Republic Of Uganda

NATIONAL DEVELOPMENT REPORT (NDR)

Financial Year 2012/13

DRAFT

September, 2013

FOREWORD

This National Development Report (NDR), is the third report to be produced by the National Planning Authority (NPA), and has been produced in fulfilment of the requirement by the National Planning Act, 2002, the Vision 2040 Framework and the National Development Plan (NDP) 2010/11-2014/15.

The assessment also highlights the performance of the economy against set macroeconomic framework indicator targets. It also assesses the progress made against the NDP monitoring and evaluation Results Framework, right from the NDP theme/Goal level indicators to the NDP objective level indicators, including NDP Sector/thematic area strategies. In addition, the report highlights achievements and challenges faced by the monetary, fiscal, external and real sectors during the third year of the NDP implementation. Furthermore, the report makes assesses the performance of selected districts based on the NDP mid-term review field studies. Attempt has been made to include in the report the development contributions of the private sector and non-governmental organisations, including the main challenges encountered during the period under review.

It should also be noted that the report does not directly assess the performance of MDAs and local governments. Nevertheless, it captures performance information regarding the achievement of NDP sector specific objectives and strategies.

The NDR is intended to inform Government and other stakeholders about the overall performance of the economy and the status of implementation of the development initiatives highlighted the NDP. This report is also intended to inform the oversight functions of Government to enhance decision making and increase growth, employment and social economic transformation for prosperity. The findings and recommendations of this report are also intended to be a key input into the national planning forums for finding solutions to the implementation challenges highlighted in the report.

On behalf of NPA, I wish to thank Ministries, Departments and Agencies and Districts that responded to NPAs request for data and information to put together this report. I implore all of you to read and make use of the findings and recommendations highlighted.

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List of Acronyms and Abbreviations

ADB:	African Development Bank
AIDS:	Acquired Immune Deficiency Syndrome
ALREP	Agricultural Livelihoods Recovery Programme
AMISOM	African Mission In Somalia
ARVs	Anti-Retroviral
AU	African Union
BABU	Buy Uganda Build Uganda
BFPs:	Budget Framework Papers
BOPD:	Barrel of Oil Per day
BOU:	Bank of Uganda
BTVET:	Business Technical and Vocational Educational and Training
CAGR	Compound Annual Growth Rate
CEDAW:	Convention on the Elimination of Discrimination Against Women
CIS:	Community Information System
CNOOC:	China National Offshore Oil Company
CODAS:	Cooperative Analysis System
COMESA:	Common Market for Eastern and Southern Africa
DBIC	District Business Information Centers
DCO	District Commercial Officer
DPAPs	District Population Action Plans
DRC:	Democratic Republic of Congo
DSIIP	Defense Strategic Infrastructure Investment Plan
EAC	East African Community
EAP	East Africa Petroleum Conference
EASF	East African Standby Force
ECB:	European Central Bank
EPRC:	Economic Policy Research Centre
ESO	External Security Organization
EU:	European Union
FY:	Financial Year
GCI	Global Competitive Index
GDP:	Gross Domestic Product

GKMA	Greater Kampala Metropolitan Area
GPOBA	Global Parternership on Output Based Aid
GWh	Giga Watt hour
HC II	Health Centre Ii
HC III	Health Centre Iii
HDI:	Human Development Index
HMIS	Health Management Information Systems
HORTEXA	Horticulture Exporters Organization
HTTI	Hotel and Tourism Training Institute
IAEA	International Atomic Energy Agency
ICD	Inland Container Deport
ICT	Information And Communications Technology
IDPS	Internally Displaced Persons
IEC/BCC	Information Education Communication/Behavior Change
IMAN	Management of Acute Malnutrition
IMF:	International Monetary Fund
IRA:	Insurance Regulatory Authority
ISO	Internal Security Organization
Kms	Kilometers
KRAs:	Key Result Areas
Kwh:	Kilowatt hour
LED	Local Economic Development
LRDP	Long Range Development Plan
MAAIF:	Ministry of Agriculture Animal Industry and Fisheries
MDAs:	Ministries, Departments and Agencies
MENA:	Middle East and North African
MICs:	Middle-Income Countries
MIS	Management Information System
MLHUD	Ministry of Lands, Housing and Urban Development
MoD	Ministry of Defense
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MOH	Ministry of Health

MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MVs:	Multi- Vendor Services
MW:	Mega Watt
NAADS	National Agricultural Advisory Services
NCD	Non Communicable Diseases
NCDC	National Curriculum Development Centre
NDP	National Development Plan
NDR:	National Development Report
NEER:	Nominal Effective Exchange Rate
NGO	Non-Governmental Organization
NOGP	
NPHC	National Population and Housing Census
NPPAP	National Population Policy Action Plan
NTBs:	Non-Tariff Barriers
NTE:	Non Tradition Exports
NUREP	Northern Uganda Rehabilitation Programme
OBT:	Output Budgeting Tool
ODA:	Official Development Assistance
OPD	Out Patient Department
OPM:	Office of the Prime Minister
OVC	Orphans and Other Vulnerable Children
PAC	Parliamentary Accounts Committee
PAYE:	Pay As You Earn
PEPD	Petroleum Exploration and Production Department
PEPFAR	President's Emergency Plan For Aids Relief
PERD:	Public Enterprises Reform and Divesture
PIASCY	Presidential Initiative on Aids Strategy For Communication To
PLHAs	People living with HIV/AIDS
PNFP	Private Not For Profit
PPDA:	Public Procurement and Disposal of Public Assets
PPP:	Public Private Partnership
PRDP	Peace Recovery and Development Plan
PSO	Peace Support Operations

PTR	Pupil Teacher Ratio
R&D:	Research and Development
REER	Real Effort Exchange Rate
SAGE	Social Assistance Grant for Empowerment
SALW	Small Arms and Light Weapons
SFG	School Facilities Grant
SNE	Special Needs Education
Sq km:	Square Kilometers
SSA:	Sub-Saharan Africa
STE	Science Technology Engineering
STI	Science, Technology And Innovation
SWAp:	Sector-Wide Approach
TB	Tuberculosis
TICAD	Tokyo International Conference on African Development
TISU	Technical Information Service Unit
TLD	
TSUPU	Transforming the Settlement of the Urban Poor in Uganda
UA	Universal Access
UAIS	Uganda Aids Indicator Survey
UBOS:	Uganda Bureau of Statistics
UBTS	Uganda Blood Transfusion Services
UCDA:	Uganda Coffee Development Authority
UDB	Uganda Development Bank
UDC:	Uganda Development Cooperation
UNAIDS	The Joint United Nations Programme On HIV/AIDS
UNCCI	Uganda National Chamber of Commerce
UNCTAD:	United Nations Conference on Trade and Development
UNFFE	Uganda National Farmers Federation
UNFPA	United Nations Population Fund
UNGASS	United Nations General Assembly Special Session
UNHS:	Uganda National Household Survey
UNMHCP	Uganda National Minimum Health Care Package
UPDF	Uganda Peoples' Defense Force
UPDRF	Uganda Peoples' Defense Reserve Force

UPE	Universal Primary Education
URA:	Uganda Revenue Authority
URDT	Uganda Rural Training and Development Programme
US:	United States
USD:	United States Dollars
USE:	Uganda Securities Exchange
USSIA	Uganda Small Scale Industries Association
UWE	Uganda Wildlife Tourism Centre
UWRTI	Uganda Wildlife Research and Training
VAT:	Value Added Tax
WASACCO	Wazalendo Sacco
WEO:	World Economic Outlook
WHO	World Health Organization

Executive Summary

This report highlights the performance of the economy during the third year of implementation of the NDP 2010/11-2014/15. It further looks at the progress made in implementing the Plan over its first three years but with more emphasis on FY2012/13. The major aim of the report is to provide information on the performance of the Ugandan economy and the current development situation emphasizing progress made against the NDP objectives and strategies. Thus the report provides Uganda's macroeconomic performance during the FY2012/13, progress and achievements made on the NDP theme, objectives and key result areas; and thematic area objectives and strategies.

The preparation of the report was based on reviews of relevant available reports, submissions of NDP monitoring and evaluation (M&E) results matrices from Ministries, Departments and Agencies (MDAs), MDA/sector reports and Ministerial Policy Statements, and field visits to selected districts.

The Macroeconomic Performance for FY 2011/12

The Real Sector

In FY2012/13, Uganda's economy grew at an estimated rate of 5.1 percent, up from 3.4 percent in FY2011/12 but well below the NDP growth target of 7.2 percent for the year. The improvement in the performance of the economy was mainly attributed to the strong growth in construction; transport and communication; manufacturing and real estate activities. This growth was supported by a steady supply of electricity throughout FY2012/13 relative to the erratic supply registered in the previous financial. When compared with the EAC countries, the growth registered was, however, less than that of Tanzania, Rwanda and Kenya for the period FY2012/13.

There was a marked reduction particularly in industry (1.1 percent growth in FY2012/13 compared to 7.9 percent in FY2011/12). With respect to services, 4.8 percent was registered in FY2012/13, compared to 3.6 percent in FY2011/12. This is a cause for concern since Vision 2040 places greater emphasis on the importance of a growing industrial and service sectors. There is thus need for continued sound policy mechanisms that will ensure dips in growth are temporary, and there is careful balance of sound economic management and growth enhancing policies.

Agriculture showed an increase in growth from 0.8 percent in FY2010/11, 1.2 percent in FY2011/12 and 0.4 per cent in FY2012/13. There was also a marginal increase in exports as a proportion of GDP from 15.6 percent in FY2011/12 to 18.6 in FY2012/13. The total GDP rose to UGX 54,688b in FY2012/13 (UBOS, Statistical Abstract 2013). This gap could be explained by the low agricultural production especially in FY2011/12 which is attributed to the prolonged drought, the spill-over effects of the global economic downturn which resulted into deteriorating terms of trade as commodity prices declined, the slow implementation of NDP projects aimed at unlocking the key binding constraints to growth, and the tight monetary stance adopted at the end of FY2011/12 that led to a slowdown in private investment and consumption.

The Monetary and Financial Sector

Uganda's external debt continued to grow to supplement the country's consumption and investment resources. In FY2010/11 the total debt stock was UGX11,234.9 billion and this increased to UGX15,939.1 billion in FY2012/13, close to 30 percent of GDP. Of the total debt, external debt was UGX9,893.3 billion (US$3.761 billion) in 2012/13. Whereas annual borrowing as a percentage of GDP was low in the first year of NDP at 2.9 percent, the total stock of domestic debt increased to 11.1 percent of GDP in the third year. Debt is usually acquired to facilitate economic growth and development and there is need to assess the current scope of debt potential in the face of the quest for additional resources needed to finance infrastructure in the complementary sectors in line with the vision 2040. There is need to answer the question that concerns the maximum growth rate of both domestic and external debt without creating unnecessary overheating in the economy.

During FY2012/13, both core and headline annual inflation remained slightly above the Bank of Uganda's target of 5 per cent, albeit the far below outturn for the previous financial year. Inflation fell as a result of weak domestic demand, improved food supply and a stable exchange rate. In addition, food crops and energy, fuel and utilities (EFU) prices exerted considerable disinflation pressures and caused headline inflation to fall almost one percentage point below the core inflation rate. Whereas core inflation fell by 18.0 percentage points from 24.6 percent in FY2011/12 to 6.6 per cent in FY2012/13 and headline inflation fell by 17.9 percentage points from 23.7 percent to 5.8 percent over the same period.

Between January 2013 and June 2013 the average price of a dollar to shilling declined from 2,683.8 to 2,593.1. The drop in the price of the dollar had an effect on the export and import bills for the country as well as the quantities. The NDP identified the need to have exchange rate remain competitive as a way of maintaining the good health of the economic environment for private sector financing and investment.

By the end of the third year of implementation of the NDP, monetary policy stance by BoU had been relaxed and the CBR was still on the decline at 11 percent in the month of June 2013. At the beginning of the year when headline inflation was 18 percent, the CBR was set at 19 percent, and by September inflation had declined to 5.5 percent, the CBR was then lowered to 15 percent before reducing it further to 12 percent in November at which level no further reduction was made until June 2013. The reduction in the CBR was aimed at encouraging investment as a result of increased demand for low cost loans. There was a rebound in economic growth during the period under review due to the measures taken.

Uganda's foreign exchange reserve level by end of June 2012 was equivalent to 3.4 months' worth of imports of goods and services and increased to 4.2 months by end of the third year of the NDP1 (FY2012/13). This is comparable with the average for the Sub-Saharan low income countries which had 3.5 months of imports of goods and services in 2011. The country is therefore on track with regard to foreign exchange reserves. However, there is need to increase these reserves for the country to be in position to cope with global uncertainties.

In order to ensure that private sector credit is provided as planned, it was envisaged that government would curb its domestic borrowing requirements. The NDP target for the private sector credit for FY2012/13 was set at16.0 per cent of GDP. By the end of the year, the level of credit to the private sector was 13.9 per cent of GDP about 2.1 percentage points below the target. Commercial bank credit to the private sector outstanding at the end of the month of May 2013 was UGX 7,616.2 billion. The major sector trades that benefited from available credit are distributed in agriculture including production/processing and marketing, mining and quarrying, manufacturing, trade, transport and communication, electricity and water, construction and real estate, business services, community and social services, as well as personal and household loans.

Overall implementation Progress on the NDP Theme/Goal and Objectives

Poverty and inequality remain significant development challenges for the country. The proportion of people living in poverty has reduced by nearly 5 percentage points from 24.5 per cent in FY2009/10 to 19.8 per cent in FY2012/13 (UNHS 2012/13). This means about 7 million people still live in poverty. Despite the measures aimed at eliminating poverty, the number still remains high and requires urgent attention. In addition, income per capita increased from USD 506 to about 612 in the FY2012/13 below the targeted USD 718. However, in real terms GDP per capita income in FY2012/13 was lower than the registered in the first year of NDP FY2010/11. In FY2012/13, real GDP per capita declined to USD 260 compared to USD 319 in 2009/10 (Figure 1 section 2.1).

Inequality remains a big development issue in the country despite the rising GDP and gross national income per capita. According to the HDR 2013, both income and gender inequalities as well as multi-dimensional poverty have been rising since 2010. Income inequality has not changed over the first three years of NDP implementation and remains high as indicated by the Gini-coefficient of 0.43. Similarly, the same HDR indicates that the country has got a high gender inequality index (0.517) on the dimensions considered in the assessment (maternal mortality, adolescent fertility rates, empowerment and economic activity) ranking 110 out of the 148 countries globally assessed.

At the same time, it has been reported that Uganda moved from 43rd to 29th in the global gender gap ranking between FY2008/09 and FY2011/12 suggesting successes in provision of equal access to services and opportunities between women and men.

Literacy levels in Uganda have dropped over the period from 73 per cent in F2009/10 to 71 per cent in FY2012/13. Recently, there has been an increase in life expectancy in Uganda, from 52.2 years to 54.0 years. This is partly due to the reduction in infant mortality rate from 76 to 54 deaths per 1000 (UDHS 2011) and improvement of other health outcomes such as increase in percentage of Health Centre IV offering HIV/AIDS care with Anti-retroviral therapy (ART) services.

NDP thematic Area Performance

Primary growth sectors

Agriculture continues to grow at a very low rate. In FY2012/13, the Agriculture sector grew by 1.4 percent, where cash crops grew by 3.9 percent, food crops 0.2 percent, livestock 2.8 percent and fishing 1.9 percent. Cash crops, including the traditional crops and horticulture, grew at 3.9 percent in FY2012/13 compared to 8.25 percent in the previous year contributing only 9.7 percent of the total sector value addition. Food crops including most of the items produced for home consumptions and for regional exports insignificantly grew at 0.2 percent, better than the previous year’s 1.7 percent. Food crops contributed 52.5 percent to the total value added in the sector and a 12.35 percent to the nominal GDP.

Forest cover remained at 18 percent of the total land area against the NDP target of 24 percent. In order to restore and protect the forest cover, there is need to step-up efforts on re-afforestation and forestation on both public and private land, enhance private investment in forestry through promotion of commercial tree planting, agro-forestry and the use of trees to demarcate boundaries of land holdings as well strengthen the environment protection force within the central reserves.

The number of mobile phone subscriptions in Uganda rose from 12.8 million in December 2010 to 17.6 million in December 2013. Over the same period, National Tele-density (percentage no. of fixed lines & mobile lines) increased from 47 per cent to 51 per cent. The percentage population with access to telephone increased from 70 percent in 2011/12 to 80 per cent in 2012/13. The launch of the Lower Indian Ocean Network (Lion 2) under-sea cable in 2012 with a design capacity of 1.28 Tb /s has helped to increase internet speeds and access. ICT improved outreach to peri-urban and rural areas increasing access to banking services for the previously unbanked resources as evidenced by the deployment and turnover of the mobile payment system.

According to the Doing Business Report 2014 by the World Bank, Uganda's overall ranking in the ease of doing business continued to worsen having been ranked 132 out of 189 economies assessed in FY2012/13. Uganda needs to take steps towards making it easier to do business and streamlining procedures by setting up a one-stop centre, making procedures simpler or faster.

Complementary sectors

The country has continued to put emphasis on promoting science, technology and innovation as a means of achieving socio-economic transformation. However the use of research, innovation and applied technology largely remains very low. Not much progress has been made to institutionalise a sector for Science, Technology and Innovation, in particular, the establishment of a Ministry of Science and Technology.

The proportion of unpaved urban roads in fair to good condition in FY2012/13 was 44.7 percent from baseline of 60 percent in FY2008/09, while the proportion of national unpaved roads in fair to good condition was 66 percent in FY2012/13 from 71 percent in FY2008/09.

The Railway infrastructure remains remarkably uncompetitive and highly unproductive. It is characterised by continuous poor operational performance in real terms; low volume of freight, low labour, wagon and locomotive productivity among others.

With regard to access to clean and safe water for all, rural water supply within 1.5 km of an improved water source remained the same at 64 percent, while functionality rate improved to 87 percent from 84percent in the previous period. A number of constraints limiting the capacity of local governments to provide better access to water services include: lack of reliable sources of underground water making borehole drilling ineffective; limited operational capacity within local governments to service water sources; contracting challenges in acquiring competent contractors from the private sector; and geo-physical conditions in some local governments making drilling very expensive and at times non-yielding. Urban water coverage within 0.2km slightly improved, between 2012 and 2013 to 71percent from 70 percent in FY2011/12. The marginal increase is due to the increasing urban population and the resultant unplanned settlements in urban areas which are not matched with equal investment in water supply.

Progress on application of Science, technology, innovation and ICT for enhanced competiveness shows that the ratio of national budget allocated to STI and ICT has remained the same over the NDP period. The share of manufactured exports as a proportion of total exports is increasing though it is still a long way from the FY2014/15 target of 12 per cent.

Social sectors

Overall, health sector performance on NDP indicators has been mixed. The annual sector reports show that there was negative progress towards achieving the NDP targets in several key indicators. For example, the percentage of health facilities without stock-outs of any of the 6 tracer medicines declined from 75 percent in FY2011/12 to 53 percent in FY2012/13. On a positive note, the percentage of approved posts filled by health workers (Public facilities) increased from 58 percent in FY2011/12 to 63 percent in FY2012/13.

The quality of education in primary schools slightly improved with the percentage of pupils at P.3 level rated proficient in literacy and numeracy increasing from 53.8 percent (52.1 percent boys; 55.6percent girls) to 53.872 percent (53.87 percent boys; 56.42 girls) in 2012; and 69.8percent (70.6percent boys; 68.8percent girls) in in 2013. At P.6, 40.15 percent of the pupils were rated competent in literacy in FY2012/13 compared to 40.80 percent in FY2011/12, registering a 0.65 percent reduction. Proficiency in numeracy rate reduced from 45.2 percent in FY2011/12 to 41.4 percent in FY2012/13.

Regarding enrolment, there was a slight improvement in relation to the situation from the baseline of FY2008/09. However, within the first three years of NDP implementation, both primary and secondary enrolment have been seen to remain around the same figures and there have been consistent trends since FY2009/10 which puts into doubt the ability of the sector to achieve its 5-

year overall enrolment targets. Over the last three years, enrolment in primary schools has oscillated around 8,300,000 pupils while in secondary schools it has been around 1,200,000 pupils.

BTVET enrolment on the other hand has been improving and enrolment of female pupils and students has been on the rise, however, the levels are still very low. BTVET enrolment grew by 11percent from 21,180 in 2012 to 23,498 in 2013. Between 2010 and 2013, the gender parity in primary education enrolment has almost been achieved. The growth in female enrolment was 0.6 per cent compared to male that contracted by 0.2 per cent over the same period.

