	10.1%	8.1%	10.1%	7.8%	9.9%	8.7%
Domestic savings (% of GDP)								
Fiscal Sector								
Government domestic revenue (% of GDP)	13.1%	16.2%	13.6%	13.3%	14.1%	13.6%	14.6%	15.1%
Government expenditure (% of GDP)	19.2%	22.8%	19.8%	18.6%	19.8%	19.2%	19.8%	19.4%
Fiscal deficit, excluding grants (% of GDP)	-6.1%	-4.3%	-6.2%	-5.3%	-5.7%	-5.7%	-5.2%	-4.3%
Domestic interest payments (% of GDP)	0.8%	1.1%	0.7%	1.2%	0.7%	1.4%	0.6%	0.6%
Domestic borrowing (% of GDP)	0.7%	2.9%	0.6%	2.9%	0.6%	1.5%	0.6%	0.6%
External sector								
Exports & NFS (% of GDP)	21.6%	13.7%	21.3%	13.7%	20.9%	13.4%	20.7%	19.1%
Imports goods and services (% of GDP)	33.2%	27.8%	33.0%	27.2%	32.1%	26.2%	31.4%	30.0%
Trade deficit (% of GDP)	-11.6%	-14.1%	-11.7%	-13.4%	-11.2%	-12.8%	-10.7%	-10.9%
Debt stock/GDP	14.8%	17.3%	17.3%	17.0%	18.9%	…	19.8%	18.2%
Net donor aid (% of GDP)	5.4%	4.5%	5.6%	5.0%	5.1%	4.5%	4.6%	3.7%
Monetary sector								
Inflation	7.5%	6.5%	6.0%	23.5%	6.9%	6.0%	6.8%	6.8%
Reserves in months of imports	5.1	3.2	5.3	4.2	5.5	4.1	5.6	5.7
Average Nominal Interest Rate on Government Securities	11.0%	17.6%	9.5%	9.2%	9.9%	…	9.8%	9.8%
Private sector credit (% of GDP)	14.3%	16.7%	15.2%	14.5%	16.0%	14.8%	16.8%	17.3%
Private sector credit growth	27.1%	44.4%	20.6%	11.1%	20.1%	13.1%	19.3%	19.3%
Money (M3) (% of GDP)	18.5%	26.7%	19.1%	22.5%	19.7%	22.6%	20.1%	20.8%
Base Money (% of GDP)	7.1%	7.8%	7.5%	6.1%	7.7%	6.6%	7.9%	7.9%

Sources: National Development Plan, UBOS and MoFPED.

High inflation which peaked at 30% in October 2011, and related policy responses compromised achievement of the macro-economic objectives included in the NDP (Table 11). The NDP anticipated inflation to be kept at an average of 7% during the first three years. In the course of implementing the NDP, the central bank switched from use of reserve money as the main operating target of monetary policy in July 2011 to the central bank rate (CBR). The Central Bank focused on taming inflation by targeting demand factors driven by rapid growth in private sector credit. The tight monetary stance adopted end-2011 led to a slowdown in private investment and consumption. The increase in the CBR rate from 13 percent in July 2011 to 23 percent in November 2011, led to a decline in private sector credit growth from 44% in 2010/11 to 11.1% in 2011/12. In addition, the increase in the CBR rate and corresponding commercial bank rates, resulted in a shift towards borrowing dollar denominated loans.

Figure 14: Inflation and Interest Rates



Source: Bank of Uganda.

Various drivers have been identified to explain the recent spike in inflation. One of the key drivers has been growth in money supply which according to a recent AfDB study money supply contributed 32% of growth to overall inflation. Other factors include increasing oil prices and commodity prices. This price volatility also reflects underlying structural weaknesses in the real economy and particularly the agricultural sector.

Social Indicators under the NDP

Overall, there has not been much improvement in the state of human development in the country over the last three years. A recent Human Development Report (2013) still places Uganda in the low human development category with most indicators remaining static (and worsening in some cases) in relation to previous years. The country's HDI value for 2012 was 0.456, reflecting a marginal improvement from her position in 2011 which was 0.454. In both 2011 and 2012, Uganda ranked 161 out of the 187 countries that were assessed. This country ranking fell short of the NDP targeted position of 150th and 148th respectively. Similarly, Uganda's HDI score fell below the HDI average for countries in the low category (0.466) as well as below the average for countries in sub-Saharan Africa (0.475). Below is a summary of Uganda's HDI performance over the period covered by this MTR.

