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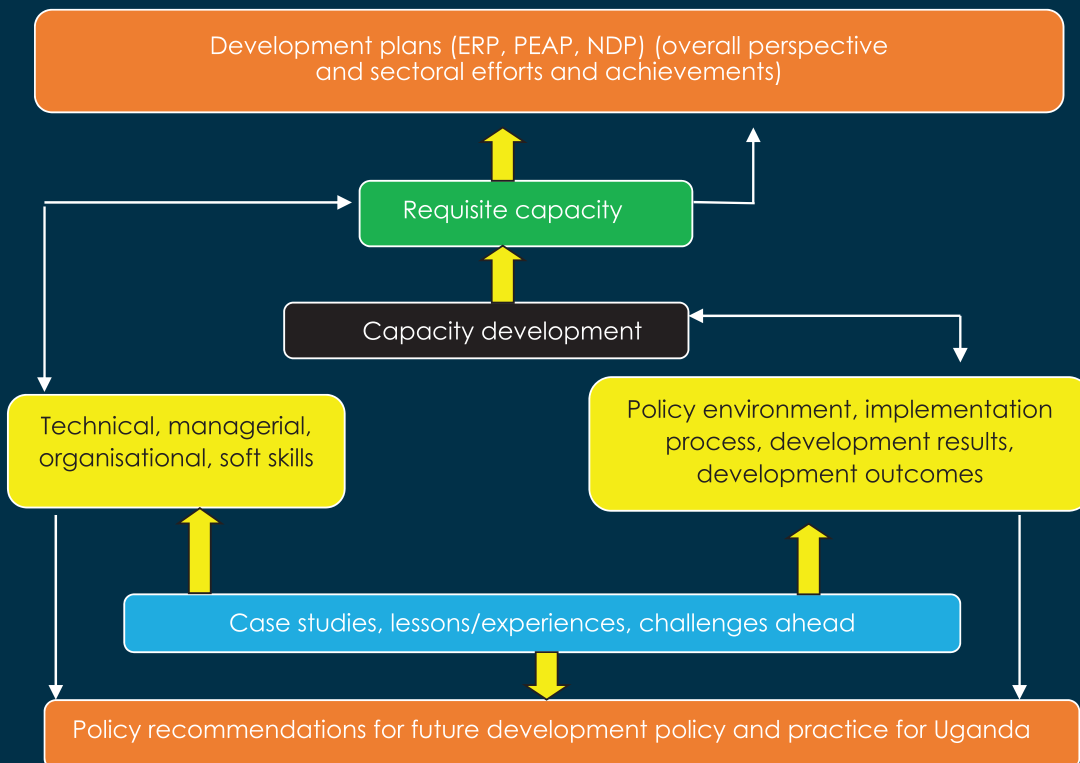
OCCASIONAL PAPER. 41

COUNTRY REVIEWS OF CAPACITY DEVELOPMENT: THE CASE OF UGANDA



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COUNTRY REVIEWS OF CAPACITY DEVELOPMENT:
THE CASE OF UGANDA

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LIST OF ACRONYMS / ABBREVIATIONS

ACBF	Africa Capacity Building Foundation
AERC	Africa Economic Research Consortium
AfDB	African Development Bank
AGOA	African Growth and Opportunities Act
AGRA	Alliance for Green Revolution in Africa
BIS	Bank of International Settlement
BOP	Balance of Payments
BoU	Bank of Uganda
CAADP	Comprehensive Africa Agriculture Development Program
CAIIP	Community Agricultural Infrastructure Improvement Project
CB	Capacity Building
CBR	Central Bank rate
CDS	Central Depository System
CNDPF	Comprehensive National Development Planning Framework
CDO	Cotton Development Organisation
COCTU	Coordinating Office for the Control of Trypanosomiasis in Uganda
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organisation
CTL	Commercial Transaction Levy
DAMFAS	Debt and Aid Management and Financial Analysis System
DDA	Diary Development Authority
DSIP	Development Strategy and Investment Plan
DST	Development Transfer Systems
EPA TAPSS	Economic Partnership Agreement Related Trade and Private Sector Support
EPRC	Economic Policy Research Centre
ERA	Electricity Regulatory Authority
ERP	Economic Recovery Program
EOC	Equal Opportunities Commission
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FDS	Fiscal Decentralisation Strategy
FIPS	Framework Implementation Plans
FTA	Free Trade Area
GDP	Gross Domestic Product
GoU	Government of Uganda
GPI	Gender Parity Index
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome

HNP	Health Nutrition and Population
HSSIP	Health Sector Strategic Investment Plan
IDA	International Development Agency
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
IPPS	Integrated Personnel and Payroll System
IT	Information Technology
KAPSARC	King Abdullah Petroleum Studies and Research Centre
LGFC	Local Government Finance Commission
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MAPS	Marketing and Agro-processing Strategy
MATIP	Markets and Agriculture Trade Improvement Projects
MDAs	Ministries, Departments And Agencies
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MEFMI	Macroeconomic and financial Management Institute of Eastern and Southern Africa
MoH	Ministry of Health
MoFPED	Ministry of Finance, Planning and Economic Development
MoEMD	Ministry of Energy and Mineral Development
MTDS	Medium-Term Debt Management Strategy
MTCS	Medium Term Competitiveness Strategy
MTEF	Medium Term Expenditure Framework
MTTI	Ministry of Tourism, Trade and Industry
M1	Base Money
NAADS	National Agricultural Advisory Services
NAGRIC	National Genetic Resource Information Centre
NFP	National Fertilizer Policy
NAP	National Agricultural Policy
NARO	National Agricultural Research Organisation
NDP	National Development Plan
NEMA	National Environmental Management Authority
NER	Net Enrolment Ratio
NES	National Export Strategy
NGO	Non-Government Organisation
NWSC	National Water and Sewerage Corporation
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PFMA	Public Finance Management Act
PIP	Public Investment Plan
PMA	Plan for Modernisation of Agriculture

PMES	Poverty Monitoring and Evaluation strategy
PRSP	Poverty Reduction Strategy Paper
REA	Rural Electrification Agency
REB	Rural Electrification Board
RESP	Rural Electrification Strategy and Plan
RETF	Rural Electrification Trust Fund
RTA	Regional Integration Areas
RTS	Recurrent Transfer Systems
SADC	Southern African Development Community
SGR	Standard Gauge Railway
SRTS	Single Recurrent Transfer Systems
SSIP	Sector Strategic Investment Plan
SWAP	Sector Wide Approach to Planning
SWG	Sector Working Group
TRACE	Trade Capacity Enhancement
TSA	Treasury Single Account
UBoS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UEB	Uganda Electricity Board
UIA	Uganda Investment Authority
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URC	Uganda Railways Corporation
WAIR	Weighted Average Interest Rate

EXECUTIVE SUMMARY

Poorly functioning public sector institutions and weak governance are major constraints to growth and equitable development in many developing countries. It is imperative that as Uganda confronts its development challenge, it must address the capacity deficits in the policy environment and implementation for sustainable development results and outcomes.

Capacity building is important to Uganda, given the mixed performance that the country has had in the past 30 years. In particular, this study notes success in macroeconomic stability, consolidating security and the restructuring of the government during the Economic Recovery Programme (ERP). Similarly, the Poverty Eradication Action Plan (PEAP) supported poverty reduction by building the capacity of social sectors to expand agricultural production and education and health access. The success of the ERP and the PEAP is largely attributed to donor support in capacity-building effort in institutions such as the Ministry of Finance Planning and Economic Development (MoFPED) and the Bank of Uganda (BoU).

However, economic conditions seem to have worsened during the NDP, despite the intensification of infrastructure projects to address production constraints. It costs US$ 0.6 more to buy a unit of electricity in Uganda than in countries such as Rwanda. The growth in agriculture (1.54 percent) is much slower than the growth in population (3.3 percent). This deficit is largely due to the inability of institutions to adapt without donor support to deliver on emerging development issues. In particular, there is scope for improvement in the control of expenditure on large infrastructure projects in the energy and transport sector.

To address the challenges ahead, reform of the organisational and institutional arrangements of most MDAs is imperative. Replicating lessons from successful cases in other MDAs such as the MoFPED, the BoU, the NARO and the UBoS would be a good place to start. Essentially, improving governance, especially in local governments, would improve the delivery of critical services such as health and education. In addition, Uganda should leverage the technology spill-overs from the numerous collaborative and effective research and development programmes that address challenges such as climate change and pest control. In particular, supporting initiatives to improve the ability to negotiate trade would also expand opportunities for the private sector and provide a basis for industrialisation. In the short run, support to the private sector should aim to not only incubate business but also reduce the cost of credit and electricity and eliminate unnecessary regulation that costs time.

1. INTRODUCTION

Uganda, similar to most African countries, has undertaken several development strategies over the past three decades, with mixed progress. What stands out is Uganda's ability to sustain positive and strong growth. On average, the economy grew by 6.9 percent from 1987 to 2015. The growth was underpinned by improved macroeconomic management; relative peace; aid; improvement in industrial and agricultural productive capacity; and capacity-building (CB) efforts in government ministries, departments and agencies (MDAs), mostly with technical support from development agencies such as the World Bank, the International Monetary Fund (IMF) and the African Capacity Building Foundation (ACBF) (see Table A1 in the annexes for a matrix on CB efforts), among other factors. However, this remarkable growth has not translated into structural transformation, human development and decent jobs for all. Moreover, the benefits of growth have not been shared equally – there are regional disparities in poverty reduction and a disproportionate number of unemployed youths. The economy still faces enormous challenges, especially in its ability to proactively respond to regional dynamics, external factors such as falling commodity prices, infrastructure deficits and the functionality of the existing infrastructure.

Therefore, sustaining growth will depend on the extent to which the poor are included in the growth process and the distribution of economic benefits. This touches on the need for Uganda to strengthen its productive capacity to enable it citizens to access markets, own productive assets and influence policies that affect their lives. The development of Uganda's capacity will entail improving the quality of education at all levels, reducing inequalities in all its forms (e.g. gender, life cycle, incomes etc.) and narrowing regional disparities in access to services such as education and health, infrastructure development and urbanisation. It is also envisaged that improvement of the business environment will stimulate investments that will support value addition for exports and industrialisation, among other sectors.

There is a need to also bridge the gap between development strategies and the existing capacity (in terms of financial and human resources and institutional resources). To illustrate this point, there is a glaring gap between the objectives of the national development plans and the adequacy of the available financial resource. As tax revenues continue to stagnate at 13 percent of GDP, there is a call for the prioritisation and sequencing of public investment to minimise wastage and debt exposure.

This study is motivated by the need to identify CB activities and their impacts on long-term trends in relation to the overall development of Uganda. It further analyses in detail the policy environment and institutional imperative necessary for the country to take in hand the course of its development.

In summary, through different policy initiatives, Uganda has successfully reduced poverty and sustained a stable macroeconomic environment. However, vulnerability to poverty remains high, and inequality still persists. Institutional weaknesses in MDAs constrain the growth of sectors such as agriculture, which employs the majority of the poor. The rate of saving and the share of manufactures remain below potential, which constrains the tax output. However, the government has taken the initiative to invigorate productive sectors through expenditure on infrastructure. In addition, the scope of improving the business environment to enhance job creation, investments, competitiveness and productivity remains positive.

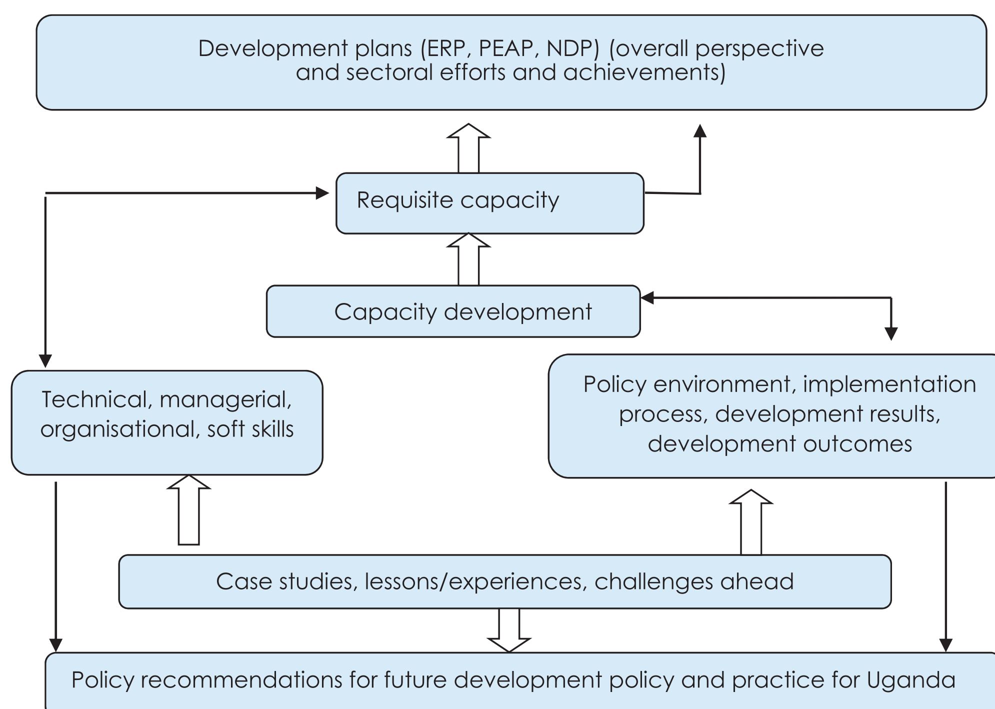
The rest of the paper is structured as follows: section 2 presents the analytical framework. Section 3 offers the overall perspective of CB activities in Uganda. Section 4 illustrates selected cases of CB efforts in Uganda. Selected sector policies that are particularly relevant for Uganda are analysed in detail in section 5. The challenges ahead are presented in section 6, followed by recommendations in section 7.

2. CONCEPTUAL FRAMEWORK

This study defines capacity as the technical, managerial, organisational and commercial ability of Uganda to perform functions, solve problems, and set and achieve objectives in a sustainable manner in the context of the Economic Recovery Programme (ERP), the Poverty Eradication Action Plan (PEAP) and the National Development Plan (NDP) over the past 30 years. On the other hand, capacity development is defined as the policy environment; the implementation process; the development results at the country, institutional, and individual level; and the capacity development outcomes that Uganda has obtained, strengthened and maintained to achieve its development plans over the past thirty years.

Specifically, the study measures the performance of the ERP, the PEAP and the NDP (at the overall/aggregate and sectoral level) using capacity indicators to draw lessons from experience that lead to innovative prescriptions for future development policy and practice for Uganda. This study also performs an in-depth investigation of selected "successful" and "less successful" cases (in and outside Uganda) that provide additional information and insights regarding what works or does not work in Uganda. This study provides a synthesis and new insights relating to the challenges of and recommendations for targeted capacity development. Where data are available, comparisons with other similar countries are made to distil what is unique and what is potentially generalisable (Figure 1).

Figure 1: **Conceptual Framework for the Analysis of Capacity and Capacity Development in Uganda**



Source: Authors' own conceptualisation.

3. Overall Perspective

Uganda's major development strategies taken over the past three decades can be divided into three distinct episodes. These are the period of the: Economic Recovery Programme (ERP) during 1987-1996; the Poverty Eradication Action Plan (PEAP) from 1997 to 2009; and the National Development Plans period (from 2010 to date), a successor to the main pillars in the PEAP, which reinforced the emphasis on security, infrastructure, education, and energy aimed at enhancing productivity and, hence, improving growth, employment and overall poverty eradication.

In addition, from the mid-1980s to the present, Uganda has adopted a holistic capacity-building perspective, encompassing all of the critical factors that were considered imperative for contributing to the performance of the Ugandan economy. The capacity-building efforts largely focused on (i) institutional capacity building, (ii) human capacity building and (iii) environmental capacity building.

This section assesses the key achievements and performance trends of these development strategies.

3.1 Major Development Strategies from 1987 to 2015

This section assesses achievements through the evolutions of a series of indicators that reflect Uganda's ability to take charge of its development. In addition, the sub-section relates the strategies/policy factors to the performance trends.

3.1.1 Economic Recovery Programme, 1987 -1996

After more than a decade of political turmoil, Uganda embarked on the ERP in 1987 with support from the World Bank and the IMF – by training officers at the Ministry of Finance, Planning and Economic Development (MoFPED) and the Bank of Uganda (BoU) (see Table A1). The major goal of the ERP was to adjust the structure of Uganda's economy from a publicly led to a private sector and investment-driven economy. Other objectives were: stabilising the economy, catalysing growth and maintaining a sustainable balance of payment (BoP). The ERP was largely underpinned by public sector reform, market and price reforms, exchange rate reforms, and trade liberalisation.

The initial years of the ERP were marked by instability. Between 1987 and 1988, inflation rose to 190 percent, and exports fell, leading to an unfavourable balance of payment position and an overvaluation of the shilling (see Table A2). The government continued to fund budget deficits through an expansionary monetary policy. The Open General Licensing system, an administrative system created to manage the importation of inputs, largely supported inefficient state corporations and was vulnerable to the absence of local currency cover.

From 1990, the economy recovered. There was a return to significant GDP growth and a fall in inflation and base money (M1) (Table A2) as the government sourced alternative methods of funding the budget deficit. The foreign exchange market was also liberalised in the 1990s. The policy was pursued in two steps: first, through the sale of foreign currency by auction and, second, by establishing an inter-bank exchange market to remove the red tape and inefficiency that widened the spread between the official and the black market rate (Kasekende and Ssemogerere 1994).

As noted above, the good performance was largely attributed to improvement in security, donor support of productive capacities, the expansion of the agricultural sector, the privatisation of state enterprises, the liberalisation of the economy and CB efforts (as illustrated in Table A1). However, the recovery was intermittently interrupted by a drop in export incomes as a result of the collapse of coffee prices in the late 1980s and tight credit policies that constrained private enterprises. The insurgency in northern Uganda compounded the negative economic shocks, pushing up the defence budget (Bigsten *et al.* 1999).

Although much of the economic recovery can be attributed to the revival of production capacities and the return of peace in the country, economic aid played a critical role in the reform process. For example, the rehabilitation of vital infrastructure was largely supported by aid. Table 1 shows that on average, Uganda received a large amount of aid during the ERP compared to the PEAP and NDP periods. Nevertheless, the level of aid dependence was of concern to policy makers owing to issues of long-run sustainability. For instance, aid was 15 percent of GNI for most of the ERP.

Table 1: **Economic Performance Indicators, Averages**

Indicator	ERP 1987 - 1996	PEAP 1997-2009	NDP 2010-2015
GDP growth (%)	6.9	6.9	5.5
Per Capita Income(% annual growth)	2.5	3.5	2.5
Fixed capital formation (% GDP)	13.8	20.4	26.7
Gross domestic savings (% GDP)	2.1	9.5	15.2
Exports (% GDP)	8.7	14.1	19.0
Total external debt (Millions US $)	2,820	3,414	3,991
Inflation (GDP Deflator)	69.3	7.1	9.0
M1 Growth (%)	167	36	15.6
Domestic credit (growth (%)	113	42	27
Credit to government (growth (%))	127	-7	7
Interest on bank savings (%)	21.6	9.3	11.9
Prime lending rate (%)	31.9	24.5	22.6
Taxes (% of GDP)	6.0	11.3	11.7
Population (millions)	17.53	22.9	35.4
Poverty Headcount	51.8	32.3	19.7
Net Enrolment Ratio (Primary)	63.4	85.4	85.9
Gender Parity Index (Primary)	0.82	0.97	1.0
Infant Mortality Rate (per 1000 live births)	107.6	76.3	43.8
Maternal Mortality Rate (per 100,000 live births)	760	580	390
Access to safe water (%)	45.2	61.2	75.8
HIV/AIDS Prevalence (% of population 14- 49 years)	12.2	7.0	7.1
Rural access to Sanitation (%)	12.1	12.2	16.8
Health exp. (% of govt. Expenditure)	9.9	12.4	26.3
Education exp. (% of govt. Exp.)	-	16.9	13.4
Official Development Assistance (%GNI)	14.7	13.3	8.0

Source: IMF, International Financial Statistics (Various Years); World Bank, World Development Indicators (2015).

3.1.2 Poverty Eradication Action Plan (PEAP), 1997-2009

The PEAP was a poverty reduction strategy adopted by the government in 1997. The PEAP was largely a home-grown initiative designed with technical support from local think tanks such as the Economic Policy Research Centre (EPRC) and pan-African organisations such as the ACBF (see Box 1 for an example of CB efforts). However, the PEAP was revised in 2000 to accommodate the objectives of the Millennium Development Goals (MDGs). The overarching objective of the PEAP was poverty reduction, with greater attention to the social sectors – pro-poor strategies. The Plan aimed to achieve poverty reduction through investment in activities such as Universal Primary Education (UPE), the modernisation of agriculture, gender equality, the reduction in child mortality, maternal health, combating HIV/AIDS and improving the ability and quality of life of the poor (MoFPED 2003).

Box 1: The ACBF's Contribution to Uganda's CB Efforts

The ACBF's contribution to Uganda's CB efforts was articulated in its programmes that focused on the Local Government Finance Commission; the Parliament of Uganda; the Office of the Prime Minister; the Economic Policy Research Centre; the Private Sector Foundation Uganda; the Accountant General's Office; the National Planning Authority; the Ministry of Public Service; the Uganda Bureau of Statistics; the Uganda Management Institute; the Inspectorate of Government; the MoFPED; and the Uganda NGO Forum. The main objectives of the ACBF's support to Uganda were to improve the effectiveness and efficiency in the use of public resources to attain the objectives of national development priorities, as contained in the PEAP, thereby improving economic governance through:

a) Strengthening the linkage between planning, policy analysis and formulation and the skilled manpower required to implement public expenditure management and accountability in the country;

b) Strengthening accountability institutions and Parliamentary oversight of the executive functions in public finances; and

c) Enhancing the institutional and human capacity of civil society and private sector organisations.

(Source: Key Informant from BoU, January 2016)

On average, per capita incomes grew at a faster rate during the PEAP than during any other period. This is attributed to income poverty reduction, which was faster during the PEAP period compared to the ERP period – with poverty reducing to an average of 32.3 during the PEAP compared to a reduction to 51.8 percentage points during the ERP (see Table 1). The rapid growth in GDP was due to sound macroeconomic policies and a deliberate fiscal policy stance that compelled the budget to aim at prioritising and protecting budget expenditures for the key priority areas defined in the PEAP.

However, the PEAP period was marked by a poverty reversal trend between 1999 and 2003 (Table A3). The post-PEAP period recorded a further reduction in income poverty, causing Uganda to be among the few countries that were able to achieve the MDG 1 target of halving extreme poverty by 2015. Studies (such as Appleton and Ssewanyana 2004) have demonstrated a strong positive link between poverty reduction and agricultural growth, especially with the good performance of the coffee sub-sector and the return of peace in the northern region.

A comparison of the performance of the primary Net Enrolment Ratio (NER) during the PEAP period and the ERP and NDP indicate that the NER increased significantly compared to the ERP period (Table 1). This increase is mainly due to access, especially for poor households, as a result of the UPE programme established in 1997. However, the NER stagnated during the NDP period. Other indicators from the same table suggest that the Gender Parity Index (GPI) at the primary level was achieved during the PEAP. Infant and maternal mortality dropped significantly in the PEAP period, and the drop was sustained in the NDP. Access to clean water was also sustained from the PEAP to the NDP. The prevalence of HIV dropped significantly during the PEAP, but there was a marginal reversal during the NDP. Rural access to sanitation facilities worsened slightly during the PEAP but improved during the NDP regime.

These achievements notwithstanding, there was and still is uneven progress in income poverty reduction. Poverty remains a rural phenomenon and is worst among crop farming households. It is also evident that government policies mainly focused on the current poor, with a limited focus on the chronically poor. The chronically poor are mainly in the former war-affected northern region but there are pockets of the same in other parts of the country. The NDP period was also marked by growing inequalities in income, which has since attracted the attention of policy makers.

3.1.3 National Development Plan (NDP 1), 2010-2015

The NDP 1 was adopted in 2010 as the overall framework for development in Uganda for the subsequent five years. The NDP was designed with technical support from the UNDP, the EPRC and the ACBF, among other organisations (see Table A1). The NDP is a component of the Vision 2040, a 30-year strategic vision geared towards transforming Uganda into a middle-income country (see Box 2).

The theme for the NDP 1 was to foster growth, employment and socio-economic transformation. These three issues provided a guide for the overall policy and strategic direction of the NDP 1. The sub-elements of the NDP 1 themes included: private sector-led growth with significant public participation, equity and poverty reduction, monetary policy that supports growth, front-loading public expenditure on infrastructure, value addition for increased export earnings and employment, fast tracking skill development and regional integration, among others.

Box 2: The Vision 2040

The Vision 2040 guides the development path aimed at achieving Uganda's goal of becoming a transformed modern middle-class society within 30 years. The Vision 2040 marks a shift in the development paradigm from investing in poverty eradication to the development of capacity. The main themes of the Vision 2040 are conceptualised around strengthening the fundamentals of the economy to harness the abundant opportunities around the country. In particular, the Vision 2040 aims to address the bottlenecks that have curtailed Uganda's development such as a weak private sector, undeveloped human resources, inadequate infrastructure, small markets, the lack of industrialisation, the stagnant agricultural sector, the inadequate social sector and poor democratic governance.

The identified opportunities include: oil and gas, tourism, minerals, Information and communication technology, an abundant labour force, trade, water bodies and agriculture, among others. The Vision 2040 will be implemented through 6 five-year NDPs, which start in 2010 and continue to 2040, with clear targets, as presented below.