The education sector report of 2013 showed a remarkable growth in the numbers and proportion of female students in secondary schools moving from 36.7 per cent to 46 per cent in three years. The gender gap in secondary education subsector between 2010 and 2013 has also been oscillating around 45 per cent for girls and 55 per cent for boys.

Enabling sectors

The environment sector performance report of 2012 recognized that despite a number of mitigation measures, the environment of Uganda is still under threat from natural and man-made drivers of change including poverty, rapid population growth, urbanisation, agricultural expansion, informal settlement development, industrialisation, and the impacts of climate variability, among others. The most crucial issue that has emerged over the recent years is that of weak governance at all levels, coupled with the increased demand for natural resources.

Uganda’s score on the corruption perception index (CPI) has been oscillating between 2.4 and 2.9 during the last five years. The CPI ranks countries based on how corrupt their public sector is perceived to be. A country’s score indicates the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries included in the index. The baseline score for Uganda in 2008/9 was 2.6. However, the country’s performance worsened in 2011 (2.4) before it improved slightly in 2012 to 2.9. The Vision 2040 target is 7.1 and there is need for greater efforts to move there.

Uganda’s performance on the four main governance principles of development assistance (peace and stability, democracy, human rights, and rule of law / access to justice) has been judged satisfactory. However, the country experienced significant concerns related to the governance indicators especially on corruption resulting in a reduction in donor support, a factor that affected progress of some NDP activities.

The country faces severe environmental degradation–loss of biodiversity, deforestation, encroachment on wetlands, soil erosion and declining land productivity, pollution of land, water and air resources among others due to continued loss of forest cover. Wetland coverage has also continued to decline over the years. In real terms, an estimated 11,268 square kilometres (30 per cent) of Uganda's wetland ecosystems representing 4.7 per cent of the Uganda land area has been lost since 1994.

During the financial year under review, 55 Parliamentary meetings were held, 72 oversight field visits carried out, and 80 committee reports produced for Plenary. With regard to legislation, sixteen Bills were passed, 1539 sessional committee meetings held and 72 oversight field visits carried out. Parliament also carried out best practices benchmarking tours in other Parliaments especially those under Multi-party dispensation.

Within the courts of law, 110 Civil Appeals and 44 Criminal Appeals were disposed of; 2,734 Civil suits, 1,183 commercial suits, 1,235 criminal suits, 1,576 land cases and 267 Anti-corruption cases disposed of in High Court; 27,918 cases at Commercial Courts, 16,061 cases at Grade 1 courts and 6,406 cases at Grade II courts also disposed of. CID Investigated and concluded 33,657 criminal cases and secured 8,422 convictions.

Under climate change, the final draft for national climate change policy was developed. Its implementation strategy awaits approval by Cabinet. The guidelines for mainstreaming of Climate Change in national development plans were also developed through sector and local governments consultations while Uganda National Meteorological Authority Bill was approved by Parliament and assented to by H.E the President.

Economic statistical indicators including: weekly and monthly Consumer Price Indices (CPI) to monitor inflation levels were developed. Population and Social Statistical indicators were also produced. In addition, the Urban Unemployment survey was carried out while Industrial and Agricultural statistical indicators were developed. The capacities of statistics Units for eleven Local Governments were boosted with training for statisticians on data management.

The Local Government performance

Through the Road Fund, Local Governments continued to receive conditional grants to improve on the state of the road infrastructure in the districts. However, the funds remain very low considering the length of road network to be covered within a district. For instance, each sub county receives only about UGX3 million per year to maintain their road network in a good condition.

The key observation by the district planners is that the egg concept and the sectors in the egg yolk were not aligned in terms of budget allocation. This implies that what was planned for in the NDP is different from what is being implemented by the MOFPED in budgeting process. Resources should also be allocated based on the importance of sectors.

On development cooperation, it was found that Gulu and Amolator Local Governments hosted a variety of forums and review meetings for implementing partners to provide a platform for discussing plans and review progress. However, these meetings are poorly attended and clearly not a priority for partners. Given the limited funding that the districts receive, there is need to ensure proper coordination between implementing partners to minimise duplication and wastage.

During the National NGO Forum study on assessment of the impact of NDP done in 2012, it was established that the level of knowledge about NDP beyond a few district leaders was low. Most CSOs in the districts were fully aware about the NDP.

The districts have limited resources as more trading centres have been upgraded to town councils and town council to municipality, with self-accounting bodies. Chiefs who are responsible for revenue collection for the district are powerless and have no law enforcement mechanisms to compel people to pay taxes. Limited revenues have constrained capacity to manage some important programmes such as road equipment.

CHAPTER ONE: INTRODUCTION

1.1. Background

The production of the Annual National Development Report on the performance of the economy and sectors, ministries and local governments is a legal requirement under the NPA Act 15, 2002, Sections (7) and (18). The aim of the NDR is to provide information on the general performance of the economy, with a focus on the NDP. Thus, the report gives an account of Uganda's development status and the progress made against the NDP indicators at all levels of the Plan's results framework.

The report assesses the performance of the economy through analysis of the macroeconomic framework indicators covering the monetary, fiscal, external and real sectors. On the other hand, the NDP progress has been reviewed through assessment of performance against the indicators of the Plan's goals, objectives, key result areas and strategies. The report also assesses the annual performance of the thematic areas/sectors, including performance of local governments. Lastly, it highlights challenges and recommendations for improvement.

1.2. Rationale

The NDR is intended to annually provide an update of the development status and the health of the economy, including progress of NDP implementation. This is the third in a series of five NDRs that are required to be produced over the period 2010/11-2014/15. This report is intended to support the oversight functions in Government. The report is a legal requirement on the National Planning Authority (NPA). The report is required to be produced in liaison with the private sector and the civil society organizations.

The NDR is a synthesized independent review of the performance of the economy and MDAs and local governments, economic management and financial sector indicators. The report also attempts to integrate the contribution of private sector and non-government organizations (NGOs) into the assessment.

It is hoped that the Report will provide updated information to key stakeholders and the citizenry on the progress made towards achievement of NDP priorities and the overall socioeconomic transformation.

1.3. Objectives

The aim of producing the NDR is to provide updated information on the overall performance of the economy, with a focus on national development based on the NDP results framework.

The following are the specific objectives of the NDR:

1. Review progress made in implementing the NDP, including the implementation challenges faced, during the year;
2. Review the macroeconomic performance of the economy for the year under review;
3. Provide an assessment of the performance of thematic areas and local governments in line with the NDP; and

4. Provide the status of the progress regarding NDP Sector Objectives

1.4. Scope

This NDR covers the period 1st July 2012 to 30th June 2013. It provides information on the performance of the entire economy covering the various blocks, namely: the public sector, the private sector, the financial services sector and civil society organizations. The report also attempts to assess the progress made within districts during the period under review, highlighting the challenges and emerging issues there.

1.5. Methodology

This report was produced using data obtained mainly from secondary sources comprising: NDP Results Framework matrices; sector/MDA reports and ministerial policy statements; survey reports of the Uganda Bureau of Statistics (UBOS); sector statistical abstracts; the NDP 2010/11-2014/15; Bank of Uganda reports, background to the budget, FY 2012/13 Budget Speech, independent assessments of government programs by the World Bank and Civil Society organizations, World and African Statistical Year Books, World Economic Outlook by IMF, Human Development Reports by UNDP, African Union and East African Community (EAC) Reports, District Development Plans and Reports; and other relevant information.

A study was commissioned for selected districts to represent the performance of local governments. The selection was from both old and new districts, with equal representation from the four regions of the country. The data was collected using a structured questionnaire. The key respondents were the District Chief Administrative Officers (CAO), District Planners, assisted by Heads of Departments.

The analysis to determine the progress involved comparing the MDA's annual progress reports with the planning.

It is recognized that participation of the Private Sector Foundation of Uganda (PSFU) and the NGO Forum was limited and needs to be enhanced during preparation of future reports.

1.6. Purpose of the Report

The NDR is intended to inform key stakeholders and the citizenry about the progress on the performance of the economy. In particular, the report is aimed at servicing the oversight functions and activities of the Presidency, Parliament and the Auditor General.

The report is also used by the various Committees of Parliament as a source of baseline information on the current status on topical areas and issues while carrying out oversight functions. In addition, the report is intended to be used by the Auditor General as source of information especially through the review of the challenges highlighted regarding implementation and progress of the NDP.

The report further provides independent feedback and update to the Presidency on the development performance of the economy, NDP progress and challenges.

1.7. Structure of the Report

This report is prepared in five chapters; namely Introduction; Macroeconomic Performances for FY 2012/13; NDP Implementation Progress; Thematic Areas Performance; Local Government Performance; and Conclusions and Recommendations.

Chapter One contains the background, legal basis, objectives, methodologies and structure of the report.

Chapter Two contains the national, regional and global economic outlook for the period 2012/13, and the corresponding recommendations and challenges.

Chapter Three includes an assessment of the progress on implementation of the NDP based on the indicators of the NDP theme, objectives and key result areas.

Chapter Four comprises an assessment of the thematic areas based on the indicators of the sector/thematic area specific objectives. It also contains specific conclusions on each thematic area's performance. The chapter is arranged in four sections on: Primary Growth Sectors; Complimentary Sectors; Social Sectors; and Enabling Sectors which includes local government performance.

Chapter Five focuses on overall conclusions and recommendations for improving on the economic and development performance.

CHAPTER TWO: MACRO-ECONOMIC PERFORMANCE

2.1 Global and Regional Trends

Four years after the eruption of the global financial crisis, the world economy was still struggling to recover. During 2012, global economic growth weakened further. A growing number of developed economies fell into a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiralling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial sector fragility. Growth in the major developing countries and economies in transition also decelerated, reflecting both external vulnerabilities and domestic challenges. Most low-income countries held up relatively well, but face intensified adverse spill over effects from the slowdown in both developed and major middle-income countries. The prospects for the next two years continue to be challenging, fraught with major uncertainties and risks slanted towards the downside.

According to the International Monetary Fund (IMF), the world economy is projected to grow at 3.3 percent and 4.0 percent in 2012/2013 and 2013/2014 respectively, which is a modest increase in the overall trend. In advanced economies, growth is mixed and only expected to recover gradually. This outlook is driven by greater investor confidence in financial markets following decisive policy interventions to improve monetary conditions and fiscal sustainability in advanced economies.

	Year over Year						Q4 over Q4		
			Projections		Difference from July 2012 WEO Update		Estimates	Projections	
	2010	2011	2012	2013	2012	2013	2011	2012	2013
World Output[1]	5.1	3.8	3.3	3.6	−0.2	−0.3	3.2	3.0	4.0
Advanced Economies	3.0	1.6	1.3	1.5	−0.1	−0.3	1.3	1.1	2.1
United States	2.4	1.8	2.2	2.1	0.1	−0.1	2.0	1.7	2.5
Euro Area	2.0	1.4	−0.4	0.2	−0.1	−0.5	0.7	−0.5	0.8
Germany	4.0	3.1	0.9	0.9	0.0	−0.5	1.9	0.9	1.4
France	1.7	1.7	0.1	0.4	−0.2	−0.5	1.2	0.0	0.8
Italy	1.8	0.4	−2.3	−0.7	−0.4	−0.4	−0.5	−2.3	0.0
Spain	−0.3	0.4	−1.5	−1.3	−0.1	−0.7	0.0	−2.3	0.2
Japan	4.5	−0.8	2.2	1.2	−0.2	−0.3	−0.6	1.6	2.1
United Kingdom	1.8	0.8	−0.4	1.1	−0.6	−0.3	0.6	0.0	1.2
Canada	3.2	2.4	1.9	2.0	−0.2	−0.2	2.2	1.7	2.2
Other Advanced Economies[2]	5.9	3.2	2.1	3.0	−0.4	−0.4	2.4	2.3	3.6
Newly Industrialized Asian Economies	8.5	4.0	2.1	3.6	−0.6	−0.6	3.0	3.2	3.5
Emerging Market and Developing Economies[3]	7.4	6.2	5.3	5.6	−0.3	−0.2	5.7	5.5	6.2
Central and Eastern Europe	4.6	5.3	2.0	2.6	0.1	−0.2	3.6	1.9	3.3
Commonwealth of Independent States	4.8	4.9	4.0	4.1	−0.1	0.0	4.3	2.9	4.8
Russia	4.3	4.3	3.7	3.8	−0.3	−0.1	4.6	2.5	4.8
Excluding Russia	6.0	6.2	4.7	4.8	0.2	0.2	. . .	. . .	. . .
Developing Asia	9.5	7.8	6.7	7.2	−0.4	−0.3	6.9	7.2	7.4
China	10.4	9.2	7.8	8.2	−0.2	−0.2	8.9	7.9	8.1
India	10.1	6.8	4.9	6.0	−1.3	−0.6	5.0	5.5	5.9
ASEAN-5[4]	7.0	4.5	5.4	5.8	0.0	−0.3	2.8	7.2	6.6
Latin America and the Caribbean	6.2	4.5	3.2	3.9	−0.2	−0.3	3.7	3.0	4.6
Brazil	7.5	2.7	1.5	4.0	−1.0	−0.7	1.4	2.9	3.8
Mexico	5.6	3.9	3.8	3.5	−0.1	−0.2	3.9	3.2	4.1
Middle East and North Africa	5.0	3.3	5.3	3.6	−0.2	0.0	. . .	. . .	. . .
Sub-Saharan Africa[5]	5.3	5.1	5.0	5.7	−0.1	0.0	. . .	. . .	. . .
South Africa	2.9	3.1	2.6	3.0	0.0	−0.3	2.6	2.7	3.3
Memorandum									
European Union	2.1	1.6	−0.2	0.5	−0.2	−0.5	0.8	−0.2	1.2
World Growth Based on Market Exchange Rates	4.1	2.8	2.6	2.9	−0.1	−0.3	2.3	2.2	3.3
World Trade Volume (goods and services)	12.6	5.8	3.2	4.5	−0.6	−0.7	. . .	. . .	. . .
Imports									
Advanced Economies	11.4	4.4	1.7	3.3	−0.2	−0.9	. . .	. . .	. . .
Emerging Market and Developing Economies	14.9	8.8	7.0	6.6	−0.8	−0.4	. . .	. . .	. . .
Exports									
Advanced Economies	12.0	5.3	2.2	3.6	−0.1	−0.7	. . .	. . .	. . .
Emerging Market and Developing Economies	13.7	6.5	4.0	5.7	−1.7	−0.5	. . .	. . .	. . .
Commodity Prices (U.S. dollars)									
Oil[6]	27.9	31.6	2.1	−1.0	4.2	6.5	20.8	3.7	−3.3
Nonfuel (average based on world commodity export weights)	26.3	17.8	−9.5	−2.9	2.6	1.4	−6.4	1.9	−5.4
Consumer Prices									
Advanced Economies	1.5	2.7	1.9	1.6	−0.1	0.0	2.8	1.7	1.7
Emerging Market and Developing Economies[3]	6.1	7.2	6.1	5.8	−0.2	0.2	6.5	5.6	5.3
London Interbank Offered Rate (percent)[7]									
On U.S. Dollar Deposits	0.5	0.5	0.7	0.6	−0.1	−0.2	. . .	. . .	. . .
On Euro Deposits	0.8	1.4	0.6	0.2	−0.1	−0.3	. . .	. . .	. . .
On Japanese Yen Deposits	0.4	0.3	0.4	0.3	0.0	−0.1	. . .	. . .	. . .

Source: WEO, IMF

In emerging markets, growth decelerated from 7.5 percent in 2010 to 5.1 percent in 2012. This was largely on account of weakening exports to advanced economies and policies aimed at moderating the economy and the effect of high commodity prices and large capital inflows. Gradually improving demand from advanced economies and continued solid domestic demand however, suggest that growth will pick up reaching 5.7 percent in 2014. Sub-Saharan Africa is similarly expected to continue growing at a strong pace in 2013 and 2014 due to high domestic demand in private investment and consumption with a small deterioration in the growth outlook in oil exporting countries, as commodity prices are expected to recede.

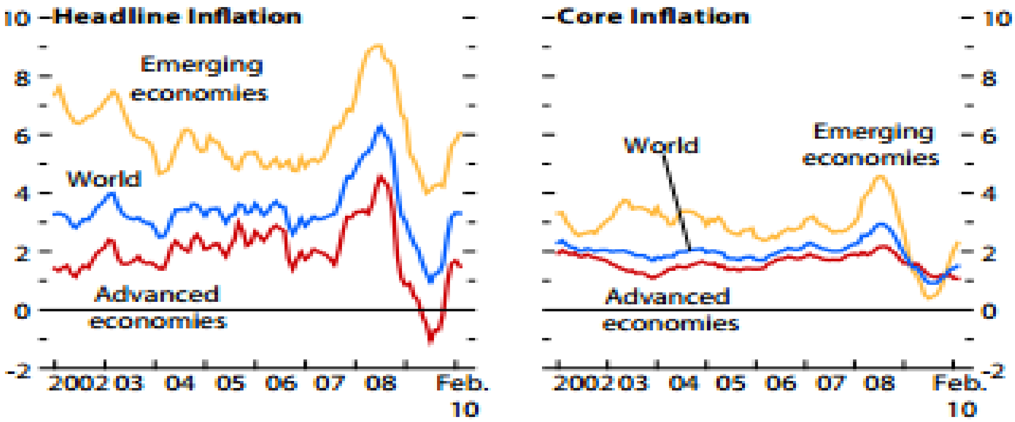
Monetary policy developments

Monetary policy has been highly expansionary and supported by unconventional liquidity provision. Fiscal policy provided a major stimulus in response to the deep downturn. Among advanced economies, the United States is off to a better start than Europe and Japan. Among emerging and developing economies, emerging Asia is in the lead. Money markets have stabilized. Corporate bond and equity markets have rebounded. In advanced economies, the tightening of bank lending standards is ending, and the credit crisis appears to be bottoming out. In many emerging and developing economies, credit growth is reaccelerating.

Nevertheless, financial conditions remain more difficult than before the crisis. Especially in advanced economies, bank capital is likely to remain a constraint on growth as banks continue to retrench their balance sheets. Sectors that have only limited access to capital markets—consumers and small and medium-size enterprises—are likely to continue to face tight limits on their borrowing. In a few advanced economies, rising public deficits and debt have contributed to a sharp increase in sovereign risk premiums, posing new risks to the recovery.

Global inflation

Inflation pressures are projected to remain low, held down by high unemployment rates and excess capacity. Inflation has been higher and more volatile in emerging economies, and inflation pressures could resurface more easily there than in advanced economies.

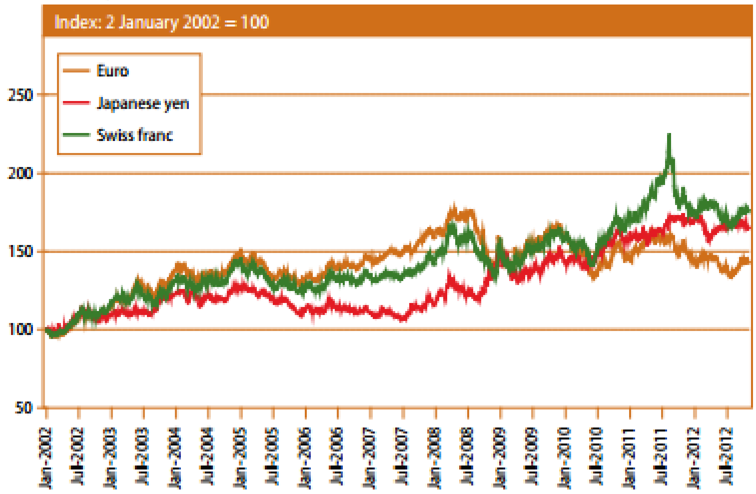


In economies that need to rebuild savings and face relatively greater fiscal challenges, there is both a domestic and an international case for putting fiscal exit first. Furthermore, these economies need to accelerate financial sector repair and reform to build a stronger financial system and foster a more rapid return to robust growth. This would permit monetary policy to remain accommodative without causing inflation pressure or new financial market instabilities at home or abroad. Progress on both fronts is particularly important for the United States, given its systemic role in international financial markets, but also for other advanced economies that can affect the sovereign risk premiums of other economies.