Table 13: Trends in the human development index of Uganda

Year	Life Expectance at Birth	Expected years of Schooling	Mean years of Schooling	GNI per capita (2005 PPP$)	HDI Value
2010	53.7	11.1	4.7	1,126	0.450
2011	54.1	11.1	4.7	1,158	0.454
2012	54.5	11.1	4.7	1,168	0.456

Source: Uganda Human Development Report, 2013.

The country's performance on other indicators of social transformation has shown mixed results. The GAPR 2011/12 indicated that literacy levels in Uganda have been rising slowly in recent years, from 73.6% in 2008/09 to 74.6% in 2011/12. However the NDP targets for this social indicator in both 2010/11 and 2011/12 (76.9% and 78.7% respectively) remained unachieved. As it is, the main contributor to Uganda's literacy figures is the universal primary education policy that has maintained the mean years of education at 4.7. Only about 23% of Ugandans have attained at least secondary education with the proportion of women lagging slightly behind at around 24%. The last UDHS study in 2010 indicated that there was not much difference in people's attitudes and practices to work / employment between primary and no education categories. Consequently, one of the most binding constraints to the national development of Uganda is to do with the lack of enough relevant high quality skills.

With regard to life expectancy, there have been minor increments in life expectancy in Uganda, rising from 53.7 years in 2010/11 to 54.5 years in 2011/12 according to the latest HDR figures. However, this is seen to be in line with the cautious targets in the NDP which projected life expectance to grow by a few months every year for the five years of the current NDP. The Vision 2040, on the other hand, foresees a one year increase in life expectancy each year between now and 2040.

Urbanisation is a key theme of the Vision 2040, which foresees 60% of Ugandan living in urban areas by 2040. The trend is upward, with the estimated urbanisation level moving from 12.0 % in 2008/09 to 13.0% in 2010/11 and 14.7% in 2011/12. There are, however, concerns that a lot of urban development is unplanned and there are growing challenges in providing public services to larger numbers of people in towns.

Table 14: Trends in NDP socio-economic indicators

Development Indicator	NDP Baseline 2008/09	Vision Baseline 2010	Actual 2010/11	Actual 2011/12	NDP Target 2011/12	NDP Target 2014/15	Vision Target 2040
National skills gap	N/S	N/S	N/S	N/S	N/S	N/S	N/S
Literacy level (%)	73.6	73	73.2	74.6	76.9	82.2	95
Life expectancy at birth (years)	50.4	51.5	54.0	52.2	51.3	52.4	85
Human development index	0.514	N/S	0.446	0.422	0.531	0.572	N/S
Population in urban areas (%)	12	13	13.0	14.7	12	20	60

Sources: NDP, Vision 2040, GAPR 2011/12, draft NDR 2011/12, UBOS Statistical Abstract 2012.
N/S = not stated. N/A = not available.

Progress on Addressing Binding Constraints under the NDP

For the country to attain its main objective of "Growth, Employment and Socio-Economic Transformation", the NDP identified the key binding constraints that need to be addressed. These constraints can broadly be categorized as: (i) Weak Public Sector Management and Administration; (ii) inadequate financing and financial services; (iii) inadequate quantity and quality of human resources; (iv) inadequate physical infrastructure; (v) gender issues, negative attitudes, mindset, cultural practices and perceptions; (vi) low application of science, technology and innovation, and (iv) inadequate supply and limited access to critical production inputs. As a way to prioritize its interventions to address the above binding constraints, the NDP also identified core projects cutting across various sectors which cut across various sectors in infrastructure development, ICT, skills development and private sector related projects. This section focuses on the progress so far achieved in addressing infrastructure constraints, inadequate financing and financial services and skills development.

There is some progress achieved in hydropower generation after the completion of the Bujagali dam with a potential to add 250 MW. This has considerably reduced power outages especially for the private sector and constrained investment, industrial output and employment growth. Notwithstanding this achievement, tariffs in Uganda still remain high at XX compared to other countries in the East African region. The current power generated remains way below of what is required. The installed capacity was expected to rise from about 640 MW in 2009/10 to 890 MW in 2011/12 after the installation of the Bujagali dam and to largely cater for an estimated demand of 507 MW in 20011. To a certain extent this has not materialized as a result of phasing out some thermal generation plants particularly Aggreko (Kiira and Mutundwe). The current installed capacity is 778 MW way below from what was envisaged (Table 15).