Baseline status and Vision targets

Development Indicators	Baseline Status 2010	Target 2040
Per capita income ($US)	506	9,500
Percentage of population below the poverty line	24.5	5
Agriculture (% GDP)	22.4	10.4
Industry	26.4	31.4
Services	51.2	58.2
Labour force in agriculture (% of total)	65.6	31
Labour force in industry (% of total)	7.6	26
Labour force in services (% of total)	26.8	43
Percentage of labour force employed	70.9	94
Manufactures exports as % of total exports	4.2	50
Gross capital formation (% GDP)	24.1	30
Savings (% GDP)	14.5	35
ICT goods and services as percentage of total exports	0	40
Technology Achievement Index	0.24	0.5
Public expenditure as percentage of the R&D share in GDP	0.1	2.5
Patents registered per year	3	6,000
Electricity consumption (KWh per capita)	75	3,668
Population with access to electricity (%)	11	80

Development Indicators	Baseline Status 2010	Target 2040
Water consumption (M^3 per capita)	26	600
Percentage of population with access to safe piped water	15	100
Standard paved road (percentage of total roads)	4	80
Total freight on rail (percentage of total freight)	3.5	80
Percentage of urban population in planned settlements	51	100
Percentage of rural population in planned settlements	0	100
Percentage of urbanisation	13	60
Labour productivity in agriculture (GDP per worker - US$)	390	6,790
Labour productivity in industry (GDP per worker - US$)	3,550	24,820
Labour productivity in services (GDP per worker - US$)	1,830	25,513
Life expectancy	51.5	85
Infant mortality per 1000 live births	63	4
Maternal mortality per 100,000 live births	438	4
Under 5 mortality rate per 1000	96	8
Child stunting as a percent of under 5s	33	0
Literacy rate (%)	73	95
Gender Development Index	0.51	0.9
Population growth rate (%)	3.2	2.4
Forest cover (% of area)	15	24
Wetland cover (% of total area)	8	13
Corruption Perception Index	2.5	7.1

Source: GoU (2010a)

From Table 2, although the proportion of people under the poverty line fell marginally in the NDP, the fall was within the NDP and MDG targets. Employment and life expectancy were above target, but the literacy level was below. However, there is a general view that unemployment is higher than supported by the International Labour Organisation (ILO) definition. The improvements in freight cargo transportation by rail were encouraging but below expectations. The energy indicator appeared to be falling. The health and education sector gave the impression of improving in some statistics but falling in others. Water and sanitation did not meet the targets during the NDP 1.

The NDP 1 was largely constrained by gaps between the Plan and the budget, mainly caused by the lack of financing. A significant number of projects in the Plan were not funded by the budget, largely explained by weak public sector management, poor accountability and corruption, which constrained implementation of some of the core projects. Furthermore, there was no strong link between the projects in the Public Investment Plan (PIP) and the NDP, which led to a loss in the intra-sector linkages and potential synergies. Generally, the PIP should be a sub-set of the NDP. Additionally, the NDP 1 was not well coordinated with the Vision 2040, partially because the Vision 2040 was launched two years after the NDP was already under implementation. The NDP was also a recourse of the abandoned Vision 2025 and Vision 2030 during the PEAP (see Box 3 for explanation). The country is now implementing the NDP 2 (from 2015 to 2020), which broadly intends to increase the share of manufactured goods and services in total exports, improve private sector competitiveness, increase regional and international market access, improve infrastructure, and revive the farmers' cooperatives.

Table 2: **Performance during the NDP 1 implementation period**

Development Indicators	Actual 2011/12	Actual 2012/13	Target 2011/12	Target 2014/15	Performance (status)
Per Capita Income ($US)	485	487	667	837	
% poor population	24.5	24.5	27.4	24.4	
Agriculture (% GDP)	24.0	24.9	22.2	21.4	
Industry (% GDP)	26.9	27.7	24.3	24.0	
Services (% GDP)	49.1	47.4	53.5	54.6	
percent of labour force employed	75.4	-	73.1	78.2	
Manufactures exports as percent of total exports	4.4	6	-	12	
Electricity Consumption(KWh per Capita)	63.9	59.8	-	674	
Population with access to electricity (%)	12	10	-	20	
Standard paved road (% total roads)	16.3	15.8	-	5.3	
Total freight on rail (% total freight)	9.0	10	-	17.8	
Urban Population in Planned Settlement (%)	13	14.7	12	20	
Life Expectancy	54.0	52.2	51.3	52.4	
Infant mortality per 1000 live birth	-	54	-	41	
Maternal Mortality per 100,000 live birth	-	310	-	131	
Under 5 mortality rate per 1000	-	90	114	60	
Literacy rate (%)	73.2	74.6	76.9	82.2	

Notes: Red shows that the target **was not met**; yellow that improvement registered but the target **not met**; and green that the **target was met**.

Source: Adopted with modification from Delta Partnership and Reev Consult (2013)

Box 3: The revision of the Vision 2025 and Vision 2030

The Vision 2025 was inaugurated in 1998, with no implementation framework.

The 1995 constitution provided for the formation of the National Planning Authority (NPA). The NPA was established by an Act of Parliament in 2002, and it attempted to formulate the Vision 2035 during the PEAP. However, the NPA was in its infancy and was not yet fully functional to implement a national plan or vision. Gaps were also found in the legal and constitutional provisions. It was concluded that the policy environment was not conducive for another vision exercise.

In 2006, the NPA initiated activities to establish a new policy planning framework, and in 2007, the cabinet adopted what is known as the Comprehensive National Development Planning Framework (CNDPF), which created the planning environment for the country, starting with a 30-year national vision (Vision 2040).

Within that framework, the Vision 2040 would be at the apex, and there would be three 10-year plans and six 5-year development plans implemented through sector annual plans and budgets.

(Source: Key Informant from NPA, January 2016).

4. CAPACITY-BUILDING EFFORTS

This section presents the key CB efforts related to the development strategies/policies discussed in section 3 above. The discussion provides a measurement of CB achievements through indicators and trends. Additionally, this section discusses how CB initiatives and investments have impacted the policy-making, design and implementation processes.

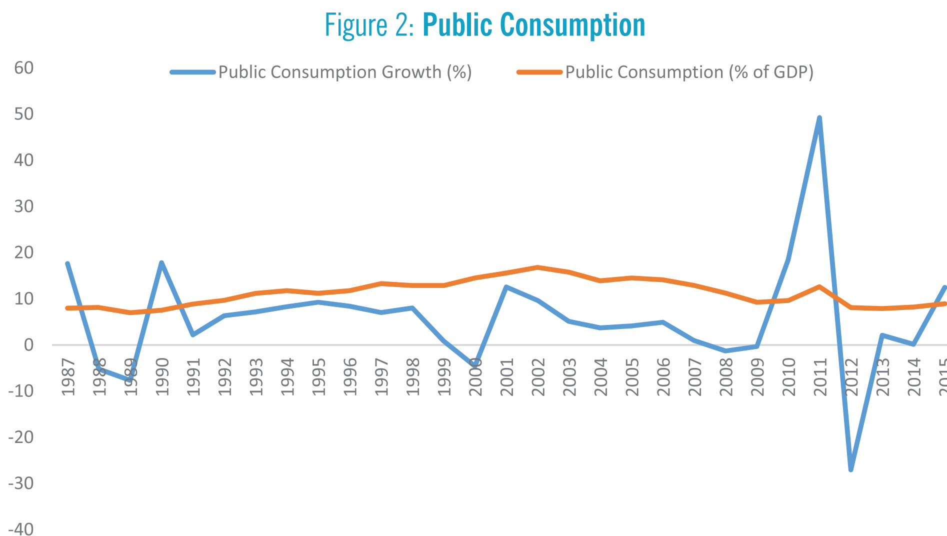
4.1.1 Restructuring

Civil service reform is one of the most visible and protracted areas of governance reform in Uganda. This was performed through re-aligning administrative structures and processes with the new structure of the public sector. The most radical initiatives of the civil service reforms were implemented during the ERP with donor support (see Table A1). The reforms implemented cost-cutting measures by downsizing/retrenching and rationalising the bureaucracy, reforming remuneration, conducting functional reviews to measures and improve the efficiency of the civil service, and creating semi-autonomous public agencies such as Uganda Revenue Authority (URA) to collect revenue (Robinson 2006).

Figure 2 shows the stabilisation of public consumption GDP over 1986-2015, which suggests the positive outcome of the policy. However, the growth in public consumption has been largely unpredictable, suggesting weakness in the control of public expenditure over the same period. In particular, in 2011, public expenditure abruptly spiked due to an unplanned defence expenditure. On the other hand, the quality of institutions has not improved significantly. Uganda ranked among the lowest quartile of countries in the 2016 Global Competitive Index (GCI). Uganda was ranked below 110 between 2006 and 2015.

This could be due to reversal of the retrenchment policy during the NDP, with increased recruitment in the public service, an enlarged executive arm of government, a large parliament, and expanded local governments. The arguments given for the government expansion include creating jobs, decentralising and sharing power, accounting for the many ethnicities and special interest groups that exist in the country, addressing the problem of understaffing and supervision, and accommodating the growing youth population – Uganda's population has increased from 18 million during the ERP to 35 million during the NDP (Table 1), of whom the majority are youths. The increased size of the government, however, has exerted pressure on public resources to accommodate the increased wage bill.

Figure 2: **Public Consumption**



Source: World Bank's WDI (2015)

In addition, between 1997 and 2009, there was a second wave of the creation of semi-autonomous agencies such as the Uganda Investment Authority (UIA) and the Electricity Regulatory Authority (ERA) and a shift in emphasis to enhancing performance through results-oriented management, with a consolidation of pay and pension reforms. However, there are weak institutional linkages and intra-sectoral linkages between the ministries and sector agencies, on the one hand, and among sector agencies, on the other hand, which affects service delivery (Bategeka *et al.* 2013). For example, the agricultural sector has eight semi-autonomous agencies, namely: the Uganda Coffee Development Authority (UCDA); the Cotton Development Organisation (CDO); the Dairy Development Authority (DDA); the Plan for Modernisation of Agriculture (PMA) secretariat; the National Agricultural Advisory Services (NAADS); the National Agricultural Research Organisation (NARO); the National Genetic Resource Information Centre (NAGRIC); and the Coordinating Office for the Control of Trypanosomiasis in Uganda (COCTU) (ibid). There is weak coordination between the above sector agencies, which leads to uncoordinated intervention and duplication in service delivery. Nevertheless, this experience is common in other developing countries that have enacted civil service reforms (see Box 4).

Box 4: Restructuring: The Jordanian Experience

- **Objective**

  The key objectives of restructuring in Jordan were to downsize public sector institutions to eliminate duplication, overlaps and redundancy; limit the establishment of new independent bodies; and build organisational structures that increase the effectiveness and efficiency of government institutions and optimally utilise various resources.

- **Rationale for restructuring**

  Restructuring was necessitated by the need to limit the divergence and expansion of the public sector with multiple types of organisations; reduce overlapping functions among ministries and among ministries and public institutions within the same sector and decrease the lack of good coordination and clear communication channels; and reduce government spending generated by overlap, duplication and repetitions of tasks.

- **Challenges**

  Restructuring requires the amendment of laws, but the government does not always have sufficient authority to make the needed amendments; the government's commitment to retaining human resources and avoiding workforce downsizing stands in the way of fully achieving the restructuring goals, and the ever-changing government approach and directions threaten the sustainability of a consistent restructuring approach.

(Source: The Kingdom of Jordan, Ministry of Public Sector Development, December, 2016).

4.1.2 Privatisation

The goal of the privatisation policy was to grow the economy by inducing efficiency in non-performing state enterprises and to boost the growth of the private sector in the commercial, industrial, hotel and agricultural sectors (Okidi *et al.* 2005). The government, with donor support (see Table A1), introduced a set of laws including the Public Enterprise Reform and Divestiture Act, 1993, that relaxed constraints and provided incentives for foreign direct investment (FDI). The Medium-Term Competitiveness Strategy (MTCS) was designed, and a privatisation unit was created to induce the overall growth of the private sector during the ERP. For example, the government sold its interest (49 percent) in the Uganda Commercial Bank to Stanbic Uganda Ltd in 2002. In the same year, the government sold its shares in the Bank of Baroda, and in 2004, the government sold its shares in DFCU Bank. This marked the beginning of the dominance of foreign commercial banks in Uganda.

Notable among the efforts to reorient the public sector are the institutional changes made in the agriculture, energy, telecommunication and banking sectors, which are encouraging, substantially private and accompanied

by a very different method of doing business. Privatisation can be credited for FDI over the years, as presented in Table 3. Furthermore, the quality of corporate boards has improved to be among the top 60 in the 140 countries ranked. In addition, the soundness of banks and financial markets has improved considerably, most likely owing to the improved regulation of private banks by the BoU.

Table 3: Indicators of Uganda's Private Sector Performance (Ranked out of 140 Countries)

	2006	2007	2008	2009	2010	2011	2012	2013
Quality of Private Institutions	99	109	109	102	105	102	101	108
Efficancy of corporate boards	63	79	94	75	52	48	48	67
Quality of Electricity supply	119	129	125	118	117	120	129	126
Mobile Telephone	107	122	125	121	129	132	130	139
Electricty and Telephony Infrastructure					124	125	133	136
Competition	89	102	112	108	115	97	99	103
Efficiency	80	81	92	100	83	74	72	95
Soundness of banks	94	97	109	88	68	71	68	78
Financial Markets development	97	96	102	86	72	66	62	77
FDI and technology transfer	14	42	67	66	39	48	60	59

Source: World Economic Forum (2016)

It is in this regard that the Government of Uganda (GoU) has given considerable attention to establishing effective and appropriate regulation to reduce abuses and to ensure a competitive environment for effectiveness by establishing independent regulators in agriculture, energy, telecommunications and the environment. The dangers of inadequate regulation were clearly demonstrated in South Asia's banking systems in the early 2000s. In Bangladesh and Nepal, poor enforcement and supervision of newly privatised banks allowed unrecoverable loans to accumulate to high levels, often through fraud (World Bank 2000). The privatised power sector in India, Pakistan, and Sri Lanka was marked by inefficiency that was not significantly different from that of the defunct state enterprises (Ibid).

Similarly, privatisation did not necessarily lead to efficiency in Uganda (see Table 3). Some sectors such as electrical power generation and distribution exhibit inefficiencies. Competition has not significantly changed over the years due to barriers to entry in sectors such as telecommunication and power, which require large capital. Privatisation also did not develop the capacity of local investors and the business class regarding how to run large corporations. Bohnstedt *et al*. (2000) blame this failure on the government's decision to seek strategic investors rather than to sell part of public companies to the local investor and business class during the privatisation process.

Nevertheless, from the broader perspective of government policy, the economy was liberalised to allow many private players in the economy and to reduce direct government participation. Indeed, government entities in the communications, media and transport sectors, among others, have dwindled. However, many private players are in place to offer competition. This situation supports the argument that the economy is far better off than it was when the government was monopolising the business environment.

4.1.3 Macro-Fiscal reform

Uganda has performed well in maintaining macroeconomic stability through a robust monetary policy and relative fiscal discipline. Uganda is consistently ranked amongst the five best countries in Africa and among the 60 best in the world in maintaining fiscal prudence (Schwab 2016). This success is partially due to the political commitment by the government, which creates a conducive policy environment through constitutional provisions

empowering institution such as the BoU and the MoFPED in the management of the economy. This success can also be attributed to concentration of capacity-building efforts in these two institutions, especially during the ERP and PEAP regimes. In the BoU, the IMF Institute in Washington, the Bank of International Settlement (BIS) at Basle, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), and the East Africa Regional Technical Assistance Centres (EastAFRITAC) were instrumental in providing the necessary capacity building in various areas of macroeconomic management and bank supervision. The same institutions (excluding the BIS at Basle) were also instrumental in providing the necessary capacity building in various areas of macroeconomic management and fiscal management in the MoFPED (see Table A1).

Over the years, the central bank has developed a robust capacity to regulate liquidity and supervise financial intermediation to deliver sustainable output growth and low and stable single-digit inflation. However, the growth in the credit sector has fallen over the years due to high prime lending rates in all three periods (ERP to NDP). The high lending rates can be attributed to increased government borrowing from the central bank during the NDP period. Persistent government borrowing from the central bank crowds out the private sector. Credit to the government rose by 7 percent in the NDP period from negative 7 percent in the PEAP regime (see Table 1).

The capacities in the MoFPED have also enabled prudent public finance management reforms, which facilitates tight control of expenditure and disbursement. For example, the government passed the Public Finance Management Act (PFMA) in 2013 to ensure financial discipline and safeguard resources allocated to key sectors such as health, education and agriculture, which often suffer cuts whenever reallocations are made to finance supplementary budgets. The PFMA is responsive to gender and equity concerns, and every MDA is required to obtain a certificate of compliance from the Equal Opportunities Commission (EOC) before obtaining subvention from public resources. However, the government is allowed to reallocate three percent of the total national budget for a supplementary need without parliamentary approval. The supplementary budget is used for contingencies but is susceptible to abuse and may lead to budget cuts in priority spending areas. Furthermore, despite the reforms, the problem of absorption capacity and leakages during procurements of public investment persist.

4.1.4 Merger of planning and budgeting

The ERP period also witnessed a merger of the Ministry of Finance and the Ministry of Planning and Economic Development (now as the MoFPED). This policy stance was aimed at streamlining the financial management process by coordinating the planning and the budgeting function. In streamlining financial management, the MoFPED introduced many financial prudence policies, key among them being the use of a cash budget, which tied government expenditure to revenue. The cash budget policy is partially credited with the considerable reduction in inflation, from double digits (29) in 1990 to a single-digit (7) in 1996, in addition to the stabilisation of the exchange rate at UShs 1,460 to a dollar in the same year (Table A 2). This policy has been enacted in other developing countries in Africa (see Box 5).

Box 5: Consolidation of Ministries: The Liberian Experience

- **Background**

The government of Liberia in 2006 embarked on an ambitious programme to make public organisations leaner to eliminate duplications and overlaps. In the furtherance of this reform agenda, the government decided to consolidate the core public finance, economic management and development planning functions into a single agency called the Ministry of Finance and Development Planning (MFDP)

- **Process**

With assistance from the African Centre for Economic Transformation (ACET), the Governance Commission and the Law Reform Commission, as well as an independent communications firm, the government of Liberia high-level steering committee was created by the President in early 2011 and worked with the Governance Commission and key focus persons from the Ministry of Finance and the Ministry of Planning and Economic Affairs to consult the public and private sectors regarding the consolidation.

- **Outcome of the Consolidation**

a) The organisational structure of the MFDP comprises four key departments: (i) the Department of Economic Management; (ii) the Department of Fiscal Affairs and Budget; (iii) the Department of Development Planning; and (iv) the Department of Administration, as depicted on the MFDP website.

b) The consolidation also saw the devolution of transactional and sector-related management activities to line ministries to reduce the MFDP's transactional burden and to allow it to focus on the critical strategic work of policy formulation, economic planning, financial analysis and decision making. Although the MFDP retained final oversight on finances, line ministries were empowered to undertake additional functions relating to their day-to-day operations.

c) All assets, personnel and remaining budget of the two old ministries were automatically transferred to the MFDP. The majority of the staff were retained, others retired, induced to retire or transferred.

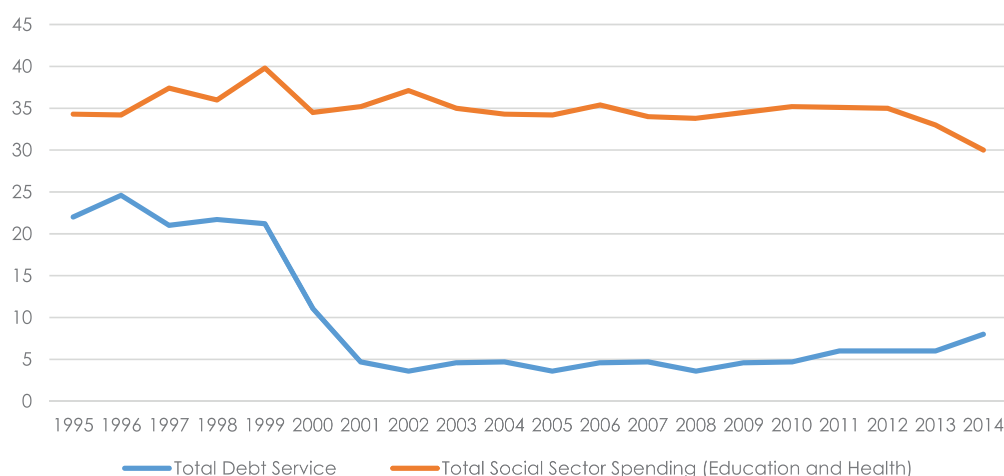
(Source: The Government of Liberia, Ministry of Finance and Development Planning, December, 2016.)

However, in 1995, the government created the NPA, a semi-autonomous agency, through a constitutional provision that partially separated planning from budgeting (see Box 3). During the NDP, the NPA has come to play a greater planning role in development plans. Nevertheless, the creation of the NPA has experienced resistance and created many power centres within the government system, affecting the commitment of some agencies to the objectives and investment plans of the NDP 1 and the subsequent performance of the NDP 1.

4.1.5 Poverty reduction strategy

During the PEAP, in 2000, Uganda completed its Poverty Reduction Strategy Paper (PRSP) – a home-grown government strategy paper to eradicate poverty – which made Uganda eligible for debt relief under the Highly Indebted Poor Country (HIPC) initiative. As part of its multidimensional approach to reducing poverty, the government created the Poverty Action Fund (PAF) to reduce poverty through the transfer of savings from debt relief to service delivery for the poor through the agricultural, education and health sectors. Figure 3 shows an increase in social spending in 2000 as debt service fell. This is partially because the PAF protected priority social spending areas from budget cuts (Kuteesa *et al.* 2006). However, the increase in social spending was modest after 1999, most likely due to the increased security expenditure during the PEAP to combat the growing insurgency in the north and west of the country (see Table A5 for expenditures on security and other sectors). Nevertheless, Table 1 shows that the government allocated more resources to health and education expenditures as a proportion of total expenditure during the PEAP period compared to the ERP and NDP periods.

Figure 3: **External debt service and social sector outturn as a % of total expenditure, 1997-2009**



Source: UDN (2015)

The PAF partly contributed to the observed reduction in the poverty headcount and the increasing NER and GPI through the provision of classroom and capitation grants to primary schools in the UPE programme. However, the PAF was criticised, on the one hand, for not distributing the dividends of growth-oriented policies to some pockets of the poor population in the rural area. By concentrating expenditure on education and health, which bear fruit in the long run, the PAF is perceived as having disenfranchised some segments of the population, such as smallholder farmers who needed storage facilities, market information, fertilisers and quality seeds, among others, to grow their businesses in the short term. This partially contributed to the limited PAF success in facilitating a shift of the agricultural sector from subsistence activity to an export-oriented venture. On the other hand, the quality of health services and the UPE programme provided by the PAF was questioned, despite the increased access in both programmes. This has partly impacted Uganda's international rankings in the areas of health and education, as shown in Table 4.

Table 4: **Performance of Uganda's Social Sector**

	2012	2013	2014	2015
Malaria cases/100,000 pop.*	28,012	24,487		
Tuberculosis/100,000 pop.*	193	166		
Health System	135	125		
Quality of primary education	120	115	113	
Quantity of education	136	133	132	133
Quality of the education system	82	78	81	
Quality of math and science education	119	117	111	
Quality of school management	98	96	93	
Higher education and training	127	131	129	130
Life expectancy, years*	54.1	59.2		

Notes: on all the above indicators, Uganda is ranked out of 140 countries except for those indicators with an asterisk *

Source: World Economic Forum (2016)

4.1.6 Development of Expenditure Plans

Concerns over the likely welfare impacts of the PEAP prompted the development of the Medium-Term Expenditure Framework (MTEF). The MTEF was developed with technical assistance from the World Bank (see Table A1). The

MTEF is a five-year spending plan that links priority public spending to medium-term development goals. To operationalise the PEAP, different sector plans and goals were developed, the implementation of which depended on a spending ceiling provided in the MTEF, in consideration of the macroeconomic environment and the resource mobilisation capacity of the country (Okidi *et al*. 2005). As a result of this framework, different sectors are able predict and project the budgetary resources that will be available over the medium term and within which they can plan their expenditures. It is from the sector investment plans that sector spending is determined (Kuteesa *et al*. 2006). The introduction of the MTEF promoted the development of budget discipline and increased internal demands for greater budget comprehensiveness. However, the MTEF is still faced with a lack of sound costing of the sector plan, a weak mechanism for expenditure tracking and weak execution of the budget at the sector and local governmental levels. This is most likely due to vertical and horizontal variation in capacities (human and budgets) between sectors and agencies, and it will take time and financial resources to develop such capacities. Many ministries do not have the resources, power and capacities such as those commanded by the MoFPED. Although Uganda is among the best performing countries, in regard to the MTEF, in Africa, there is a scope for adjustment of the budgeting system that is similar to those implemented in South Africa (Box 6).

Box 6: Reforms to support the MTEF in South Africa

- **Background**

South Africa initiated significant budgetary and financial reforms soon after the 1994 elections to improve fiscal transparency and participation.

- **Chronology of Reforms**

1997 saw the introduction of the new intergovernmental system, which decentralised budgeting to provinces and municipalities.

In the 1998 budget, the government set out 3-year rolling spending plans for national and provincial departments under the Medium-Term Expenditure Framework – the MTEF. Medium-term budgeting is the basis of the budget reform initiatives. It reinforces the link between the government's policy choices on the budget and the delivery of services, which serves to strengthen political decision making and accountability. Policy choices and trade-offs are made explicit, spending decisions are kept affordable in the medium term, and there is better management of public finances over time.

The adoption of the Public Finance Management Act in 1999 and its implementation in 2000 signalled the second phase of the programme of reforms. Its objective is to modernise financial management and enhance accountability. The PFMA establishes a framework for modernising the financial management of national and provincial departments, government agencies and public enterprises. The Act eliminates micro-control, giving managers greater flexibility but holding them accountable for the use of resources to deliver services to communities. The PFMA will be complemented by changes to the procurement system.

The third phase of reforms includes the specification of measurable objectives and outputs and the introduction and implementation of robust output performance measures or service delivery indicators and targets to enhance budgeting for service delivery. Reporting and accounting standards under the guidance of the new Accounting Standards Board have also been implemented.