Continued exchange-rate volatility

A large depreciation of the euro vis-à-vis other major currencies was the defining trend in global foreign exchange markets for the first half of 2012 (figure below), driven by the escalation of the debt crisis in the euro area. The euro rebounded somewhat in the second half of the year after the European authorities announced some new initiatives, including the OMT programme. The exchange rates between major currencies remained relatively calm in response to announcements of the OMT and further QE by the European Central Bank (ECB) and the Fed. In the outlook, given announced monetary policies in major developed economies and their generally weak growth prospects, it is difficult to ascertain a clear trend in the exchange rates among the major currencies.

Exchange rates of major currencies vis-à-vis the United States dollar, January 2002-October 2012



Fiscal policy stance

Fiscal policy provided major support in response to the deep downturn. At the same time, the slump in activity and, to a much lesser extent, stimulus measures pushed fiscal deficits in advanced economies to about 9 percent of GDP. Debt-to-GDP ratios in these economies are expected to exceed 100 percent of GDP in 2014 based on current policies, some 35 percentage points of GDP higher than before the crisis.

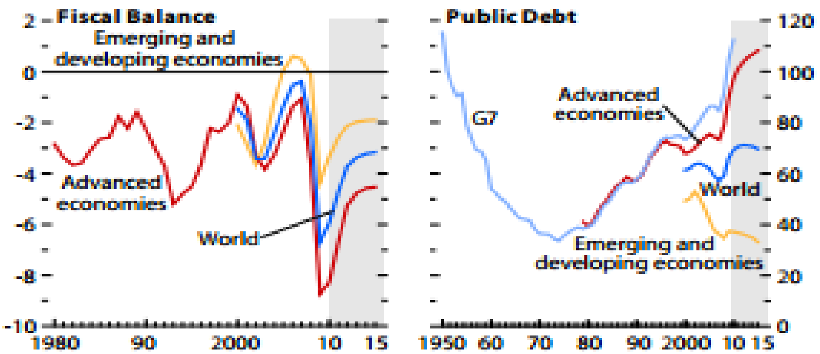
Regarding the near term, given the fragile recovery, fiscal stimulus planned for 2010 should be fully implemented, except in countries that are suffering large increases in risk premiums–these countries need to begin fiscal consolidation now. Looking further ahead, if macroeconomic developments proceed as expected, most advanced economies should embark on significant fiscal consolidation in 2011.

Countries urgently need to design and implement credible fiscal adjustment strategies, emphasizing measures that support potential growth. These should include clear timelines to bring down gross debt-to GDP ratios over the medium term. Also needed are reforms to entitlement spending that lower spending in the future but do not depress demand today. The fiscal challenges are different in a number of emerging economies, with some important exceptions.

The public debt problem in these economies is more localized—as a group, these economies' public debt ratios are at about 30 to 40 percent of GDP and, given their high growth, are expected to soon be back on a declining path. Many emerging Asian economies entered the crisis with relatively low public debt levels and can afford to maintain an expansionary fiscal stance. This will help rebalance the mix between externally and domestically driven growth. But these economies will need to be alert to growing price pressures and emerging financial instability and to allow their currencies to appreciate to combat overheating.

General Government Fiscal Balances and Public Debt

Fiscal balances have deteriorated, mainly because of falling revenue resulting from decreased real and financial activity. Fiscal stimulus has played a major role in stabilizing output but has contributed little to increases in public debt, which are especially large in advanced economies. Most advanced economies need to lower their deficits substantially to stabilize their debt-to-GDP ratios; some are experiencing growing financial market pressure to do so soon. However, all countries need to make significant progress over the coming decade: spending on aging populations will only make matters worse.



Progress towards the Millennium Development Goals

As the global economy recovers only gradually from economic and financial crises, policymakers need to ensure that socio-economic progress towards achieving the Millennium Development Goals (MDG) is not endangered and that efforts to meet most of the targets by the deadline in 2015 continue throughout. This will require not only additional resources towards meeting the MDG targets, particularly in areas where progress has been lagging behind, but also rebuilding adequate policy buffers that would mitigate the downside risks of a more protracted global slowdown extending through 2015.

Progress has been particularly strong in reducing extreme poverty around the globe. Current estimates by the World Bank indicate that 970 million people will continue to live below USD 1.25 a day, compared to almost 2 billion people in 1990. On a global scale this implies that the first MDG goal of halving the proportion of people living in extreme poverty has already been met, but a regional comparison reveals that poverty reductions have been very uneven in different parts of the world. East Asia and the Pacific have experienced the strongest decline in extreme poverty, with poverty rates today five times lower than in 1990. On the contrary, poverty in Sub-Saharan Africa declined only from 56.5 percent to 48.5 percent between 1990 and 2010.

	1990	2005	2010	2015
East Asia	56.2	16.8	12.5	5.5
Europe and Central Asia	1.9	1.3	0.07	0.4
Latin America and the Caribbean	12.2	8.7	5.5	4.9
Middle East and North Africa	5.8	3.5	2.4	2.6
South Asia	53.8	39.4	31	23.2
Sub-Saharan Africa	56.5	52.3	48.5	42.3
Total	43.1	25	20.6	15.5

Source: WB, Global Monitoring Report 2013

However, less than one year away from the deadline set by the international community to attain the MDGs, only four out of 21 MDG targets have been met. Progress has been particularly slow on those MDGs related to education and health. Accelerating progress towards the attainment of these MDGs is strongly needed, especially because they are strongly complementary to other development objectives. For instance, a vast literature shows that a reduction in nutritional deficiencies at an early stage in a child’s development will lead to better educational outcomes over the long term. Similarly, improving access to sanitation will have a major impact on reducing child mortality, as it is estimated that around 1.7 million people die each year because of poor sanitation, and 90 percent of those are children under the age of five. On a regional perspective additional efforts will particularly be required in Sub-Saharan Africa, which is off track to meet all of its MDG targets. It should also be acknowledged, however, that Sub-Saharan Africa started from positions that required the most absolute progress and that significant progress has been made in absolute terms. In face of an uncertain economic

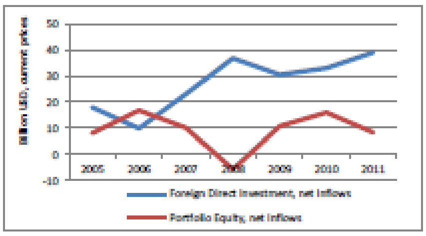
ECONOMIC DEVELOPMENT IN AFRICA

Growth in sub-Saharan Africa has remained generally robust against the backdrop of a sluggish global economy. Regional output is projected to expand by at least 5 percent in 2012–13, similar to that recorded in 2010–11. That said, there is significant variation across the region, with solid expansion being recorded in most low-income countries, but growth slowing in middle-income countries that are tracking the global economy and in some countries affected by drought and political instability. The regional outlook is subject to downside risks, stemming from the uncertain global economic environment.

Regional economic development and prospects

In 2012, 14 out of the 30 fastest growing economies in the world were in Sub-Saharan Africa. Overall, real GDP in the region grew at 5.1 percent in 2012 with over a third of countries growing at more than 6 percent. With the exception of South Africa, economic activity in Sub-Saharan Africa has therefore managed to withstand contagion from the global economic slowdown in 2012, mainly supported by the benefits of sustained economic reforms, robust domestic demand due to rising incomes and to a lesser extent high commodity prices. These factors are expected to sustain robust growth in the medium term, as the region attracts increased investment both from foreign as well as domestic sources.

Foreign direct investment (FDI) to Sub-Saharan Africa has remained high and, with the exception of 2009, has continued to increase every year since 2006 (figure below). This increase came despite a global decline in FDI in the face of the financial crisis. Whereas globally FDI flows declined by almost 25 percent there was positive growth in Sub-Saharan Africa of 6 percent between 2008 and 2011. This remarkable resilience is a reflection of longer time horizon investment decisions and higher rates of return on investment in the region.



The World Investment Report 2012 finds returns on FDI in Africa to be 43 and 33 percent higher than in Latin America and in Asia respectively. A recent survey conducted by the

Economist Intelligence Unit found that 60 percent of firms not currently present in the region indicated their intention to expand into Sub-Saharan Africa over the next 3-5 years.

In addition, 2012 experienced the discovery of major gas reservoirs along the East coast of Africa, while several new commercially viable oil wells were drilled in West and East Africa, which will further attract investment into the region and sustain high growth in years to come. This promising outlook is not only built on a booming extractive industry and the discovery of more natural resources. A recent report by the World Bank suggests that also services, notably infrastructure, construction, transportation, electricity and telecommunications and water, are increasingly attracting FDI

The near-term outlook for the global economy has deteriorated over the past six months, with economic recovery in the advanced economies suffering from new setbacks and heightened uncertainties. The IMF's projections for global growth in 2012–13 have been adjusted downward since the April 2012 edition of this publication, with growth in 2013 now projected at 3.6 percent, down from 4.1 percent previously. Uncertainty regarding global economic prospects is elevated, with intensified stresses in the euro area and the risk of a sharp fiscal tightening in the United States being the most immediate risks.

Against this background, sub-Saharan Africa has been maintaining relatively strong growth, and is on track to post growth of about 5.25 percent a year in 2012–13, similar to that recorded in 2010–11. Most low-income countries are participating in this expansion, although drought has slowed growth.

	2004–08	2009	2010	2011	2012	2013
Sub-Saharan Africa (Total)[1]	6.5	2.8	5.3	5.2	5.3	5.3
Of which:						
Oil-exporting countries[1]	8.6	5.1	6.6	6.3	6.7	6.0
Middle-income countries[2]	5.0	-0.6	3.8	4.5	3.4	3.8
Of which: South Africa	4.9	-1.5	2.9	3.1	2.6	3.0
Low-income countries[2]	7.3	5.4	6.4	5.5	5.9	6.1
Fragile countries	2.5	3.1	4.2	2.3	6.6	6.5
Memo item:						
World	4.6	-0.6	5.1	3.8	3.3	3.6

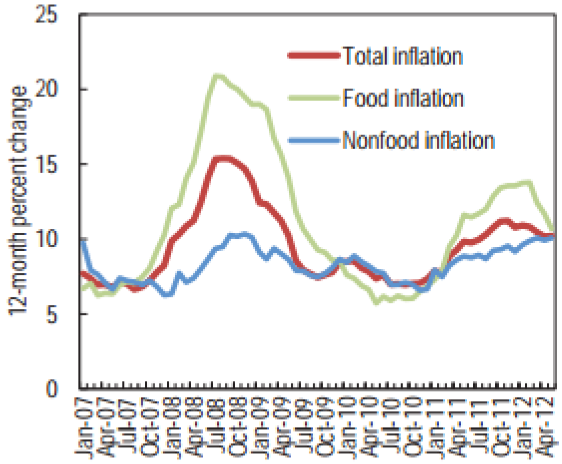
Source: IMF, World Economic Outlook.
[1] Excluding South Sudan.
[2] Excluding fragile countries.

Inflation in the region has been slowing during 2012, as food/fuel price inflation eases following a surge during 2011; the containment of inflation has been most marked in East Africa, where sharp monetary tightening was needed to reverse the 2011 price spikes.

	2004–08	2009	2010	2011	2012	2013
			(Percent change)			
Inflation, end-of-period	8.8	8.6	7.2	10.1	8.0	6.9
			(Percent of GDP)			
Fiscal balance	1.9	-5.4	-3.7	-1.6	-2.2	-1.4
Of which: Excluding oil exporters	-0.7	-4.6	-4.3	-4.1	-4.5	-3.6
Current account balance	0.7	-3.2	-1.3	-2.0	-3.1	-3.5
Of which: Excluding oil exporters	-5.0	-5.3	-4.5	-4.9	-7.3	-7.0
			(Months of imports)			
Reserves coverage	4.8	5.1	4.2	4.4	4.7	4.9

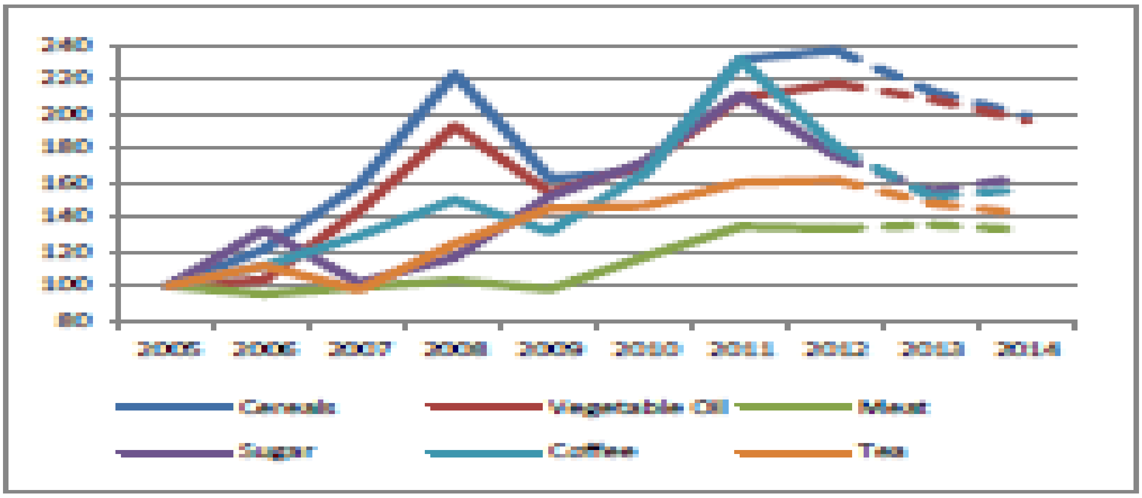
Source: IMF, *World Economic Outlook.*

Note: Excludes South Sudan.



Source: IMF, International Financial Statistics; and IMF, African Department database.

A recent surge in world prices of cereals could derail at least some of the projected easing of inflation, although there is a good chance that the impact of what is expected to be a transitory price surge will be contained across most of the region, not least because the price of rice, the most important staple food import for sub-Saharan Africa, has not moved significantly. That said, surging world prices are likely to intensify stresses in countries/subregions experiencing poor harvests.



Source: IMF, Global Economic Outlook Database 2013

Private sector Credit

Private sector credit growth trends have reflected monetary policy and inflation developments. Although nominal private credit grew strongly during the first few months of 2012, there are signs of moderation in the pace of growth in low-income countries, a combined result of declining inflation and tighter monetary policies. Credit growth to the private sector is picking up among middle-income countries, including in South Africa, helped in part by supportive monetary policies. The unusual behavior of credit growth in oil-exporting countries reflects in large part developments in Nigeria, where banking conditions have been normalizing following the 2009 crisis.

	Capital to Assets	Non-Performing Loans to Total Loans	Provisions to Non-Performing Loans	Return on Assets	Return on Equity
Oil-exporting countries					
Angola	14.8	2.4	n.a.	2.7	27.2
Cameroon	15.8	12.3	96.7	0.2	2.2
Congo, Republic of	9.9	1.2	75.3	1.4	22.0
Gabon	11.0	5.5	58.1	0.8	8.6
Nigeria	3.9	11.6	n.a.	0.2	4.5
Middle-income countries					
Ghana	13.7	14.1	76.2	3.9	27.2
Lesotho	9.5	2.4	110.3	2.8	28.9
Mauritius	7.2	2.8	41.4	1.3	17.9
Namibia	7.8	1.5	n.a.	3.7	47.1
Senegal	n.a.	16.2	54.0	2.2	22.6
Seychelles	9.0	8.1	33.8	3.7	41.0
South Africa	7.3	4.7	34.9	1.5	21.0
Swaziland	17.4	7.5	44.6	2.4	13.8
Low-income countries					
Ethiopia	7.8	2.1	n.a.	3.0	31.5
Kenya	13.2	4.4	n.a.	3.3	32.2
Mali	17.4	18.5	69.3	1.4	15.2
Mozambique	9.0	2.6	55.1	2.5	26.5
Rwanda	14.5	8.0	50.8	2.2	10.6
Sierra Leone	14.0	15.1	49.4	3.8	15.6
Tanzania	17.8	6.7	n.a.	2.7	15.1
Uganda	14.6	2.2	59.7	4.0	27.4
Fragile countries					
Burundi	n.a.	7.7	n.a.	3.2	23.0
Congo, Democratic Republic of	15.0	5.0	n.a.	n.a.	3.0
São Tomé and Príncipe	n.a.	14.8	46.1	0.1	0.2
Togo	13.4	10.8	84.1	2.0	24.7
Mean	12.0	7.5	61.2	2.3	20.4
Median	13.3	6.7	55.1	2.4	22.0

Sources: Country authorities; and IMF African Department database.

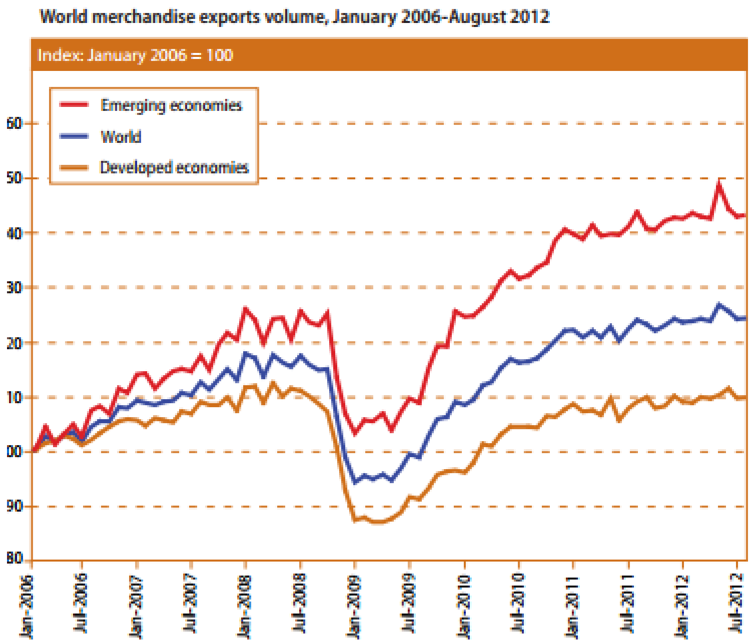
* Green (Red) indicates improvement (worsening) relative to 2009; n.a. denotes not available.

International trade

In 2012, however, world trade volumes have again slowed down as advanced economies have further contracted their import demand. At the same time, emerging and developing economies have mitigated some of the effect of the reduction in the demand for imports from advanced economies. Going forward, trade is expected to gradually expand as the global economy gradually picks up speed, particularly in developed countries with world trade volumes increasing 3.6 percent and 5.3 percent in 2013 and 2014 respectively.

Exports and imports of goods and services across regions

Owing to declining import demand in Europe, as the region entered into its second recession in three years, and anaemic aggregate demand in the United States and Japan. Developing countries and economies in transition have seen demand for their exports weaken as a result.



Source, World Economic Outlook, IMF, 2012

In 2012, prices for cereals and vegetable oils reached their all-time high, while prices for sugar and coffee fell by more than 20 percent. These differences in the evolution of food commodity prices are mainly driven by differing stock-to-use ratios (i.e. total stock of inventories as share of total consumption), which are currently particularly low for cereals. In 2013 and 2014, prices for food commodities are expected to decline, but considerable upside price risks remain. These are low inventories, adverse weather conditions, potential policy responses to high prices such as export restrictions, as well as increases in bio-fuel production which could divert crops away from food uses.

Job crisis continues

Unemployment remains elevated in many developed economies, with the situation in Europe being the most challenging. A double-dip recession in several European economies has taken a heavy toll on labour markets. The unemployment rate continued to climb to a record high in the euro area during 2012, up by more than one percentage point from one year ago. Conditions are worse in Spain and Greece, where more than a quarter of the working population is without a job and more than half of the youth is unemployed.

Long-term unemployment is also severe in the EU and Japan, where four of each ten of the unemployed have been without a job for more than one year. For the group of developed countries as a whole, the incidence of long-term unemployment (over one year) stood at more than 35 percent by July 2012, affecting about 17 million workers. Such a prolonged duration of unemployment tends to have significant, long-lasting detrimental impacts on both the individuals who have lost their jobs and on the economy as a whole. The skills of unemployed workers deteriorate commensurate with the duration of their unemployment, most likely leading to lower earnings for those individuals who are eventually able to find new jobs. At the aggregate level, the higher the proportion of workers trapped in protracted unemployment, the greater the adverse impact on the productivity of the economy in the medium to long run.