Table 15: Existing Power Generation Plants and Capacity Installed

	Installed Capacity (MegaWatts)		
Plant Name	2009/10	2010/11	2011/12
Hydroelectricity	328	441	691
Kiira	120	200	200
Nalubaale	180	180	180
Kasese Copper Cobalt Company	10	9.5	9.5
Kilembe Mines	5	5	5
Mobuku	--	9	9
Bugoye	13	13	13
Mpanga	--	18	18
Ishasha	--	6.5	6.5
Bujagali	--	--	250
Thermal Electricity			
Electro-maxx	--	20	20
Aggreko (Kiira)	50	50	--
Jacobsen Plant-Namanve	50	50	50
Aggreko-Mutundwe	50	50	--
Bagasse Electricity	14	17	17
Kakira Sugar Works	12	12	12
Kinyara	2	5	5
Total installed capacity	492	628	778
Target installed capacity	640	696	890

Source: Ministry of Energy and Mineral Development

There is some mixed progress on the installation of the construction of the Ayago and Isimba hydro electric power (HEP) dams. For the case of Ayago, a prefeasibility study has been carried out and the project is expected to start in the fourth year of the plan as stipulated in the NDP. A detailed feasibility study of the Isimba HEP dam has been completed. However, there has been a delay in implementation of this project which was envisaged to be effected in 2011/12. The total cost of the projects during the five year NDP period was estimates UGX 360 bn of which UGX 134 bn (37 percent) was to be contributed by the private sector through the PPP arrangements. This has not materialized partly owing to the delay in passing the law governing the PPP arrangements. Other mini-hydropower projects like Buseruka, Nyagak, Maziba, Kikagati, Musizi and Nyamwamba which were expected to be implemented in 2011/12 have all been delayed due to various factors although for most of them feasibility studies are either underway or completed.

Rural electrification is one of the key interventions that were targeted with an objective to achieve coverage of at least 10% in the rural areas by 2012. The program is mainly targeting district headquarters, production areas to support agricultural modernization, connection of renewable energy generation projects to the main grid, socially desirable areas like schools, health centers, water supply facilities and trading centers which provide services to the rural population. In 2011/12, the budget allocated UGX 11.3 bn for rural electrification. Indeed during the financial year, 2500 km of rural electrification was achieved against the target of 500km. In addition, 10 districts headquarters were electrified compared to the target of 11 districts. Despite some progress, this program faces challenges emanating from sparsely populated areas which make it costly to distribute and low purchasing power of rural households to connect and pay for electricity services.

While roads and transport still get the largest part of the budget, the stock of paved road network has marginally increased. The total national roads network is about 21,000 km and only (3,317 km) or 15.8 percent is currently paved. The National Development Plan (NDP 2010) envisaged increasing paved roads by 1,100 km over the 5 years ending FY 2015/16. As shown in the Table 16 below, paved roads have only increased by 117 km over the last two years.