The introduction of the Estimates of National Expenditure – in the 2001 Budget – significantly extended the scope and quality of information on the government's spending plans tabled in Parliament and made available to the public. Policy developments, legislation and other factors affecting expenditure were outlined alongside departmental spending plans. Details on measurable objectives, outputs, output performance measures or service delivery indicators were provided as another step forward to establish 'measurable objectives' for each expenditure programme, in line with the Public Finance Management Act. This reform was further decentralised to provincial and municipal governments.

The government of South Africa has also emphasised greater alignment of planning and budgeting processes through the implementation of a strategic framework that synergises planning, policy and budgetary cycles; 'forward-looking' strategic and operational business plans and compiling 'past review' annual reports; the specification of measurable objectives and outputs through robust output performance measures or service delivery indicators and targets; monitoring and measuring service delivery progress and performance; and emphasising modern accounting standards and streamlining procurement across the public sector.

Source: Robinson, S (2002), South Africa's Medium-Term Expenditure Framework – Effective Expenditure for development

4.1.7 Development of institutional capacity to monitor spending:

To ensure that the PEAP spending had an impact on poor people, the Poverty Monitoring and Evaluation Strategy (PMES) was developed to identify relevant monitoring indicators and targets (see Table A1). The implementation progress of the PEAP in the short and medium term was published in a bi-annual poverty status report and an annual PEAP progress report (MoFPED 2003). In addition to the poverty monitoring systems, government also committed to the MDGs, which opened government budget information to public scrutiny. The improvement in accountability and financial reporting is partially attributed to the above initiatives. Currently, the government's ability to monitor the NDP progress is supported by the availability of timely and regular data produced by the Uganda Bureau of Statistics (UBoS). The UBoS is one of the few national statistical offices in Africa that has grown its statistical capacity over time (Box 7).

Box 7: Lessons of Experience from "Success" Stories: UBoS

- **Background**

The UBoS was formed by an Act of Parliament in 1998; the agency is mandated to "coordinate, monitor and supervise Uganda's National Statistical System". The decision to establish the Bureau arose from the need for an efficient and user-responsive agency that would meet the growing demand for statistics on the social, economic and political developments in the country. The Bureau, therefore, coordinates "the development and maintenance of a National Statistical System, which will ensure collection, analysis and dissemination of integrated, reliable and timely statistical information".

- **Main Task**

It provides high-quality central statistical information services on social (health indicators, household survey and National Census), environmental and economic (GDP and enterprise survey) conditions in the country. This task can be performed in conjunction with other producers of statistics.

It promotes standardisation in the collection, analysis and publication of statistics. Doing so ensures uniformity in the quality, adequacy of coverage and reliability of statistical information.

It provides guidance, training and other assistance as may be required to other users and providers of statistics.

It promotes cooperation, coordination and rationalisation among users and providers of statistics at the national and local levels to avoid duplication of efforts and to ensure the optimal utilisation of scarce resources.

It promotes and is the focal point of cooperation with statistics users and providers at the regional and international levels.

As a central institution, it is responsible for the collection, processing and publication of statistical information. Other statistics producers must coordinate with the bureau if they intend to collect and publish statistics that can be considered official. Equally, the bureau must create an environment that is conducive to coordination and collaboration between data producers to enable them to willingly seek endorsement of their statistical data.

- **Achievements**

Conducted the Uganda Census of Agriculture in 2008.

Conducted the National Service Delivery Survey (NSDS) in 2008 and disseminated the results in collaboration with the Ministry of Public Service in 2009.

Conducted and disseminated the Livestock Census in collaboration with the Ministry of Agriculture, Animal Industry and Fisheries in 2009.

Produced the Producer Price Index for Hotels and Restaurants in 2009.

Strengthened the data collection and processing capacity of the Transport Licensing Board.

In 2009/2010, the UBoS produced the National Monitoring and Evaluation Framework; the National Statistical Meta data dictionary; the development of protocols to support statistical development in the NSS; and the draft handbook on Gender Statistics

In 2010/11 the UBoS updated district maps and undertook surveys, namely: the Uganda National Panel Survey, the User Satisfaction Survey, the Uganda Demographic Health Survey, Informal Cross Border Trade Surveys, the Micro-Finance Survey, and the Urban Labour Force Survey.

In 2012, the UBoS hosted the DevInfo Support Group Mission to assess the data management and dissemination systems of the UBoS and MDAs that produce MDG indicators.

In 2012/13, the UBoS produced the annual and quarterly Gross Domestic Product (GDP) estimates, the Consumer Price Index, Index of Production, the Construction Index, the Producer Price for Hotels and Manufacturing, Price and Volume indices, energy statistics on imports and sales of petroleum products and electricity generation, the Plan for National Statistical Development (PNSD I), the Code of Practice and the Guidelines for producing quality statistics

In 2014, the UBoS conducted the National Population and Housing Census, the Uganda National Panel Survey (UNPS) and Informal Cross Border Trade (ICBT) surveys, the Global Adult Tobacco Survey (GATS) and the Agricultural Technology and Agribusiness Advisory Services (ATAAS) Baseline Survey, the Monthly Consumer Price Index (CPI), Quarterly Producer Price Indices (PPI), Quarterly Key Economic Indicators (KEIs), Quarterly Construction Sector Indices (CSIs), the Quarterly Index of Production (IP), Quarterly Export Indices, and Quarterly and Annual Gross Domestic Product (GDP); it rebased the Annual GDP to the 2009/10 base period, finalised the Plan for National Statistical Development (PNSD II) and analysed the 2012/13 Uganda National Household Survey (UNHS).

(Source: UBoS Website, 2016 and UBoS Annual reports 2008-2014)

4.1.8 Sector-Wide Approach to Planning

This was implemented during the PEAP, replacing the donor-specific approaches (see Table A1). The Sector-Wide Approach to Planning (SWAP) is where all significant investments in a sector are channelled towards the same objective, which follows a consistent strategy that is guided by a consolidated investment plan. Funding under this scheme occurs under either earmarked budget support or basket support that pools funds with other donors and local actors such as non-government organisations (NGOs) and the private sector. The success of the SWAP requires close coordination of stakeholders with the MoFPED.

The SWAP redefined the role of ministries from that of service providers to that of policy making, providing guidelines, training and capacity building, monitoring sectors within the sector and donor coordination. In other words, the role of the ministry is to support the decentralised level in implementing policies. The SWAP has increased the pressure on ministries to be more responsive to decentralised systems. This suggest that SWAP funds (except salaries) are used at the local government level. The SWAP has largely been successful, particularly in the Ministry of Health (MoH), which was the first agency to implement the SWAP, the Ministry of Education and the Ministry of Water. In the health sector, the SWAP supported infrastructural investments (the building of health centres 3 and 4). Meanwhile, the SWAP facilitated the recruitment of teaching staff and the building of classrooms to accommodate increased UPE enrolment in the education sector.

However, the decentralisation of functions by the SWAP has not been implemented without difficulties. For instance, the decentralisation of government programmes in the context of sector programmes, which tends to

give ministries increased powers, tends to be in conflict with the objectives of the SWAP. Additionally, on many occasion, the SWAP has not prioritised activities in the MDAs. For instance, the health sector suffers from a serious lack of staff, which calls for a need to shift spending from infrastructure to staffing.

4.1.9 Sector Strategic Investment Plans

The Sector Strategic Investment Plans (SSIPs) were developed during the PEAP and were retained in the NDP to guide sector investments towards achieving medium-term goals. The SSIP provides the medium-term strategic framework and focus that the government intends to pursue in regard to attaining the goals for the country (see Table A1). For example, in the health sector, the Health Sector Strategic Investment Plan (HSSIP) is partially responsible for improvements in health nutrition and population (HNP) outcomes. The HSSIP contributed as an institutional enabler for Uganda to achieve MDG 6, combating communicable diseases. Other achievements attributed to the HSSIP include that the Maternal Mortality Rate (MMR) fell from 580 to 390 per 100,000 live births and the Infant Mortality Rate (IMR) fell from 76 deaths to 44 per 1,000 live births. However, the improvements in these outcomes remain poor, and there is reversal in others, such as the rate of HIV prevalence, over the NDP period (Table 1). This trend is partially due to poor coordination between the HSSIP and the objective and activities of the NDP and the Public Investment Plan.

4.1.10 Frontloading infrastructure

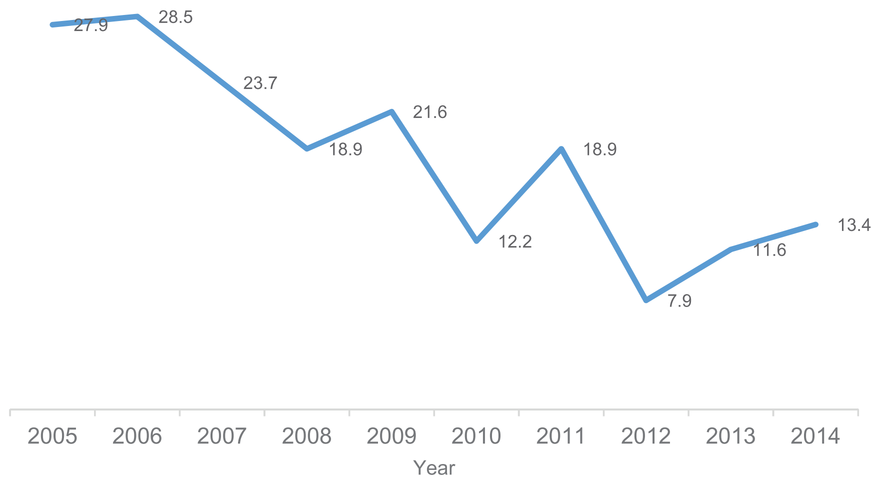
In the face of large infrastructural deficits, Uganda has intensified public investments in infrastructure development – roads, standard gauge railways and the revival of the existing mining industries – to unlock binding productivity constraints. In the course of the NDP 1, Uganda allocated an average of 15 percent of total expenditure on the development of roads (MoFPED 2015). However, the frontloading of public investments presents the risk of absorption capacity. The infrastructural sector has been constrained in its ability to absorb resources due to: low technical capacity and contractors to implement huge projects over a short period of time; delays in procurement, which lead to cost overlays; and leakage.

4.1.11 Change in the Aid architecture

The grant component of Uganda's budget has been decreasing over time. This trend is mainly explained by changes in the aid architecture, which are exemplified by a decline in the number of grants offered by the Paris club class of lender, on the basis that Uganda is not a poor country but a developing country, and the rise of new bilateral creditors such as China, India and states in the Middle East. However, the shift in the aid paradigm could be a result of unchecked leakages and dynamics in the global aid landscape such as the international financial crisis, which diminished the fiscal space for many donor countries. Table 1 shows a decline in official development assistance as a proportion of GDP from 15 percent during the ERP to 8 percent in the NDP.

The change in the aid architecture implies more debt obligations and an aggressive domestic revenue mobilisation policy stance as Uganda implements the NDP. Figure 4 depicts the declining dependence on donor budget support (project and budget support) but with enormous challenges in enhancing domestic revenue mobilisation (as discussed in the section below). The bulk of the grants for 2015/16 came from the International Development Agency (IDA) (58.5 percent), Germany (20.1 percent) and Japan (10.8 percent) (UDN 2015). It should be noted that many of the grants are disbursed through project and budget support and may appear as off-budget expenditures. However, more frequently, grants come with counterpart funding requirements that impact the size of the official government budget and deficit. In practice the related government contribution to project support is not adequately captured in the mainstream budget, thus increasing the distortion through supplementary budgets that are largely funded by means of issuing new public debt (ibid).

Figure 4: **Grants as percent Budget**



Source: MoFPED (Background to the budget for various years).

4.1.12 Domestic Resource mobilisation

Uganda embarked on tax reforms to increase domestic revenue, which saw the establishment of the URA as part of the ERP (see Table A1). The URA is a semi-autonomous unit with the mandate of administering and collecting specified taxes and revenues. During the PEAP, the GoU used the VAT Act of 1996 and the Income Tax Act of 1997 to rationalise and harmonise tax rates and tariffs by scrapping taxes on exports, the Sales Tax and the Commercial Transaction Levy (CTL) and replacing them with the Value Added Tax (VAT) and the Income Tax. To widen the tax base, a number of tax exemptions were abolished, and a number of Ministers' powers to grant exemptions were removed. For example, in 1997, provisions granting tax holidays under the Investment Code of 1991 were repealed.

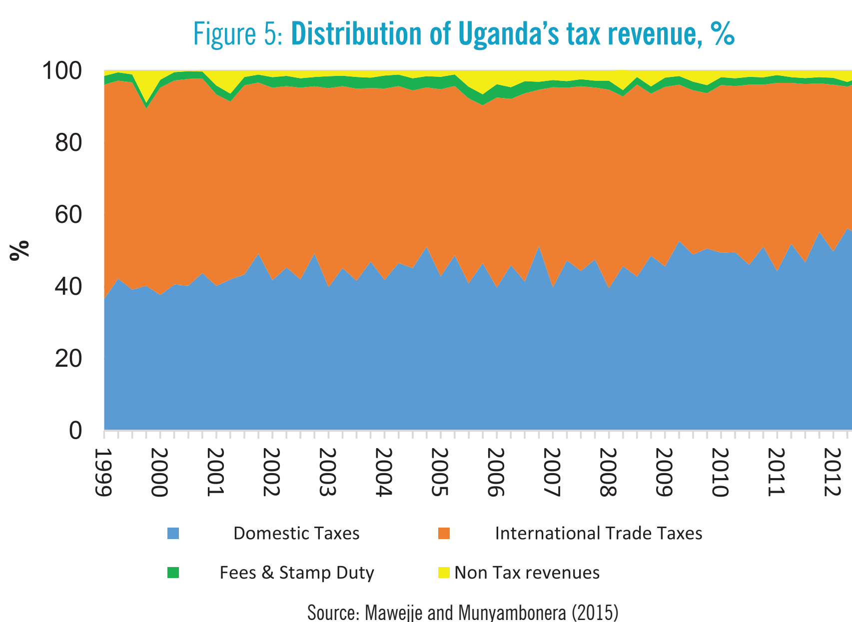
Additional tax reform during the PEAP involved the modernisation of the tax administration system to reduce revenue leakage and to simplify compliance. Such initiatives included liberalising revenue collection, repealing a provision in the Customs Management Act of 2004 that empowered the Minister to grant a specific waiver of taxes and duties on imports, the direct banking of tax dues, IT-supported revenue management, tax self-assessment, withholding tax exemptions and double taxation relief agreements. These reforms involved the acquisition of modern Information Technology (IT) systems such as the automatic Master Register, Direct Trader Input, Cargo Scanning, Electronic Transit Cargo Tracking and Fast Track Clearance, Integrated Database Management and Automatic Motor Vehicle Registration (Lwanga *et al.* 2015). The tax GDP has doubled from 6 percent in the ERP period to 12 percent in the NDP period largely owing to these reforms; see Table 1.

However, the impact of these reforms on Uganda's tax revenue performance has been growing at the same pace as the economy over the NDP. Between 2010 and 2013, tax as a proportion of GDP remained at between 11 and 13 percent (Table A 4). Although this is impressive, the proportion is below the estimated tax effort of 18 percent of GDP. Uganda is among the countries (other examples are Madagascar, DRC, CAR, Chad, Djibouti, Mali, Mauritius, and Niger) in Africa perceived as having a greater need to build capacity in the collection of taxes and to reduce illicit financial flows (ACBF 2015). Tax innovations have not been sufficiently strong to increase revenue/GDP ratios as the economy has grown over time. Capacity-building efforts may focus on measures to enhance tax inclusion and deliberate efforts to expand and grow the corporate sector, which is a viable source of revenue collection. Mutebile (2011) identifies the pervasiveness of the informal sector; a narrow tax base; illicit financial flows; and the persistence of tax incentives and tax evasion as the major contributors to stagnant tax collection even after elaborate reforms.

For instance, over the PEAP and NDP, the government has improved physical infrastructure and offered a host of tax incentives to attract local and foreign investment (in sectors such as agriculture, tourism, energy, mining and education) to create prospects for future taxation. However, the tax incentives are arbitrarily given, with no clear expiration and coverage. In many instances, the tax incentives are not guided by a proper cost-benefit analysis but rather by intentions to outdo competitors for foreign direct investment, leading to adverse tax competition and loss of revenues. Despite the URA's attempts to streamline and, in some cases, to abolish the tax incentives, it has not entirely been successful due to political interference. There is a general consensus that tax incentives are not the only criterion that an investor considers when making a decision on whether to invest (Lwanga *et al.* 2015).

Additionally, the NDP period witnessed a gradual shift in the composition of tax revenues away from international trade taxes to domestic indirect taxes. For example, the share of international trade taxes declined to 46 percent in 2012 from 59 percent in 1999, whereas the importance of domestic taxes increased from 37 percent to 50 percent during the same time period (Figure 5).

Figure 5: **Distribution of Uganda's tax revenue, %**



Source: Mawejje and Munyambonera (2015)

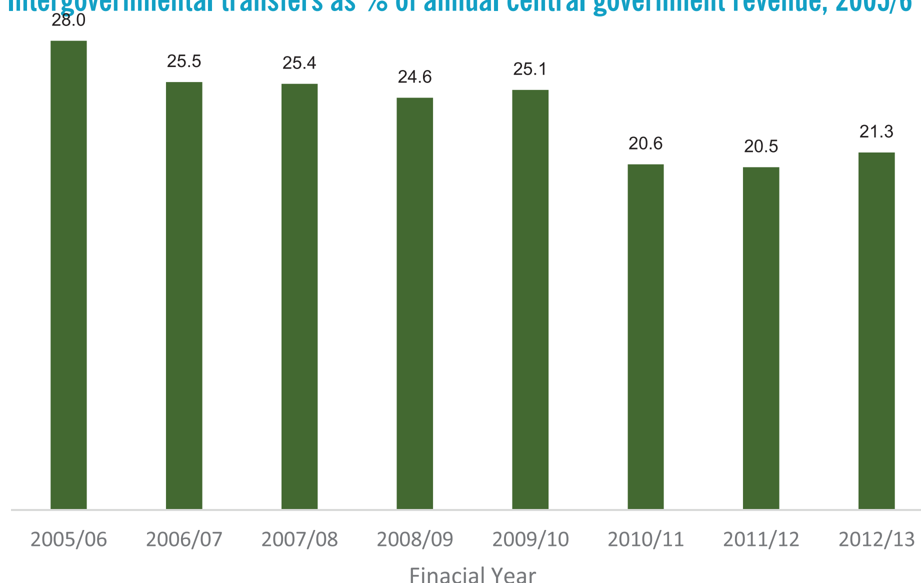
The declining contribution of trade taxes indicates that domestic consumptive taxes will play an important role in Uganda's tax revenue efforts. In some ways, the shift in domestic revenue from international trade reflects the long-term impact of the trade liberalisation policies enacted during the ERP and the PEAP, characterised by a systematic decline in tariff rates, particularly for products originating from within the East African Community and the Common Market for Eastern and Southern Africa (COMESA) regional trading blocs. The reduction and abolition of tariff rates exacerbate the shortfall in trade tax collections, particularly from imports.

4.1.13 Fiscal Decentralisation Strategy

The Fiscal Decentralisation Strategy (FDS) of 2002 (amended in 2004) is at the heart of Uganda's ambitious decentralisation strategy that was part of the PEAP and now the NDP. The FDS was formulated with the objective of strengthening the decentralisation processes in Uganda through increasing the autonomy of local governments, widening local participation in decision making and streamlining fiscal transfer modalities to increase the efficiency and effectiveness of local governments to achieve the goals of the PEAP and the NDP within a transparent and accountable framework (see Table A1). More importantly, the FDS aims to promote and improve the efficiency and effectiveness of local governments though promoting transparency and accountability (Lakuma *et al. forthcoming*). Through the intergovernmental fiscal transfer system, the GoU transfers close to 25 percent of annual central

government revenue to local governments (Figure 6). However, most local governments have not improved their fiscal capacities – local governments collect 5 percent of the total fiscal transfer – to provide the expected or mandated services. This exacerbates the fiscal imbalances between the central government and the local government (vertical fiscal imbalance), resulting in unacceptable disparities in their abilities to provide services (horizontal fiscal imbalances) and "unfair" differences in services (Ibid).

Figure 6: **Intergovernmental transfers as % of annual central government revenue, 2005/6 - 2012/13**



Source: Lakuma *et al.* (forthcoming).

4.1.14 Local government grant transfer systems

The FDS *s*tipulates two grant transfer systems: the Recurrent Transfer System (RTS) and Development Transfer Systems (DTS). In particular, the RTS facilitates the transfer of conditional and unconditional grants through a Single Recurrent Transfer System (SRTS). The SRTS provides local governments with some flexibility over the allocation of some conditional grants, between and within sectors. According to LGFC review, flexibility is granted to local governments to improve performance. This has enabled the beneficiary local governments to ensure that allocations are made in line with local priorities, while ensuring the achievement of the PEAP and now the NDP (Ibid).

However, most of the transfers from the central government are conditional, which limits the flexibility of local governments to implement their own strategic goal. Even over the NDP, the full implementation of the FDS is incomplete and is effectively an ongoing process. Nevertheless, some analysts argue that a major reason for certain conditional grants is that these transfers are aimed at meeting national priorities implemented by local governments. UPE and primary health care are the main examples. Transfers for these purposes are conditional so that the central government is assured that the funds are spent on the services that it prioritises (Ibid).

5. SECTORAL EFFORTS AND ACHIEVEMENTS

This section evaluates four broad policy areas: macroeconomic management, rural development, infrastructure building and natural resource management. For each of the selected policy areas, the section offers main achievements in terms of policy objectives, institutional frameworks, implementation actions, and development impacts. This section also highlights concrete initiatives illustrating CB efforts; it provides indicators measuring CB achievements where available. It elaborates how progress in capacity has effectively helped reach the targeted objectives and development impacts. Finally, this section follows a case study approach in each of the policy areas to highlight issues of critical importance for Uganda, and it describes in detail what has been done to combat bottlenecks to development objectives.

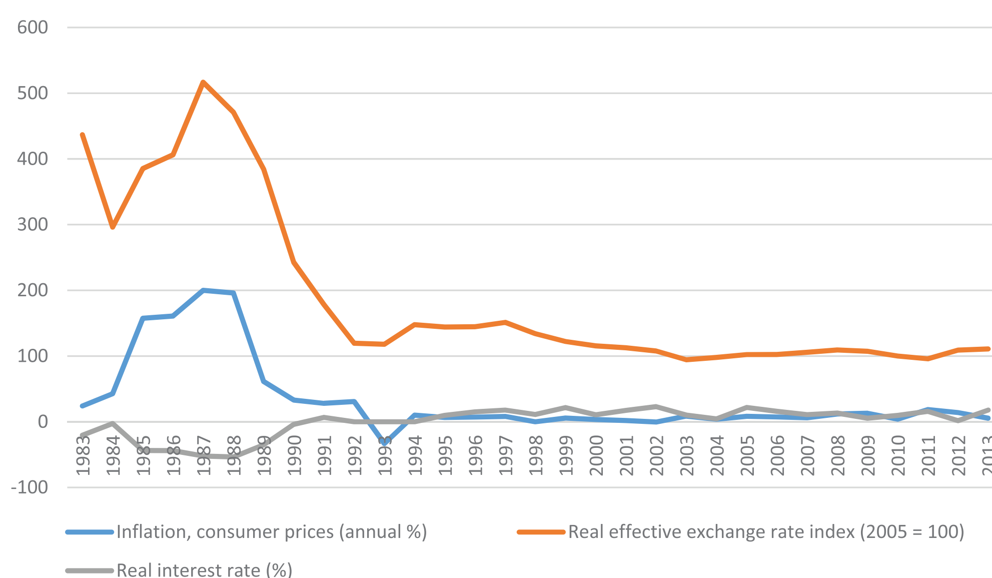
5.1 Macroeconomic Management

Uganda's macroeconomic strategy is underpinned by the desire to maintain macroeconomic stability while maintaining regional competitiveness. This section discusses the key fiscal, financial and trade reforms implemented to promote investment for growth and development and the maintenance of macroeconomic stability during the ERP, the PEAP and the NDP.

5.1.1 Fiscal Reforms

Control of Public Expenditure: Macro-fiscal reforms were enacted during the ERP and were extended to the PEAP (see Table A1). The reforms aimed to ensure fiscal discipline and eliminate government borrowing from the central bank. As discussed in section 4.1.6, these reforms included: the imposition of strict expenditure controls by the MoFPED and the introduction of a cash flow management system designed to enable the MoFPED to control government spending. The cash flow management system ensured that no spending agency could access budgetary resources from the central bank without the funds' first having been released to the account of that agency by the MoFPED (Mutebile 2011). The implementation of the expenditure controls and cash management partially explains the reduction in money supply growth and the drop in inflation from 190 percent to single digits (Figure 7).

Figure 7: **Uganda's Real Effective Exchange Rate, Real Interest Rates and Inflation (1983 – 2013)**



Source: Word Bank's World Bank Indicators (2015)

The reduction in inflation laid the foundation for the recovery of economic growth in Uganda, which has averaged approximately 6.9 percent from the ERP to the NDP 1.

Enhancement of remuneration: During the ERP, the purchasing power of public remuneration was low. This situation persisted up to the initial stages of the PEAP. To illustrate this point, in 1989, the salary of a permanent secretary in real terms was only 3 percent of what it had been in 1975. This culminated in the ineffectiveness of the public service in implementing programmes and controlling projects. Overall, there was significant administrative indiscipline. To prevent further damage to the economy as result of the deteriorating quality and ethics of the public administration, wage reforms were introduced in 1992/93 to prevent the reoccurrence of any type of economic indiscipline (Fagermas and Roberts 2004).