EAC

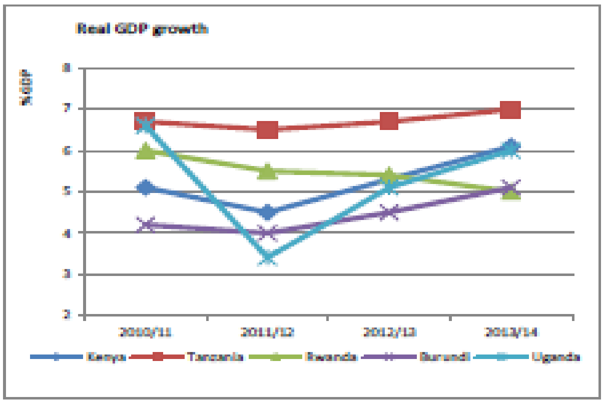
The successful conclusion of the Kenya elections removed the key risk to the economy, which is expected to grow at 5.3 percent in FY2012/13. With the smooth political transition following the elections, Kenya's GDP growth is expected to accelerate to 6.1 percent in FY2013/14 and 6.5 percent in FY2014/15.

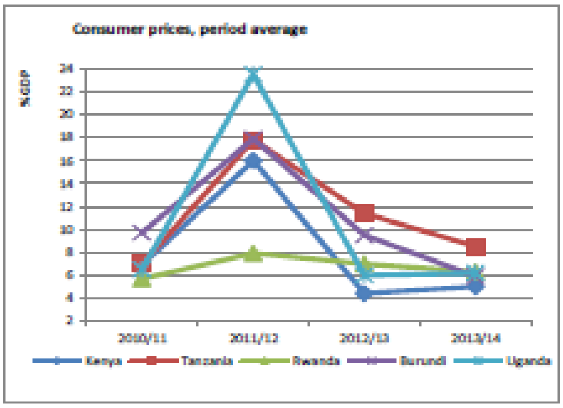
The Tanzanian economy continues to perform strongly and has been achieving the highest growth rates in the EAC region over the past two years. Projections confirm that this trend is likely to continue with real GDP growth expected to reach 6.7 and 7.0 percent in FY2012/13 and 2013/14, respectively. The restoration of power supply, which had suffered severely due to a reduction in the hydropower generation capacity following low water levels in Tanzania's dams, will contribute to achieving these expectations.

Rwanda's economy grew at close to 6 percent over the last two years. The economic outlook continues to be robust with an expected growth rate of 5.4 percent in 2012/13. This strong growth performance was underscored by successful reforms in both public financial management and in the business environment. Rwanda currently ranks third among Sub-Saharan African economies in the World Bank's Doing Business Index and eighth worldwide when it came to ease of starting a new business.

Burundi has faced the confluence of several adverse economic shocks, which have subdued economic activity in the country. As a result, growth is projected at 4.5 percent in 2013, relatively lower than in any other EAC country. As a small and landlocked country, Burundi is particularly vulnerable to spikes in global food and fuel prices. High food and fuel prices in 2012 led to a sharp deterioration of the terms of trade and to surging inflation, reaching almost 18 percent for the year. Aid inflows were lower than expected, adding further pressure on the exchange rate. In addition, Burundi had to cope with the repatriation of 35,000 refugees from Tanzania as well as with spillovers from the conflict in Eastern Congo.

Comparison across EAC on selected Macroeconomic indicators





2.2 The Development in the National Economy

This section provides an insight into the performance of the economy against key macroeconomic indicators. It identifies success areas and challenges, from a situation analysis of the economy since the start of the national development plan in 2010/11 to-date, with a focus on FY2012/13.

2.2.1 Real Sector Performance

In terms of real growth, the country achieved its highest economic growth in 2010/11, the first year of the national development plan at 6.7 percent compared to the target of 6.6 percent that year. This performance was not sustained and the following years faced deceleration to 3.4 percent in 2011/12 before rising to 5.1 in 2012/13. Table 1(a) shows economic growth rates in Uganda since 2010/2011.

Table 1 (a): Economic Growth Rates by Sector during the NDP Period and before

Sector /Year		2010/11	2011/12	2012/13
Total GDP	Outturn	6.7	3.4	5.1
	Target	6.6	7	7.3
Agriculture	Outturn	1.2	0.8	1.4
	Target	5.7	5.8	5.4
Industry	Outturn	7.9	2.5	6.8
	Target	6	6.2	6.9
Services	Outturn	8.2	3.6	4.8
	Target	7.6	7.8	7.5

Source: NPA and UBOS

Whereas by 2010 the Ugandan economy had proved to be resilient to global turbulences, the growth attained in 2010/11 was not sustained in subsequent years as high and unstable prices of oil and commodity prices in the global markets, drought in some parts of the country, power shortages, unstable exchange rates and low demand of the country's products in international markets proved challenging. The major constraining occurrences to economic growth in this period included the drought effects on agriculture, the weak global economic conditions and uncertainty which led to contraction in a number of areas such as manufacturing and a decline in services growth particularly in the year 2011/12. The occurrence of these factors was not a surprise, because the global recession had started earlier before the NDP was adopted, and drought has been the order of the day for many years in the country. The effect of these factors reflects the inadequacy of the strategies put in place as well as the capabilities created to address them.

The industrial sector despite being negatively affected in 2011/12 emerged a better performer in the previous financial years indicating that its potential growth and recovery is most likely higher than the rest of the sectors. In particular, mining and the construction sub-sector activities have contributed highly to the country's industrial growth. Unpredictability in the export market, and slow investment growth are issues of concern to deal with for Uganda's growth. For instance, net exports in 2011/12 declined by 3.4 percent compared to a growth of 28.2 percent in 2010/11 the first year of NDP1. In the same vein, domestic private consumption and investment spending grew at lower rates of 5.0 percent and 4.1 percent in 2011/12 relative to the respective growth rates of 9.4 percent and 4.9 percent recorded in 2010/11.

Table 2: Growth in the Primary Sector during and before the NDP period

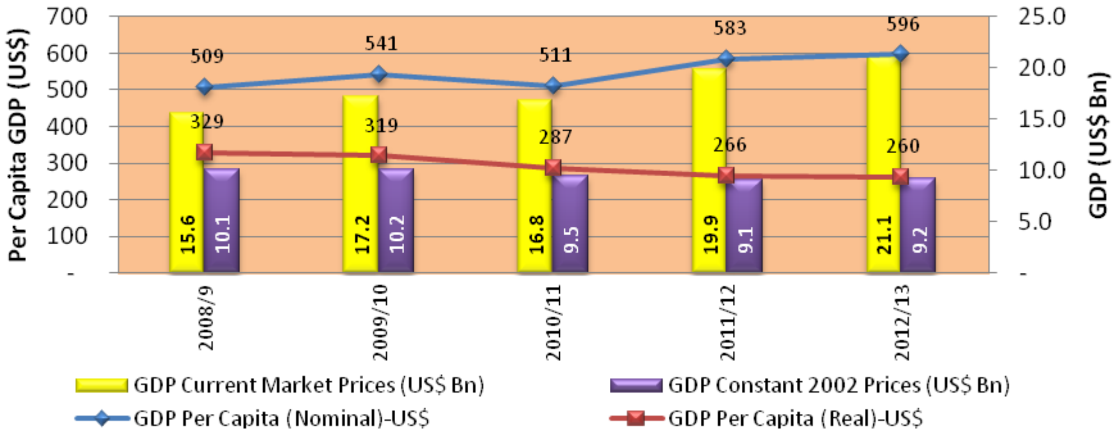
Activity	Realised Growth Rates (%)						Realised Share of Real GDP					
	Pre-NDP1				NDP1		Pre-NDP1			NDP1		
	07/08	08/09	09/10	10/11	11/12	12/13	07/08	08/09	09/10	10/11	11/12	12/13
Total GDP at market prices	8.7	7.3	5.9	6.6	3.4	5.1	100	100	100	100	100	100
Agriculture, forestry and fishing	1.3	2.9	2.4	1.2	0.8	1.4	15.8	15.1	14.6	13.8	13.8	13.3
Industry Sector	8.8	5.8	6.5	7.9	2.5	6.8	25.1	24.8	24.9	25.2	24.7	25.1
Services Sector	9.7	8.8	8.2	8.2	3.6	4.8	49.9	50.7	51.8	52.6	52.6	52.4

Source: UBOS, 2013

The country's economic growth has however not effectively translated into significant wealth creation taking into account the effects of inflation and exchange rate weakening of the Ugandan currency. Whereas the average Ugandan made \$509 as income in 2008/9, the same person makes US\$596 in 2012/13 at current prices.

At the prices of 2002 however, the value of added income to every Ugandan has declined throughout the last three years of the NDP because of the combined effect of inflation, weakening of the Uganda Shilling and the assumed constant population growth rate as shown in figure 2.

Figure 1: Economic Growth Performance, 2008/9 – 2012/13



Data Source: UBOS Statistical Abstract

2.2.2 Investment

Uganda Vision 2040 identifies the key primary areas that will spur the country's development and in which the attainment of effective competitiveness / greater productivity must be well planned and executed as including the human resource; transport infrastructure and services; energy; science, technology, engineering and innovation application; urban development; land; and security. Vision 2040 further identifies major areas of investment that require greater private sector role, with huge private capital and government promoting them in a phased manner. These include: agro-industries, machine tools, higher technology, ICT business and infrastructure, fertiliser production, industrial chemicals, aero-space industries, water for production, iron and steel, petro chemicals, hi-tech services, oil & gas (refinery and pipeline), Nano and Bio-technology, iron and steel, electronics / micro-electronics, R&D & innovation, financial sector development, health systems and infrastructure development, human resource development services and infrastructure, transport infrastructure (road, rail, water, air), energy infrastructure (electricity generation and distribution).

During the implementation of NDP1, investment in a few of the above named areas has been growing although at a low rate. While gross capital formation grew at 10.3 percent in 2010/11, it declined drastically to 3.0 percent in the second year before rising again to 9.0 percent in the third year of the NDP (2012/13). The private sector has been leading growth in investment in line with the country's policy of private sector led growth. Based on the figures for capital formation, out of US$4.8billion worth of fixed investment in 2011/12, the private sector contributed US$3.6billion (76 percent).

Table 3: Performance of Investment Composition and Share in GDP

	Actual			Target				
Indicator	**2010/11**	**2011/12**	**2012/13**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Annual GDP Growth rates	6.7	3.2	5.1	6.6	7.0	7.2	7.4	7.5
GDP at Constant Prices - Bns	21,965	22,713	23,870					
GDP (Current Mkt) –Shs Bn	39.051	49,849	54,688	41.397	46.934	53.904	62.227	72.094
Total Investment	22,010.751	72,565.2		41.397	46.934	53.904	62.227	72.094
Private Investment (% of GDP)	18.1	18.4	19.3	16.9	17.4	18.1	18.2	18.3
Public Investment (% of GDP)	6.7	5.8	6.0	8.0	8.8	8.9	9.2	10.0

Table 4: Analysis of Capital formation before and during the NDP1 Period

Activity	**Pre-NDP1**			**NDP1**			**Targets**
	2007/08	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2014/15**
	Realised Growth Rates (%) Actual						
Total GDP at constant market prices	**8.7**	7.3	5.9	6.6	3.4	5.1	
Gross Capital Formation	6.0	6.8	9.9	10.3	3.0	9.0	
Changes in Inventories	3.7	-0.8	8.2	0.6	-8.2	2.8	
	Absolute Values, Current Market Prices (Billions)						
Total GDP at current market prices	24,497	30,101	34,908	39,051	49,087	54,688	
Gross fixed capital formation	5,574	6,532	8,109	9,686	12,211	13,804	
Public	1,090	1,380	1,890	2,632	2,844	3,260	
Private	4,484	5,153	6,219	7,054	9,368	10,544	
Capital and Financial Account Balance	1,920	2,571	3,570	2,910	5,150	6,143.29	
Direct investment in Uganda	1,232	1,621	1,582	1,981	2,122	3,048.95	
Liabilities (Portfolio investment)	127	-72	-71	6	247	-183.74	
Others	561	1,022	2,060	924	2,781	3,278.07	
	Share (% of GDP), Current Prices						
Gross fixed capital formation	22.8	21.7	23.2	24.8	24.5	25.2	
Public		4.6	5.4	6.7	5.7	6.0	
Private		17.1	17.8	18.0	18.8	19.3	

Source: UBOS, Statistical Abstract 2012 and GDP Tables 2012/13; BOU, BoP Analytical Table

The projects and recurrent expenditure included in the NDP1 required at least about UGX 54 trillion (about US$ 20 billion) to be implemented against the earlier conservative MTEF provisions of about UGX13 trillion (US$ 5 billion).

The National Vision 2040 identified gaps and targets in key service delivery areas to be: electricity generation required to increase from 850MWs in 2011 to about 40,000MWs in 2030; paved roads coverage from 3,300 kilometres (4 percent) to about 59,000km; increased railway functionality from 250km to 2,400km (of standard gauge rail); increased water supply from 64 percent rural at 1km and 69 percent urban at 0.2km access to about 75percent national piped water system coverage, and sewerage coverage from 7 percent in Kampala to 70 percent for most urban centres; increased coverage of Information Communication and Technology from a fibre optic network covering 22 districts to all districts; and have in place in the new sector of petroleum a refinery and a pipeline network to strategic storage and market points of about 800km. The above targets have to be strategically provided a timeline within the early national development plans because of their complimentary nature to economic growth. The above projects are at initial stages of realization and their fundamental role to Uganda's growth is well appreciated by the country's leadership.

Table 5: Opportunity Index for Uganda

Country/Region	**OI**	**Economic Fundamentals (EF)**	**Regulatory Barriers (RB)**	**Ease of Doing Business (DB)**	**Regulatory Quality (RQ)**	**Rule of Law (RL)**
Industrialized Countries	7.14	6.3	8.19	7.39	6.49	7.33
Europe	5.82	5.56	7.73	6.65	4.6	4.55
Middle East	5.56	4.54	6.07	6.67	5.35	5.18
Asia	5.12	4.38	6	5.09	4.88	5.25
Americas and the Caribbean	4.99	4.17	7.19	5.34	4.26	3.98
Africa	4.73	2.82	6.53	4.97	4.85	4.69
Uganda	**4.88**	**2.30**	**7.60**	**4.05**	**6.00**	**4.45**

Source: Global Opportunity Index, 2012

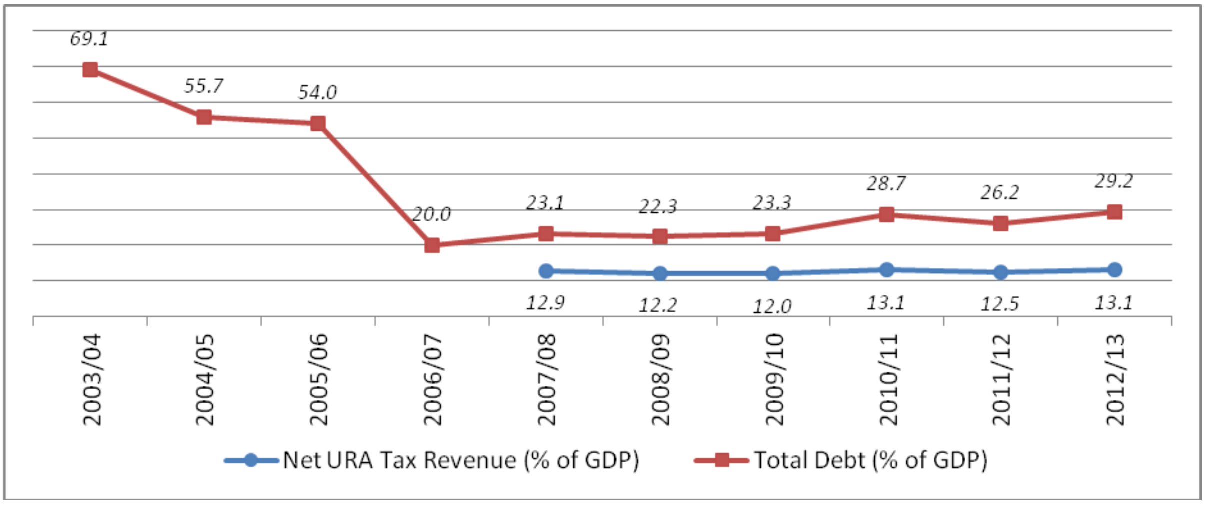
Whereas government is capable of increasing its own revenue generation to support infrastructure development in the medium to long-term, there might remain challenges in sustaining the pace of infrastructure supply against future demand. Given this challenge, the private sector needs to play a greater role by investing in economic infrastructure. This is why public private partnerships and capital markets will remain vital to meeting the country's investment and overall economic growth needs.

2.3 Fiscal Sector

2.3.1 Revenue

The country has been able to increase its total collections by Uganda Revenue Authority reasonably for the last decade to a factor of over 3 since 2005/6. This has been as a result of revenue governance reforms. However, the trends of net URA collections as a percent of gross domestic product show a stagnation of this revenue performance as shown in figure 3 below. Based on the NDP1 target, URA has failed to maintain a decline in the financing of the country's development programmes from external sources that had been achieved by 2008/9 and instead total debt is increasing. While the funding debt stock from external sources remains low, public debt from local sources is on the rise. The scope of this local borrowing needs to be investigated to inform the reliable identification of local borrowing as a credible means of financing NDP2.

Figure 2: Financing the Budget, 2003/4 to 2012/13



Source: Uganda Revenue Authority

Table 6 shows how revenue has performed in the early years of NDP1 when compared to the period before 2010/11. Revenue from domestic sources has grown much faster than the international trade taxes. Pay as you earn (PAYE) dominates the direct income taxes while value added tax is the most important source of indirect tax. While financial institutions pay taxes on the interest they charge, there is need to explore possibilities of increasing financial services with a greater scope for taxation as a way of boosting the revenue base. Expanding financial services and redefining enterprises could expand the scope of direct taxes.

Table 6: Revenue Outturns, FY 2005/6-2010/11 (Billion Shillings)

Revenue Head	**Before NDPI**					**NDPI**			
						Outturn (Actual)			**Target**
	2005/6	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2014/15**
Domestic Taxes	**1,192.0**	**1,409.3**	**1,623.2**	**1,875.8**	**2,351.3**	**2,816.2**	**3,288.41**	**4,164.47**	
Direct Taxes	604.6	727.4	862.2	1,028.9	1,303.1	1,665.1	1,991.90	**2,433.50**	
Indirect Taxes	512.0	598.0	698.6	768.6	945.5	1,039.8	1,296.51	**1,730.97**	
o/w VAT	352.7	412.6	480.7	526.0	671.4	724.2	934.27	1,279.17	
o/w Excise duty	159.3	185.3	217.9	242.6	274.1	315.6	362.24	451.79	
International Trade Taxes	**1,127.8**	**1,376.4**	**1,704.2**	**1,957.8**	**2,038.7**	**2,534.0**	**2,905.31**	**3,070.51**	
Fees and Stamp Duty	75.4	83.9	62.5	78.3	102.7	111.3	111.22	110.26	
Net URA Collections	2,231.5	2,625.7	3,161.4	3,662.3	4,205.7	5,114.2	6,135.94	**7,149.48**	
Non-URA collections (Non Tax)	8 3.0	96.7	85.7	124.3	113.9	347.0	65.45	**90.24**	
Total URA Collections	**2,336.5**	**2,813.6**	**3,404.1**	**3,949.1**	**4,493.5**	**5,461.2**	**6,201.39**	**7,239.72**	
Grants	897.5	1,087.8	738.5	884.8	863.0	890.4	1,726.3	929.7	
Budget Support Grants	484.4	7 33.2	475.2	530.9	467.3	515.5	634.9		
Project Grants	413.2	354.6	263.3	354.0	395.7	374.9	1,091.4		

Revenue Head	Before NDPI					NDPI			
						Outturn (Actual)			Target
	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2014/15
Overall Fiscal Bal. (incl. Grants &Oil Revenue)	**337.5**	**397.9**	**453.9**	**503.6**	**1,648.5**	**1,680.0**	**1,804.0**	**2,132.8**	
External Financing (Net)	**269.2**	**679.7**	**557.4**	**557.1**	**757.0**	**723.9**	**937.6**		
Domestic Financing (Net)	**81.3**	**(261.8)**	**(251.3)**	**(94.0)**	**701.5**	**1,105.0**	**866.5**		
Net donor inflows (% of GDP)						**3.0**	**3.4**	**3.6**	
Revenue (% of GDP)						**13.1**	**13.3**	**13.0**	
Grants (% of GDP)	4.9	5.1	3.0	2.9	2.5	**2.3**	**2.3**	**1.7**	

Source: Republic of Uganda (2010c), URA 2011, 2013; Background to the Budget 2011, 20121; Statistical Abstract 2012

2.3.2 External Debt

Uganda's external debt has continued growing in order to supplement the country's consumption and investment resources. In 2010/11 the total debt stock was shillings 11,234.9 billion and this increased to shillings 15,939.1 billion in 2012/13, which is close to 30 percent of GDP. Of this debt, external debt is 9,893.3 billion (US$3.761 billion) in 2012/13. Whereas annual borrowing as a percent of GDP looked small at 2.9 percent in the first year of NDP, the total stock of domestic debt increased to 11.1 percent of GDP in the third year. Debt is usually acquired to facilitate economic growth and development and there is need to assess the current scope of debt potential in the face of the quest for additional resources needed to finance infrastructure in the complementary sectors in line with the vision 2040. There is need to answer the question that concerns the maximum growth rate of both domestic and external debt without creating unnecessary overheating in the economy.