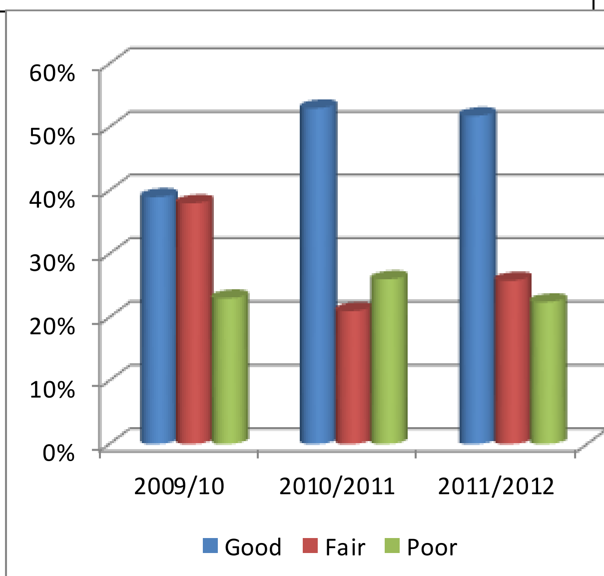
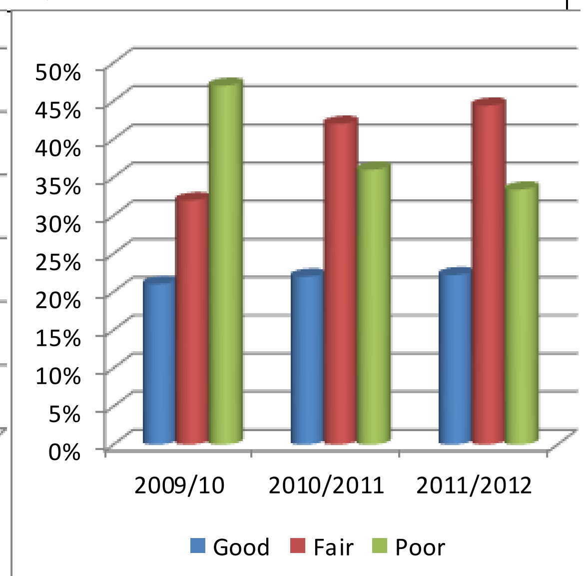
Table 16: Stock of Paved Roads

	Paved Roads	
Year	Annual increase (kms)	Stock (kms)

2009/10	165.4	3200
2010/11	64.1	3264
2011/12	53	3317

Despite the slow progress to increase the stock of paved roads, there have been some achievements to improve the condition of the paved road network. The percentage of paved roads that have moved from fair to good condition has been maintained at 52 percent compared to 39 percent in 2009/10. In addition, the condition of unpaved roads has also been improving over the last two years as shown below. Despite the recognized importance of roads, they are not well managed and maintained. The current backlog of deferred maintenance is estimated at UGX 719.5 bn. In addition the resources allocated to to routine maintenance are still very low relative to resources devoted to new construction. Because of this imbalance, the newly constructed roads also deteriorate is a period less than their lifetime.

Figure 15: Paved and Unpaved Roads

Paved Roads	Unpaved Roads
	

Absorption of resources has also remained a challenge to address the poor roads conditions over the past two years. For example, the KCCA received UGX 10.5 bn in 2011/12 for road works in the metropolitan area which are in a deplorable state. Of these resources only 69 percent of the release was not spent and managed to increase the road network by only 6 kms. This has resulted into limited connectivity across urban centers, congestion on the limited existing road network and an increase in travel time and transportation costs.

Given the high cost of transporting goods by roads, the NDP placed special emphasis on rehabilitating the existing rail network and increasing the haulage capacity. In addition emphasis was put on construction of the standard gauge rail. The estimated cost for revamping the railway was estimated at UGX 1,760 bn shillings of which the private sector was to contribute UGX 470 bn. Limited progress has been made largely focusing on feasibility studies, procurement of spare parts for wagons and rehabilitation of docks as shown in the box below:

The NDP puts emphasis on the strategic positioning of the financial sector in a globalized and liberalized environment while ensuring the expanded outreach of the financial sector within the economy. Some of the key strategic actions to attain this objective include: (i) maintaining financial and macroeconomic stability by persuing low inflation and competitive interest rate, (ii) strengthening the money market by promoting product development and innovations, (iii) strengthening capital markets and promoting product development, (iv) increasing investor base by liberalizing the pension sector, (v) improving infrastructure to promote interconnectivity and inter-banking, (vi) improving intermediation through putting measures that reduce interest rates, (vii) enhancing the microfinance sector in rural areas and urban areas by supporting microfinance institutions including SACCOs, and (viii) improving information dissemination to enhance consumer education through financial literacy.

Banks outreach and product development has improved over the last two years. During 2010/11-2011/12, banks have increasingly focused on developing various products including electronic banking products as a substitute to setting up branches. This is intended to enhance the outreach of banking to both the urban and rural areas. Such services allow clients to use their cell phones or computers to transact without necessarily visiting branches for banks to be served. The partnership between banks and mobile money operators has also been strengthened. Banks have also continued to set up new branches and ATMs in a drive for wider representation and service provision. The number of outlets for banks is about 455 branches and 637 ATMs as at 31st December 2011 compared to 363 branches and 480 ATMs as at 31st December 2009. The number of foreign exchange bureaus and money remitters has also increased to 184 compared to 135 in 2009. Mobile money services registered significant growth between 2009 and 2012. The number of registered customers increased from 1,683,713 in 2010 to 2,879,968 during 2011, while the amount transferred by customers rose from Ushs.962.7 billion to Ushs.3.7 trillion over the same period. In terms of volume, the service registered a 204 percent increase in number of transactions from 28.8 million transactions in the year to December 2010 to 87.5 million transactions in December 2011. Another service called M-CASH was developed which is a payment and m-commerce platform that supports conventional person-to-person mobile-based money transfer and transactional proximity payments.