Budget discipline: Between 1997 and 2006, the government initiatives towards financial management and accountability involved the reduction of bribery and corruption, the effective detection, investigation and prosecution of offenders and the recruitment and training of qualified staff in accounting, procurement and auditing professions. It is at this time that the government formulated the MTEF (see section 4.1.6). The MTEF has contributed to the evaluation of national plans such as the PEAP and the NDP by integrating policy making, planning and budgeting with expenditures based on the strategic priorities identified in the plans.

The GoU has intensified efforts aimed at strengthening budgeting and accountability tools during the PEAP. The overall goal of these reforms was largely to ensure the effective and efficient use of limited government resources (Kuteesa *et al.* 2006). Therefore, rigorous reforms in public expenditure management aimed at enforcing fiscal discipline, improving financial management, ensuring accountability and improving the transparency of the national budget process were established.

In the NDP, the government's efforts to ensure financial discipline have moved beyond administrative reforms to ensuring accountability through public finance management (PFM) reforms. These include: the implementation of the Integrated Financial Management System (IFMS) during the PEAP and the implementation of the Treasury Single Account (TSA); the Integrated Personnel and Payroll System (IPPS); improving wage and payroll management; improving budget formulation, implementation, monitoring and reporting; and strengthening budget transparency.

However, the majority of the public management reforms face implementation problems: misappropriation of government funds persists, as evidenced by continuous graft scandals in the public sector. Nevertheless, the government has continued to initiate new sets of public finance management reforms, especially in 2013 (Munyambonera and Lwanga 2015). Impact assessment reveals that overall, the reforms have positively improved public finance management, with a few implementation gaps (ibid). For example, there is timeliness in the disbursement of funds to service delivery units and salary payments; there is improved accuracy in payroll; and there is a reported reduction in the total public wage bill due to the significant elimination of ghost workers.

5.1.2 Public Debt Management

External debt: Owing to the rehabilitation of public infrastructure, Uganda's debt stock grew rapidly during the ERP. In 1990, following a sharp decline in exports (see Table A2), the government ran out of foreign exchange to service its external debt obligations. This led to the implementation of a number of initiatives including fiscal discipline and negotiations for debt relief aimed at bringing Uganda's external debt under control (Whitworth and Williamson 2010). Through these initiative, the bilateral external debt to GDP ratio decreased from 83 percent in 1991 to 64 percent in 1995.

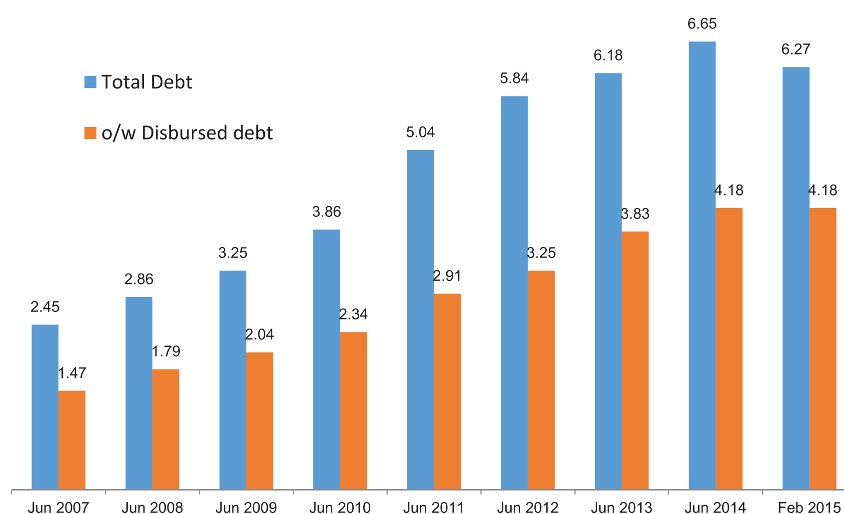
Despite this reduction, external debt service still accounted for 22 percent of government expenditure in 1995. In 1995/96, a Government-Donor Debt Committee was established and met quarterly to review Uganda's economic performance and debt reduction efforts. The findings from the committee showed that continued debt service was crowding out expenditure on social services and the incoming PEAP priorities. As discussed in section 3, with Uganda's good track record of macroeconomic stability and sound public expenditure management and its established clear priorities for tackling poverty, the country qualified for the HIPC Initiative (Whitworth and Williamson 2010).

Table A3 shows that Uganda carried a large stock of external debt of approximately US$ 4,464 million up to 2006. Owing to debt forgiveness through the HIPC and the Multilateral Debt Relief Initiative (MDRI), Uganda's external debt stock was reduced to manageable levels of approximately US$ 1,280 million in 2006. However, Uganda's external debt stock has been steadily rising due to increasing government expenditure on sector reforms in the financial, agricultural and education sectors; the sector accumulation of loans to finance specific infrastructure projects in the energy, roads and water sectors during the PEAP; and the implementation of transportation infrastructure projects during the NDP (also see A4). Nevertheless, Uganda has established a number of measures to ensure debt sustainability. There have been capacity-building initiatives that have developed instruments such as the Debt and Aid Management and Financial Analysis System (DAMFAS) as well as the Central Depository System (CDS), Treasury Bills and Treasury Bonds as tools for debt acquisition in the international and domestic markets, respectively. Other recent measures include the enactment of the Public Finance Management Act (PFMA) (2015), which replaced the Public Finance and Accountability Act (2003). The PFMA provides for the formulation of an annual 5-year Medium-Term Debt Management Strategy (MTDS).

The MTDS establishes the plan that the government intends to implement over the medium term to achieve its desired composition of the public debt portfolio, consistent with the cost risk and other provisions based on the latest economic, fiscal and financial market projections. Previous debt sustainability analyses show that in Uganda, public debt is still highly sustainable over the medium and longer term. This has been due to the prudent debt management undertaken over the years (UDN 2015). Other initiatives to reduce debt include: domestic resource mobilisation; the Debt Management Strategy (Brady Plan, Toronto Terms, Paris Club Terms etc.); and the cash budget and revenue-driven government expenditure management system (cash budget).

However, the debt implications from the financing strategy for the NDP are very significant given the magnitude of projects. The fiscal strategy adopted by the Vision 2040 is expected to increase the amount of debt as the country confronts the need to address its infrastructure deficit and consolidate its human capital development. The stock of Uganda's external debt (disbursed and outstanding) increased from US$ 2.45 billion to US$ 6.27 billion between June 2007 and February 2015, as shown in Figure 8. Debt has been increasing at an annual rate of 15 percent in the same period. Nevertheless, although external debt accounts for 59.5 percent of the total debt, there is strong evidence of prudence in the contraction of debt in terms of the allocation of debt to support critical areas of the economy, such as roads, energy, water and sanitation, and programme borrowings related to financial sector adjustment credit, agricultural sector adjustment credit, education sector adjustment credit, and energy sector adjustment credit. Furthermore, a significant proportion of external debt was contracted on a concessional basis from the IDA (World Bank) and Africa Development Bank (AfDB) and attracts a relatively low interest payment. The Weighted Average Interest Rate (WAIR) for external debt was at 5.4 percent as of June 2013.

Figure 8 : **Trends in annual external public debt (total and disbursed) US$ billions**



Source: MoFPED (2015)

Domestic debts: For a long period of time (1993 to 2014), issues of domestic debt have been purely for monetary policy management and building capacity for domestic debt market development purposes. These two main objectives have generally been achieved in terms of both price stability and the domestic market for securities. Domestic debt did not pose any threat to debt sustainability objectives because the counterpart funds were blocked in a designated account at the BoU rather than recycling the funds into the economy. However, after 2013, the government started making recourse to the issuance of domestic securities to finance the fiscal deficit. It has been a direct government policy to grow the domestic debt market to prepare it in case the government needs to use this window to finance its activities. Nevertheless, in some instances, there have been problems of control. For example, by February 2015, the government increased its portfolio of domestic debt to US$ 3.10 billion (Table 5). The near-exponential increase in domestic debt raises concerns of crowding out the private sector and debt sustainability.

The instruments used for borrowing domestically are short-term in nature. In 2015, treasury bills with a maturity period of between 3 months and 1 year were US$ 1.09 billion (35 percent) of total external debt (Table 5). On the other hand, long-term instruments or treasury bonds of two years and above amounted to US$ 2.36 billion (MoFPED 2015). There is a concern that domestic borrowing is not sustainable. Much of the domestic debt is on a non-concessional basis, contracted at a high interest rate between 14 and 20 percent and has a short repayment period compared to the 40 years of most IDA loans. Table 5 shows a heavy concentration of debt under five years and a significant portion under treasury bonds, which are largely contracted for monetary purposes. In terms of debt repayment, nearly US$ 3 billion, or 12 percent of GDP, of debt is expected to mature in the next 10 years.

Table 5: **Stock of domestic debt by type and tenure as of the end of February 2015**

	Maturity	Stock (UShs millions)	Stock (US$ '000)	percent of total stock
Treasury Bills	91 days	69,071.4	23,824.4	0.8
	182 days	250,577.4	86,430.4	2.8
	364 days	2,612,382.4	90,076.3	29.0
	Sub-total	**2,932,031.2**	**1,011,331.2**	**32.6**
Treasury Bonds	2 years	1,602,668.3	553,145.5	17.8
	3 years	1,147,373.8	395,758.0	12.7
	5 years	1,869,578.1	644,864.4	20.8
	10 years	1,091,031.7	367,324.3	12.1
	15 years	356,726.0	123,043.6	4.0
	Sub total	**6,068,377.8**	**2,093,135.9**	**67.4**
Grand Total		**9,000,408.9**	**3,104,467.1**	**100.0**

Source: MoFPED (2015)

5.1.3 Deregulation and Competition Policy

As discussed in section 3, before the ERP, Uganda had a heavily regulated economy, with the government imposing control over interest rates, key export prices, the exchange rate and access to foreign exchange. As a result of the controls, the economy suffered from high inflation, an overvalued exchange rate and high interest rates. The government thus embarked on a number of reforms aimed at restoring efficiency in resource allocation. Such reforms included, among others, financial sector legal and regulatory reforms, privatisation and deregulation (see Box 8 for the evolution of the laws governing Uganda's financial sector), the creation of regulatory authorities (the URA, the ERA, the NEMA, the Communications Authority and the Higher Education Council), the recruitment of competent staff and capacity building in these authorities.

Banking sector legal and regulatory reforms: The poor performance of the banking system in Uganda before the reform period was partly due to a limited and weak supervisory and regulation framework. The BoU had limited legal authority to conduct proper regulation and supervision of commercial banks. The 1969 Banking Act had loopholes and weaknesses that hampered proper prudential supervision of banks and the entire financial sector. For example, it required the BoU to seek permission from the Ministry of Finance before taking action related to prudential matters. It granted the authority to license banks to the Minister of Finance rather than to the BoU. In view of these and other weaknesses, the government embarked on efforts to strengthen the legislative and institutional framework for the prudential regulation of the banking sector and overall financial system. This led to a couple of reforms during the ERP: the Bank of Uganda Statute (1993) and the Financial Institutions Statute and the Microfinance Deposit-Taking Institutions Act (1993); and the Financial Institutions Act and Foreign Exchange Act in 2003 during the PEAP. These laws have given the BoU greater independence from the Ministry of Finance in licensing and regulating financial institutions. It should be noted that the Financial Institutions Act is in the process of being amended to consider recent developments and innovations such as mobile money, Islamic banking and agency banking.

Box 8: Laws that govern debt acquisition, disbursal and servicing as of December 2015

- Treasury Bills Act (1969)
- Bank of Uganda Act (2000)
- Budget Act (2010), which provides the regulatory framework for the planning and reporting function of the MoFPED and requires that the indebtedness of the State, including information relating to guarantees of loans and grants, be presented to Parliament.
- The 2005 Constitution, Article 159(1), provides that the government may borrow from any source, which borrowing must be expressly approved by Parliament.
- Public Finance and Accountability Act (2003), which outlines the control and management of public finance, including the control of government borrowing and vests the authority to raise money by loan in the MoFPED.
- Public Finance Management Act (2015). This is the most recent Act and provides that the proportion of debt servicing be included in the national budget. It also ensures that the budget is approved (April) before it is read (June) so that the implementation of programmes commences by July of that financial year. This ensures early implementation of programmes and will hopefully lead to an increased absorption capacity of financial resources by the different MDAs.\

Source: *MoFPED (2013 and 2015)*

5.1.4 Liberalisation of the Financial Sector

Since 1990, the government has embarked on a programme to liberalise the financial sector with the intention of improving efficiency in resource allocation, lowering the cost of credit, increasing the general public's access to banking services, and mobilising savings, all targeting financial and economic development. These reforms were intended to remove controls and allow market forces to determine the various prices in the banking/financial sector (Bategeka and Okumu 2010). The government further initiated reforms aimed at increasing private savings and investment. These included privatising government parastatals, including banks (see section 4.1.2), and opening the new financial sector to new entrants.

Interest rates: In 1989, the government allowed nominal interest rates to adjust to match inflation. In 1992, interest rate determination in the Treasury bill market changed from *ad hoc* issuance to a market based on the "American auction" system. In July 1994, interest rates were fully liberalised. Moreover, the central bank switched to a new interest rate management regime that used monetary policy instruments, with the interest rate on Treasury bills as an anchor. In 2004, Treasury bonds were introduced as monetary policy instruments (Bategeka and Okumu 2010).

Capital account liberalisation: To attract foreign capital and increase trade facilitation and financial transactions, capital account controls were lifted. Citizens were allowed to hold foreign currency-denominated assets and hold foreign currency-denominated accounts in the domestic financial system and abroad. They were allowed to bring in capital for investment and take it out without restrictions.

Financial inclusion: The financial sector reforms that were implemented resulted in significant gains in financial intermediation and the development of innovative products to foster financial inclusion. As shown above in Table 1, Uganda's private savings rose from 2 percent to 15 percent of GDP from the ERP to the NDP period. On average, the prime lending rates on loans fell from 32 percent to 23 percent in the two periods. The domestic credit provided by the banking sector in GDP increased from 4 percent in 1995 to 16 percent in 2013. The number of commercial banks and bank branches increased from 12 and 84, respectively, in 1987 to 25 banks and over 500 branches, respectively, in 2014. Total private time and savings deposits increased from approximately UShs 80 billion in June 1993 to over UShs 4,287 billion in June 2014 (Lwanga *et al.* 2015).

Despite these successes, Uganda's financial sector remains relatively narrow and over-concentrated in the NDP period, with total banking assets amounting to approximately US$ 6,650 million (Ibid). The cost of credit in Uganda remains high partly due to limited competition (high concentration) in the banking sector, high operating costs, the perceived high risk of lending to the private sector, and the tight conduct of monetary policy. The BoU's efforts to keep inflation low and simultaneously prevent the appreciation of the exchange rate also partly explain the high interest rate spreads.

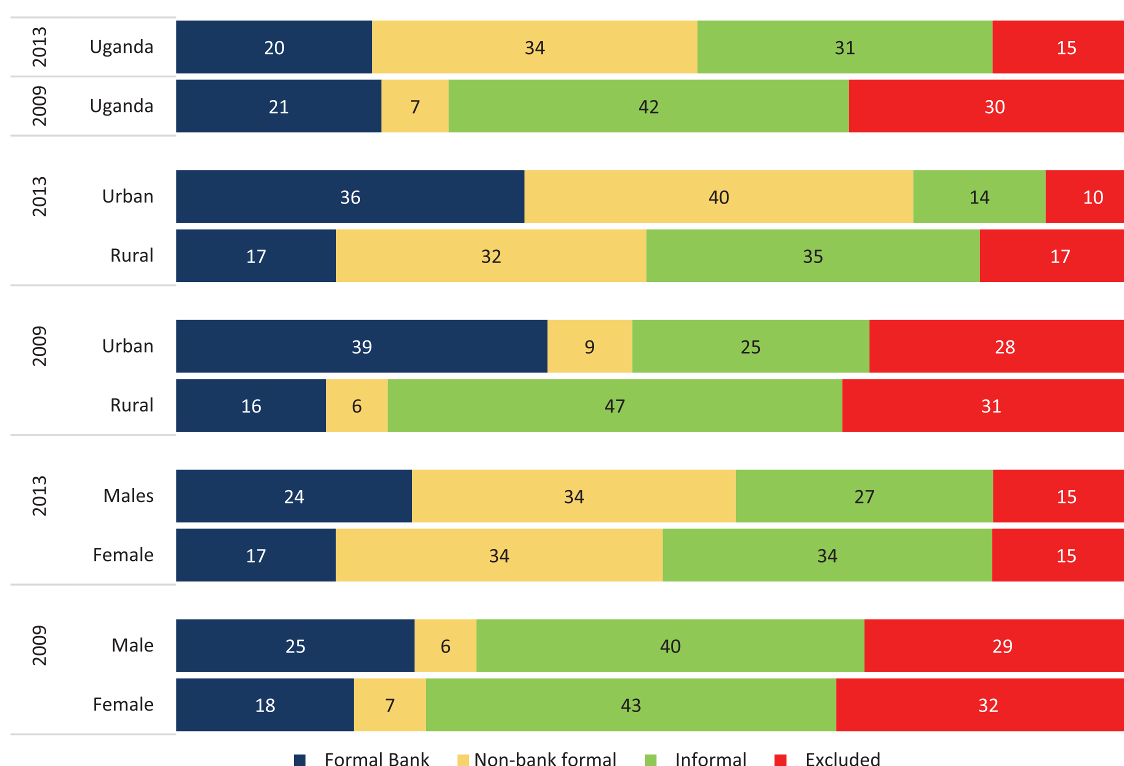
In addition, the characteristics of the banking sector have not changed much over the NDP period. The banking sector remains highly concentrated, with four out of 25 commercial banks accounting for approximately 47 percent of total banking assets. Most financial institutions are located in the capital city and other urban centres, leaving the rural population with limited access to financial services (EPRC 2013).

On the demand side, low incomes, the absence of financial institutions and financial illiteracy are some of the reasons for the country's low savings rate and low overall levels of financial inclusion. From Figure 9, only 20 percent of the adult population in 2013 had accounts with formal banking institutions (commercial banks, credit institutions and Micro-Deposit Taking Institutions (MDIs)), whereas 34 percent were served by non-bank formal financial institutions, including Savings and Credit Cooperatives (SACCOs) and microfinance institutions (MFIs),

and 31 percent were served by informal groups, such as Accumulating Savings and Credit Associations (ASCA), Village Savings and Loan Associations (VSLA), Rotating Savings and Credit Associations (ROSCA), and 15 percent of the population was excluded (EPRC 2013).

According to the EPRC (2013), only 19 percent of the adult population in 2013 saved with formal banking institutions, 9 percent with non-bank formal financial institutions, 43 percent with informal groups, and over 30 percent saved at home or did not save at all, partly due to the cultural influences of saving in the form of chickens, goats, cows, land, buildings, etc. However, financial innovations such as mobile money have increased the extent of financial inclusion in Uganda. For example, prior to the introduction of mobile money, in 2006, only 18 percent of adults in Uganda used formal financial services, and at least 62 percent were financially excluded. With the introduction of mobile money in Uganda in 2009, the use of formal financial services increased to 54 percent by 2013, and financial exclusion was reduced to 15 percent over the same period (ibid).

Figure 9: **Mutually Exclusive Use of Financial Services by Institutions, percent**



Notes: Mutually exclusive refers to the independence of an event. For example, one cannot hold an account in a formal financial institution and simultaneously be excluded from financial services.

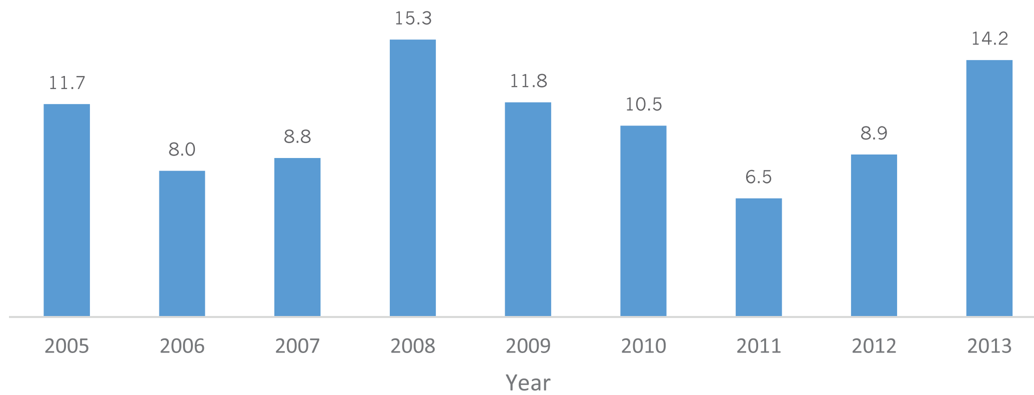
Source: EPRC (2013)

On the other hand, supply-side constraints such as poor infrastructure – roads and electricity, among others – isolate up to 80 percent of Ugandans from the banking system. In addition, the cost of credit in Uganda remains high due to the high prime lending rate, which suggests significant inefficiency in the banking sector, and low interest rates on deposits (Lwanga *et al*. 2015).

The high interest spreads discourage potential savers and limit financing for potential borrowers. The low returns on deposits are partly due to limited competition in the banking sector and high bank operating costs. The savings rates in Uganda are also sensitive to GDP growth, external shocks and inflation (Ibid). For example, there was a sharp decrease in savings as a share of GDP from 12 percent in 2005 to 8 percent in 2007 and from 15.5 percent

in 2008 to 6 percent in 2011 (figure 10.). This decline coincides with the global financial crisis in 2007 and inflation, which peaked at 30.5 percent in 2011, which was partly driven by expansion in fiscal deficits (Kabundi 2012). However, the saving rates have recovered in the NDP period and have returned to their historical value of between 10 and 15 percent of GDP. Figure 11 shows that savings rose in 2008 to 15.3 percent in response to low inflation (4.5 percent) and a high GDP growth rate of approximately 7 percent.

Figure 10: **Gross Domestic Savings, 2005-2013 (un-weighted averages)**



Source: World Development Indicators, (2015)

5.1.5 Reforms in the Trade sector

Trade-focused ERP reforms targeted the generation of a rapid response in export production, the removal of barriers to trade, the elimination of policy distortions, the espousing of market forces to determine the level of the exchange rate and the removal of price controls. Liberalisation of the trade regime resulted in a strong impact on domestic competition and thus on the efficiency of manufacturing firms (Kasekende *et al.* 1998). Similarly, there was a larger increase in technical efficiency for firms that produced import-competing goods than for those not competing in the international market. The exposure to international competition had beneficial effects on firm efficiency.

Liquidation of state supported monopolies: During the liberalisation phase reforms, relevant public servants were trained and a Public Enterprise Divesture Department was established to effect privatisation. The capacity building was purposely performed to help orient public servants to the role of market forces in delivering services. As noted in section 3.1.1, Uganda abolished marketing boards for coffee, tea and cotton as part of the ERP and replaced them with bodies focused on regulation and production support. In the coffee subsector, for example, this resulted in the entry of over 100 private companies in the export market, leading to competition that improved farm gate prices and boosted output. Although this boosted the traditional exports (coffee, tea, cotton and tobacco), it also led to the emergence of what came to be known as non-traditional exports. Non-traditional exports trended upwards, and by 2000/01, their performance had surpassed some traditional exports (World Bank and MTTI 2004). Examples of these exports include fish, cut flowers, electricity, cereals, hides and skins, cobalt and beans. Table 6 gives the details of the performance of the export sector between 1994 and 2005. For current data beyond the reform period, check the Annex (Table A6), which illustrates the significant growth in exports, especially in non-traditional exports.

Table 6: **Composition of exports (US$ million)**

Export	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05
Coffee	456.6	404.4	365.6	268.9	306.7	186.9	109.6	85.3	105.5	114.1	144.5
Cotton	3.3	13.2	28.6	11.4	10.8	22.5	14.1	18	16.9	42.8	41.3
Tea	11.8	12.5	21.3	35.6	22.7	31.9	35.9	26.9	29.5	39.3	33.1
Tobacco	-	-	8.6	10.8	22.9	22.4	27.6	32.3	39.9	36.2	36.2
Sub-total	**471.7**	**430.1**	**424.1**	**326.7**	**363.1**	**263.7**	**187.3**	**162.4**	**191.7**	**232.4**	**255.1**
Fish prds	17	37.5	34.6	28	47.6	24.8	66.6	107.5	111.4	118.1	169.6
Gold	-	35.2	110.5	25.5	27.9	39.4	58.5	56.7	48.2	58.5	71.3
Flowers	-	-	5.3	6.8	7.2	84.3	13.2	15.9	17	27.2	31.7
Electricity	-	-	8.1	12	12.3	13.8	16.7	13.9	15.5	12.6	8.3
Maize	20.2	9.4	16.5	8.1	6.1	4	6.1	13.1	8.2	18.8	13.3
Hides/skins	-	-	7.8	7.8	6.6	6.1	22.7	19.6	4.2	5.9	6.4
Cobalt	-	-	-	-	-	7.3	12.8	10.9	1.9	2.7	13.7
Beans	11.7	7.4	6	2.2	4.6	4.8	2	1.5	5.5	4.9	4.3
Others	74.8	70.7	70.6	41.3	73.7	87.7	72.4	72.5	104.3	166.1	212.6
Sub-total	**123.6**	**160.2**	**259.4**	**131.7**	**186**	**196.2**	**271**	**311.6**	**316.2**	**414.8**	**531.2**
Total	**595.3**	**590.3**	**683.5**	**458**	**549.1**	**459.9**	**458.3**	**474**	**507.9**	**647.2**	**786.3**

Source: World Bank and MTTI (2004)

Trade policy reform: Macroeconomic stability and a liberal trade policy emphasised by the PEAP had a positive effect on investment and trade (MoFPED 2004). To that end, Uganda removed export taxes and liberalised the exchange rate (see section 5.1.4). The government also pursued a policy that avoided domestic protection and firm-specific interventions. There was deliberate effort to diversify exports by negotiating trade barrier reductions (including tariff and non-tariff barriers). The PEAP aimed to increase competitiveness by enabling firms to innovate and adapt to new technologies to guarantee the profitability of firms. In particular, Uganda's trade policy, formulated in 2007, aims to develop and nurture private sector competitiveness and to support the productive sectors of the economy to trade at both domestic and international levels (Ministry of Tourism, Trade and Industry [MTTI] 2007). During this phase, the European Union (EU) conducted a number of capacity-building interventions, namely: the EPA-TAPSS project, which aimed to strengthen the institutional and regulatory environment of the trade sector, and the Trade Capacity Enhancement (TRACE) project, which aimed to improve the coordination and mainstreaming of trade in the national planning process (see Box 9 and Table A1). It should be noted that these capacity-building initiatives overlapped between the PEAP and the NDP.