Table 7: Performance on External Debt Indicators

Indicator	2010/11		2011/12		2012/13		2013/14	2014/15
	Actual	Target	Actual	Target	Actual	Target	Target	Target
Fiscal Sector								
Domestic interest payments (% of GDP)	1.1	0.8	1.2	0.7		0.7	0.6	0.6
Domestic Borrowing (% of GDP)	2.9	0.7	0.1	0.6	1.0	0.6	0.6	0.6
Gross public external debt/GDP (per cent of GDP)	19.5	14.8	16.1	17.3	18.1	18.9		
External debt-service ratio (per cent of exports of goods and non-factor services)	1.4		1.4		1.6			

Source: MoFPED, BoU, NDP-MTR Report

[1] The Background to the Budget 2011/12 Fiscal Year: Promoting Economic Growth, Job Creation and Improving Service Delivery. Ministry of Finance, Planning and Economic Development, June 2011

As to whether Uganda requires debt reduction or growth is an issue that relates to the current level of sustainability of the medium term path for the external liabilities. In order to assess the sustainability of Uganda's foreign debt, there may be need to see whether the discounted value of Uganda's foreign debt is non-zero in the infinite limit, and if so Uganda is solvent. As long as the real interest rate on Uganda's foreign debt is positive, the debt can be increased. The maximum growth rate in foreign debt should be the real interest rate of the debt. Growth in foreign debt is critical for the benefit of NDP2, with the view to establishing the ideal space for domestic and non-concessional debt required to supplement higher financing needs of core projects. Frontloading of public investment is dictated by the need to bridge the gap in investment without compromising the macroeconomic convergence criteria of the East African community planned to begin in 2021.

During the first year of the national development plan, the debt sustainability report (2012) by IMF on Uganda indicated that the country had a low risk of debt distress. The country relies primarily on highly concessional financing to fund infrastructure investment needs. Non-concessional financing for a number of critical infrastructure projects was admissible to a ceiling of US$ 800 million over the medium term to finance large infrastructural projects critical for growth. However, the country needs to be observant of the potential debt dynamics with the flow of revenues from oil and gas after the year 2018. Export potential of this new sector may turn around the country's current account and the assumptions about debt sustainability.

2.3.3 Donations

Donor support has played a significant role in financing development in the country. This has been critical in providing needed resources for budget and off budget activities in the country. Net donor inflows were 3 percent in the first year of NDP1 and increased to 3.6 percent by the end of 2012/13. The donations faced serious challenges in the third year of NDP1 especially on grounds of increased uncertainty in their governance. In the NDP2 donor support should be expected to be more oriented to project than to budget financing because of current budget governance issues.

Table 8: Trends of Donations and Loans in the National Budget (percent of Expenditure)

Item	2005/6	2006/7	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Grants	25.29	25.85	16.64	17.10	12.63	9.92	18.62	
Budget Support	13.65	17.42	10.70	10.26	6.84	5.75	6.85	
Project Support	11.64	8.43	5.93	6.84	5.79	4.18	11.77	
Loans	13.14	19.65	15.21	13.67	13.45	9.79	12.64	
Budget Support	2.15	11.17	4.76	4.50	3.45	2.60	1.32	
Project Support	10.99	8.48	10.45	9.17	10.00	7.18	11.33	
Expenditure (Bns)	**3,548.9**	**4,207.8**	**4,439.2**	**5,175.0**	**6,831.1**	**8,972.5**	**9,273.4**	**10,479.2**
Expenditure (% of GDP)	19.53	19.84	18.12	17.19	19.62	23.48	23.90	

Source: MoFPED, Background to the Budget 2011/12, 2013/14; UBOS, Statistical Abstract, 2012.

2.3.4 Public Expenditure

Total expenditure and net lending as a percentage of gross domestic product declined from 22.8 percent to 18.6 percent in 2012/13 despite pressure of demand for services. National expenditure continues to face serious deficits, which declined from an overall balance including grants of 4.3 percent of GDP in 2010/11 to 3.9 percent in 2012/13. Without grants, the overall balance in the national expenditure was 5.6 percent of gross domestic product.

Table 9: Projections of Selected Public Expenditure Indicators

Indicator	Actual			Projection		
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Net donor inflows/GDP (per cent of GDP)	**3.0**	**3.4**	**3.6**	**2.2**	**1.9**	**1.6**
Gross public external debt/GDP (per cent of GDP)	**25.2**	**24.3**	**25.5**	**28.8**	**31.7**	**33.3**
External debt-service ratio (per cent of exports of goods and nonfactor services)	**1.4**	**1.4**	**1.6**	**1.8**	**1.9**	**1.9**
Revenue (per cent of GDP)	**16.2**	**13.3**	**13.0**	**15.0**	**14.5**	**14.9**
Grants (per cent of GDP)	**2.3**	**2.3**	**1.7**	**1.5**	**1.3**	**1.0**
Total expenditure and net lending(per cent of GDP)	**22.8**	**18.6**	**18.6**	**20.2**	**21.2**	**21.7**
Overall balance (including grants)(per cent of GDP)	**-4.3**	**-3.0**	**-3.9**	**-3.6**	**-5.4**	**-5.7**
Overall balance (excluding grants)(per cent of GDP)	**-6.6**	**-5.3**	**-5.6**	**-5.2**	**-6.7**	**-6.8**

Source: Bank of Uganda- Current State of the Ugandan Economy, 2013.

A comparison of the resource allocation to key growth areas reflects a situation in which resources have been allocated in the recent past in disregard to the plan.

Table 10: Resource Allocations to Sectors by Function and Relevance to NDP Growth Concept

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)				Actual as % NDP
	10/11	11/12	12/13	Total	10/11	11/12	12/13	Total	
Agriculture	268	323	386	977	323	329	366	1,018	104
Energy & Min. Dev't	804	1,035	1,219	3,058	200	1,184	1,248	2,632	86
Works & Transport	1,036	1,236	1,429	3,701	327	437	831	1,595	43
ICT	6	6	7	19	10	10	10	30	158
Tourism, Trade & Industry	47	57	62	166	3	5	3	11	7
Education	345	424	515	1,284	87	103	108	298	23
Health	790	939	2,089	3,818	311	338	337	986	26
Water & Environment	158	194	230	582	18	15	30	63	11
Social Development	31	36	41	108	14	17	14	45	42

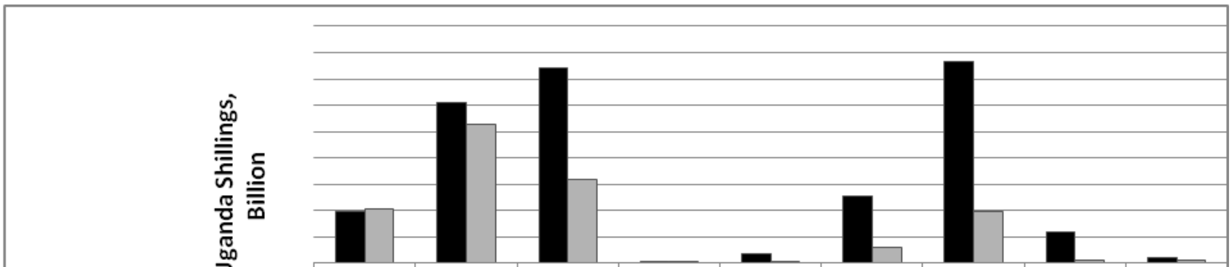
Planned Public Expenditure by Growth Sectors

Broad Cluster / Growth Sector	2010/11	2011/12	2012/13	2013/14	2014/15
Primary Growth	4	4	5	5	7
Complementary Growth	16	28	32	32	29
Social Services	24	26	27	26	27
Enablers	57	42	37	37	37
Total	101	100	101	100	100

Source: NDP1-MTR Report

The disparities in the planned and the annual appropriated resources were as a result of the incomplete process of investment planning. Where projects required full feasibility studies to be undertaken, there were wider gaps because most budgets incorporated projects whose feasibility was not ascertained. It should be observed that projects in agriculture did not require intensive technical feasibility studies and their allocations were accordingly provided for in the annual budgets unlike the infrastructure projects in the complementary sectors (such as for energy and mineral development and works and transport). In the social services sector mainly education, health and water and environment, these are areas where funding had greater donor support and the realisation of this funding was a challenge to the realisation of NDP target funding.

Figure 3: Comparison of Planned and Annual Budgets Resources 2010/11 to 2012/13



	Agriculture	Energy & Min. Dev't	Works & Transport	ICT	Tourism, Trade & Industry	Education	Health	Water & Environment	Social Development
Total Planned (NDP)	977	3,058	3,701	19	166	1,284	3,818	582	108
Total Allocated (Annual Budgets)	1,018	2,632	1,595	30	11	298	986	63	45

Source: NDP Midterm Review Report

This raises two issues: whether realistic planning was done for social sector and whether the proposals made are sustainable without donor support. Expenditure per capita in the social service sector as an approach for consumption expenditure is an option that needs to be appraised.

2.4 International Trade and Finance

2.4.1 Foreign Trade

Export performance is critical to the country's economic growth because of its contribution to national income. In the first year of the NDP, total external trade amounted 41.5 percent of GDP, and exports (13.7 percent) were almost half of imports (27.8 percent) but this trade volume declined in the second year due to global uncertainty. Trade volume had been estimated to be above 50 percent of GDP each year but this has not been realised so far. In the third year of the NDP (2012/13), exports generated an average monthly income of $236.3 million. Uganda's formal exports constituted a large proportion (about 82 percent) US$1,786.2 million of the total exports of US$2,182.4 million in the third year. Uganda's exports still experience vibrancy with growth above 15 percent per annum during the NDP period despite remaining below targets. For instance, in 2012/13, it was estimated based on the performance of the three quarters of the third year that exports grew by 18.6 percent compared to 15.6 percent growth in the Year 2 of NDP1. The table below provides more information on trade indicators.

Table 11: Selected Trade indicators, 2010/11 -2014/15

Indicator	2010/11		2011/12		2012/13		2013/14	2014/15
	Actual	Target	Actual	Target	Actual	Target	Target	Target
External Sector								
Exports and NFS (%of GDP)	13.7	21.6	13.7	21.3		20.9	20.7	19.1
Imports of Goods and services (% GDP)	27.8	33.2	27.2	33.0		32.1	31.4	30.0
Trade Deficit (%GDP)	-14.1	-11.6	-13.4	-11.7		-11.2	-10.7	-10.9
Debt Stock /GDP	--	14.8	--	17.3		18.9	19.8	18.2
Net Donor Aid (% of GDP)	4.5	5.4	3.8	5.6		5.1	4.6	3.7

Source: Bank of Uganda, Annual Reports for Various Years

Net exports remain in deficit because of the high volumes of imports. The trade deficit remains high (between 14.1 to 13.4 percent of GDP) than planned (11.6 to 10.9 percent of GDP). As the country seeks to achieve broad based growth, in the NDP2, trade with neighbouring countries in the EAC and COMESA will play a critical role in driving this growth. On average, the effective supply of Uganda's exports to the COMESA region was in the third year of NDP1 at US$ 106.6 million worth of goods and services, followed by the European Union at US$44 million, Middle East at US$17.8 million and Asia at US$11.3 million. Informal exports in Uganda constituted 17 percent of the monthly exports in the third year of NDP1. Much of the informal exports were sold in Democratic Republic of Congo (US$13.6 million; 33 percent) and the Sudan (US$10.5 million; 25 percent). The increase in exports was primarily driven by good performance of maize, sugar, rice, cellular phone re-exports, sim-sim, cement, bottled water, tea, tobacco, cocoa beans, base metal, plastics and oil re-exports.

Table 12: International Trade before and during the NDP1 period

Activity	Pre-NDP1			NDP1		
	2007/08	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	Realised Growth Rates (%) - Actual					
Total GDP at market prices		7.3	5.9	6.6	3.4	5.1
Exports		2.3	-23.7	0.5	15.6	18.6
Imports		16.9	0.2	11.5	8.6	-2.5
Net exports		-3,049	-4,512	-7,223	-7,840	-5,769
Exports		7,263	7,148	8,401	11,643	12,735
Goods, fob		5,566	4,683	5,360	6,811	7,678
Services		1,697	2,465	3,041	4,832	5,058
less Imports		-10,313	-11,660	-15,624	-19,483	-18,504
Goods, fob		-7,771	-8,162	-10,753	-13,387	-12,255

Activity	Pre-NDP1			NDP1		
	2007/08	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	Realised Growth Rates (%) - Actual					
Total GDP at market prices		7.3	5.9	6.6	3.4	5.1
Services		-2,542	-3,499	-4,871	-6,096	-6,250

Source: Bank of Uganda, Annual Reports, 2008/09 – 2012/13

By the end of the third year of NDP1, Asia, COMESA, Middle East, and European Union remained the key sources of Uganda's imports. Whereas imports from the Middle East have been declining since 2011/12 and those from COMESA remained stable in 2012/13. With Uganda becoming a member of the COMESA Free Trade Area (FTA) there is need to avoid possibilities of dumping from the region, the country opened itself to a big market with an estimated 400 million people. There is indication that producer competitiveness would increase when production puts imported from COMESA are no longer subjected to import duty. With much more imports coming from Asia than the exports thereto raises concerns as to whether there is room for Uganda to devote resources to import substitution where raw materials for the same products exist. This could improve the balancing of trade across regions. The country requires strategies at bilateral level that facilitate an improvement in the uptake of Ugandan commodities in countries from which large volumes of imports originate. The volume of Uganda's imports by 2012/13 indicated that India (29 percent), Kenya (15 percent), China (13 percent), United Arab Emirates (9 percent), South Africa (6 percent) and Japan (6 percent) remained the major sources. These same countries should be targeted by bilateral efforts to ensure there is permission of Ugandan exports into their markets.

2.4.2 Foreign Capital Flows and Investment

Foreign direct invest is needed to finance investment needed to compensate for the widening gap caused by the widening current account deficit in order to fund infrastructure projects. In the medium term when much of the infrastructural projects are completed, it is expected that production-related imports will decline, and additional export revenue will pick up as industries will benefit from the environment created by such infrastructure. Current account deficit is projected to decline significantly beginning the second or third year of NDP2.

Foreign direct investment (FDI) has been attracted to the country due to portfolio investment in the oil sector. The current surge in foreign direct investment is attributed to increased risk appetite and encouraged capital flows to frontier markets resulting from improved global financial sentiment. In 2012/13 foreign direct investment in Uganda was US$1.76 billion while other investment inflows amounted to US$723.4 million. Remittances from Ugandans working abroad amounted to US$767 million. In order to preserve competitiveness of Uganda's economy the country should ensure that the revenue from remittances is successfully intermediated into productive spending and investment in other sectors of the economy.

The major factors that will continue to affect the country's flows of FDI include the performance of the global economy, growth of interest in Uganda's oil resources and other sectors, including the agriculture sector, where there is already promising interest. Attention in the NDP2 is needed to ensure that public investments in key infrastructure projects that link areas of highest potential in attracting investment especially the already earmarked projects progress effectively. Tracking the productivity of investments with a locally conceived investment performance index both in the public and private sectors, including the foreign direct investment projects should be prioritised so that the country remains competitive.

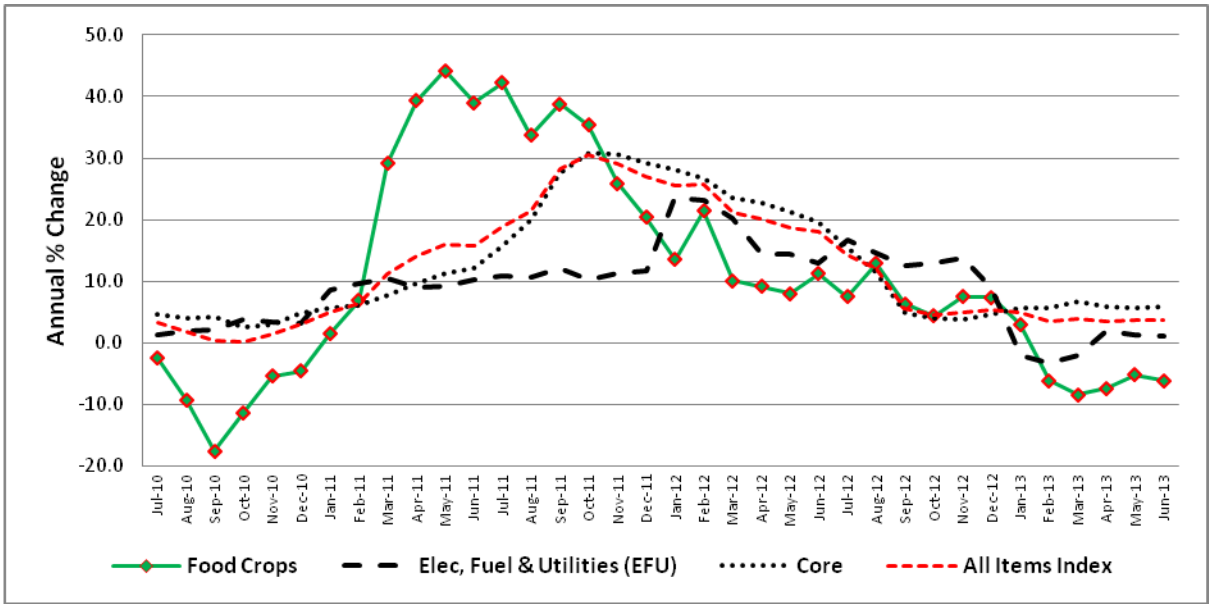
2.5 Monetary Policy and Economic Stability

2.5.1 Inflation

From the first year of NDP1 inflation persistently increased in consumer prices mainly driven by the effects of drought on agricultural prices, high demand from neighbouring countries for Ugandan products, exchange rate depreciation and rising global commodity prices. These causes of inflation have persisted except in the third year, when drought did not occur. At the start of the NDP implementation, annual headline inflation rate was 3.3 percent (July 2010) and by June 2011 it had increased to 16.0 percent. Annual core inflation which excludes food crops, fuel, electricity and metered water rose to 12.2 percent in June 2011. That same year, food crop and EFU inflation respectively increased to 39 percent and 10.3 percent in June 2011 from minus 2.5 percent and 1.3 percent in July 2010.

During FY 2012/13, both core and headline annual inflation remained slightly above the Bank of Uganda's target of 5 per cent, albeit far below the outturn for the previous financial year. Inflation fell as a result of weak domestic demand, improved food supply and a stable exchange rate. In addition, food crops and energy, fuel and utilities (EFU) prices exerted considerable disinflation pressures and caused headline inflation to fall almost one percentage point below the core inflation rate. Whereas core inflation fell by 18.0 percentage points from 24.6 percent in 2011/12 to 6.6 per cent in 2012/13, headline inflation fell by 17.9 percentage points from 23.7 percent to 5.8 percent over the same period. Figure 5 presents annual inflation developments.

Figure 4: Inflation trends, 2010/11 – 2012/13



Source: Uganda Bureau of Statistics, Various Years

In 2012/13 food inflation accounted for 27.2 percent of the overall Ugandan consumer basket of goods and services. In regard to the prices of Electricity, Fuel & Utilities the prices rose to the highest of the year in December 2011 to 23.5 percent before declining steadily to 12.9 percent in June 2012. By the end of June 2013, headline inflation was 3.6 percent while core inflation was 5.8 percent. The country continued to import highly priced commodities especially household goods, clothing and foot wear whose domestic prices are affected by exchange rate depreciation.