A number of factors have contributed to the slow progress on core projects. The main factor given by most sector MDAs responsible for these projects has been the inadequate or absent budgetary allocations so far made to these projects. A couple of projects have also been affected by the slow progress in setting in place the institutional and / or legal-political frameworks required to have them take off. Some of these projects (like the oil refinery, the oil pipeline and the railway line) require inter-country dialogue processes before they are implemented, but these processes are only happening very slowly. In other cases the slow progress has been attributed to absence of appropriate legal and operational frameworks to operationalise the public-private partnership policy, which is the main modality for implementing a good number of the core projects. Table 17 provides a summary of progress of each of the NDP core projects.

Table 17: Progress on NDP core projects

Core Project	State Of Progress
Construction of five irrigation systems	The project is regarded to be on-track: Doho, Agoro, Mubuku rice irrigation scheme have been rehabilitated but not yet complete, while Olweny rice irrigation scheme and Kiige are yet to be implemented. Project continues to be a priority; feasibility studies and designs for rehabilitation of Kiige and Olweny irrigation schemes are on schedule.
Refinery development	Project is going ahead but slower than expected: Refinery land earmarked and process of acquisition commenced; community education undertaken; environmental Baseline Survey conducted. Project continues to be a priority; budget proposal to scale up allocations to the project.
Construction of Karuma HEP project (600MW)	Project is regarded to be off-track: feasibility study and engineering designs have been concluded; funds allocated (UGX 552.16bn - 66.4% of budget) allocated; however construction did not commence due to procurement delays.

Core Project	State Of Progress
	Project continues to be a priority in the 2013/14 budget.
Construction of Ayago HEP project	Project is regarded to be off-track: Pre-feasibility study carried out. Project expected to start in fourth year of NDP. Project continues to be a priority.
Construction of inter-state distribution pipeline	Project experiencing very slow progress: procurement for studies at initial stage. Project not expected to be completed on schedule. Delays in inter-state dialogue. However, project continues to be a priority.
Construction of Isimba HEP Project (140MW	Project is regarded to be off-track: feasibility study and engineering designs undertaken in 2012. But no progress on actual implementation. Project continues to be a priority.
Improve transport infrastructure and safety for Greater Metropolitan Kampala	Project is regarded to be off-track: No progress has been made on all project targets. However Project continues to be a priority. Feasibility and design studies scheduled for 2013/14.
Rehabilitate the existing railway lines	Project is regarded to be off-track: No progress has been made on all project targets. Only two feasibility studies (Tororo-Pakwach railway line and Kampala-Kasese railway) have been conducted. Project continues to be a priority. Feasibility and design studies and fast-tracking and accelerating the rehabilitation works are desired.
Construct the standard Rail Gauge from Malaba to Kampala	Project is regarded to be off-track: No progress has been made on all project targets. Only design of Kampala Malaba Railway line to standard gauge has been initiated. Project continues to be a priority.
Improve water Transport of lake Victoria	Project is regarded to be on-track: some progress has been made on some project targets. Rehabilitation of MV Kaawa and the Dry Dock have been completed. Consultancy Services for remodelling Port bell and Jinja Piers and design of the ship to replace MV Kabalega initiated. Project continues to be a priority.
Information Technology (IT) Business parks construction project	Project is regarded to be off-track: No progress has been made on all project targets. Feasibility study is planned to be conducted in FY 2013/14. However is not funded in 2013/14.