Box 9: Trade Facilitation Capacity-Building Efforts in Uganda

1. **Economic Partnership Agreement-Related Trade and Private Sector Programme (EPA-TAPSS)**

Donors: European Union
Partners: Government of Uganda
Duration: July 2009 - June 2013

Objectives:

- Enhancing the capacity of the MoTIC (Ministry of Trade, Industry and Cooperatives) to fulfil its mandate in respect to the development of trade and enabling the country to develop sufficient capacity to exploit the trade opportunities available under the Economic Partnership Agreements (EPAs) and the different regional trade agreements, in particular:
- To bolster the capacity of the MoTIC to spearhead the development of the country's trade sector and the creation of a conducive business environment for private sector development.
- To increase the ability of Uganda's products to conform to international quality standards and to strengthen the enforcement of such standards.

2. **Trade Capacity Enhancement Project (TRACE)**

Donors: Enhanced Integrated Framework of the European Union
Partners: Ministry of Trade, Industry and Cooperatives
Duration: January 2008 - September 2012

Objectives:

- The Trade Capacity Enhancement Project (TRACE) was an initiative derived from an Integrated Framework that also provided the funding. These funds were used to build capacity to implement the Diagnostic Trade Integration Study (DTIS). The MTTI was the TRACE implementing supervisor, and the Competitive Investment Climate Strategy (CICS) National Steering Committee provided the overall policy guidance for its implementation.
- TRACE was an Enhanced Integrated Framework (EIF)-funded programme under the Ministry of Tourism, Trade and Industry (MTTI). The financial agreement (memorandum of understanding) was signed between the government of Uganda and the EIF Trust Fund Manager: the United Nations Office for Project Services (UNOPS).
- TRACE sought to contribute to the fulfilment of the Integrated Framework (IF) objectives and programmes in Uganda and to support the trade development agenda of the government of Uganda. The project was implemented in the Ministry of Tourism, Trade and Industry, where it supports the building of capacity in the national IF secretariat so that it is better equipped to:
- Coordinate the process of trade mainstreaming in the national planning process among the different institutions and sectors in Uganda;
- Oversee the development of a programme of Tier 2 projects in response to the DTIS action matrix, assist in identifying funding partners and monitor their implementation; and
- Coordinate the development of trade and trade-related projects and monitor the implementation of the Aid for Trade programme in Uganda

Source: (MTTI, 2016)

Other strategic interventions for addressing constraints in the trade sector delivered during the NDP 1 included: strengthening the policy, legal and regulatory framework; reducing the time and cost of doing business; developing human resources in trade-related issues; developing and implementing a national trade information system; addressing financing challenges; negotiating market access; and enhancing the branding of products, among others.

Improvement of domestic and international trade and investment environment: Volume in domestic trade was to be achieved through strengthening domestic trade policies and laws; identifying and exploiting policy synergies and complementarities; and ensuring that goods and services in the domestic market meet the required standards. On the international trade front, the volume of trade would be increased by supporting the private sector, with a view to making it competitive in production and trade and ensuring that all national policies and practices on taxation and licensing are supportive of the competitiveness of Uganda's products. In this regard, Uganda benefitted from United Nations Office for Programmes funding to support capacity building for district commercial services mainstreaming. During this process, commercial officers from 25 districts were trained and given ICT equipment as the means of equipping them to network. The Swedish International Development Cooperation Agency (SIDA) funded a project intended to establish infrastructure for quality standards. The EU funded infrastructure development for fish processing such as the landing sites at lakes and the cold chain. These activities targeted increasing the volume of both domestic trade and international trade.

In addition, Ugandan policies, laws and regulations are generally favourable towards foreign investors. Uganda provides attractive incentives for medium and long foreign investors. The investment code (1991) allows foreign participation in any industrial sector and offers a range of investment incentives, except in areas concerning national security or requiring the ownership of land. Ugandan law also permits foreign investors to acquire

domestic enterprises or to establish Greenfield ventures.

Identification of key exports: Uganda formulated a National Export Strategy (NES), which is a framework to guide coordinated support for national export development. This plan guides specific priority sectors on both expansion and development to generate more revenue for the economy. The 2008-2012 strategy identified six sectors – coffee, fish, tea, cotton and textiles, flowers and services – as main priorities. An additional six sectors (fruit and vegetables, dairy products, cereals and pulses, natural ingredients, commercial crafts and value-added manufactures) were subsequently identified to promote export diversification. Anchored in a strong public-private dialogue, the blueprint strengthens the links between export development and socio-economic growth. It is monitored and reviewed regularly every five years.

Impact of reforms: Very little was achieved by the above initiative in the NDP 1 and has been rolled over into the NDP 2. In particular, there is a scope for improving the capacity to negotiate trade deals. In addition, the structural transformation of the economy has not followed the traditional path, where industry is the precursor of growth in the service sector. Growth in the last half of the last three decades was largely driven by services. The export growth rates initially increased following the initial reforms but significantly declined during the NDP era. As a share of GDP, exports increased their contribution from 8.4 percent during 1990-1999 to 17.8 percent during 2011-2014. Nevertheless, the country has experienced higher growth in imports compared to exports and, similarly, a higher contribution to GDP (see table A7).

The outcome of the above policies can also be measured using the World Bank's Doing Business Indicators (Table 7). In particular, Uganda has made it easier to start a business by eliminating the requirement that a commissioner of oaths must sign the compliance declarations. Paying taxes has also been eased by eliminating a requirement for tax returns to be submitted in paper copy following online submission. Simultaneously, Uganda made trading across borders easier by constructing the Malaba One-Stop Border Post, which has reduced the border compliance time for exports (World Bank 2016). However, corruption remains a challenge in customs administration in Uganda. The URA has been implementing various solutions to fight corruption, such as requiring officials to declare their assets, increasing salaries and providing training on integrity (Ibid). As noted above, Uganda recently introduced a modernised version of the ASYCUDA World system, but its broad impact on fighting corruption remains to be seen (Ibid).

Table 7: Uganda's Doing Business (DB) Ranking

	DB 2017 Rank	DB 2016 Rank
Overall	115	116
Starting a Business	165	162
Dealing with Construction Permits	151	153
Getting Electricity	161	168
Registering Property	116	118
Getting Credit	44	42
Protecting Minority Investors	106	101
Paying Taxes	75	76
Trading across Borders	136	141
Enforcing Contracts	64	63
Resolving Insolvency	111	104

Source: World Bank's Doing Business Survey, (2017)

5.1.6 Regional integration and Trade Agreements

Regional integration has been part of Uganda's strategy for economic transformation since the 1960s, and concrete agreements have subsequently been adopted. In this regard, Uganda was part of a number of Regional Integration Areas (RTAs) including: the Common Market for Eastern and Southern Africa (COMESA) and the East Africa Community (EAC). Under the EAC, there are ongoing negotiations for Uganda to join the tripartite Free Trade Area (FTA) composed of the EAC, the COMESA and the Southern African Development Community (SADC), and it will constitute 26 countries. The countries involved in the *Cape to Cairo* FTA have a combined GDP of 512 billion and some 626 million citizens, representing more than half of Africa's overall population. The departure point for the Tripartite FTA is for 60 percent of a country's tariff lines to be free immediately, while 25 percent of tariff lines would be negotiated gradually and 15 percent would be regarded as sensitive.

Following the formation of the Ministry of East African Community Affairs (MEACA), it was realised that the capacity to implement the treaty and protocols was inadequate. This gap was identified by Trademark East Africa, which funded capacity building between 2011 and 2015. The project targeted all areas concerning the implementation of the EAC provisions, which ranged from research and analysis, negotiations, mainstreaming at the national level, and the drafting of laws and policies, among others. This initiative has had a tremendous impact on the implementation of EAC provisions in Uganda.

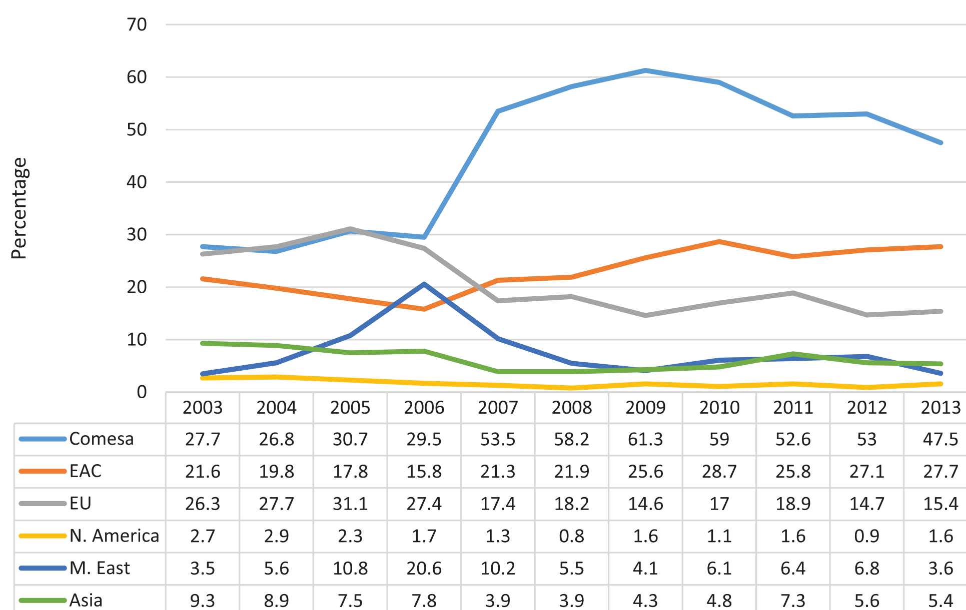
Pursuant to the provisions and objectives of article 5 of the EAC, the partner states established a Customs Union (CU) as an integral part of the Community starting in 2005. The EAC has progressively eliminated tariffs and non-tariff barriers (NTBs) to trade in goods; liberalised trade in services; cooperated on customs matters and implement trade facilitation measures; and established and maintained an institutional framework for the implementation and administration of the EAC Treaty. Under the common market protocol, EAC partner states are implementing the free movement of goods, the free movement of persons, the free movement of labour, the right of establishment, the right of residence, the free movement of services and the free movement of capital. These measures were in line with the PEAP objective of increasing competitiveness and have led to a significant increase in Uganda's regional trade compared to the traditional export destinations.

Preferential Treatment Agreements (PTA): During the PEAP regime, Uganda, as a member state of the EAC, benefited from the African Growth and Opportunity Act (AGOA). The AGOA accorded EAC goods a duty-free and quota-free access to the United States of America (USA) market for a range of products until 2015 and with an opportunity to continue for another 15 years.

Additionally, the EAC finalised negotiations for a region-to-region comprehensive Economic Partnership Agreement (EPA) with the EU that covers trade in goods and development cooperation. This agreement is expected to be signed and ratified in October 2016. There are many provisions for the EPA and salient among them are: immediate duty-free, quota-free access to the EU market for all EAC exports; and a partial and gradual ("asymmetric") opening of the EAC market to imports from the EU, taking full account of the differences in levels of development between the EAC and the EU. The EAC has committed to liberalising the equivalent of 82.6 percent of imports from the EU. The remainder will be progressively liberalised within 15 years from the moment when the EPA enters into force, and 2.9 percent of it will be liberalised only within 25 years. All of these trade agreements have a strong bearing on the performance of trade as the country transitions from service delivery (PEAP era) to infrastructure development (NDP era).

From Figure 11, it is evident that the COMESA region, which includes the EAC countries except Tanzania, accounted for the largest proportion of Uganda's exports, followed by the EU (the proportions exceed 100 percent because part of the EAC is included in the COMESA).

Figure 11: **Trends in proportions of Uganda's exports to different destinations (%)**



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Comesa	27.7	26.8	30.7	29.5	53.5	58.2	61.3	59	52.6	53	47.5
EAC	21.6	19.8	17.8	15.8	21.3	21.9	25.6	28.7	25.8	27.1	27.7
EU	26.3	27.7	31.1	27.4	17.4	18.2	14.6	17	18.9	14.7	15.4
N. America	2.7	2.9	2.3	1.7	1.3	0.8	1.6	1.1	1.6	0.9	1.6
M. East	3.5	5.6	10.8	20.6	10.2	5.5	4.1	6.1	6.4	6.8	3.6
Asia	9.3	8.9	7.5	7.8	3.9	3.9	4.3	4.8	7.3	5.6	5.4

Source: UBoS Statistical Abstracts (2008 and 2014)

Uganda's total trade increased from US$ 665 million in 2003 to US$ 2.8 billion in 2013. It is noted that the intra-EAC regional trade has increased significantly (Table 8). However, the share of trade with the EU has significantly shrunk due to the low value of Uganda's exports, which are mainly primary agricultural products.

Table 8: **Exports by region and country of destination ('000 US$), 2003-2013**

Year	COMESA	EAC	EU	N.America	M. East	Asia
2003	147,793	57,514	140,530	14,635	18,488	49,796
2004	177,995	79,634	181,756	19,185	37,060	59,025
2005	249,336	108,421	252,708	18,340	88,111	61,180
2006	283,747	94,766	263,752	16,442	198,544	75,194
2007	506,509	255,753	324,395	23,777	190,847	71,937
2008	725,152	377,437	460,218	19,835	139,064	98,183
2009	1,450,729	711,730	344,958	38,494	96,384	102,586
2010	1,266,112	719,178	365,693	23,836	131,221	103,729
2011	1,323,966	717,203	475,934	39,727	159,780	182,347
2012	1,489,848	830,872	412,204	25,925	190,483	156,857
2013	1,343,982	922,836	436,097	44,756	101,834	151,906

Source: UBoS Statistical Abstract.

5.2 Rural Development

Approximately 85 percent of Uganda's population lives in rural areas, which are often isolated and have seen little of the benefits of modern goods and services such as electricity, ICT, and good road networks. As a result, many have not had an opportunity to fully utilise their productive potential for the development of the country. Many remain underemployed or unemployed, which can partly be attributed to the lack of amenities. It is for such reasons that there is a deliberate government effort to improve the lives of the rural population through rural electrification and agriculture, as discussed below.

5.2.1 Rural Electrification

As noted in section 3.1.1, the political and economic crises that necessitated the ERP negatively affected most productive sectors, including the electricity sector. Electricity production fell from 150 MW in 1963 to 60 MW in 1987. The economy was characterised by huge energy deficits, and the drive to extend energy to rural areas was severely affected (Mawejje *et al.* 2012). Therefore, the benefits of electrification were not shared with rural areas because of the huge technical and financial constraints faced by the Uganda Electricity Board (UEB) in the ERP period. One of the major challenge that faced the UEB was the lack of finances required to expand the grid to rural areas due to the low uptake of electricity service and the heavy reliance of the electricity sector on government subsidies (Ibid).

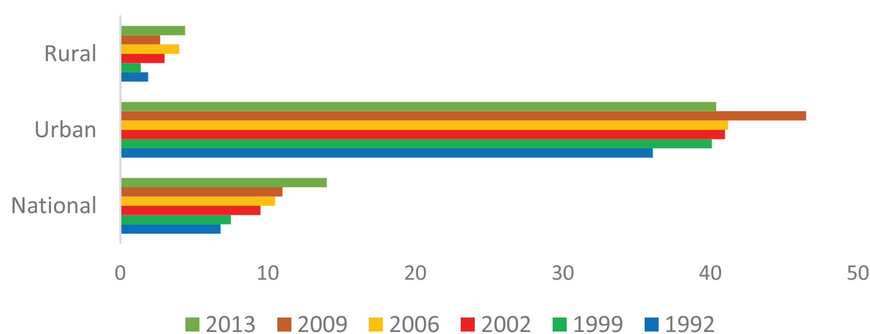
Policy Framework: In the PEAP period, the UEB was restructured with a view to making it economically viable (see Table A1). The new Electricity Act was finalised in 1999, the Rural Electrification Strategy and Plan (RESP) was established in 2001, and the Energy Policy was formulated in 2002. In 2003, the Rural Electrification Board was appointed to oversee the Rural Electrification Trust Fund (RETF) with a view to expediting the process of rural electrification.

The Rural Electrification Strategy and Plan: The first RESP aimed to increase rural population access to electricity from 2.4 percent in 2000 to 10 percent in 2010, regardless of the source of electricity. It also aimed to increase access to the national grid from 10 percent to 20 percent over the course of the NDP. However, the end date was revised to 2012 due to the absence of an implementation framework. The second RESP spans from 2013 to 2022. It is expected that the RESP will achieve universal electrification by the end of the NDPs in 2040. This plan is consistent with the existing government policy, which aims to displace kerosene lighting in all rural Ugandan homes by 2030. However, it is envisaged that household consumption will be efficient to save electricity for industrial expansion and usage.

Rural Electrification Institutional Framework: Other organs such as the Rural Electrification Agency (REA) and Board (REB) were established *to promote, support and provide for rural electrification programmes* during the PEAP. To date, electricity has been extended to most district headquarters, with the exception of Kotido and Kaabong in the Karamoja sub-region. The reason is that the REA holds the broad mandate of ensuring rural electrification, especially in low-profit areas, which are of limited interest to the private sector. The REA has divided rural Uganda into twelve electricity distribution service territories and has contracted rural electricity distribution companies to operate and maintain the electricity distribution infrastructure to expand access to electricity to rural communities. On the other hand, the Electricity Regulatory Authority (ERA) has prescribed non-cost-reflective (subsidised) tariffs for rural electricity consumers. For its part, the REA subsidises the connection costs by meeting some of the costs related to the internal wiring of houses. The overall goal of all of this is to increase rural access to electricity from the current 5 percent to 26 percent by 2022.

Slow path to rural electrification: Despite these efforts, however, progress in extending rural electrification, over the NDP, to a majority of rural Ugandan households has been slow (Mawejje 2014). Although the urban electrification rate is 40 percent, the rural electrification rate is much lower: in 2014, approximately 95 percent of all rural households did not have access to the national grid (figure 12).

Figure 12: Trends in electrification levels, %



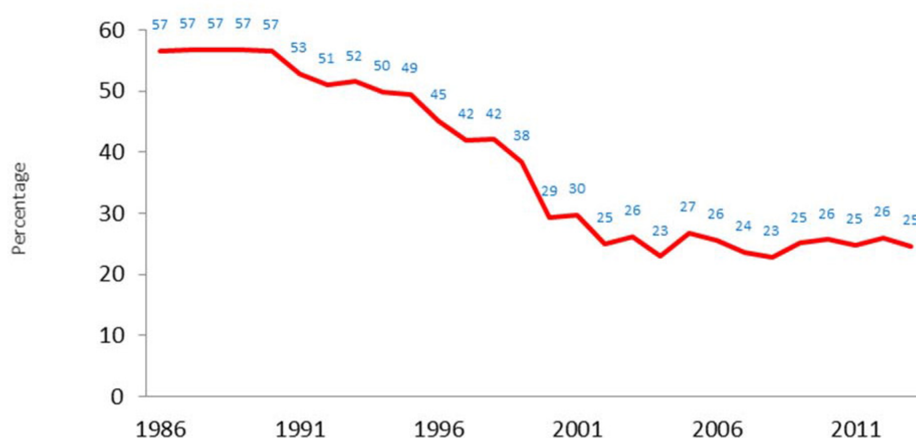
Source: Authors' calculations based on several UNHS date.

Other constraints to rural electrification are problems with rural isolation, power theft, insufficient supply and the high costs that have inhibited rural communities from gaining access to electricity. It is also un-economical for the government to hunt to lay the grid network for the many millions of scattered rural homes. A policy that establishes and supplies electricity to growth centres, which work as magnets for social services (medical, education and water supply), would be more economical than reaching out to every household in the rural areas.

5.2.2 Agriculture

***General Macro-economic Outlook*:** As stated above, agriculture remains a key sector in Uganda's economy in terms of employment, food security, and export earnings. However, the contribution to GDP of the agricultural sector has persistently declined from the ERP to the NDP (Figure 13). In 1988, the share of agriculture to GDP was 51.1 percent, but this figure declined to 24.1 percent in 2012 (MAFAP 2013). The sharp decline in the share of agriculture represents a significant *structural transformation* in Uganda, highlighted by a shift in economic activity to the service and industry sectors.

Figure 13: Trends in Agriculture, value added as percentage of GDP (1986-2012), %



Source: World Development indicators

Agriculture's growth rate: As noted above, the diminishing contribution of agriculture is an inevitable path experienced in the economic history of most countries. However, Uganda's case is unique, given that a majority of the working population (66 percent) is employed in agriculture, despite its meagre contribution to output relative to the industry and service sectors over the last three decades. The available economy-wide growth rates (Table 9) show that the real growth in agricultural output steadily declined over the PEAP, from 1.6 percent in 2003/04 to 0.1 percent in 2005/6. However, there was a modest – 2.9 percent growth rate – recovery in 2008/9. Unfortunately, in 2012/13, the growth rate fell to 1.4 percent, which was far below the 6 percent annual growth envisaged by the Africa Union (2003) Comprehensive Africa Agriculture Development Programme (CAADP) formulated in Maputo, Mozambique. Budgetary allocations to agriculture are also below the 10 percent rate envisaged by the CAADP (Table A5).

However, Uganda is among the countries (Benin, Chad, Mauritania, Nigeria, Sao Tome and Principe, Sudan, Swaziland, Uganda and Zambia) that are on track to meet the CAADP target (ACBF 2012). It should also be noted that countries such as Comoros, Ethiopia, Madagascar, Malawi, Mali, Niger and Zimbabwe are spending between 11 and 22 percent (ibid).

Table 9: **The growth rate of the agriculture sector, industry sector and services sector between 2003 and 2013**

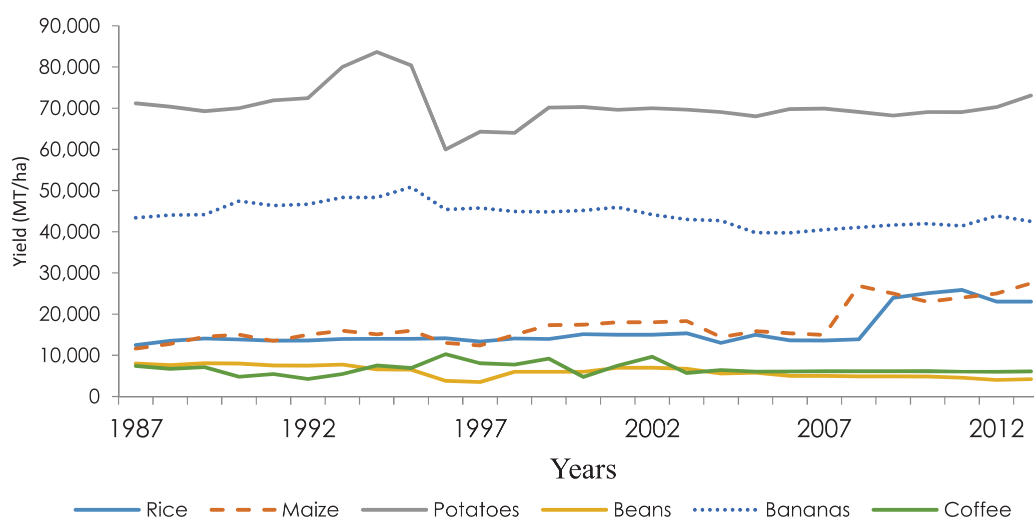
Sector	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13
Agriculture	***1.6***	***2.0***	***0.5***	***0.1***	***1.3***	***2.9***	***2.4***	***1.2***	***0.8***	***1.4***
Cash crops	7.3	-5.5	-10.6	5.4	9.0	1.7	-1.1	-1.5	8.2	3.9
Food crops	-1.5	-0.2	-0.1	-0.9	2.4	2.6	2.7	0.7	-1.7	0.2
Livestock	4.7	3.0	1.6	3.0	3.0	3.0	3.0	3.0	2.8	2.8
Fisheries	9.6	13.5	5.6	-3	-11.8	-0.1	2.6	1.8	1.9	1.9
Forestry		-6.5	4.1	2.0	2.8	6.3	2.9	2.8	3.3	2.8
Industry	**8.0**	**11.6**	**14.7**	**9.6**	**9.1**	**5.8**	**6.5**	**7.9**	**2.5**	**6.8**
Services	**7.9**	**6.2**	**12.2**	**8.0**	**10.2**	**8.8**	**8.2**	**8.2**	**3.6**	**4.8**

Source: MoFPED, (2004); MAAIF, (2010) & MOFPED, (2013)

Reform policy objectives and agricultural programmes: There has been a mix of policy objectives and programmes over the last 30 year to stimulate growth in agriculture, but the macro economic outlook suggests that the results have not been significantly tangible. The reforms, as alluded to in section 5.1.5, involved liberalisation. Nevertheless, liberalisation of the agricultural sector is not unique to Uganda. Since the mid-1980s, several African governments (Nigeria, Tanzania, Madagascar, Kenya, Niger, Benin, Zimbabwe, Burkina Faso, Ghana and Malawi) have restructured their state-owned agricultural marketing boards to some degree and with varying rates of success (ACBF 2012). In Uganda, the abolishment of cooperatives impacted produce marketing, extension service and credit provision. The restructuring could have led to a slowdown in growth in the agricultural sector. At the time, the private sector was underdeveloped to efficiently inherit the roles formerly played by public enterprises, especially in providing services along the value chain for farmers. Therefore, the ERP era was characterised by a limited increase in productivity and exports in the major export crops largely due to a disruption to the pre-existing system of extension and input delivery. However, the disposal of state monopolies had some positive effects on competition in downstream activities such as the marketing of agriculture commodities. The beneficial effects were driven by a significant reduction in the public bureaucracy in the marketing of crop commodities such as coffee, tea and cotton. This reduction partially increased efficiencies in agricultural commodity markets through the price incentive mechanism. It should be noted that a discourse in favour of policy reversal to re-introduce cooperatives has gained currency among policy makers in Uganda.