Table 13: Monetary Sector Developments over NDP1 period

Indicator	2010/11		2011/12		2012/13		2013/14	2014/15
	Actual	Target	Actual	Target	Actual	Target	Target	Target
Inflation	6.5	7.5	23.5	6.0	5.8	6.9	6.8	6.8
Reserves in months of imports	3.2	5.10	4.00	5.30	4.1	5.50	5.60	5.7
Average real interest on government Securities	--	3.5	--	3.5		3.0	3.0	3.0
Average Nominal interest rate on government securities	17.6	11.0	9.2	9.5		9.9	9.8	9.8
Private Sector Credit	16.7	14.3	14.5	15.2		16.0	16.8	17.3
Private Sector Credit Growth	44.4	27.1	11.1	20.6		20.1	19.3	19.3
Money broad money (%of GDP)	26.7	18.5	22.5	19.1	22.0	19.7	20.1	20.8
Base Money (% of GDP)	7.8	7.1	6.1	7.5	6.5	7.7	7.9	7.9

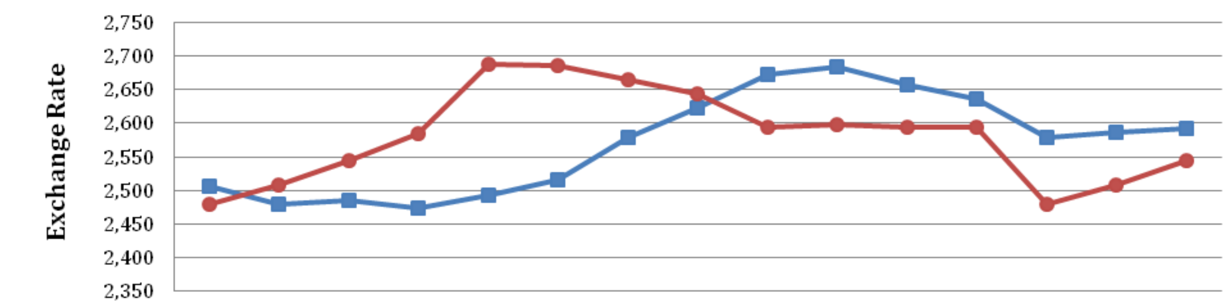
Source: Bank of Uganda, Annual Reports, various

The target of core inflation for the remaining NDP1 period is 6.8 percent. Measures taken to address the high level of inflation included hiking the bank rate to limit private sector credit from commercial banks to the private sector. Whereas the policy proved effective in controlling inflation through the high cost of borrowing, the policy showed how sticky adjustment is when inflation becomes low and there was need to reduce lending rates. This was an indicator of the existence of some structural factors in the economy that affect lending rate setting.

2.5.2 Exchange Rates

The national development plan had envisaged to have a stable macroeconomic environment with among others the value of the Shilling remaining stable, making it possible for business transactions to remain competitive for Ugandans. The demand and supply of the external currency especially the United States Dollars has effects on the value of the Ugandan Shilling. As already observed, Uganda’s inflation has been a result of depreciation in the Uganda currency over the past years. In 2012/13 this effect was significant. High inflation is a precursor for lower growth when it is in double digit.

Figure 5: Exchange Rate Trends (Shs per 1US$), 2012-2013



	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Average Rate	2,506.2	2,479.1	2,484.4	2,474.2	2,492.0	2,515.9	2,579.4	2,623.0	2,673.5	2,683.8	2,657.5	2,636.9	2,578.0	2,586.1	2,593.1
End of Period	2,478.7	2,508.5	2,545.2	2,585.4	2,688.4	2,685.9	2,665.2	2,643.7	2,594.8	2,597.3	2,594.5	2,593.3	2,478.7	2,508.5	2,545.2

Source: Bank of Uganda, Annual reports, various.

From January 2013 until June 2013 the average price of a dollar declined from shillings 2,683.8 to 2,593.1. The changes in the price of the dollar have effect on the export and import bills for the country as well as the quantities. The NDP identified the need to have exchange rates remain competitive as a way of maintaining the good health of the economic environment for private sector financing and investment. The trends above are achieved under the policy of flexible exchange rate with appropriate interventions aimed at curbing volatility in the exchange rates and building up international reserves to a target of 5.5 months of imports of goods and services.

The interbank foreign exchange market in the last six months of the 2012/13 transacted a monthly average of US$695.22 million as purchases compared to sales of US$652.84 million. In the first six months of 2012/13, smaller amounts were traded: US$616.54million purchases against US$545.74 million as sales.

2.5.3 Foreign Currency Reserves

Uganda's foreign exchange reserve level by end of June 2012 was equivalent to 3.4 months' worth of imports of goods and services and increased to 4.2 months by end of the third year of the NDP1. This is comparable with the average for the Sub-Saharan low income countries which was 3.5 months of imports of goods and services in 2011. The country is therefore on track in regard to this indicator, and there is need to increase these reserves for the country to be in position to cope with global uncertainties.

Table 14: Uganda's Foreign Reserves

Indicator	Actual			Projection		
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Gross foreign exchange reserves (US$ millions)	2,044	2,644	3,044	3,264	3,514	3,764
Gross reserves (months of next year's imports of goods and services)	3.2	3.4	4.2	4.1	4.1	4.1

Source: Bank of Uganda, 2013

2.5.4 Interest Rates

Interest rates provide the price of borrowed money (such as loans) for temporary use from owners as a percentage of the amount borrowed per year. The prices of interest in the structure of the money market are the re-discount rates, Treasury bill rates, Commercial Banks rates, and Interest rates. In line with Uganda's monetary policy, Bank of Uganda over the NDP period managed the bank rates and the Central Bank Rate as part of the efforts to address inflation that had soared at the beginning of the year. Interest rates developments usually reflect the national monetary policy stance as managed by the central bank. When the stance eases, the interest rates in the market decline and when it is tight interest rates increase. In the first year of the NDP, there was a tight monetary policy stance and high inflation expectations increase in average yields on both Treasury Bills and Bonds and commercial bank lending rates. In 2011/12 as the tight monetary policy stance and high inflation expectations continued, the annualized yield on the 91-day, 182-day and 364-day papers rose from 13.09 percent, 13.47 percent and 13.30 percent in July 2011 to 16.7 percent, 17.11 percent and 16.14 percent at end June 2012 (figure 2.6). As a result of the rise in yields on the 91-day Treasury bill, the Rediscount Rate and Bank Rate increased to 24.0 and 25.0 percent respectively by the end of the June 2012, from 17.0 and 18.0 percent in July 2011. Still in the second year, commercial banks' weighted average shilling denominated deposit (WARD) rate rose to 3.50 percent in June 2012 from 2.82 percent in July 2011. The shilling denominated lending rates increased by 37 points to 27.02 percent in June 2012 from 19.94 percent in July 2011.

By the end of the third year in 2012/13, monetary policy stance of BoU had been relaxed and the CBR was still on the decline at 11 percent in the month of June 2013. At the beginning of the year when headline inflation was 18 percent, the CBR was set at 19 percent, and by September as inflation declined to 5.5 percent, the CBR was lowered to 15 percent before reducing further to 12 percent in November at which level no further reduction was made until June 2013. The reduction in the CBR was aimed at encouraging investment as a result of increased demand for lower cost loans. Indeed there was a revamp of economic growth in the period.

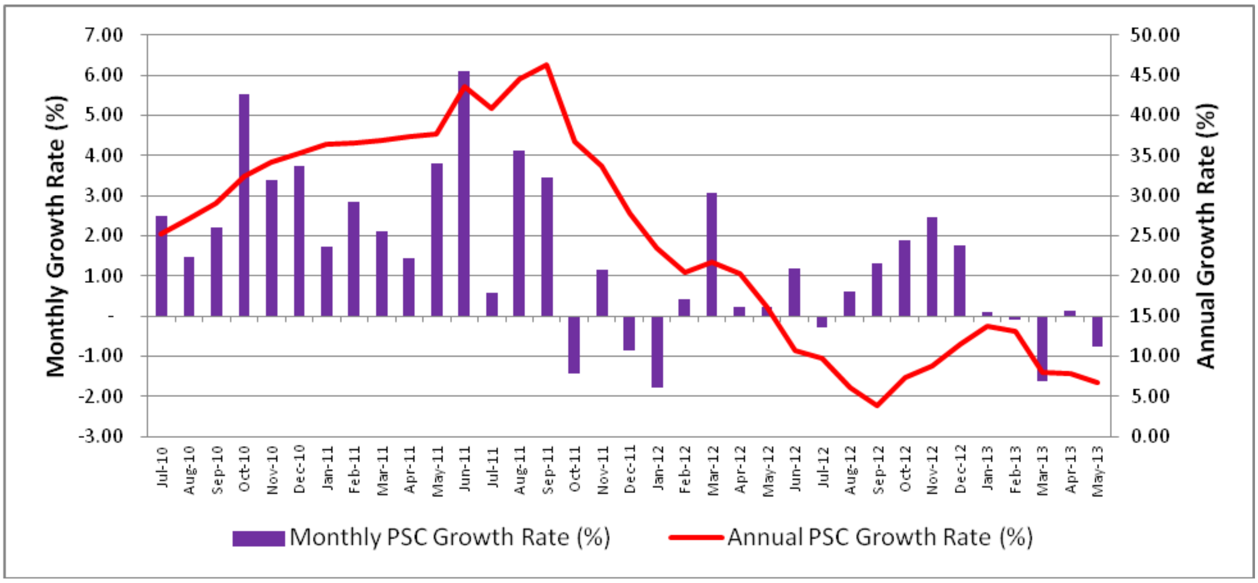
It is observed that the interest rate spreads remains as wide as 22 percent and this could be hampering savings mobilisation. There are expectations that this decline will be sustained in the medium term. Whereas there were attempts by the central bank to influence the reduction of lending rates through by reducing the CBR the response from the commercial banks was rather weakly elastic that it took time for the commercial banks to reduce lending rates.

2.6 Private Sector Credit

The National Development Plan identified access to credit as one of the issues that challenge doing business in Uganda. In view of this, the strategic actions in the plan included recapitalizing the Uganda Development Corporation (UDC) and financial institutions such as the Uganda Development Bank in order to provide targeted credit facilities to finance growth related investments. Credit guarantees to private investors regarding importation of high cost technology equipment for agriculture and construction, and increasing access to credit through mortgage and other credit facilities for manufactured goods were also considered.

The plan further, envisaged that monetary policy would support growth through financial intermediation with private sector credit (PSC) anticipated to grow from 12 to 17 percent by the end of plan period. Commercial bank credit to the private sector is measured as outstanding credit at the end of the period. This would be achieved by reducing government domestic borrowing. However, the first year of implementation of the NDP was characterised by monetary expansion which contributed to inflationary pressure. Commercial bank minimum capital requirement was Shs. 10.0 billion by 1st May 2011 and this was raised to Shs. 25.0 billion target by 1st March 2013.

Figure 6: Private Sector Credit Growth, 2010/11 – 2012/13



Source: Bank of Uganda, Annual reports, 2010 to 2013

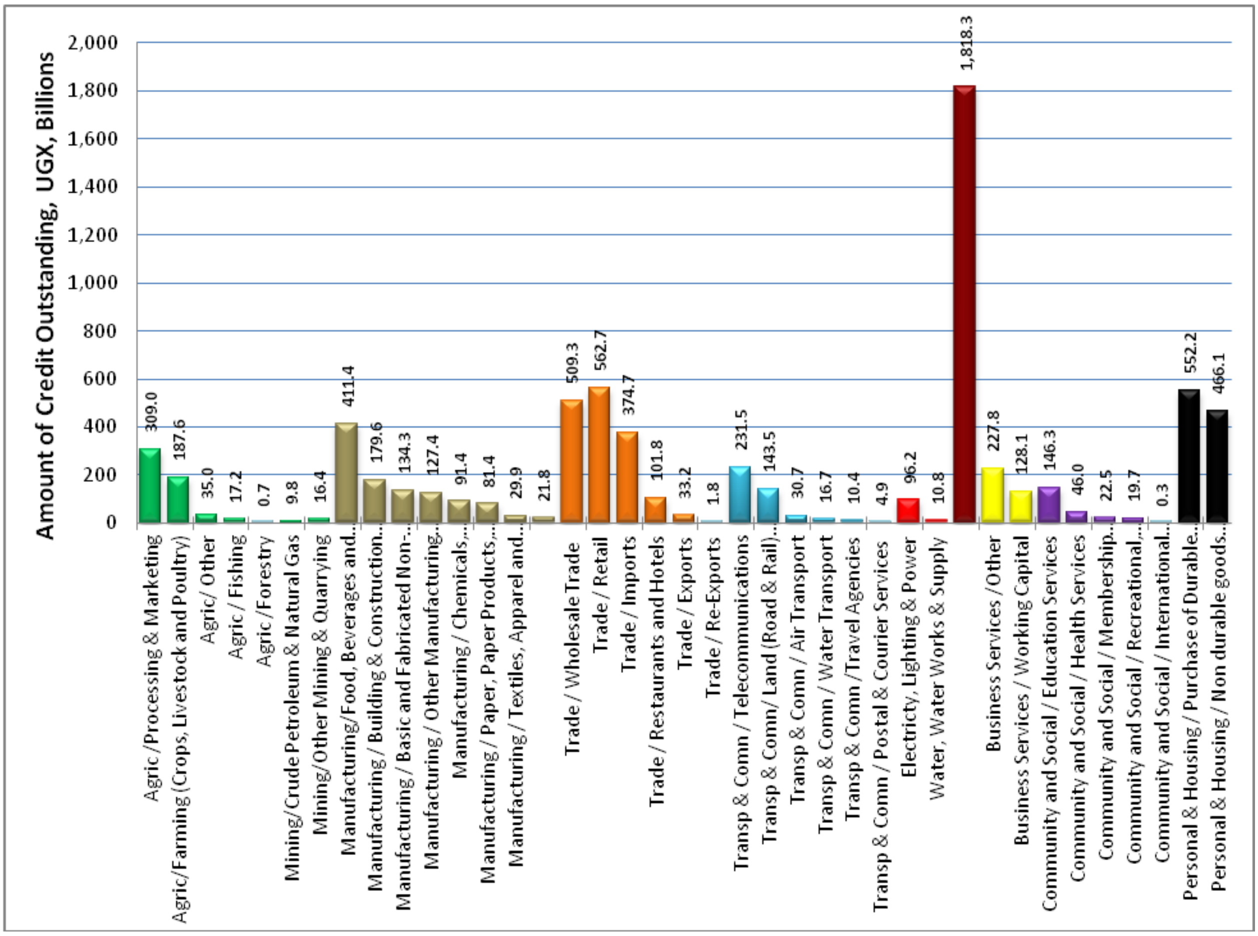
Total assets of commercial banks were Shs. 12,516.5 billion at end June 2011. Growth of Credit to the private sector was mainly financed by an increase in customer deposits. Total deposits in the first year grew by 29.4 percent from Shs. 7,045.4 billion at end July 2010 to Shs. 9,118.7 billion at end June 2011. The quality of credit portfolio improved during the first year of the plan as seen in the reduction in total non-performing loans as a percentage of total advances reduced from 2.2 percent in July 2010 to 1.4 percent as at the end of June 2011.

In the second year of NDP1, the banking sector remained stable and sound, and registered growth. There was sufficient capitalization and compliance with the regulatory capital adequacy requirements. Credit to the private sector in 2011/12 grew by 10.6 percent compared to 44.4 percent in 2010/11. Total Loans approved amounted to Uganda Shillings 5,418 billion during 2011/12. Furthermore, the annual growth in private sector credit of 43.1 percent in US dollar denominated loans was driven by the lower cost of foreign borrowing compared to the rates on the shilling denominated loans. Efforts to contain inflation by the central bank led to an increase in the Central Bank Rate (CBR) from 13 percent in July 2011 to 23 percent in November 2011, and a decline in private sector credit growth from 44% in 2010/11 to 11.1 percent in 2011/12. The increase in the CBR and corresponding commercial bank rates resulted in a shift towards borrowing dollar denominated loans. In this year, all sectors registered an increase in foreign exchange lending except the agricultural sector, which declined by 0.7 percent.

The target for private sector credit was set at 16.0 percent of GDP for the 2012/13, the third year of the National Development Plan. In order to ensure that private sector credit was provided as planned, it was envisaged that government would curb its domestic borrowing requirements. By the end of the year, the level of credit to the private sector at 13.9 percent of GDP was about 2.1 percentage points below the target. Commercial bank credit to the private sector outstanding at the end of the month of May 2013 was shillings 7,616.2 billion. The major sector trades that benefited from available credit are distributed in agriculture including production/processing and marketing, mining and quarrying, manufacturing, trade, transport and communication, electricity and water, construction and real estate, business services, community and social services, as well as personal and household loans.

It is observed that most of the credit outstanding by end of June 2013 had been extended to the building, mortgage, construction and real estate activities of the private sector to the tune of 1818.3 billion. Other trades that were provided large shares of the credit include: retail and wholesale trade (563 and 509 billion respectively), agriculture processing and marketing (309billion), agriculture production (241billion), food processing, beverages and tobacco (411billion) among others. Through this credit extended to key activities of the economy, a contribution is made to the realisation of the necessary investment in line with economic growth, employment and transformation. Efforts to ensure that increased access to these credit facilities may be required especially in food production and distribution to be able to meet the challenge of seasonal fluctuations of food output.

Figure 7: Outstanding Credit to Private Sector Trades (UGX Billions), June 2013



Source: Bank of Uganda, Annual Report, 2013/14

This could address the effect that food price changes contribute to the general price level changes by the end of the year. Credit facilities are needed in the areas that will increase the country's self-reliance, export promotion, and employment creation. The figure above presents the distribution of total loans outstanding by the end of June 2013, the third year of NDP1.

It is not clear what the effect was of sustained high levels of borrowing on interest rates and the anticipated crowding out of private sector activity. Has the increased borrowing locally led to a reduction in private sector credit? Higher borrowing by government may have adverse effects on private sector credit and this requires that public sector borrowing targets only high return investments.

2.7 The Monetary Policy Stance and Economic Growth

Bank of Uganda determines the rate of monetary expansion consistent with long-run price stability. This is done using a method in which money demand is estimated. At any one time, money supply should be equal to the money demand for the market to remain stable. Changes in money supply to aggregate spending have an impact that is expected to be reliably transmitted if there is a well-defined and stable money demand function. Responding to money demand in line with Uganda's monetary policy aims at ensuring that desired objectives of price stability and long-run growth by influencing in a predictable manner macroeconomic variables in a consistent framework. In so doing, the benchmarks on all money aggregates are determined.

Bank of Uganda implements the monetary aggregate targeting framework, within its primary responsibility of formulating and implementing the monetary policy. This framework is based on underlying economic relationships between base money, broader monetary aggregates, economic growth, inflation, and balance of payments. Financial intermediation has a multiplier effect that works together with the tendency of people to hold cash rather than other forms of money. Therefore the central bank projects money growth (especially broad money -M2) on the basis of an assumed speed at which money changes hands in the economy (velocity) without compromising macroeconomic objectives. For instance, money supply is one of the drivers of inflation in Uganda and this explained the recent spike in inflation to which about 32 percent of growth in overall inflation was attributed. The monetary base is the operating target, whose annual growth is projected in line with the broader monetary aggregate and inflation, and then converted into monthly targets that reflect seasonal nature of the demand for money. The monetary policy stance therefore depends on what the outcome in the market is. If there is a gap between the actual and desired levels of base money, in which case there is cause for easing the monetary policy stance if base money is below desired or tighten if base money is above the desired level, otherwise, leave monetary policy unchanged (neutral) if base money is in line with desired levels.

Table 15: Projections of Money Demand Function Indicators, 2010/11 – 2015/16

Indicator	Actual			Projection		
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Real GDP Growth Rate	6.7	3.4	5.3	6.0	7.0	7.0
Headline inflation	6.5	23.5	6.0	6.2	5.0	5.1

Core inflation	6.3	24.6	6.8	6.3	5.0	5.0
Broad money, M2	23.9	-4.3	13.8	22.6	20.7	17.8
Broad money (%of GDP)	26.7	22.5		20.1	20.8	
Base Money, % of GDP	7.8	6.1		7.9	7.9	

Source: Bank of Uganda, Annual Report, 2012/13, Background to the Budget 2012/13

Over the last three years of the NDP, base money was higher than the indicative target by 0.4 percent of GDP within the first year, and there was a higher than anticipated monetary growth which contributed to inflationary pressure. The rapid growth in the money supply which is linked to growth in defence and election related spending over the first year led to a rise in government expenditure to 22.8 percent compared with NDP forecasts of 19.2 percent. In 2011/12, the central bank issued Government securities as an instrument to reduce money in circulation in order to dampen inflationary pressures which emerged in the second half of the financial year.