Core Project	State Of Progress
Construction and Development of Phosphate Industry in Tororo	Project is regarded to be off-track: No progress has been made on all project targets. A resettlement plan has been developed but not implemented due to the court injunction. However is not funded in 2013/14.
Development and production of iron Ore ingots	Project experience no visible progress: Problems with securing surface rights. The project continues to be a priority.
National Non-formal Skills development programme	Project is regarded to be off-track: No progress has been made on all project targets. Project continuity is questionable as there is no apparent budget provision in 2013/14.
Construction and Development of 4 regional science parks and technology incubation centres (SPTIC)	Project is regarded to be off-track: No progress has been made on all project targets. Project has unclear institutional home between MoFPED and MoTIC.

5.0 Lessons learnt and recommended policy actions.

5.1 Consultations and stakeholder engagement

There were wide consultations when the PEAP was being prepared. This enhanced the ownership of the framework across various stakeholders and also eased its implementation process. However, while there is substantial appreciation of the NDP across all levels of Government as a bold attempt by the GoU to 'have a plan in action', there is also a belief that consultations to produce the NDP were not wide enough. This has created an impression that the NDP is a government document despite the fact that it is supposed to include other non-state actors like the private sector or civil society. What is necessary and vital at this point is to rally all institutions of government as well as the private sector, CSOs, media and development partners to work together to achieve this plan. All stakeholders must know their roles and play them in a manner that creates synergy and cooperation around a single integrated purpose – growth, employment and social transformation.

5.2 Design of plans and Planning Tools

The biggest challenge of implementing the NDP is that the planning and implementation tools are not well aligned. In particular, expenditure management systems and sector planning systems are not closely aligned with the NDP. At present the output based tool is based on a rolling 3 year planning framework compared with the 5 year fixed NDP framework. This makes it difficult to align the two processes. In addition OBT outputs do not fully map onto the strategic objectives included in the NDP as they are defined differently and sometimes relate more directly to previous sector plans. Sector plans in cases where they are available also often have different time horizons to the NDP which also makes it difficult to fully align them with NDP objectives. In addition, the IFMIS chart of accounts, MPSs and the BFPs are not fully aligned with the NDP. With hindsight, the NDP preparation should have put some focus on ensuring that the expenditure systems are well aligned to the NDP desired outcomes.

When the NDP was being developed, some MDAs did not have Sector Investment Plans (SIPs) to guide annual planning and budgeting over the medium term period (5 years). SIPs are a critical input to guide the use of the OBT. In the absence of some SIPs, MDAs were guided by the NPA to prepare background papers as inputs to the NDP. The absence of SIPs complicates planning processes and creates a vacuum for other tools such as the OBT. All sectors should have SIPs in place as a basis for informing planning for the next NDP and to enhance links between planning and budgeting including tools such as the OBT. Ideally, all SIPs should cover the same 5 year period at the NDP. This would require preparing well costed SIPs way before the NDP is prepared.

5.3 Linking the plan to Budgets and Expenditure Frameworks

Establishment of the PAF within the budget accomplished the objective to ensure that resources are effectively targeted for poverty eradication. This however presented its own challenges given that the budget became very inflexible to adjust as the share of the PAF in the budget continued to increase. With Uganda's experience, it's not advisable to ring fence expenditures within the budget.

On the other hand, the alternative that was adopted after the PEAP did not work very well. For the first two years there was limited alignment of the MTEF and budget implementation with the NDP. This largely emanated from the institutional weaknesses of various agencies fighting for planning and budgeting mandates. Based on the analysis of allocations and actual expenditure in the course of the NDP period there has been mixed progress on alignment of NDP with the budget. Whilst allocations to key sectors have increased significantly in nominal terms, eight out of sixteen sectors have consistently attracted funding below projected NDP allocations.

Use of supplementary budgets has had a negative impact on budget implementation and credibility. It should also be noted that the NDP medium term expenditure framework was also largely diverging from the past trends and allocations which greatly complicated the implementation of the NDP.

5.4 Financing

There is an urgent need to fast track domestic resource mobilisation to finance the development needs of the NDP. This is particularly so given that the financing of the budget from donors continues to decline. Expansion of the tax base would include enhancing the registration businesses especially in the informal sector. In addition streamlining of tax exemptions would help to enhance tax collection and minimize abuse of the tax system. The new development plan could focus on building consensus on a medium term strategy to broaden the tax base which will aim to bring more informal sector businesses into the tax net. The challenge of broadening the tax base to the informal sector is not only unique for Uganda especially in cases where proper identification systems of businesses and individuals are not well established.