Significance of agriculture to the poverty eradication strategy: Initially, the PEAP approach to eradicating poverty was concentrated on investments in the health and education sectors, as discussed above. Therefore, investment in agriculture was considered secondary and not a priority (GoU 2008). An evaluation revealed that although the PEAP was a successful programme, its achievements did not cut across all sectors (Ibid). Apart from the dairy sector, which consistently maintained a positive growth rate over the PEAP period (Mbowa *et al.* 2012), growth in other agriculture-related sectors declined (Figure 14). Over the same period, productivity for most crops such as cereals was stagnant. The poverty incidence remained high in rural areas, which depend on agriculture (UBoS 2014).[12] In the last years of the PEAP, development partners recognised the importance of agriculture in uplifting the rural poor and of infrastructure in removing constraints to development (GoU 2008). This event led to the formation of the Plan for the Modernisation of Agriculture (PMA) as a parallel programme to transform agriculture (see Table A1).

Figure 14: **Trends in Productivity of the major crops in Uganda**



Source: Authors computation using FAOstat data

The Plan for the Modernisation of Agriculture: The main focus of the PMA (traced to have covered the 2000-2010 period) was poverty eradication through improving the livelihood of agricultural households. The pathways for transforming agriculture to better livelihoods was to be accelerated through the following pillars: research and technology development; the National Agricultural Advisory Services (NAADS); agricultural education and rural financial services; marketing and agro-processing; the sustainable use and management of natural resources; and investment in physical infrastructure.

Outcome of the PMA: The achievements of the PMA programme were modest. Implementation was attained for two of the six pillars: research and technology development through the National Agricultural Research Organisation (NARO) and the National Agriculture Advisory NAADS (NAADS) through the NAADS secretariat. Nevertheless, the NAADS has faced implementation challenges including the misuse of finances (Okoboi et. al. 2013). As a result, the management of the NAADS programme was moved from the Ministry of Agriculture, Animal industry and Fisheries (MAAIF) to the Ministry of Defence after a review process.

In addition, efforts to expand access to financial services were largely unsuccessful under the PMA, and constraints to credit access persist. To date, only one private bank (Centenary Bank) lends to the agricultural sector. Nevertheless, the private sector and non-governmental attempt such as the Alliance for Green Revolution for Africa (AGRA)'s use of loan guarantees showed successes in leveraging commercial banks to lend to agriculture Uganda and other parts of East Africa (Tanzania, Uganda, Kenya, Mozambique and Ghana) (Ibid). AGRA used $ 16

Million to leverage US$ 150 Million from commercial banks in East Africa (Ibid). This suggest that there is a scope for financial innovation and alternative finance. Rural leasing can also be used in the acquisition of productive assets. Access to government and donor funds through public-private partnerships can be potentially beneficial.

In regard to NARO, Uganda is among the most advanced countries in Africa in respect to agriculture policy making that encourages research and development. Other countries are Cameroon, Kenya, Namibia, Ghana, Nigeria, Malawi, Mali, Burkina Faso, Gambia, and Nigeria. For example, Uganda was among the first African countries to create a biosafety policy framework in 2012 (ACBF 2012). This was done with technical assistance from the World Bank, the UK Department of Finance and International Development (UK DFID), the United States Agency for International Development (USAID), the International Potato Centre, the Japan International Cooperation Agency (JICA) and the International Food Policy Research Institute (IFPRI), among others. Field trials of GM (genetically modified) bananas, cassava and cotton have been established in Uganda. Disease-free potato crops have also been introduced (Ibid). The role of the participatory varietal selection (PVS) methodology in the subsequent adoption of the NERICA rice varieties in Uganda is being examined (Ibid).

Other donor-funded projects such as the Community Agricultural Infrastructure Improvement Project (CAIIP) and the Markets and Agriculture Trade Improvement Projects (MATIP) have significantly improved rural roads and market infrastructure. Fan and Zhang (2008) show that increased marketing infrastructure that includes components such as road facilities significantly contributed to rural development. However, initiatives such as the Marketing and Agro-Processing Strategy (MAPS) were drafted but not implemented. Irrigation infrastructure remains minimal. Natural hazards and droughts that stem from the lack of seasonal rains exacerbate food insecurity in Uganda. Uganda experienced severe droughts between 2010 and 2012 (ACBF 2012). Uganda and many countries in sub Sub-Saharan Africa (Somalia, Djibouti, Kenya, Eritrea, Algeria, Angola, Burkina Faso, Chad, Liberia, Libya, Mali, Mozambique, Tanzania, Western Sahara, Zimbabwe and South Africa) are vulnerable to problems related to water pollution, access, scarcity and stress (ibid).

The PMA as a secretariat remains in operation, but its area of focus has changed more to planning than coordinating multi-sector interventions in agricultural development (MAFAP 2013). The fundamentals for increasing agricultural production –- financing agriculture investments, the provision of quality inputs, the dissemination of information and technical skills, and the establishment of marketing infrastructure and institutions – under the functionality of the PMA have not been realised. At the national level, limited gains have been made in increasing agriculture production and productivity, as discussed above.

Policy inconsistencies: The agricultural sector is linked to the NDP through the Development Strategy and Investment Plan (DSIP). However, there was a gap in the timeliness and sequencing of investments owing to the poor policy development process. The agricultural sector also lacked the capacity to effectively implement the set of programmes operationalising the policies. For example, a major challenge was encountered at the time of developing the 2009/10-2014/15 agriculture DSIP[3]. This problem was occasioned by the absence of a National Agricultural Policy (NAP). The NAP is a requisite legal government instrument that is supposed to guide operationalisation of the DSIP[45]. In 2013, the MAAIF published for the *"first time"* the National Agricultural Policy (NAP). The implementation of the DSIP preceded the drafting and approval of the NAP in 2013. This was likened to putting *"the cart before the horse"* and was indeed deemed erroneous in the supposedly right order of known processes.

In addition, the slow pace in planning for agriculture in the MAAIF continues to compound the problem of ineffectiveness in the implementation of critical policies that enhance a comprehensive national-level transfer of technology – fertiliser, seed and extension – to spur national-level growth in the agricultural sector in the NDP era. Capacity challenges in the MAAIF exacerbate the constraint on the ability to link agriculture policies

and programmes to the NDP. Capacity constraints present planning challenges in the attempt to mobilise 66 percent of the national labour force, employed in the agricultural sector, to contribute to meeting the Vision 2040 agenda, particularly when the planning processes in the MAAIF are lengthy, ill-sequenced, and lacking in the timely delivery of programme framework implementation plans (FIPS) for the maximum impact on agricultural growth and the emancipation of the rural population.

5.3 Infrastructure Building

Uganda has been frontloading investments in infrastructure to unlock its productive capacities, improve quality of life through access to services and reduce the cost of doing business. In particular, Uganda has invested heavily in energy projects and road infrastructure in the last 30 years, as discussed below:

5.3.1 The Energy sector

Uganda has abundant natural energy sources such as hydrological and other renewable resources, but there is widespread energy poverty in all parts of the country. The country faces persistent power outages, a large supply gap, and the absence of new and modern power-generation projects. Climate change has had a considerable effect on hydro-power generation, and investment in alternative sources of energy such as solar has been constrained by the high initial cost, among other constraints. The unpredictability of international oil prices and the instability of the exchange rate constrain the fuel supply, inhibiting thermal power generation. Delays and bureaucracy in procurement processes delay the implementation of energy projects.

Energy reforms: The energy sector was liberalised during the ERP. The objective of the liberalisation was to bring efficiency to the sector and expand government revenue sources through the fuel tax, the VAT on electricity, the levy on bulk transmission, license fees, and royalties and earning foreign exchange through power exports. Other objectives were: (i) to establish the availability, potential and demand for the various energy resources in the country; ii) to increase access to modern affordable and reliable energy services as a contribution to poverty reduction; iii) to improve energy governance and administration; iv) to stimulate economic development; and v) to manage energy-related environmental impacts (Tumwesigye *et al.* 2011).

During the PEAP, through the Ministry of Energy and Mineral Development (MoEMD), the GoU formulated a Strategic Plan to reform the energy industry. The main goals of the plan were, among others, to attract private capital and entrepreneurs to improve the sector's commercial performance and to take advantage of export opportunities.

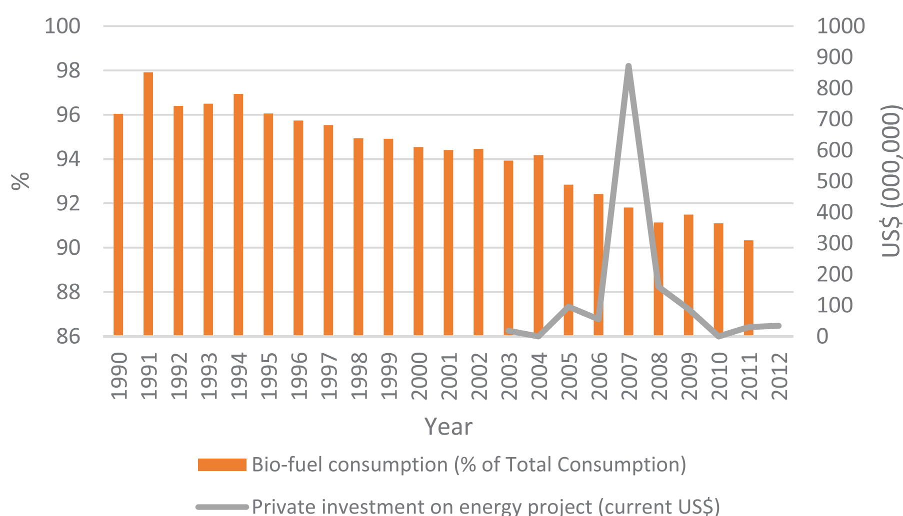
In addition, the GoU enacted the Electricity Act and other relevant laws in 1999. The Electricity Act of 1999 facilitated the unbundling of the Uganda Electricity Board (UEB) into the Uganda Electricity Generation Company Limited (UEGCL), the Uganda Electricity Transmission Company Limited (UETCL), the Uganda Electricity Distribution Company Limited (UEDCL) and the Electricity Regulatory Authority (ERA). Although all of these companies are wholly owned by the government, generation (UEGCL) and distribution (UEDCL) were privatised through 20-year concession agreements. The independent regulator, the ERA, was established, together with the Electricity Disputes Tribunal and the Rural Electrification Fund (discussed in subsequent sections).

Results of energy reforms: Owing to the Electricity Act, the country's main hydropower station was rehabilitated, and an additional station was built, bringing the installed capacity to 380 MW. However, these reforms were not yielding the desired effect (Tumwesigye et al. 2011). Due to increased consumption and the low levels of Lake Victoria, the output at the two main power stations was increasingly limited, and the supply crisis deepened. The government reverted to emergency thermal generation in 2006. Consequently, electricity tariffs increased rapidly, becoming among the highest in Africa.

Under the guidance of the MoEMD, the government has continuously committed funds through the budget for energy development, especially during the NDP, when the policy focus shifted from poverty reduction to infrastructural development (GoU 2010). Concrete initiatives from this commitment are shown by the construction and completion of various hydro and thermal plants such as the 250 MW Bujagali hydropower project, which was completed and commissioned in 2012, in addition to Buseruka (9 MW), Kikagati (16 MW), Nyamwamba (14 MW), Muzizi (26 MW), Nyagak 1 (4.4 MW) and Nyagak (3.5 MW) (GoU 2015). Since the commission of Bujagali and the completion of the other plants, Uganda's electricity generation has significantly increased. The generation of electricity has increased from 660.9 GWH in 1989 to 1,756 in 2003, and the consumption of electricity has increased from 95,773 customers to 300,000 in 2008 (Ezor 2009). As a result of these developments and sustained efforts to increase the transmission and distribution of the power grid, the proportion of the population with access to the national grid has increased from 10 percent in 2009 to 15 percent in 2015.

Figure 15 shows that, during the ERP and the PEAP, Uganda energy consumption was dominated by the use of bio-fuels (fire wood, charcoal and cow dung). The use of bio-fuels has gradually decreased with the uptake of electricity and fossil fuels (petroleum and diesel) in the later years of the PEAP and the NDP. The decrease coincides with increased private investments in the energy sector, especially in 2007, when the private sector invested US$ 900 million in the energy sector (see table A5 for government expenditure on energy and other sectors). However, private investments have dwindled, and the percentage of Ugandans using renewable energy is still above 90 percent in the course of the NDP.

Figure 15: **Renewable Energy Consumption and Private investment on Energy**



Source: World Development Indicators (2015)

Modest efficiency gains: Despite the progress in electricity generation, the country is still faced with high energy losses of up to 0.2 billion kWh[6]. Uganda also depends mostly on hydroelectricity as its primary source of energy, which is prone to weather vagaries such as severe water losses and prolonged dry spells, causing the water levels to decrease. Since 2005/6, Lake Victoria's water levels have significantly dropped far below normal, contributing to the below-capacity operation of hydro plants. The weak ability and modest readiness of Uganda to adopt new technology in the energy sector contribute to the marginal improvement of the country's international rankings (see Table 10). The other reason for not operating at full capacity pertains to technical difficulties. As a result, the quality of electricity has improved marginally, as witnessed by the country's ranking by the World Economic Forum (Table 10).

Table 10: **Quality of Infrastructure in Uganda (Ranking out of 140 countries)**

	2009	2010	2011	2012	2013	2014	2015
Infrastructure (Overall)	119	127	128	133	133	129	128
Quality of roads	115	119	107	110	106	105	90
Quality of railroad infrastructure	107	111	111	111	110	101	101
Quality of port infrastructure	93	101	98	90	114	118	126
Quality of electricity supply	118	117	120	129	126	114	111
Technological adoption		89	84	91	98	88	90
Technological readiness	118	112	111	117	120	119	117

Source: World Economic Forum, (2016)

The future of energy consumption and production: The government established the REA to facilitate the private sector's participation in rural electrification programmes that permit grid and off-grid production and consumption (discussed in subsequent sections). Alternative renewable energy sources have also been explored, and investments have been pursued to provide adequate and reliable service. The EAC has also been instrumental in facilitating negotiation and the implementation of regional power interconnection. Regional partnerships may benefit all countries by taking advantage of economies of scale.

Despite all of the institutional and physical investment made during the PEAP, the energy sector still faces ongoing challenges. Supplying electricity to sparsely populated rural areas is expensive. There is a need to urbanise to deliver utilities to the population. There are frequent power outages and losses, due to growth in generation capacity that is slower than expected, poor transmission and distribution infrastructure and poor commercial utility practices. The sector urgently requires reforms on both the demand and supply sides.

To address poverty issues, the government has the task of expanding access to affordable, reliable and adequate energy supplies over the NDP through a deliberate policy to link the energy supply to enhancing productivity and efficiency in the economy. However, energy development in Uganda more often comes at a high environmental cost. Therefore, energy investments attract a great deal of scrutiny, which delays the implementation of projects with cost overlay implications. There are many institutional and legal constraints, especially with the collusive behaviour exhibited by players in the downstream petroleum industry.

In addition, renewable energy, energy conservation and efficiency and atomic energy applications also face the problem of a high initial investment cost. Nevertheless, the energy sector has made a great contribution to many other sectors in the public and private spheres in terms of productivity, sales and tax revenues.

5.3.2 Transport Infrastructure

Road transport is by far the most dominant mode of transport. Over 95 percent of passengers and freight traffic use the road network. Much of the waterway and railway infrastructure has not changed much over the years. Most of the waterway port and railway infrastructure dates back to colonial times, which may explain the low ranking by the World Economic Forum in Table 10. This may be owing to the fact that Uganda is a land-locked country. Thus, much of the freight occurs on roads. Close to 21,000 km of these roads are national roads, 17,000 km are district roads, 2800 km are urban roads, and approximately 30,000 km are community roads. National roads comprise 25 percent of all roads but carry over 85 percent of traffic.

During the later years of the PEAP (2008) and the NDP, Uganda embarked on building new roads and rehabilitating existing roads. The timely delivery of these roads has been faced with constraints. The second phase of the 24-kilometre (km) Kampala Northern bypass experienced delays in regard to project preparation (e.g., feasibility, technical specifications, financing, social contracting, etc.). The operation and maintenance (service, repair, upgrade and scaling up) of roads such the 338 km Gulu-Kampala road, among others, were marred by inefficiencies (poor quality of roads and corruption) leading to the delays and cost overlay experienced.

These problems could be emanating from corruption and technical incapacity at the Uganda National Road Authority (UNRA) to monitor and supervise the projects (Box 10). This has had an impact on the overall quality and quantity of roads and explains the relative poor performance of Uganda in the international ranking of roads (Table 11).

Box 10: Case Study: UNRA

Background
The Uganda National Roads Authority (UNRA) is a government agency established by a parliamentary act in 2006. The agency became functional in 2008. The UNRA is mandated to develop and maintain the national road network, advise the government on general road policy, contribute to addressing national transport concerns, and perform certain other functions. The UNRA is charged with, among other things, the selection of contractors, the supervision of construction, the scheduling of maintenance, and the prioritisation of national road works.

Capacity Constraint
The UNRA has been marred by many cases of incapacity to control expenditure, chief among them being the botched procurement of a contractor for the Mukono-Kyetume-Katosi-Nyenga Road.

Achievement
During the first five years of the agency, the road network increased from 10,800 kilometres (6,700 mi) to 21,000 kilometres (13,000 mi).
According to a published report in July 2015, 4,000 kilometres (2,500 mi) (19 percent) of the 21,000-kilometre (13,000 mi) national road network was paved. A total of 1,500 kilometres (930 mi) of roads were improved from gravel to bituminous surface between 2005 and 2010. A total of 5,000 kilometres (3,107 mi) of roads are earmarked for tarmacking before December 2016.

Some of the roads that have been completed since 2008 include:

- Kabale-Kisoro-Bunagana Road (completed in 2012)
- Fort Portal-Bundibugyo-Lamia Road (completed in March 2014)
- Gayaza-Ziroobwe Road
- Matugga-Kapeeka Road
- Soroti-Dokolo-Lira Road (completed in 2010)
- Jinja-Bugiri Road (completed in 2010)
- Kampala-Mityana Road (completed in July 2012)
- Masaka-Mbarara Road [21]
- Lira-Kamdini-Karuma Road (completed in August 2011)
- Kazo-Ibanda-Kamwenge Road (completed in March 2014)
- Nyakahita-Kazo Road (completed in February 2014)

Reforms
As part of a reorganisation and restructuring effort, the UNRA fired all (866) company staff and re-advertised all staff positions. The terminations were in addition to the 80 managers fired in June 2015 and another 58 staff members laid off in September 2015 when the procurement and weighbridge departments were outsourced. In January 2016, media reports indicated that the total staff allocation for the organisation had been increased to 1,740.

Source: (UNRA, 2016)

5.4 Natural Resources

Uganda is a country endowed with abundant natural resources. Uganda's natural resources may be categorised into climate and vegetation, soils, water resources, wetland resources and mineral deposits. The GoU has placed much emphasis on attracting private investment in the efficient use of land and the extraction of minerals to support national development goals. This section discusses the land and the mineral sector.

5.4.1 Land Resources

To many Ugandans, ownership and access to land are of critical importance. The importance of land is highlighted by the fact that two-thirds of Uganda's labour force are engaged in primary agricultural activities (UBoS 2014). Until the PEAP period, the country did not have a comprehensive land policy. What existed were scattered policies and laws that formed the basis for the regulation of access to and use of land. The 1995 Constitution and the Land Act of 1998 restored the four tenure systems and provided for a gradual transformation to a uniform freehold system (see Table A1) throughout the country (Mwebaza 2010).

The land policy mix: Under the Constitution, the Uganda Land Commission would hold in trust and manage land procured for and on behalf of the government. Each district would have a District Land Board, independent of the Land Commission, which would perform the following functions: i) holding and allocating land in the district that is not owned by any person or authority, ii) facilitating the interests and transfer of registration in land, and iii) addressing all other matters connected to land in the district in accordance with the laws of Parliament. However, from time to time, the government could regulate the use of land. Parliament, by law, would provide for the establishment of land tribunals that would adjudicate disputes relating to the grant, lease, repossession, acquisition, or transfer of land by individuals, the Uganda Land Commission, or any other such body.

Thus, the current land management system in Uganda allows for four modes of land tenure, namely: customary, freehold, leasehold and mailo. The co-existence of multiple tenure systems is legally recognised in the Constitution and the 1998 Land Act.

a) Land rights under the customary system are derived by reason of membership in a community and are retained as a result of the performance of reciprocal obligations in that community.
b) The mailo land system was a result of the 1900 Buganda Agreement (Box 11), which divided land between the Buganda King (Kabaka), his chiefs and the colonial government. Mailo land tenure was created by giving chunks of land measured in miles to the Kabaka and his notables. Mailo land is therefore subject to the rights of occupiers or Kibanja owners.
c) Freehold land confers full power of disposition and compulsory registration of title in perpetuity.
d) Leasehold involves the derivation and enjoyment of land rights from a superior title in exchange for conditions, including but not limited to the payment of rent. The 1995 Constitution provides that any lease, which was granted to a Ugandan citizen out of former public land, may be converted into freehold.

Box 11: The history of land tenure in Uganda

In the colonial era, representatives of the British government signed an agreement with the King of Buganda (Kabaka) to divide the land in Buganda. This Agreement, popularly known as the 1900 Buganda Agreement, created two modes of land tenure: mailo and crown land. Although mailo land belonged to the Kabaka and his chiefs, crown land was left for exclusive government use. Thus, the traditional customary unwritten rights that the communities used then to access and use land were terminated. This created two parallel classes of the haves and the have-nots. Thus, if any of the kin in the lineage of the have-nots wished to use land, they were supposed to pay ground rent in the form of 'Busuulu' and 'Envujjo' to the holders of the mailo certificate. In later years, these rent payments were formalised to protect the tenants from exploitation by enacting the Busuulu and Envujjo Law of 1927 in Buganda, followed by the Toro Landlord and Tenant Law of 1937.

These early land reforms caused major advances in the development of land markets in parts of Uganda through the individualisation of land ownership. However, apart from Buganda and a few areas of Bunyoro, Toro and Ankole, the colonial changes in the land tenure system did not affect many rural areas in Uganda. Indeed, the customary tenure remained very dominant in the majority of other parts of the country. The 1969 Public Land Act tried to bridge the gap that was created in the 1900 Agreement by providing for the protection of customary rights. The 1969 Land Act created four types of land tenure systems in Uganda: customary, mailo, freehold and leasehold.

In 1975, the Land Reform Decree was passed during the reign of the late President Idi Amin Dada. Under this decree, all land was declared public land. All free land, including mailo, was converted into leaseholds. The rights to access and use land were to be issued by the Uganda Land Commission under leases of 99 and 199 years for all entities. The intention was to allow for social and infrastructure developments and to harmonise developments on land. However, this was difficult to enforce because of poor financing and resistance from landowners under previous tenure systems.

(Source: Kamanyire 2000)

Complementary land policies: A number of polices have been formulated to respond to the poor state of agricultural sector development in Uganda. The NAP, which is to be operationalised by the DSIP, was formulated consistently with the objectives of the Constitution of the Republic of Uganda. The NAP provides guidance to all actors in the agricultural sector on making investments that will increase agricultural incomes, reduce poverty, improve household food and nutrition security, create employment and stimulate overall economic growth.

A National Fertiliser Policy (NFP) has been established to respond to the poor performance of the agriculture sector and, in particular, the low levels of fertiliser application. To regulate the quality of seed in the market, a functional seed policy has been established. However, the process of developing a national extension policy has been delayed.

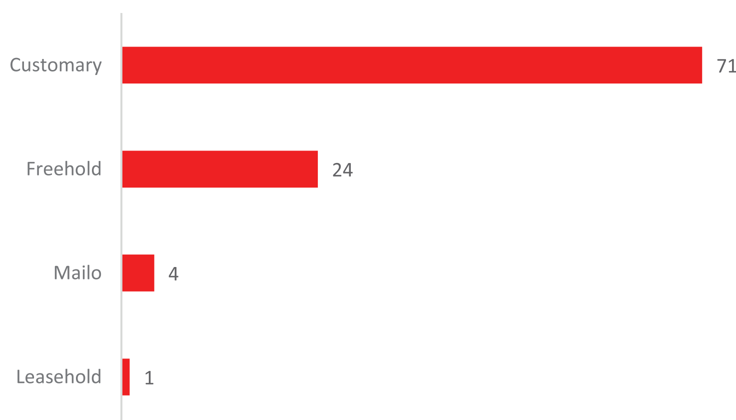
Land dispute resolution mechanism: The competition for control of land as a productive asset and source of prestige and livelihood has turned the land question into a combustive issue. This has resulted in various forms of confrontations, land grabbing, and evictions, typically using high-handed methods. The GoU formulated the national land policy in 2013 to address some of these issues by providing a framework for articulating the role of land in national development, land ownership, and the distribution, utilisation, alienability, management and control of land, with an objective of aiding transformation from a peasant society to a modern, industrialised and urbanised society (MAAIF 2013). Thus, the land policy seeks to enhance land tenure security and to clarify the status of land ownership to promote investment in land, land markets and the use of land as collateral to access credit and to make land an instrument of development.

In particular, the NDP envisages a land tenure system that is formal and uniform and that has eliminated land information asymmetry. This will be achieved by ensuring that land acquisition is driven purely by market forces

and with minimum distortion within the framework of the zoning laws. With only 20 percent of the land formally demarcated and registered, one of the cornerstone activities under the NDP 2 is to embark on a nationwide systematic land demarcation and survey programme that will formally title the remaining 80 percent of the land, mostly under the customary tenure system, by the end of the Vision 2040 period.