2.8 Issues to Increasing Growth and Transformation

Key Facts and Assumptions

The economy operates at suboptimal levels and has not achieved full employment.

Uganda has many opportunities that have not been exploited and therefore the economy has capacity to expand without moving resources from one sector to another. This means therefore that it is possible to identify those new areas which can create such expansion without straining the operations of the current sectors. For example, if appropriate sources of financing of the oil sector such as PPPs are used, there is a possibility of maintaining the productivity levels of the sectors that existed without the oil sector. However, something has to be done to ensure that redundant resources should be mobilised appropriately for this assumption to hold, especially if the redundant resources are not suitable for the new sector.

The economy is emerging and liberalized and this facilitates free movement of resources including labour and capital

The free movement of resources will continue to take place and capital and other resources will flow where returns are high. This assumption requires that the country should not take for granted the flow of capital into the country. If the country is a high return centre, it will attract capital even when there are problems in the global market. At the same time, maintaining a stable environment keeps with new opportunities unveiled to investors or progressively reducing the cost of doing business, high inflows will continue.

The long term economic growth path known and described in the Uganda Vision 2040

The growth rates already projected in Uganda Vision 2040 form a base case and provide an input into the base-rerun case to determine the corresponding behaviour of the rest of the policy environment.

There is no perfect knowledge (uncertainty)

Because of uncertainty, there is a distribution of policy variable estimates and it is not possible to have one specific expected outcome of the policy based interventions. This calls for exploration of alternatives rather than be conservative with a given path in regard to desired outcomes. Consequently policy alternatives have to be from the onset.

Macroeconomic policy environment is subject to targets determined in the integration region after the year 2020.

There are already commitments made by the country within the cooperation arrangements with the economies of the East African Community, particularly the macroeconomic convergence criteria regarding the scope of fiscal and monetary policy targets for the region. Understanding the implications of these criteria is critical for the timing and the magnitude of policy stimuli acceptable.

Population dynamics affect the effectiveness of labour and capital resources

The country's desired population trend as perceived in the vision 2040 will drive investment in the population programmes such as reproductive health and its integration with overall development to affect replacement rates for the future, and the sustenance of human development indicators. The population growth rate and its effect on economic growth is dependent on international human development standards.

2.9 Emerging Issues for Macroeconomic Exploration

Economic Growth

Sources of economic growth and balancing growth: Re-vamping and sustaining the vibrancy of the priority primary growth sectors, with high redistributive effects on economic welfare (inclusive growth). This includes boosting productivity in the face of prevailing global challenges. What is the scope of a new economy in Uganda? – Can oil, Tourism, ICT be identified as vital Sectors for the country's future growth?

Ensuring that the development of new sectors especially non-enable resource based sectors do not constrain growth of traditional growth sectors of the country over the medium and long-term. There is a fear that investment in new growth sectors will lead to growth of non-tradable and compromise the agricultural and manufacturing sectors.

Taking advantage of increasing aggregate demand from an expanded regional market (as a result of peace in South Sudan and Eastern Democratic Republic of the Congo and the COMESA), and ensuring there is adequate quality supply of goods to meet local and export markets in the region.

Targeting expenditure to accelerate growth in a sophisticated variety of exports to emerging markets. The composition of Uganda's export basket is not well sophisticated to accelerate and sustain economic growth. Can the country export high wage products? Does the country have a stock of knowledge/ information about the changing comparative advantage based on potential products?

Enhancing competitiveness with appropriate systems that take into account stabilisation of the cost of doing business. Accelerate investment in the institutional changes, policy implementation, and specific factor controls to increase the level of productivity of Uganda? The level of productivity, in turn, sets the level of prosperity that can be earned by an economy.

Understanding the extent to which the changes in the competitiveness of the financial sector be used to increase sustainable sectoral growth and employment?

Deepening internal investment planning capacity to facilitate resource allocation for core projects based on total cost valuations (taking into account economic, environmental, social and political costs). Robust financing strategies for existing and new projects which appraise the costs and benefits of alternative financing strategies including crowding out effects (if financed through higher domestic borrowing).

Existence of a national growth model and its appropriateness in facilitating national policy decision making at both macro and micro levels. Is there value in developing regional macroeconomic models to facilitate regional growth and development in the long run to facilitate investment decision making regarding production and re-distribution.

There is high expectation from new growth sectors such as oil and gas to support economic growth in the medium to long-term. The extent to which employment will change with increased investment in the medium term may be overemphasized. This needs to be examined, and appropriate measures identified to ensure there is employment growth.

Crafting an approach that will balance macroeconomic and employment goals in which fiscal and monetary policy stances do not hurt the drive to sustain an increase in employment and the social impact of different macroeconomic policies is minimised; and increasing efficiency of the financial system to the benefit of the sectors producing labour based products.

Implications of demographic structures on labour supply and efficiency, and real economic growth deceleration (low total factor productivity).

Design of labour market, productive investment and social protection programmes that can serve both social and economic goals.

How to increase responsiveness of the financial sector to the needs of the rural and emerging communities by fostering financial services access and employment. In this regard, would want to build partnerships with local financial institutions to finance priority programmes (including groups of vulnerable people: youth, semiskilled women, PWD, underdeveloped communities, etc) to accelerate creation of wealth in priority sectors.

There are perceptions that tackling distributional problems and enhancing worker rights (such as the payment of the value of the marginal product of workers can slow down productive investment and job creation.

Accelerating adaption of national labour-market institutions to “disruptive innovation” associated with automation and contracting out, while taking account of declining life expectancy of companies.

Ensuring a Stable Macroeconomic Environment

The adequacy of adaptive mechanisms to cushion the economy from the effects of external shocks manifested in shortages of supplies (especially food, petroleum products, and investment capital) and changes in export income.

The extent to which Inflation can be tolerated, and what is the appropriate mix of fiscal and monetary policy stances that complements the tolerable inflation levels?

How strong has the domestic supply side been in perpetuating inflation, and the effectiveness of supply side interventions in supplementing monetary policy in managing economic stability?

Exchange rates and inflation have an effect on the value of wealth creation. Reducing the effect of exchange rate depreciation on and inflation on real growth, particularly per-capita income remains elusive.

Increasing the multiplier effect of foreign direct investment and its impact on the trade balance. Can the investment be attractive in the areas where there are greater imports in the region?

Accelerating the development of innovative financing instruments in the capital markets and PPP frameworks and Systems, and alternative local tax and non-tax resources in a framework for wider resource mobilisation to fund development. There is high expectation that financial regulatory reforms will have implications whose effect needs to be explained and taken care of.

How to make it easier to start up and run “compliant” businesses and to encourage their formalisation with the view to widening the size of taxable business by (i) streamlining and improving access to business registration services focusing on the current informal sector establishments; (ii) streamlining tax exemptions including a clearer set of principles to guide exemptions which should focus on maximising tax collection and minimizing abuse of the tax system. To what extent can collection of non-tax revenues by Ministries, Departments and Agencies (MDAs) be enhanced?

Examining the scope of higher levels of borrowing to fund high return public investment and the extent to which the existing room for prudent borrowing through the issue of long-term bonds to finance the development agenda can be utilised without compromising debt sustainability.

Improving efficiency of existing public procurement systems and development administration skills for the accelerated but effective implementation of core investment projects;

Reforming the medium terms expenditure framework (MTEF) into a consistent expenditure management system for the delivery of planned consumption and investment resources. Re-focusing the public expenditure management systems namely the output based budgeting system and the Chart of Accounts in the delivery of planned inputs and outputs

Increasing adherence to planned and spending priorities and ensuring that supplementary budgets do not distort appropriated resource structures. How to ensure that there is greater rigour in public expenditure management and enhanced budget discipline at all levels of government to enhance budget credibility. Can the establishment of a “Contingencies Fund” improve transparency in resource allocation and use, and help in controlling spending by curbing the introduction of supplementary budgets which undermine budget credibility?

How to strengthen the integration of good governance principles in financial management to increase reliability and focus on attainment priorities, and creating space for supply side factors that can be supported by the financial sector in achieving both stability and economic growth.

There are system leakages and constrain efficiency of fiscal policy. System leakages include the cost of corruption and delays in procurement systems and these systematically reduce the effectiveness of fiscal instruments.

Conclusion

The analysis above provides information on the macroeconomic status of the country over the first three years of the national development plan. From the background information, it is evident that there are still issues that pose challenges to the attainment of growth and transformation, some of which have been identified. Elaborate discussion and understanding of the issues is a precursor to the formulation of a macroeconomic strategy for the NDP2. The issues do touch on areas that call for modelling to study the policy effects of particular alternatives; and the expectation is that stakeholders need to know how NDP2 will take care of the issues in order to ensure that growth and transformation becomes a reality to an average Ugandan.

CHAPTER THREE: NDP IMPLEMENTATION PROGRESS

3.1 Overview of the NDP Focus and Priorities

The thrust of the NDP 2010/11-2014/15 is to accelerate socio-economic transformation for prosperity demonstrable by improved employment levels, higher per capita income, improved labour force distribution in line with sectoral GDP shares, substantially improved human development and gender equality indicators, and improvement in the country's competitiveness position, among others. These are expected to result in sustained growth, equity and employment. The main sources of economic growth are expected to come from the 8 'primary growth sectors' which are stated as agricultural development, forestry, tourism, mining, oil and gas, manufacturing, information and communications technology (ICT) and housing development.

In addition, the NDP recognises the complementary role of other sectors of the economy in bringing about the required improvements, most notably the energy, water, transport and financial services sectors. The Plan also outlines the need for more trained professionals and better quality infrastructure to increase the potential for Uganda's health and education systems to boost Uganda's human capital and to provide necessary increases in the skilled workforce needed to support economic development. These are to be realised through pursuance of eight national development objectives and unlocking the most binding constraints that are hindering faster growth and socio-economic transformation

The national development objectives being pursued are:

- Increasing household incomes and promoting equity;
- Enhancing the availability and quality of gainful employment;
- Improving stock and quality of economic infrastructure;
- Improving access to quality social services;
- Promoting science, technology, innovation and ICT to enhance competitiveness;
- Enhancing human capital development;
- Strengthening good governance, defence and security; and
- Promoting sustainable population and use of environment and natural resources

Amongst these, the **most binding constraints** to be tackled are:

- Weak public sector management and administration;
- Inadequate physical infrastructure;
- Inadequate supply and limited access to critical production inputs;

- Low application of science and technology;
- Inadequate quantity and quality of human resource;
- Inadequate financing and financial services; and
- Gender issues, negative attitudes, mind-set, cultural practices and perceptions.

The NDP identifies a number of **overriding macroeconomic development strategies** for realising the national development objectives. These include:

- Maintaining macroeconomic stability to support growth, employment and socio-economic transformation;
- Pursuing high levels of growth as well as focusing on poverty reduction;
- Enhancing efficiency and productivity through reduction of unproductive activities; and
- Enhancing inter and intra sectoral linkages to harness implementation synergies within and among the primary growth, complimentary, social and enabling sectors.

However, in order to ensure further focusing and limit over spread for maximum results, the following priority investment areas (**Key Result Areas**) are highlighted:

- Improving public physical and energy infrastructure;
- Human capital development;
- Promoting science, technology and innovation; and
- Facilitating availability and access to critical production inputs.

It should be noted that addressing the Key Result Areas directly provides the desired solutions to the Most Binding Constraints in the economy.

The NDP further earmarks fifteen (15) national core projects / programmes for fast tracking, as overriding critical investment areas. The ear marked projects/ programmes include:

- Construction of five new irrigation schemes and rehabilitation of five existing ones;
- Construction of oil refinery;
- Construction of regional inter-state oil distribution pipeline;
- Construction of Karuma hydropower electricity plant (600MW);
- Construction of Isimba hydropower electricity dam (100MW);
- Construction of Ayago hydropower electricity dam (500MW);

- Improving transport infrastructure for Greater metropolitan Kampala;
- Rehabilitation of the country's existing railway lines;
- Construction of the standard gauge rail from Malaba to Kampala;
- Improve water transport on Lake Victoria;
- Construction of information technology business parks;
- Construction of phosphate industry in Tororo;
- Construction of iron ore ingots at Kabale;
- Develop a pool of non-formal employable skills through Non-Formal Skills programme; and
- Construction of 4 regional science technology parks and technology incubation centres

The NDP further identifies interventions and priority programmes to be focused on by sectors, Ministries and Local Governments during the NDP period. The corresponding outputs are also specified.

3.2 Progress on Implementation of the National Development Plan

It is recognised that Ministries, Departments and Agencies (MDAs), Local Governments, the private sector and Civil Society are now aware of the existence of the NDP as the National Development Framework. This is measured by the reference made to the NDP in different debates and publications.

The progress on implementation of the NDP is being assessed using the NDP results framework, which involves reviewing achievements against target indicators for the Theme, Objectives, and Key Result Areas, National Core Projects and sector /thematic area priority interventions.

The overall national progress made towards implementation of the NDP is reviewed in the sections that follow in this chapter. The assessment is based on the NDP indicators at various levels of the Results Framework i.e. the Theme (or Goal), Objectives, Key Result Areas, National Core Projects and sector/thematic monitoring and evaluation levels.

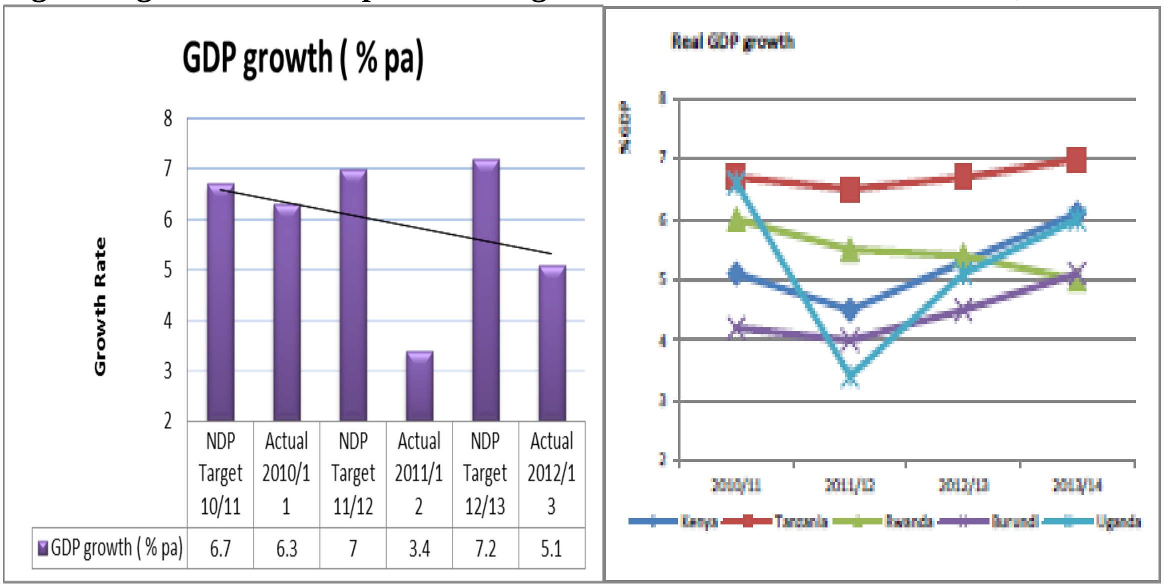
3.2.1 Progress on the NDP Theme

Progress on the NDP Theme has been assessed through measuring performance against targets of identified indicators in the areas of Growth, Employment and Socio-economic Transformation (Table 16 presents the summary).

3.2.1.1 Growth

During 2012/13, Uganda's economy grew at an estimated rate of 5.1 percent, up from 3.4 percent in 2011/12 but well below the NDP year growth target of 7.2 percent. The improvement in the performance of the economy during the FY2012/13 was mainly due to the strong growth in construction; transport and communication; manufacturing and real estate activities. This growth was supported by a steady supply of electricity throughout FY2012/12 Relative to the erratic supply registered in FY2011/12, according to the Background to the Budget, 2013/2014. When compared with the EAC countries, the growth registered is less than that of Tanzania, Rwanda and Kenya for the period FY2012/13.

Figure 8: growth rate comparison of Uganda and the EAC Member States, 2012/13



Source: NPA and Ministry of Finance Planning and Economic Development, Various Reports

There was a reduction particularly marked in industry (1.1 percent growth in 2011/12 compared to 7.9 percent in 2011/12) and services (4.8 percent in 2012/13 compared to 3.6 percent in 2011/12) which is a particular cause for concern as the Vision 2040 places a high emphasis on the importance of a growing industrial and service sector. However, there is need for continued sound policy mechanisms that will ensure that the dips in growth are temporary, with a careful balance of sound economic management and growth enhancing policy.

Agriculture showed an increase in growth from 0.8 percent in 2001/11, 1.2 percent in 2011/12, up by 0.4 per cent in 2012/13. There was also a marginal increase in exports as a proportion of GDP from 15.6 percent in 2011/12 to 18.6 in 2012/13. The total GDP figure has risen to UGX 54,688b in 2012/13 (UBOS, Statistical Abstract 2013). This gap could be explained by poor agricultural production especially in 2011/12 due to the prolonged drought, the spill over effects of the global economic downturn which resulted into deteriorating terms of trade as commodity prices declined, the slow implementation of NDP projects aimed at unlocking the key binding constraints to growth, and the tight monetary stance adopted at end of FY2011/12 which led to a slowdown in private investment and consumption.

Table 16: Trends in NDP growth indicators

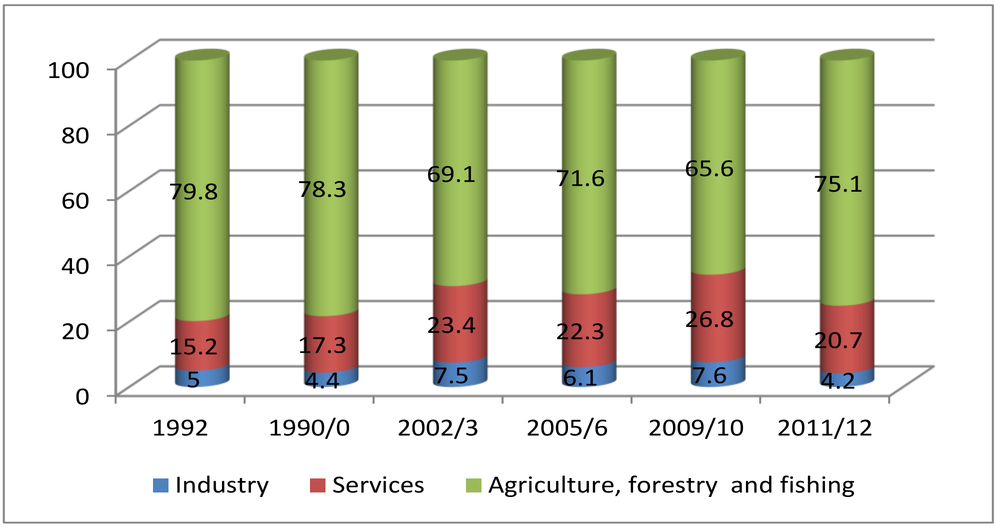
Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
GDP growth (per cent pa)	6.2	6.3	3.4	5.1	7.2	7.5
GDP at market prices (UGX b)	29,972	39,051	49,087	54,688	62,227	72,094
Export proportion of GDP (per cent)	7.5	13.7	15.6	18.6	N/S	N/S
Ratio of manufactured exports to total exports (per cent)						
Composition of GDP (per cent) – Agriculture	23.0	24.0	24.9	13.3		
Composition of GDP (per cent) – Industry	24.6	26.9	27.7	25.2		
Composition of GDP (per cent) – Services	52.4	49.1	47.4	52.		

3.2.1.2 Employment

Uganda Vision 2040 indicates that industry employs about 8 percent of the labour force; while agriculture and services employ 65.6 percent and 26 percent respectively. With an increasing trend in industry and services, the creation of more jobs in industry and services can result from increasing productivity in agriculture for it to create output for processing and exchange. Therefore increasing the linkages between the three sectors is potentially beneficial to increasing employment. In the 2011/12, the informal sector was estimated to be having a total annual jobs gap of 394,000 people with an estimated growth in youth labour force of 6.0% per annum. The formal sector creates between 12,000 to 24,000 jobs per annum and this means that majority find jobs in the informal sector.