The NDP was over ambitious to assume that 60 percent of the flagship projects would be financed using PPP. This is particularly so given the fact that the PPP regulatory framework was not in place. Notwithstanding this weakness, government has since put in place a regulatory framework which is supposed to be approved by parliament. The government could derive from successful implementation of PPPs and promote them across government.

The assumption that innovative financing mechanisms would materialize without addressing the availability of long-term financing was a strong weakness in the plan. Since the implementation of the NDP, steps have been taken to liberalise pension funds and to introduce new forms of bond financing to support infrastructure investments and PPPs.

The NDP was also vague on how efficiency gains in spending would be achieved. It did not clearly identify the key items where government would be able to save resources. For the next NDP, this would require establishing an efficiency and value for money programme across government to ensure scarce public sector funds are being spent effectively on the right things. This will require decisive action to streamline government structures and reduce duplication of functions.

5.5 Monitoring and evaluation

The monitoring and evaluation function of government has faced various challenges which could be addressed in the future. What started as a simple framework to monitor a few indicators has now expanded into a system that is not tractable by government officials. The proliferation of the M&E function across various MDA with different objectives (largely demanded by donors) has also resulted into a system that is difficult to manage. However, the recent efforts by the OPM requiring all MDA to collect data on performance have helped to centralize M&E. The OPM also provides guidance on the reporting formats therefore restricting information that would only be relevant for the GAPR report.

Despite these achievements, there are still challenges of extending the M&E beyond the functions of government. In particular, its not clear which agency is responsible to track the performance of the private sector in terms of various indicators like employment creation. Currently, the NPA assumes that role through their annual National Development Report. The second challenge is to have more frequent data to inform the M&E system. Most national accounting data is available on annual basis while household surveys are conducted every 2-3 years. For the M&E system to be relevant, it would require more frequent data perhaps on a quarterly basis.

5.6 Coherence with Other Development Frameworks

While designing the NDP, the social development goals took into consideration the requirements to meet the MDGs. It was also noted that some of the MDGs were likely to be met particularly MDG1 for poverty and MDG7 for access to safe water. It was also noted that some MDGs would be difficult to achieve by 2015 of which these include the net primary school completion rate and the under-five mortality rate. Indeed meeting these MDGs would require more resources at the expense other areas like infrastructure.

The NPA the principal agency responsible for managing and harmonising decentralised development planning systems and processes in Uganda, under the political mandate of the MoFPED is designated as the NEPAD/APRM National Focal Point institution. The NPA is tasked with setting up the national structures and ensuring that NEPAD initiatives and the APRM are integrated into the national planning processes. The functions of the Focal Point are: to establish, operationalise, supervise, monitor, evaluate and coordinate the national framework system and strategies; to manage and facilitate aspects of the APR process and country review visits in a cost effective and participatory manner.

Other declarations that are in place include: (i) Maputo declaration on Agriculture and Food Security which requires government to spend 10 percent of the national budget on agriculture, (ii) Abuja declaration to increase government spending on health to at least 15 percent of the budget. The challenge with some of these declarations is that they usually do not take into consideration of other development needs particularly spending required for other sectors. In designing the NDP, less effort was therefore put on meeting such declarations.

5.7 Capacity required for Effective Implementation of projects and programmes

There has been a challenge in the capacity to implement the NDP which had a broader agenda. Most flagship projects were included in the NDP without being fully appraised. As a result the technical and financial feasibility of these projects had not been fully tested and they were not yet “investment ready”. There was also a lack of sequencing of investment projects taking into account technical and financial capacity to design and implement projects. Appraisals take considerable time and cost and require high levels of expertise especially for the more complex and ambitious projects. As a result many projects are running behind schedule and some MDAs are struggling to implement a large number of complex projects simultaneously.

More could be done to build technical capacity in MDAs to speed up design of projects. This covers appraisal, selection, implementation and evaluation. Uganda scores 1.4 (0 is worst and 4 the best) compared with 1.5 for the EAC and SSA. It is also essential to have sufficient budgeted resources to finance pre-feasibility and feasibility studies for critical projects to ensure they are robustly designed and planned.

The other biggest challenge in the implementation of the NDP especially for the big projects has been the protracted long procurement processes. While procurement processes were meant to streamline the government processes in selection of bidders, this has indirectly become part of the problem in implementing projects owing to unnecessary delays. The Karuma dam is an example where resources to build the dam where procured and ring fenced two years ago but the actual implementation of the project was delayed owing to procurement and legal battles to challenge the process.