Outdated landownership system continues to dominate: Customary land is the dominant land tenure system in Uganda and accounts for 71 percent of the entire land available in the country (figure 16). The customary tenure is particularly dominant in northern Uganda, where it accounted for approximately 97 percent of land in 2014.

Figure 16: **Land tenure types in Uganda, %**



Source: 2013/2014 UNPS datasets

The high inclination to hold land in customary tenure in northern Uganda reflects the social and cultural norms that favour collective over individual land ownership. Under this arrangement, user rights are transferred and controlled/managed through the central clan/elder system. Preference for this mode of land tenure may reflect the limited trust that society has in other forms of land tenure either due to fears of increasing the risks of expropriation due to land grabbing or due to mistrust in the available mechanisms for resolving land disputes. In addition, communities in the northern region prefer the customary land tenure systems because the traditional leaders are easily accessible and have local knowledge of the land systems which ensures the speedy resolution of disputes (Anying 2012). Moreover, the cumbersome, lengthy, bureaucratic and generally costly nature of the formal national court system may discourage the adoption of alternative land tenure systems that confer individual rights to the land.

Other constraints to land use: As discussed in section 5.2.2, a major challenge inhibiting the exploitation of land resources in Uganda pertains to the low productivity owing to the limited adoption and use of modern inputs, particularly in the agricultural sector. This has been due to the limited adoption of soil management technology including the use of fertilisers and water for production (irrigation). All of these issues have constrained the commercialisation of agriculture in Uganda, with negative consequences for poverty reduction and equity (Box 12). In particular, land degradation due to soil erosion and the depletion of soil nutrients has become a major cause of declining productivity in agriculture, which employs 66 percent of the population, and of increasing poverty. It is estimated that in certain regions, 60-90 percent of the soils suffer erosion. Moreover, yields per capita have been declining since the 1990s, which poses a danger for food security. If the country does not manage to improve the productivity of its agricultural sector, it will either face increased food deserts and/or have to pay a significantly large food import bill. One of the most effective methods of improving productivity is by improving the soil nutrient content through the use of inorganic fertiliser. However, less than 10 percent of farmers use it. The rate of fertiliser use in Uganda is the lowest in the East African region and among the lowest in Sub-Saharan Africa at only 1 kg per hectare, compared to a regional average of 13 kg per hectare (Nkonya *et al.* 2004).

Another major hindrance to the development of the agricultural sector is unclear policy coordination due to a multitude of institutions that are seemingly competing for resources, influence and power (Bategeka *et al.* 2013). Additionally, there seem to be weak institutional linkages between and within the Ministries of Lands and Agriculture and sector agencies. This has greatly affected service delivery in agriculture and curtailed the development of an otherwise abundant land resources (see Box 6 for a summary of constraints).

Box 12: Key constraints to land use in Uganda

Land management in Uganda faces a number of challenges. The main challenges include: the increasing landlessness and land poverty, as illustrated by the increasing number of people either encroaching on protected land or living in high-risk areas; the waste and abuse of government and former public lands; underutilisation and scrambling over communal lands; discrimination against women and youths in accessing land; underutilisation of land owned by cultural and religious institutions; inadequate land administration services, especially land dispute resolution, valuation and land use planning; poorly functioning land sales and rental markets; and poor urban planning and the proliferation of informal settlements and slums.

(Source: NPA 2015)

5.4.2 Mineral Resources

In the concluding years of the ERP, it was deemed necessary to develop an appropriate national policy on minerals (see Table A1). Thus, mineral policy was revised to conform to the 1995 constitutional provisions. Up until 2000, the minerals sector in Uganda was regulated by the Mining Act, Cap 248, which until then had last been revised in 1964. It was therefore outdated in many respects. The Act was derived from the pre-Independence Mines Ordinance, which sought to implement the colonial policy. The law favoured the exploitation of minerals for export, and little mention was made of building local utilisation capacity. The emerging issues in the sector such as the environment, gender and labour conventions were hardly addressed.

Oil, Gas and Minerals Policy: The Mining Policy was drafted during the PEAP regime (2002) with a view to attracting investment, building capacity for the acquisition and utilisation of geodata and increasing mineral production for the social and economic development of Uganda. In 2003, the Mining Act was promulgated, among other things, to repeal and replace the Mining Act, Cap. 248. The new legislation on mining and mineral development conforms and otherwise gives effect to the relevant provisions of the Constitution. The law vests ownership and control of all minerals in Uganda in the government. The government is empowered to provide for the acquisition of mineral rights and to provide for other related matters.

The discovery of commercially viable oil reserves in 2006 necessitated the drafting of a new policy framework to guide the development of the sector (Mawejje and Bategeka 2013). Before then, the oil and gas sector was regulated through the Petroleum (Exploration and Production) Act, which only focused on upstream oil exploration and extraction and was therefore inadequate to provide guidance to a new oil and gas sector. Naturally, as a first step, a National Oil and Gas Policy (NOGP) was designed to position the sector such that it could effectively contribute to national development while creating value for society.

The 2008 NOGP was a pre-cursor to appropriate frameworks to aid the sustainable management of oil and gas revenues. Thus, the Oil and Gas Revenue Management Policy (OGRMP) was developed and finalised during the NDP in 2012. The OGRMP provides guidance and details how the anticipated revenues will be managed and integrated into the existing government of Uganda budgeting system, with a view to mitigating the overall impact of these revenues on the economy. Similar to other countries in Africa (Botswana, Nigeria, Angola, Tanzania, Ghana, Mozambique, and Kenya), Uganda intends to keep some of the oil revenues in a sovereign fund to ensure

inter-generational equity (ACBF 2013). The policy outlines how the anticipated revenues from the sale of the country's oil and gas reserves will be managed and integrated into existing government systems. To operationalise this policy, the 2012 Public Finance Management Bill (PFMB) was amended to include provisions for oil revenue management.

Oil, Gas and Minerals Institutional Framework: The MoEMD is responsible for the energy and minerals sectors in Uganda, and its mandate is to "establish, promote the development, strategically manage and safeguard the rational and sustainable exploitation and utilisation of energy and mineral resources for social and economic development" (MoEMD 2013, page 1).

The MoEMD's objectives are consistent with the NDP, and they are to: i) meet the energy needs of Uganda's population for social and economic development in an environmentally sustainable manner; ii) use the country's oil and gas resources to contribute to the early achievement of poverty eradication and to create lasting value for society; and iii) develop the mineral sector so that it will significantly contribute to sustainable national economic and social growth.

The above objectives feed into the Ministry's tasks, which are:

a) To provide policy guidance for the development and exploitation of the country's energy and mineral resources;
b) Acquire, process and interpret technical data to establish the energy and mineral resource potential of the country;
c) Create an enabling environment to attract investment in the exploration, development and utilisation of energy resources; and
d) Inspect, regulate, monitor, and evaluate the activities of private companies in the energy and mineral sectors so that the resources are developed, exploited and used on a rational and sustainable basis.

Further, the National Oil and Gas Policy (NOGP) has also proposed the creation of three separate institutions, namely, (a) the Directorate of Petroleum in the Ministry of Energy and Mineral Development, to provide monitoring and policy direction; (b) an independent regulatory body, the Petroleum Authority; and (c) a national oil company, to manage the commercial aspects of petroleum activities on behalf of the state.

To date, the Petroleum Exploration and Production Department (PEPD) in the Ministry of Energy has been upgraded to a full-fledged Directorate in line with the NOGP. The National Oil Company was incorporated under the Companies Act, 2012, by the Uganda Registration Services Bureau (URSB) on 12 June 2015. Plans to institute the Petroleum Authority are in advanced stages. In 2013, two more pieces of legislation were enacted. These are the Petroleum Exploration, Development and Production Bill, 2012, and the Petroleum Refining, Gas Processing and Conversion, Transportation and Storage Bill, 2012.

Significant oil, gas and minerals prospects: Ongoing exploration efforts in the oil and gas sector by December 2014 confirmed recoverable oil wealth estimated at 6.5 billion barrels, with recoverable reserves in excess of 1.4 billion barrels. To date, there are four oil blocks under license to three operators: Tullow Oil Operations Pty, Total E&P Uganda, and the China National Offshore Oil Cooperation (CNOOC). These three foreign oil companies are now proceeding to the oil production stage, as equal partners, with the agreement to share costs and profits equally. The decision to cooperate at this stage was based on the desire of the companies to pool their resources, minimise their exposure to risk, and benefit from technological economies of scale.

In addition, the country has sizeable mineral resources, with many of the deposits in the northern and eastern regions of Uganda, Kamwenge district – known for significant deposits of gold, lead and limestone – and southwestern regions of Uganda – known for iron ore reserves of 100,000 million tons. Uganda has more than 50 other minerals, including cobalt, steel and tungsten, copper, Columbite-Tantalite, rare earth elements (REE), platinum, nickel, uranium, limestone/marbles, phosphates, vermiculite, bentomite, diatomite, and dimension stone, among others. However, Uganda's extractive industry remains largely under-exploited.

Nevertheless, mineral resources are expected to play a major role in regional growth and employment creation and to provide important productive linkages through the development of a local auxiliary services sector. Mining companies with a significant stake include Kasese Cobalt Company Ltd., Busitema Mining Company Ltd. and the formerly state-owned Kilembe Mines Ltd.

The value of minerals produced and reported for the end of year 2013 amounted to UShs 157.88 billion, an increase of 17.5 percent from the previous year, and exports amounted to UShs 83.6 billion (MoEMD 2013). The revenues of companies in the mining and quarrying sector have also been increasing at a rate of approximately 11 percent per annum (Newman 2010).

Need to manage expectations: Although governments can expect to receive significant revenues from the oil and mineral resources that can be used to enhance economic growth, the challenge is that the dependence of low-income countries on revenues from oil and other minerals has been linked to poor macroeconomic management and increased inequality. Therefore, the benefits from oil and other mineral resources will largely depend on the types of choices that Uganda chooses with regard to the productive spending of the revenues (Doshi *et al*. 2015). Another source of risk in the oil and gas sector is the volatility of prices, which calls for prudent policies to cushion the long-term path of the economy against such shocks. Uganda also faces competition from existing and new oil and gas discoveries in Algeria, Nigeria, Egypt, Libya, Mozambique, and Tanzania (ACBF 2013). In addition, the extraction of the oil in the Lake Albertine Graben, a region between Uganda and the Democratic Republic of Congo, is both ecologically and politically sensitive (Ibid).

Going forward, government policy should recognise the high expectations of citizens with regard to higher public spending owing to the expected windfall revenues, particularly from the oil and gas sector. Managing these expectations and resisting political pressures to enlarge government spending are necessary for the effective management of windfall revenues from natural resources. The exploitation of natural resources should also pay special attention to environmental preservation and spending/investment paths that will preserve inter-generational equity. It should be noted that Uganda is keen on exploring how it can learn from Norway. Particular aspects of the legal framework and the broader corporate governance, as implemented in Norway, will be critical for Uganda (Ibid).

6. CHALLENGES AHEAD

It has been noted in previous sections that, in some cases, capacity building has fallen short of a sufficient recipe for successful institutional reforms. Therefore, initial successes in partnering and building capacity will need to be consolidated through painstaking work to rebuild the formal state institutional infrastructure. The immediate challenge for Uganda is to work to reform public institutions by defining an agenda that is more selective and strategic. In this case, this section predicts the critical factors and the difficulties to be met in terms of capacities (human, institutional, etc.) over the course of the NDP 2 and Vision 2040.

Organisational and Institutional Reform: There is a need to reform the organisational and institutional arrangements of some Ministries, particularly the MAAIF, to initiate and own change (increase productivity in the sector). This approach should be complemented by engaging civil society and farmers to more broadly demand reform. Development partners should listen to and encourage the participation of Ugandans by building sustained and close working relationships with the government and civil societies and by strengthening mechanisms that encourage further transparency and accountability (parliamentary oversight). Lessons from the successful institution of the state such as the MoFPED, the NARO, the UBoS and the BoU, among others, should be adopted in the MAAIF. The reforms should ensure that the strategy, leadership, resources, and skills devoted to the effort are sufficient for the task at hand.

Private Sector Development: Further development of the private sector is imperative. The objectives should be to adapt potential improvements in supporting indigenous enterprise in Uganda, while considering local circumstances, demonstrating feasibility through pilots, and drawing lessons from those widely known among local and central policy makers, leading to the replication of promising enterprises beyond those that already exist. The support should aim at reducing the cost of credit, reducing the cost of electricity, eliminating unnecessary regulation that costs time and incubating business.

Learning from Successful Cases: Mainstreaming the lessons learned in reforming the MoFPED and the BoU to fine-tune and facilitate such reforms in other MDAs is imperative. This initiative should be geared towards strengthening policy making, facilitating the ability to design projects, improve governance by developing indicators, strengthen anti-corruption initiatives, institute project implementation units, and improve regulatory and service delivery capacities in the other MDAs.

Research Collaboration: Strategic galvanised actions and leadership steps, particularly the nexus between technology and agricultural research, have implications for Uganda. First, Uganda should recognise and build on the numerous effective Research and Development programmes that involve significant cross-country collaboration and technology spill-overs. To the extent that technology adoption may be important in addressing climate change and pests, regional and international partnerships will be vital to overcome the current regulatory environment and research capacity limitations in Uganda. Existing relationships such as the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) and Forum for Agricultural Research in Africa (FARA) should be utilised.

Involving Farmers: It will also be invaluable to involve farmers in agricultural research and extension. Such collaborative efforts will not only facilitate adaptive site-specific research in diverse and complex environments but also foster researchers' learning from and with farmers.

Strengthening Decentralisation: There is a need to further strengthen decentralisation by implementing the principle stated in the FDS – devolving fiscal and administrative responsibilities. Citizen participation should

not be ignored to ensure greater accountability in policy and budget decisions. However, such reforms must be planned carefully to ensure that decentralisation does not increase the opportunities for corruption through weakened institutional capacity and supervision.

Transparency in Natural Resource Management: In regard to natural resource management, there is a need to increase sophistication, the will to bargain and accountability. Lessons from existing initiatives, such as the Kimberley Process Certification Scheme (KPCS), Publish What You Pay (PWYP), the Extractive Industries Transparency Initiative (EITI), and the African Development Bank's African Legal Support Facility (ALSF), can serve to improve the accountability, transparency, negotiation, and management of natural resources and the revenue that they generate.

Enhancing Capacity to Negotiate Trade: Negotiating trade deals poses a serious challenge for Uganda due to its limited capacity in trade policy formulation, evaluation and implementation; research and analysis; and consultation. Due to financial constraints, Uganda has a short supply of skilled trade negotiators to divide between Europe Pacific Africa (EPA) talks and East Africa Community talks, World Trade Organisation (WTO) negotiations, and numerous bilateral negotiations. Subsequently, Uganda is unable to identify and defend its interests, thus underlining the need to strengthen the country's trade policy institutions and capacities.

Employability: One of the most binding constraints to the national development of Uganda concerns the lack of adequate, relevant and high-quality skills. Although the government has implemented some policies that are meant to fast-track Uganda's functional literacy, budgetary allocations to these actions have been low. According to the GCI, Uganda was ranked 115th out of 183 countries assessed in 2015. Uganda's competitiveness is falling, primarily due to factors associated with institutions, health and primary education, higher education and training and technology readiness. In particular, the quality of primary education is poor, partly due to high pupil classroom ratios, etc.; the transition to secondary school is also low, especially for females, and there is no gender parity at higher levels of education. In addition, the problems with health services include low staffing, the lack of medicines, poor scanning equipment, inadequate referral services, household poverty, which limits mothers' attendance to professional antenatal and delivery services (mainly limiting the timely reach of health facilities), a significant presence of negative beliefs and attitudes regarding delivery in health centres, neglect by the central government of other tropical diseases that are excluded in the primary health care packages but present peculiar health problems for the district, and staff absenteeism.

Scope for improving the business environment: Although the business environment has improved, much remains to be done. Uganda is performing worse than a selection of its East African neighbours in starting a business, protecting investors, and trading across borders. According to the Doing Business 2015 survey, starting a company in Uganda takes 18 procedures over an average of 36 days and costs 77 percent of the average income per capita. Therefore, this is a call to action for Uganda to improve the business environment by: reducing the level of corruption, improving the infrastructure, enhancing access to affordable loan financing, improving the levels of human capacity, removing inefficient government services, and ensuring regulatory consistency with investment. These issues have been impeding business predictability and efficiency.

Urbanisation: Although urbanisation remains at the crux of development, much of Uganda's urban development has been unplanned, and there are growing challenges in providing public services to larger numbers of people in towns. Much of what is called urbanisation in Uganda is in part explained by the creation of new districts that automatically turn all district headquarters into urban areas. Most of the district headquarters do not have the facilities to support an urban dwelling.

Rising income inequality: Despite rising GDP and rising gross national income per capita figures, income inequality remains a major development issue in Uganda. According to Ssewanyana and Kasirye (2014), poverty reduction has remained unchanged in northern and eastern Uganda. There is also a gender dimension to the spatial inequality, with women being relatively poorer than their male counterparts. This is especially so in the formerly war-affected region (UNDP 2015).

Debt exposure: The decision to front-load public investments in infrastructure projects is related to the promise of future oil revenues. Therefore, the discovery of oil, gas and other extractives has partially led to an increased level of debt contracted. However, the sudden drop in oil prices has led to uncertainty over the actual date when the oil will begin to flow as oil companies cut back potential investment losses. This raises doubt over the use of future oil revenues with regard to debt management. A persistent fall in international oil prices may greatly undermine oil-related debt sustainability.

Distributional impact of monetary policy: Although Inflation targeting is the primary target of Uganda's monetary policy, there is a need for the BoU to explore modalities in which the bank can contribute to the growth of the labour force, capital investment, and productivity, provided that such a move does not compromise the independence of the central bank. There is a challenge within the central bank system regarding the extent to which it can use monetary policy tools to stimulate real output when it is below its potential level due to its likely consequences for inflation.

Low value and volume of manufactures: As discussed in section 5.1.6, Uganda's exports of manufactures remain low. For, example, the share of trade with the EU has significantly shrunk due to the competitiveness of Uganda's manufactures. The proportion of manufactures as a share of total exports has stagnated at 6 percent in the last decade. Uganda exports mainly primary goods such as coffee, tobacco, gold, and flowers. Reliance on primary export exposes Uganda to fluctuations related to the exchange rate, commodity markets and shocks in the global economy, which culminates in unfavourable terms of trade. There is a need to undertake second-generation reforms to ensure: agricultural revolution; industrial revolution; a high-tech industry; and service industry growth.

Policy inconsistencies: There is limited alignment between the national development plans and the budgeting process. This leads to a disparity between the plans and the financing allocated for key projects. In the NDP 1, only 8 out of the 15 core projects were financed by the budgeting process. Additionally, there still exist problems of prioritisation and sequencing of development objectives. For example, before establishing an iron ore smelter, the government first needed to increase energy generation. Furthermore, some key projects do not have indicators, which impedes the monitoring and evaluation of performance.

7. CONCLUSIONS AND RECOMMENDATIONS

Over the last three decades, Uganda sustained a positive and strong growth attributed to prudent macro management. However, the economy still faces enormous capacity challenges, infrastructural deficits, growing inequality, regional disparity and the inability to develop institutions. In particular, this study notes a worsening of institutional performance during the NDP compared to the ERP and the PEAP. This situation could be attributed to the expanded mandates of institutions in response to the increase in population and the emergence of new economic challenges. This suggests that there is scope for capacity building in public, private and civil society institutions to respond to emerging issues. In consideration of the key successes and challenges discussed, this Report offers the following recommendations:

Coordination: The inherent policy inconsistencies and coordination failure among the MDAs suggest the need for the technical and managerial capacity and the policy environment to link all public projects and investment in the MDAs to the Vision 2040 by streamlining and focusing them on the objectives stated in the NDPs. All aspects of the planning, budgeting, financing and implementation of development projects must be fully aligned with the NDP. In addition, strengthening systems for the cost-benefit analysis of development projects would facilitate the identification of the most efficient project for implementation.

Monitoring and evaluation: Periodic surveys for development data collection are important for facilitating the monitoring and evaluation of a country's development process. There is a need to strengthen the technical capacity of the UBoS to regularly collect and analyse the Population Census and employment, poverty and environmental data. This will facilitate informed decision-making by policy makers.

Inclusive capacity building: The inclusion of MDAs other than the BoU and the MoFPED in human resource development (technical and managerial) is imperative for the effective formulation, implementation and evaluation of government programmes, especially the NDP and Vision 2040. Additionally, the involvement of non-state actors such as the private sector, civil society, the media, development partners, think tanks and academia in the development process is imperative at both the central and local government levels. Non-state actors fill the gap in designing the strategic direction and in the implementation process of any development activity.

Deepening decentralisation: The decentralisation of service delivery – education and health – has been relatively successful and/or preferred by users of such services compared to when they were being provided by the central government. Therefore, it is important that the political economy should shift to building local governments that are capable of providing – education and health – services successfully (i.e., through decentralisation). The government should consider reducing the degree of conditionality on some of the transfers, especially if the services being funded only provide local benefits (i.e., are not a national/donor priority). Such funds should be provided unconditionally to the local government to spend in ways that meet the priorities of local residents.

Energy supply: The experience gained in reforming the energy policy should be used to scale up the distribution of electrical power. The industry should be further liberalised to allow independent power producers. Doing so would further lower the high tariffs. An improved energy supply is critical for poverty reduction and industrialisation, but this will also depend on the rate of urbanisation. It is cheaper to supply utilities in densely populated areas. Increased mining activity calls for the improved regulation of the natural resources sector to ensure fairness in revenue sharing and safety.

Domestic resource mobilisation: A registration of informal businesses is imperative in a bid to raise tax revenues. This will require strengthening the managerial capabilities and legislation to empower the URA to collect

more taxes. The URA will require legal instruments and financial resources to provide incentives for tax registration and education on the benefits of tax compliance. The government must sensitise the public on the importance of tax revenue in regard to social service delivery. The policy environment for removing tax exemption and punishing tax evasion must be improved.

Financial deepening: A deliberate policy that channels credit to the private sector, especially to fund investment in technology and the improvement of productivity in the agricultural sector, is imperative. Support for financial innovations such as mobile money will continue to provide a more inclusive and sustainable banking service, which will encourage savings and consumption among the general population.

Harnessing the potentiality of the agriculture sector: Uganda has enormous agricultural potential due to its vast non-exploited fertile land, significant water resources and proximity to regional markets. Given that 65 percent of Ugandans are employed in agricultural activities, the sector is essential for the creation of opportunities in trade, jobs, industrialisation and economic diversification. Therefore, increased investment and credit are needed in the sector to improve productivity, provide fertiliser, combat the vulnerabilities caused by climate change and empower small farmers, particularly women, through reforming the current land tenure system.

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ANNEXES

Table A 1: **Capacity Building Efforts, 1987 – 2014**

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
1.	**Monetary and Financial Sector Policies**				
1997/98-1999/2000/ To date	IMF- East AfriTAC/ World Bank/MEFMI	BoU	Maintain low and stable by Strengthen the use of indirect methods of controlling inflation	Strengthen the use of indirect instruments by promoting secondary markets in treasury bills and treasury bonds	• Low inflation at average at 5% • Stable growth at 5% • Prudent fiscal policies
1997/98/ To date	IMF/ World Bank/ MEFMI/ IMF- East AfriTAC	BoU	• Promote efficiency and soundness of the Banking sector • Promote rural finance	• Conduct annual site inspections of at least 40 percent of commercial Banks • Announce new regulations regarding reserve requirement on foreign exchange deposits held at commercial banks • Improve monitoring and enforcement of foreign exchange exposure limits of commercial banks • Recapitalize BoU • Privatize Uganda Commercial December 1997 Bank (UCB) • License Post Office Savings 1997/98 Bank as a financial institution	• Stable private led financial sector with 22 Banks regulated by the Bank of Uganda • Financial inclusion • Enabled BoU to recruit qualified staff • Promoted efficiency of the commercial banking sector • Reduced leverage of banks and increased capital requirements to reduce the collapse of banks • Lower cost of credit, and increased savings

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
2. **Fiscal Policies**					
1991 – 2000/ To date	DFID/IMF-EastAfriTAC	MoFPED/URA	• Improve tax administration, enhance tax base, and reduce distortions in tax system	• Enactment of The Uganda Revenue Authority (URA) Statute • Establishment of URA • Restructure URA • Implement changes in customs management and administration and improve internal audit procedures • Enact income tax legislation (with no reinstatement of tax holidays) • Audit VAT returns, improve Fund filing and payment compliance • Mineral taxation legislation tabled in Parliament • Restructure tariffs and excise taxes	• Increase in tax revenue to 13 % of GDP • Improvement in tax administration • Improvement in tax compliance • Introduction of ASCUDA system of customs management
1998-2000/To date	IMF-EastAfriTAC	MoFPED	• Expenditure and budget control	• Prepare Cabinet paper on budget control policy issues to be resolved as a first step in the move toward realistic budgeting • Improve budget management • Cease issuing promissory notes except to regularize domestic arrears accumulated prior to July 1, 1997 • Limit supplementary expenditures to no more than 3 percent of budgeted expenditures • Ensure that all cash releases are recorded appropriately and provided in a timely manner • Initiate with World Bank support a public expenditure review focusing on basic services • Increase allocation for priority program areas and for development budget	• Development of the MTEF • Development of SWAP • Development of SSIP

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
1997/98; 1999/2000; To date	IMF- East AfriTAC/ World Bank	MoFPED/EPRC/BoU	Improve Uganda's debt profile	• New concessional borrowing only on IDA, or better, terms • Limit amount of annual non-concessional debt contracted or guaranteed by the government to US$10 million • Debt Sustainability Analysis (DSA)	• Development of Uganda's Debt strategy, which is sustainable and consistent with EAC Monetary Union convergence Criteria • Introduction of DAMFAS system for external debt management • Introduction of CDS for domestic debt management
3. **External Sector, Trade and Regional Integration**					
1997	IMF/World Bank	Ministry of Trade/MoFPED/ BoU	Promote trade, reduce anti- export bias and other tax induced distortions	• Liberalize external capital account transactions; submit new Foreign Exchange Statute to Parliament • Reduce maximum tariff rate to 20 percent for non-COMESA imports, and to 15 percent subsequently • Implement more effective duty drawback scheme for exports • Eliminate import bans on soft drinks, beer, and automotive batteries • Eliminate import ban on cigarettes	• Exchange and trade liberalisation • Increase in Tax outturn
August 2011 – June 2015	Implemented by Imani Development Funded Trade Mark East Africa	Ministry Of East African Community Affairs, Uganda	• Capacity Building Support To MEACA Uganda • Uganda to substantially increases its effective implementation of the comprehensive programme for EAC integration	The capacity building approach consisted of: • Collegiate – project staff were accepted as part of the Ministry • Integrated team– • Use of Local persons as experts • Counter parting – working alongside Ministry officers. • Engaging with MDAs, & others in the capacity building	• Improved strategic leadership and coordination of EAC integration across government • Enhanced awareness on EAC integration by Ministries, Department and Agencies (MDAs), and • Increased implementation of EAC priority laws, policies, decisions and programmes by selected MDAs.

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
2009 to date	European Union EPA TAPSS Project	• Ministry of Trade, Industry and Cooperatives • Uganda National Bureau of Standards • Uganda Export Promotion Board • Local Government authorities • The Private Sector,	• District Officials training on integrating the National Trade Policy into the District Development Plans - 2011) • The 5th National Trade Sector Review Conference 2011 • Private Sector Foundation Uganda International Trade Facilitation Expo 2011 • SPS training short training course on sanitary and phyto sanitary measures in the food chain	• Institutional strengthening • Regulatory and institutional reforms to • Effective management of the trade negotiations • Trade Facilitation; • Improvement of quality standards and compliance with Sanitary and Phyto-Sanitary requirements	• Institutionally strengthened MTIC/ • Supported regulatory and institutional reforms • Built the capacity for effective management of the trade negotiations process • Provided information of Trade Facilitation • Strengthening the standards environment and of SPS • Improved communication and visibility of the Ministry
2009 to date	Trade Capacity Enhancement Project (TRACE II	• Trade Industry and Cooperatives • Ministry of Finance, Planning and Economic Development • Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) • Ministry of Works, Housing and Construction (MOWHOC), etc • Uganda Export Promotions Board • Private sector • Local governments (District commercial offices)	• Develop Institutional Capacity	• Coordination of the process of trade mainstreaming into the national planning process • Coordination the development of trade and trade related projects • Monitoring the implementation of Aid for Trade program in Uganda	• Institutionally build capacity in the National Integrated Framework Secretariat • Mainstreamed trade into the National Development plans • Coordinated the delivery of the Aid for Trade agenda in Uganda

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
2011 to date	Funded by United Nations Office for Programs Support – (UNOPS) District Commercial Services support Project	• The Public Sector especially • Ministry of Agriculture, Animal Industries & Fisheries • Ministry of Local Government, • Ministry of Tourism Wildlife & Heritage	strengthening selected DCOs through training, equipping, retooling and facilitating them; and fostering the building of networks	ICT refresher course for the District commercial officers	ICT equipment that was given to the 25 districts
2011 to date	Quality Infrastructure and Standards Programme (QUISP) Funded by Swedish International Development Cooperation Agency (Sida)	Ministry of Trade and Industry Uganda National Bureau of Standards	promote the use of quality infrastructure and standards so as to improve the competitiveness of Uganda's products, processes and service delivery systems in domestic, regional and international markets	1. Development of a policy for Standardisation 2. Development of a comprehensive and effective legal framework for the implementation and enforcement of standards and quality control measures. 3. Establishment of an effective coordination mechanism with clearly defined mandates and responsibilities for the different actors in the Standards and Quality area 4. Rationalisation of the institutional set up of service providers for standards development, conformity assessment and measurement services 5. Enhancement of public awareness on standards and quality products and best practises.	• National Standards and Quality Policy • A National Standards and Quality Strategy • A National SPS Policy
2011-2005	UNDESA and UNDP	National Planning Authority (MFPED)	Training in Computable General Equilibrium Modelling	Several One week training session over the time during the preparing of the National Development Plan I and II	Local staff were able to conduct simulations that projected trends of macro variables of the Plan period.

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
4.	**Structural and Institutional Reforms**				
1997	World Bank	MoFPED/ Ministry of Justice and Constitutional Affair/ Attorney General's Office/The Public Law office	• Enhance private sector's capacity to generate economic growth • Promote private equity and security markets	• Draft new Commercial Law and obtain Cabinet approval • Activate Commercial Division of High Court • Establish Tax Division of High Court to expedite tax related disputes • Begin offering residual shares in partially privatised enterprises to public via the Capital Markets Authority	Robust and competitive Private Sector
1997/98–1999/2000	World Bank/DFID/ ACBF	MoFPED/ Ministry of Public Service/ Office of the Prime Minister	• Improvement of effectiveness and efficiency of the public service • Rationalize public and separation benefits	• Further restructure of the public service service in light of decentralisation • Implementation of results oriented management system • Implement job evaluation and merit pay system • Strengthen personnel management and control systems • Strengthen monitoring of Government programs • Complete National Service Delivery Survey • Initiate analysis of future need for teachers in light of increased primary enrolment due to UPE • Finalize policy regarding pension and separation benefits and complete study on long-term financial requirements of revised benefit scheme	• Reduction of the size of public service • Recruitment of highly qualified public servants • Enhancement of salaries and wages • Revised Decentralised Pension Scheme • Establishment of UBoS • Development of the Poverty Monitoring and Evaluation strategy (PMES) • Development of the Fiscal Decentralisation Strategy (FDS)

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
1997/98 - 1999/2000	World Bank	Government of Uganda various MDA's	Reduce the role of the government in commercial activities and increase the exposure of retained enterprises to market signals	• Relinquish government • management control to core investor or divest at least 51 percent of government shares in a cumulative 95 enterprises • Relinquish government management control to core investor or divest at least 51 percent of government shares in cumulative 123 enterprises • All direct subventions from budget to public enterprises to be properly reflected in the • budget and eliminated over next three years, except for agreed social missions • All direct and indirect subsidies to public enterprises to be eliminated over the next four years, except for direct subventions for agreed social missions • Loans from government to public enterprises to be made at market interest rates	• Liquidation of most public enterprises, which led to achievement of considerable efficiency due to competition • Restructuring of retained public enterprises such as UEB and NWSC • Reduction of Accounts Payable and receivable by UEB and NWSC • Settlement of bilateral claims on government and public utilities
5. **Electricity**					
1997 – To date	World Bank/NURAD	GoU/ MoEMD	Improve supply of power by expanding power generation and distribution capacity and improving efficiency of the power sector	• Issue invitation to bid for sale July 1998 World Bank of the Uganda Electricity Board's distribution and commercial services • Put in place legal framework to promote private participation in the provision of power and remove regulatory responsibility from UEB (enact necessary amendment to the Electricity Act of 1964) • Enhance financial viability of World Bank UEB by: reducing accounts receivable to 3 months of sales; reducing staff 2300; divest vehicle maintenance, facilities and pole treatment plant and Contract out security and construction services	• Cabinet approval and implementation of the electricity strategic plan • Disentangling of UEB into 4 separate firms • Electricity Reform Act passed into law

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
6. **Agriculture**					
1997/98 – To date	World Bank	Government of Uganda/ MAAIF	• Improve incentives for producers of cash crops (coffee, Tea and Cotton) and Agricultural research and rural infrastructure • Facilitate acquisition and efficient utilisation of land	• Review and streamline marketing regulations • Finalize restructuring of Uganda Coffee Development Authority (UCDA) as an industry-based organisation • Divest government holdings in cotton marketing organisation • Divest government holding in tea marketing organisation • Provide adequate budgetary provision for agricultural research and rural roads • Present to Parliament a Land Law based on popular participation	• Establishment of NARO, which has developed new high yielding breeds • Development of agriculture as a private enterprise • Food security • Adoption of Land reforms in the Land Act of 1998 • Formation of PMA • Formation of NAADS • Development Strategy and Investment Plan (DSIP)
7. **Natural Resources**					
1997 -Todate	World Bank/ KAPSARC	Government of Uganda/ MoEMD/ EPRC/ MoFPED	• Build capacity for sustainable management of natural resources • Build capacity for sustainable management of revenues from natural resources	• Implement the National management of natural Environment Bill and proceed with follow-up on National Environmental Action Plan (NEAP) • Building of a macro model to simulate the impact of revenues of natural resource on the economy	• Establishment of NEMA • The government is exploring possibility of diversifying the economy further from Natural Resources • Prudent policies are being developed to manage revenues from natural resources
8. **Long Term Issues**					

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
1997/98 – To date	World Bank/ USAID/ UKAID	• Ministry of Education, Science, Sports and Technology	• Attainment of goal of Universal Primary Education • Improve resource management	• Develop details of operational strategy to attain objective of UPE, while increasing quality • Adopt a strategy and timetable to rationalize teaching staff consistent with 1:55 teacher/ student ratio • Monitor enrollment and retention rates and gender ratios in primary schools • Increase financing for primary education • Implement financial management system for school districts to increase transparency and accountability	• Enrolment at 8,000,000 pupils in UPE systems • Student teacher ratio improved to 1:70 • Gender Parity in UPE achieved • Financing of primary education increased to 1.5 Trillion Ug.Shs in 2014/15 • Establishment of the Education Management Information System (EMIS)
1997/98 – To date	World Bank/ USAID/ UKAID/DFID	• Ministry of Health	• Improve health indicators • Improve nutritional situation	• Develop a health plan covering the period 1997/88–2001/02. Update the White Paper on Health Policy • Develop regular and systematic monitoring of life expectancy, infant and maternal mortality rates • Implement program of locally based interventions supported by Nutrition and Early Childhood Development Project	• Reduction of incidences of communicable diseases such as HIV/ AIDS and TB. Reduction of cases of Malaria • Development of Health Sector Information Management System • Increase in Caloric intake and reduction of nutrition related medical conditions such as stunted growth in children • Reduction of child and mother mortality
1997/98 – To date	World Bank/ DANIDA	• Ministry of Transport and works	• Improve maintenance and rehabilitation of main roads • Improve the accessibility of rural areas • Increase commercial orientation of Uganda Railways Corporation (URC)	• Increase government funding of main roads • Increase feeder road and strengthen planning at district level • Develop a prioritised feeder and urban roads investment plan	• Development and maintenance of National Road Network, currently at 20,000 KM • Allocation of 15% of the national budget to roads during the NDP period • Local Government Capacity to develop feeder road and maintenance of municipal roads developed • Contracting out of URC and development of plans to construct a SGR

Year	Provider	Institution/client	Capacity Building Initiative	Strategic Interventions	Outcome
1997 – To date	AERC/ ACBF/EPRC/ World Bank	• Makerere University • BoU • MoFPED	• Developing the capacity in economic research and policy analysis	• Expanding capacity in existing universities by building lecture • Establishment of specialised programs e.g. Masters in Economic Policy and Management at MUK • Economic research and policy analysis workshops	• Institutional capacity tertiary institutions/universities in terms of library facilities, IT facilities, online learning and training platforms developed • Significant number of economic analyst have graduated from the program ever since it was established

Source: Key Informant Interviews and IMF (1997)

Table A 2: Economic Performance Indicators, 1987 – 1996, Year on Year (CY)

Indicator/year	87	88	89	90	91	92	93	94	95	96
GDP growth (%)	3.9	8.3	6.4	6.5	5.6	3.4	8.3	6.4	11.5	9.1
Per Capita Income (% annual growth)	2.9	4.3	-1.3	-7.3	-7.7	-10.1	17.7	7.4	15.0	3.6
Fixed capital formation (% GDP)	9.7	10.8	11.1	12.7	15.2	15.9	15.2	14.6	16.4	17
Gross domestic savings (% GDP)	-0.08	0.59	1	0.58	0.7	0.4	1.1	4.3	3.4	8.7
Exports (% GDP)	8.4	7.6	8	7.2	7.5	8.8	7.1	8.7	11.8	12
Total external debt (Billions US $)	1.9	1.9	2.2	2.6	2.8	3	3	3.4	3.6	3.7
Inflation (GDP Deflator)	181	190	115	44.3	26	45	30	6.8	9.4	4.6
M1 Growth (%)	62.5	125	60	50	50	61.4	26	36.5	15.4	0.1
Domestic credit (growth (%)							-3.9	-13.8	-0.4	34.2
Credit to government (Growth (%)							-30.7	-25.1	-41.2	-1
Interest on bank savings (%)	20	21.5	32.2	31.3	31.2	35.8	16.3	10	7.6	10.6
Prime lending rate (%)	34.7	35	40	38.7	34.4				20.2	20.3
Population (millions)	15.7	16.2	16.8	17.4	18	18.6	19.2	19.8	20.4	21
Net Enrolment Ratio (Primary)										
Gender Parity (Primary)	0.82	0.8	0.81	0.8	0.82	0.8	0.8	0.93	0.84	0.87
Infant Mortality Rate (per 1000 live births)	114.7	114	113	111.4	109.3	106.8	104.5	102.5	101	99.6
Maternal Mortality Rate (per 100,000 live births)				687	688	692	693	692	684	678
Access to safe water (%)				40.4	42	43.6	45.2	46.8	48.4	50
HIV/AIDS Prevalence (% of population 14- 49 years)				13.3	13.4	13.1	12.6	11.8	11	10.2
Rural access to Sanitation (%)				11.4	11.6	11.9	12.1	12.4	12.6	12.8
Poverty Head Count ratio (National Poverty Lines)						56.4				44.4
Official Development Assistance (%of GNI)	4.8	6.1	9.9	15.7	20.3	26.1	19.2	19.1	14.6	11.2
Nominal Exchange rate	42.8	106.1	223.1	428.9	734	1133.8	1195	979.4	968.9	1046.1

Source: World Bank, World Development 2015 Indicators and Uganda Bureau Of Statistics 2015

Table A 3: Economic Performance Indicators, 1997 – 2009, Year on Year (CY)

Indicator/year	97	98	99	00	01	02	03	04	05	06	07	08	09
GDP growth (%)	5.1	4.9	8.1	3.1	5.2	8.7	6.5	6.8	6.3	10.8	8.4	8.7	7.3
Per Capita Income (%annual growth)	6.2	0.9	8.1	0.7	-2.2	2.2	-7.4	12.6	3.7	8.1	3.0	1.5	8.7
Fixed capital formation (% GDP)	16.9	16	19.3	19.2	19	20	20.7	20	22.2	21	21.9	22.7	26.6
Gross domestic savings (% GDP)	10.7	5.7	8	8	7	6.4	7.1	10.1	11.7	8	8.8	15.3	16.8
Exports (% GDP)	13.4	9.6	12.3	10.6	11.5	11.2	11.4	12.7	14.2	15.3	16.7	24.3	19.8
Total external debt (Billions US $)	3.9	3.9	3.5	3.5	3.8	4	4.6	4.8	4.4	1.3	1.6	2.3	2.7
Inflation (GDP Deflator)	3.1	8.8	-0.1	11.1	4.5	-3.2	7.8	15.6	-1.7	2.4	7.3	6.4	31.3
M1 Growth (%)	13.7	19.5	12.6	16.8	41.7	24	21	7.9	14.2	19.2	22.6	22.5	16.4
Domestic credit (growth (%)	38.1	30.8	15.3	73.9	-20.2	56.9	-12.3	0.6	9.8	-1.3	-14.9	155.2	19.6
Credit to government (Growth (%)	16	3.4	0.6	29.4	-19.6	23.2	-17.6	-7.9	-1.2	-16.2	-15.1	12.6	-0.2
Interest on bank savings (%)	11.8	11.4	8.7	9.8	8.5	5.6	9.8	7.7	8.8	9.1	9.3	10.7	9.8
Prime lending rate (%)	21.4	20.9	21.5	22.9	22.7	19.1	18.9	20.6	19.6	18.7	19.1	20.5	21
Population (millions)	21.7	22.3	23	23.8	24.5	25.3	26.2	27.1	28	29	30	31	32.1
Net Enrolment Ratio (Primary)													85.9
Gender Parity (Primary)	0.88	0.9	0.9	0.94	0.96	0.98	0.98	0.98	1	1	1	1	1
Infant Mortality Rate (per 1000 live births)	98.1	96	93.4	90	86	81.6	76.9	72.2	67.6	63.4	59.2	55.4	52.3
Maternal Mortality Rate (per 100,000 live births)	668	658	639	620	601	576	558	536	504	481	469	451	432
Access to safe water (%)	51.6	53.2	54.8	56.4	58	59.6	61.2	62.8	64.5	66.1	67.7	69.3	70.9
HIV/AIDS Prevalence (% of population 14- 49 years)	9.3	8.6	7.9	7.4	6.9	6.6	6.4	6.3	6.3	6.4	6.5	6.6	6.8
Rural access to Sanitation (%)	13.1	13.3	13.6	13.8	14.1	14.3	14.6	14.8	15.1	15.3	15.5	15.8	16
Poverty Head Count ratio (National Poverty Lines)			33.8			38.8	38.9		31.1				24.5

Source: World Bank, World Development 2015 Indicators and Uganda Bureau Of Statistics 2015

Table A 4: **Economic Performance Indicators, 2010 – 2014, Year on Year (CY)**

Indicator/year	**10**	**11**	**12**	**13**	**14**
GDP growth (%)	5.2	9.7	4.4	3.3	4.8
Per Capita (% annual growth)	6.0	1.8	2.1	0.3	
Fixed capital formation (% GDP)	25.2	27	26.7	27.8	27
Gross domestic savings (% GDP)	14.1	12.4	14.2	18	17.44
Exports (% GDP)	17.1	19	20.1	20.2	18.4
Total external debt (Billions US $)	3	3.3	3.8	4.8	5.1
Inflation (GDP Deflator)	12.8	4.8	20.9	4.1	2.3
M1 Growth (%)	34.7	7	15.8	8.4	15.9
Domestic credit (growth (%)	68.1	27.1	7.7	10.9	27.1
Credit to government (Grow (%)	14.8	-2.1	-2.5	3.1	9.3
Interest on bank savings (%)	7.7	13	16.2	11.8	10.8
Prime lending rate (%)	20.2	21.8	26.3	23.3	21.5
Population (millions)	33.1	34.2	35.4	36.6	37.8
Net Enrolment Ratio (Primary)	86.1	85.1		85.5	
Gender Parity (Primary)	1.01	1.01		1.02	
Infant Mortality Rate (per 1000 live births)	49.5	46.3	42.5	41.6	39.1
Maternal Mortality Rate (per 100,000 live births)	420	408	395	372	356
Access to safe water (%)	72.5	74.2	75.8	77.4	78.9
HIV/AIDS Prevalence (% of population 14- 49 years)	6.9	7.1	7.2	7.2	7.3
Rural access to Sanitation (%)	16.3	16.5	16.8	17	17.3
Poverty Head Count ratio (National Poverty Lines)			19.5		
Official Development Assistance (%of GNI)	9.3	8.6	7.2	7	
Nominal Exchange rate	2177.6	2522.7	2504.6	2586.9	2599.8
Tax Revenue (LCU-Billions)	4205.1	6306.9	6528.3		
Tax Revenue (%of GDP)	10.3	13.4	11		

Source: World Bank, World Development 2015 Indicators and Uganda Bureau Of Statistics 2015

Table A 5: National Budgetary Framework Sector Classifications as percentage of total budget

National Budgetary	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Security	11	12	11	10	10	12	15	21	13	10	11	10
Roads & Works	7	10	8	9	8	14	13	10	14	17	18	18
Agriculture	5	4	5	4	4	6	5	6	4	4	5	4
Education	19	19	19	18	18	16	14	13	14	14	14	14
Health	12	12	12	10	7	8	9	8	8	11	7	7
Water & Environment	3	4	3	3	4	2	2	1	2	3	3	4
Justice, Law & Order	7	6	6	6	6	6	7	9	7	6	8	7
Accountability	10	6	8	6	6	7	6	5	5	6	6	6
Energy & Minerals	1	2	2	7	9	5	6	7	5	2	3	3
Tourism, Trade & Industry	1	1	1	1	1	1	1	0	1	1	0	1
Lands, Housing & Urban Development	1	1	0	0	0	0	0	0	0	0	0	1
Social Development	1	1	0	0	0	0	0	0	0	0	0	1
Information & Communication Technology	0	0	0	0	0	0	0	0	0	0	0	0
Public Sector Management	10	10	12	11	10	9	12	10	13	11	10	9
Public Administration	5	6	6	5	6	5	5	6	4	4	4	4
Parliament	1	1	2	2	2	2	2	2	3	2	2	3
Interest Payments Due	9	7	7	6	7	7	6	5	7	9	8	10
Domestic Interest	6	5	5	5	6	6	5	4	6	8	7	8
External Interest	2	2	2	1	1	1	1	1	1	1	1	1
Total Centrel govt.	67	68	67	70	67	69	75	78	76	74	75	74
Total Local Government Programmes	24	25	26	25	25	23	19	17	18	17	17	17
Total Interest	9	7	7	6	7	7	6	5	7	9	8	10

Source: Ministry of Finance, Planning and Economic Development and the Uganda Revenue Authority

Table A 6: Exports by value ('000 US $), 2005 - 2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Coffee	172,942	189,830	265,853	403,179	280,209	283,891	466,659	372,166	425,407
Cotton	28,821	20,474	19,571	13,214	22,718	19,919	86,011	74,898	31,686
Tea	34,274	50,873	47,629	47,222	59,761	68,263	72,126	73,902	85,589
Tobacco	31,485	26,964	66,301	66,448	62,426	68,662	53,981	69,746	120,201
Subtotal	**267,522**	**288,141**	**399,354**	**530,063**	**425,114**	**440,735**	**678,777**	**590,712**	**662,883**
Fish prds	142,691	145,837	124,711	124,436	111,209	127,651	136,218	128,322	126,727
Gold	73,072	122,579	65,783	50,746	23,097	30,077	6,795	9,166	3,132
Flowers	24,128	20,987	22,782	28,790	26,275	22,474	21,457	26,802	28,725
Electricity	4,465	4,855	8,696	10,870	13,170	12,505	16,317	16,414	17,159
Maize	21,261	24,114	23,816	18,250	29,066	38,206	26,752	56,916	42,254
Hides/skins	7,064	8,032	18,114	12,518	5,996	17,061	33,067	41,632	64,352
Cobalt	14,320	18,063	17,325	20,033	24,130	18,120	17,647	14,240	10,105
Beans	8,693	8,162	10,099	17,630	14,735	10,200	20,428	14,237	20,577
Others	249,641	321,423	645,988	910,964	894,822	901,575	1,201,619	1,459,052	1,431,822
Total	**812,857**	**962,193**	**1,336,668**	**1,724,300**	**1,567,614**	**1,618,604**	**2,159,077**	**2,357,493**	**2,407,736**

Source: Uganda Bureau of Statistics Abstracts 2015

Table A 7: Sectoral Composition and Growth of GDP (1990-2014)

	Growth rates (%)			Sectoral Contribution to GDP Growth (%)			Sectoral Share of Nominal GDP (%)		
	1990-1999	2000-2010	2011-2014	1990-1999	2000-2010	2011-2014	1990-1999	2000-2010	2011-2014
Supply of GDP (factor costs)	6.4	6.8	5.1	6.4	6.8	5.1	100.0	100.0	100.0
Agriculture	2.9	2.6	1.8	0.9	0.8	0.5	31.0	29.6	25.7
Industry	10.3	8.7	5.8	2.0	1.8	1.1	19.6	20.6	19.9
Services	7.1	8.7	6.4	3.5	4.3	3.5	49.4	49.8	54.4
Demand of GDP (market costs)	6.7	7.1	5.5	6.7	7.1	5.5	100.0	100.0	100.0
Consumption	6.3	5.4	4.4	6.3	4.8	4.0	99.7	90.9	83.8
Public	6.4	5.4	6.4	1.1	0.7	0.6	16.7	12.4	9.5
Private	6.3	5.3	4.6	5.2	4.2	3.4	83.0	78.6	74.3
Gross fixed capital	7.8	10.9	6.8	2.2	2.9	1.9	27.6	25.6	27.4
Public	7.8	6.2	7.5	0.7	0.4	0.5	9.3	6.3	6.6
Private	7.8	12.8	6.8	1.4.	2.5	1.4	18.4	19.3	20.8
Exports	12.5	23.0	4.2	1.1	2.5	0.7	8.4	11.1	17.8
Imports	8.4	10.9	4.4	1.9	2.7	1.3	22.6	24.6	29.2
Statistical discrepancy	6.8	14.5	41.7	-0.9	-0.4	0.1	-13.1	-3.0	0.2

Source: World Bank (2015) data sourced from UBoS 2015

ENDNOTES

1 Ssewanyana, S., & Kasirye, I. (2010). Food Insecurity in Uganda: A dilemma to Achieving the Hunger Millennium Development Goal. *Economic Policy Research Centre. Research Series No. 70*.

2 The share of Ugandans suffering from food insecurity, measured in terms of calorie intake, has also remained very high, with an average calorie intake of 1,970, which is below the minimum requirement of 2,200 calories (Ssewanyana & Kasirye, 2010).

3 The DSIP had two components – hence, framework implementation plans (FIPs): (i) the agriculture technology and Agribusiness Advisory Services (ATASS), covering the NARO and NAADS interface; and (ii) Non-ATASS framework implementation plan, addressing (a) commodity value chains; (b) technical input (thematic) areas (i.e., seed, fertiliser, mechanisation, and water for agricultural production; and (c) institutional reforms, capacity development and communication. The technical inputs thematic area provided the foundation for streamlining policies and guidelines for fostering crop intensification and increasing crop productivity at the farm level.

4

5 The long absence of an agricultural policy in Uganda was likened to *'walking without a backbone'* by Egeru (2011).

6 International Energy Statistics (2015).

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