5.8 Feasible planning options and how could these be replicated by other African countries?

There are challenges with prioritizing and sequencing of projects in development plans. The NDP tended to address all the problems in five years without proper sequencing of projects and this has led to minimal implementation of several projects due to limited financing. As new development plans are being developed it is worth exploring how to improve investment planning and links between critical NDP projects, sector investment plans and the PIP.

One possible model would be to split projects into three categories:

- Tier 1: On-going priority projects.
- Tier 2: Investment ready projects that have been fully appraised.
- Tier 3: Priority pipeline projects. These would have gone through the pre-feasibility assessment stage. They would have been assessed as high impact and high priority. In the course of the NDP these projects would be fully appraised and then allocated funding as appropriate through the PIP process.

Criteria for funding priority projects would need to be agreed during the design of the development plan and should be updated periodically. These criteria should also be mainstreamed into PIP and sector planning processes. Economic rate of return is clearly important for all projects but the expected returns may vary according to whether projects are focused on economic or social transformation. For example roads projects would be scored highly if they enhance connectivity to new regional markets or link lagging and leading regions. To qualify for Tier 1 or Tier 2 status projects would require sequenced time bound implementation plans that are fully costed and include annual milestones. Tier 3 projects would require costed plans and milestones for appraisal. These would need to be finalized and scrutinized as part of the PIP process before they can be incorporated into the new development plan. The investment planning horizon for projects may need to be extended so a pipeline of projects is always being worked on in readiness for the next development plan. This requires a good understanding of the required sequencing of investments which should be informed by Vision 2040 and a clear theory of change to achieve socio-economic transformation in Uganda.

Conclusion

Uganda has experimented with various planning frameworks over the past 50 years. The early years between the period 1960 and 1970 was characterized by an approach where Government played a leading role in national development given the absence of the private sector at the time. This approach was referred to as the Mixed economy approach where in this case the state was engaged in activities where markets were considered to be imperfect. To a certain extent this approach managed to deliver some positive outcomes despite the fact that it could not be sustained. The next period was followed by what was referred to as the "Economic War". This was not a formal development plan but rather a way that was meant to enhance the economic empowerment of native Ugandans. There were serious challenges with this approach and indeed the economy considerably deteriorated during the period 1971 and 1980. The Economic recovery programs also managed reinstate macroeconomic stability during the period 1981 and 1983 before the country was fully entangled in civil conflict.

The key development plans fully reviewed in this paper include the PEAP and the NDP. The PEAP mainly focused on poverty allocation and witnessed formation of a Poverty Action Fund whose role was to ring fence expenditures meant to alleviate poverty. The PEAP to a large extent managed to deliver on its objectives of alleviating poverty and socio-economic development. However, this planning framework remained narrowly focused on poverty alleviation. This led to the adoption of the NDP with a wider scope and emphasis of addressing the key constraints to economic growth. The NDP has been implemented over the past three years and there has been some progress and challenges.

The key challenges of implementing the NDP include its lack of alignment to the MTEF. In addition some of the public expenditure management tools that are supposed to support the execution of the budget are not fully aligned to the NDP. This is partly because sufficient time was not provided to change these systems and adopting them to the outputs required of the NDP. The second challenge that the NDP has faced is financing. The NDP was overly ambitious without a detailed plan on how to finance the plan. Domestic resource mobilization remains a major challenge as the tax base remains narrow with a hard to tax informal sector. This was also exacerbated by planning to rely on other new forms of financing like the PPPs without preparing the required regulatory framework. In addition, there are also challenged like capacity constraints including the lack of timely appraisal of projects that were included in the NDP. Most of the projects that were considered to be flagship projects were not “investment ready”.

The monitoring and evaluation function of government has been evolving. Starting with a few indicators, the M&E system proliferated to various departments and was required by various donors. In the process M&E became a burden to MDAs and largely un implementable. However there has been some progress to streamline this process under the OPM. Formats of data required are provided by the OPM to MDAs, and these have been used over the past two years to produce GAPR monitoring reports. These reports are widely used by government. Challenges remain especially the higher frequency of data available to build robust M&E system.

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