The UNHS 2012/13 indicates that the percentage of the labour force which is working increased from 75.4 percent in 2010/11 to 76 percent (12.4 million) by 2012/13 compared to the NDP target of 73.1 percent. Of about 8.2 million workers that needed to be in employment by 2015; 30,149 in the first two years of the NDP1 were employed within the manufacturing sector and this do not include the jobs created in the informal sector. This basically demonstrates the potential of the manufacturing sector in creating new jobs.

Figure 9: Labour Force Distribution by Sectors



Source: Statistical Abstracts, UBOS

Employment is a core theme of the National Development Plan, 2010/11 –2014/15. Uganda is experiencing its demographic transition later than most other countries –the fertility rate has only recently begun to fall and remains one of the highest in the world. The number of entrants into the labour force is increasing rapidly, and with over half of the population under the age of 15 this is set to accelerate. The youth are better educated than in the past and remain in school for longer, but the country has been unable to fully utilise higher levels of human capital. Five percent of the labour force has higher educational attainment than required for their current job, with this percentage as high as 19% in Kampala. The proportion of youth able to find wage employment has increased but remains lowest for the most recent labour market entrants, with up to three quarters employed by themselves or their families. Open unemployment has increased, but still remains rare and usually confined to the relatively well-off who can afford to wait for a better opportunity. Under-employment is of much greater concern, with women and those engaged in agriculture particularly likely to work fewer hours. While there may be between 600,000 and 700,000 new entrants into the labour market each year, net job creation is a fraction of this number

During the first three years of the NDP implementation, the share of the labour force employed in manufacturing sector has increased from 7.6 percent in 2010/11 to 8 percent in 2012/13 but drop in the services sector from 20.7 percent to 26 percent, increasing slowly in line with the rise in GDP shares in these sectors. The NDP estimates that the labour market in Uganda will need to absorb about 8.2 million people by 2015.

The Micro, Small, And Medium Enterprise sub-sector needs more attention because it creates more jobs than large companies do. Credit is, however, a key constraint for this sector and this call for continued deepening and strengthening of the financial sector as well as the mechanisms for expanding access to equity financing.

Table 17: Trends in NDP employment indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
Labour force in agriculture (per cent)	73.3	65.6	75.1	66		
Labour force in industry (per cent)	4.2	7.6	4.2	8		
Labour force in services (per cent)	22.5	26.8	20.7	26		
Labour force employed (per cent)	70.9	75.4	86			
Number of manufacturing jobs	N/S	13,424	16,725			

Source: Statistical Abstract, 2013/2014

There is need to identify those activities that attract young people in the informal sector for them to be promoted to a sustained means of creating more jobs in the future. Current efforts to create jobs include simplifying the process and cost of starting business; introducing youth skills development strategies; creating and supporting SME micro financing schemes and; promoting attitude change to work[2]. The national employment policy is providing guidance to the employment issues. Major challenges in creating employment continue to be the growth rate in population which far exceeds the rate of growth in job opportunities in the market (the high growth rate in the labour force); the inability to absorb it; low profitability in the agriculture sector due to lack of markets, low prices, low productivity, and little value addition; and lack of employment data. There is also a mismatch between skills acquired and the requirements by employers; and the development of low skills services and industries.

3.2.1.3 Socio-Economic Transformation

The UNHS 2012/13 indicated that literacy levels in Uganda have declined in recent years, from 73 percent in 209/10 to 71 percent in 2012/13. As it is, the main contributor to Uganda's literacy figures is the Universal Primary Education policy that has maintained the mean years of education at 4.7. However, relating literacy levels to effective socio economic transformation remains a main challenge in Uganda. Being challenged by a big primary level education intake, the functionality of Uganda's literate population remains very low. Only about 23 percent of Ugandans have attained at least secondary education with the proportion of women lagging slightly behind at around 24 percent. The last UDHS study in 2010 indicated that there was not much difference in people's attitudes and practices between primary and no education categories. Consequently, one of the most binding constraints to development of Uganda has to do with the lack of enough relevant, high quality skills.

The NDP results framework targets improving the human development indicators for the country to levels similar with those in middle income countries, raising Uganda's competitiveness position in the world and increasing the level of urbanisation. A recent

Human Development Report (2013) still places Uganda in the low human development category with most indicators remaining static (and worsening in some cases) in relation to previous years.

Table 18: Trends in the human development index of Uganda

Year	Life Expectance at Birth	Expected years of Schooling	Mean years of Schooling	GNI per capita (2005 PPP$)	HDI Value
2010	53.7	11.1	4.7	1,126	0.450
2011	54.1	11.1	4.7	1,158	0.454
2012	54.5	11.1	4.7	1,168	0.456
2013					

Source: UNDP, Human Development Report, 2012

The country's HDI value for 2012 was 0.456, reflecting a marginal improvement from her position in 2011 which was 0.454. In both 2011 and 2012, Uganda ranked 161 out of the 187 countries that were assessed. This country ranking fell short of the NDP targeted position of 150th and 148th respectively. Similarly, Uganda's HDI score fell below the HDI average for countries in the low category (0.466) as well as below the average for countries in sub-Saharan Africa (0.475).

According to the GCI report for 2012/13; Uganda's competitiveness is falling primarily due to factors associated with institutions, health and primary education, higher education and training and technology readiness.

There has also been a significant fall in the Doing Business survey ranking. This is a special cause for concern, especially as the NDP and Government policy place such a strong premium on improving the business environment and supporting the growth of the private sector in Uganda. A recent study by USAID identified that the main barriers to doing business in Uganda include high levels of corruption, poor infrastructure, a lack of access to affordable loan financing, low levels of human capacity, inefficient government services, and lack of government policies and regulatory consistency toward investment, which further impedes business predictability and efficiency.

According to the Doing Business 2013 survey, 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 same report, to start a company in Uganda takes 15 procedures over an average of 33 days and costs 77 per cent of average income per capita. A Private Sector Foundation of Uganda (PSFU) Private Sector Platform for Action in 2012 suggests that Uganda has the highest investment and business operating cost regimes within the East Africa Community (EAC) region. However, there are some signs of recent improvement with a report of Foreign Direct Investment (FDI) released in July 2013 suggesting that Uganda is becoming a much more preferred location for FDI, largely due to the growth of the oil and mining sector.

Urbanisation is a key theme of the Vision 2040, which foresees 60 per cent of Ugandan living in urban areas by 2040. The trend is upward, with the estimated urbanisation level moving from 13.0 per cent in 2010/11, 14.7 per cent in 2011/12 and 16 per cent in 2012/13. There are, however, concerns that a lot of urban development is unplanned and there are growing challenges in providing public services to larger numbers of people in towns. In a recent study by the EPRC, the steady growth in urbanisation has been attributed in part to recent proliferation in the number districts which automatically turns all district headquarters into urban areas, but not necessarily with any effective change in the socio–economic features, facilities and living conditions of the people in those areas.

Table 19: Progress on socio-economic indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2012/13	NDP Target 2014/15
National skills gap	N/S	N/S	N/S	N/S	N/S	N/S
Literacy level (per cent)	73.6	73.2	73	71 (UNHS 2012/13)	82.2	95
Life expectance at birth (years)	50.4	54.0	53.45 (CIA World Fact book 2012)	51.3	52.4	85
Human development index	0.514	0.446	0.422	0.456	0.572	N/S
World competitiveness index ranking	108/130	121/130	121/139	100/130	85/130	N/S
Doing business survey ranking	112/183	123/183	123/183	142/183	82/183	N/S
Population in urban areas (per cent)	12	13.0	14.7	16	20	60

Source: Compilation from the IMF WEO, 2012/13

There is also need to embrace science and technology, innovations, new approaches to work ethics and family value systems that put less attachment to extended family norms and high professionalism as well as promoting self-motive incentive. Addressing these issues together with appropriate policy frameworks should help to transform individual behaviour and practices towards achieving desirable socio economic indicators.

Conclusion

With the increase in the per capita income from USD 485 in 2010/11 to USD 616, the share of agriculture output to total output has continued to decline. Equally as income rises, the fall in the share of agriculture is becoming clear, reflecting the concentration of investment in services and accumulation of labour in agriculture. Urbanization level is increasing, despite the limited demand for labour in industry and service sectors.

The improvement in the life expectancy may be partly attributed to increase in the per capita income and reduction in total fertility rate as more education for the girl child is leading to falling birth rates. However, income distribution has been worsening as population growth rate remains high and industry and service sectors are small to absorb a sufficient proportion of the growth in labour force. The proportion of labour force to total population shows an upward trend. This rise may have been due to decline in total fertility rate and significant increase in the young population entering the working age bracket.

The proportion of adults with at least a secondary education level has reached 23 per cent of Ugandans reflecting lack of enough relevant, high quality skills to galvanise faster socio-economic transformation

Increasing investment in transportation has possibly contributed to a rise in the GDP per capita. However, the stock of infrastructure remain low in the country, particularly in energy and transportation constraining gains in domestic productivity and presenting a critical bottleneck to regional integration making transaction costs still high. In addition, only 14.9 per cent of households have access to electricity, although considerable progress has been made in ICTs as evidenced by the tremendous increase in mobile telephone connections over the years. Nonetheless, the state of infrastructure development varies between and within regions.

3.2.2 Progress on NDP objectives

3.2.2.1 Household Incomes and Promoting Equity

Poverty and inequality remain significant development challenges for the country. However, the proportion of people living in poverty has reduced by nearly 5 per cent point from 24.5 per cent in 2009/10 to 19.8 per cent in 2012/13 (UNHS 2012/13) representing about 7 million people. Despite the fight against poverty, this number is still big and will have to be addressed. In addition, income per capita increased from USD 506 to about 612 in the Financial Year 2012/13 below the targeted USD 718. However in real term GDP per capita income in 2012/13 was lower than at the beginning of the NDP in 2010/11. In 2012/13, real GDP per capita declined to USD 260 compared to USD 319 in 2009/10 (Figure 1 section 2.1).

Inequality remains a big development issue in the country despite rising GDP and rising gross national income per capita figures. According to the HDR 2013, both income and gender inequalities as well as multi-dimensional poverty have been rising since 2010. Income inequality has not changed over the NDP implementation period and remains high as shown by the Gini-coefficient of 0.43. Similarly, the same HDR indicates that the country has got a high gender inequality index (0.517) on the dimensions considered in the assessment (maternal mortality, adolescent fertility rates, empowerment and economic activity) ranking 110 out of the 148 countries assessed. At the same time, it has been reported that Uganda moved from 43rd to 29th in the global gender gap ranking between 2008/09 and 2011/12 suggesting successes in equalising access to services and opportunities between women and men.

Table 20: Progress on Household incomes and equity indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2011/12	NDP Target 2014/15
Per capita income (US$)	506	485	487	612	837	
per cent of population below the poverty line	28.5	24.5	24.5	19.8	24.4	
Global gender gap ranking	43/130	N/A	29/135	N/S	N/S	
Gender development index	N/S	N/A	N/A	N/S	N/S	
Income distribution (Gini coefficient)	N/S	N/A	N/A	N/S	N/S	

Source: UNHS, HDR, WEO & NDP, for Various Years.

3.2.2.2 Availability and Quality Of Gainful Employment

According to the GAPR (2011/12), the Uganda Investment Authority (UIA) licensed 242 businesses owned by both local and foreign investors in the year of review. These came from all sectors of the economy and were expected to create 34,095 jobs. Foreign investments licensed were projected to create 19,775 jobs and local investments 13,092 jobs. Investments in financial, insurance, real estates and business services were expected to create 10,107 new jobs, manufacturing 8,464 jobs, agriculture, hunting, forestry and fishing 6,901 jobs, accommodation catering and tourism services 657 jobs and 616 for community and social services.

Table 21: Progress on labour force indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2011/12	NDP Target 2012/13	NDP Target 2014/15
Labour force employed (per cent)	70.9	75.4		91.5	73.1	78.2	94

Source: Labour and Employment Survey, UBOS

3.2.2.3 Human Capital Development

The indicators relating to human capital development are also included in the socio-economic transformation theme and have been discussed in section 3.1.1. Literacy levels in Uganda have dropped over the period from 73 per cent in 2009/10 to 71 per cent in 2012/13. Recently, there has been an increase in life expectancy in Uganda, from 52.2 years to 54.0 years. This is partly as a result of reduction in infant mortality rate from 76 to 54 deaths per 1000 (UDHS 2011) and improvement of other health outcomes such as increased in percentage of Health Centre IV offering HIV/AIDS care with Anti-retroviral therapy (ART) services.

Table 22: Progress on Human Capital Development Indicators

	NDP Baseline 2008/09	Vision Baseline 2010	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
Life expectance at birth (years)	50.4	51.5	54.0	52.2	54.0	52.4	85
Literacy rate (per cent)	73.6	73	73.2	73.3	76.9	82.2	95

Source: Human Development Report, UNDP, Various Issues

3.2.2.4 Stock and Quality of Economic Infrastructure

The stock of national paved roads has been increasing at an average rate of 123km, a rate below the annual average increase of 220 kms target in the NDP. The NDP targeted to have 21 per cent of the national roads upgraded from gravel to class I and class II bitumen standard. The NDP target was to add 1,100 km onto the stock of paved in FY2008/09. However, since then, only 615km have been added leaving a deficit of 485km that need to be worked on in the remaining two FYs (2013/14 and 2014/15) of the NDP. In terms of transport, the volume of paved roads is significantly ahead of target, and there has been a significant improvement in freight cargo levels carried by rail. Energy indicators up to 2012/13 are slowly showing a positive trend as they appear to be improving; total installed energy capacity increased from 778 megawatts in 2011/12 to 835 megawatts in 2012/13, while consumption per capita declined from 75 to 64 kWh (Energy & Mineral Development, Sector Annual Performance Report, 2012/13).

Table 23: Trends in NDP infrastructure indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
Per cent of standard paved roads to total network	4	16.3	15.8	N/S	5.3	80
per cent of cargo freight on rail to total freight	3.5	9	10	N/S	17.8	80
per cent of households accessing power from national grid	11	12	10	14.9	20	80
Electricity consumption (kWh per capita)	60 / 69.5	63.9	59.8	N/S	674	3,668

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

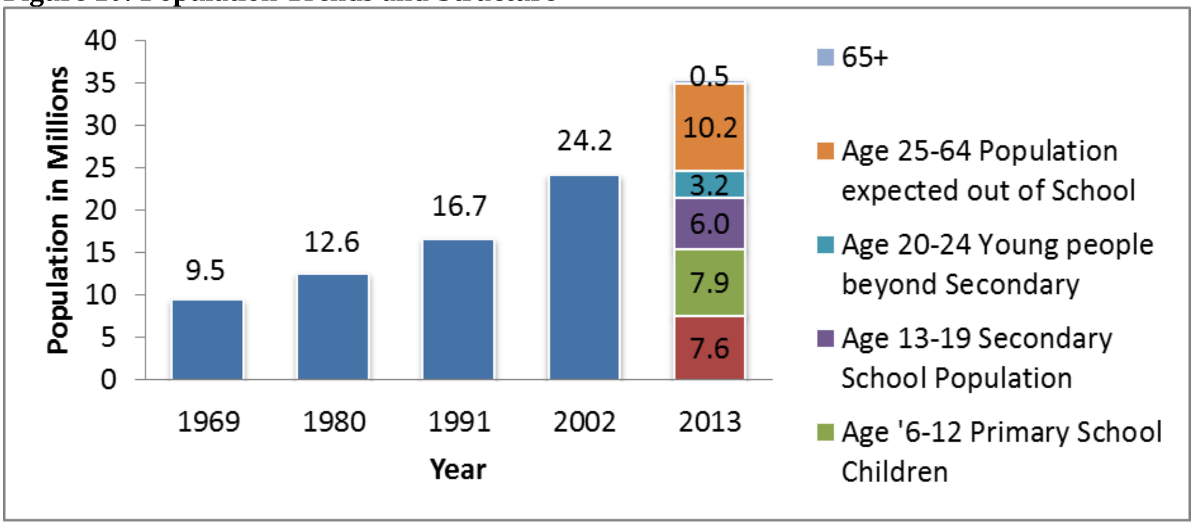
There are significant disparities in the state of district and community roads across the country. In many of the districts we visited, the state of roads in the district is generally poor and reported to have been declining. A number of factors were given to account for this poor and deteriorating road condition in the districts visited. They included geo-physical and climatic vagaries which makes it costly to maintain roads; reduced funding for road maintenance works; low operational capacity on the side of local governments (despite the recent equipment provided by government); and shifting government policy and funding for road maintenance .

With regard to railways infrastructure, sector reports reflect an increase in the percentage of freight carried on the railways from 3.5 per cent to 10 per cent in recent years. This is clearly positive progress, although there is still a long way to go to reach the NDP 2014/15 target of nearly 18 per cent. However, there has not been any major change in the railways infrastructure. There is no passenger rail service and rail cargo service is small and limited primarily to service between Kampala and the port in Mombasa. Railway traffic continues to run on a dilapidated colonial era railway line. Much of the targeted investments in the railways subsector have not been substantially realised, although there has been a recent budgetary allocations in 2011/12 and 2012/13 towards production of a detailed engineering design study for the new standard gauge railway line between Malaba and Kampala. Overall, the transport infrastructures remain unrealisable as level of connectivity is still low across networks. For instance, limited railroad networks have resulted in an overuse of road transport increasing the maintenance costs increasingly high.

3.2.2.5 Access to Quality Social Services

The effect of population growth rate is always felt across all social services areas like health, education, water, where units consumed by individuals are important. Figure 3 shows how the population has been changing in size and the structure over the years.

Figure 10: Population Trends and Structure



Source: Uganda Bureau of Statistics

The aim of this NDP objective is to improve people’s access to quality health, education, and water and sanitation services. Higher life expectancy and effective literacy are some of the ultimate life gains of this objective if fully realised. The NDP therefore regards access to quality health, education, water and sanitation services, to be intermediate indicators that would show the country's progress towards reaching higher life expectancy and effective literacy.

Overall, health sector performance on NDP indicators has been mixed. The annual sector reports show that there was negative progress towards achieving the NDP targets in several key indicators. For example, the percentage of health facilities without stock-outs of any of the 6 tracer medicines declined from 75 per cent in 2011/12 to 53 per cent in 2012/13. On a positive note, the percentage of approved posts filled by health workers (Public facilities) increased from 58 percent in 2011/12 to 63 percent in 2012/13.

On the other hand, some of the indicators that reflected positive performance have included deliveries in health facilities, latrine coverage, DPT3 coverage and TB success rate. These represent a significant number of the NDP performance indicators on health services delivery. The percentage of deliveries in health facilities by a skilled provider increased from decimal 40 percent in 2011/12 to 41 percent in 2012/13. The 59 percent delivery rate in health facilities is below the 65 percent NDP target for 2012/13. DPT3 coverage increased to 87% (1,319,860 out of 1,520,347 children), above the NDP target of 85 percent for 2012/13 FY. TB success rate increased from 61 per cent in 2011/12 to 79 per cent in 2012/13. The proportion of household with latrines decreased from 70 per cent in 2011/12 to 68 per cent in 2012/13. This is below the NDP target of 70.5 per cent for 2012/13.

Table 24: Trends in basic indicators of health services delivery

Year	Deliveries in Govt and PNFP facilities (%)	OPD Per Capita	Latrine coverage in household (%)	DPT3 Coverage (%)	IPT2	AN C4	TB success rate (%)	Approved posts that are filled (%)
2010/11	39	1.0	71	90	43	32	77	52
2011/12	38.1	1.2	70	79	45	34	61	54
2012/13	59		68	87			79	

Source: National League Table, Health sector reports 2010/2011-2012/13.

Challenges with regards to delivery of quality health services at sub-national level include: inadequate referral services; household poverty which limits mothers' attendance to professional antenatal and delivery services (mainly limiting timely reach to health facilities); a significant presence of negative beliefs and attitudes regarding delivery in health centres; and neglect by central government of other tropical diseases that are excluded in the primary health care packages yet they present peculiar health problems to the district.

With regard to education services, quality access is supposed to be acquired through increased enrolment and net completion rates in primary, secondary, and tertiary education as well as through adequacy of physical infrastructure and human capacities supporting these services.

Regarding enrolment, there is slight improvement in relation to the situation at the NDP baseline in 2008/09. However, within the NDP period itself, both primary and secondary enrolment have been seen to remain around the same figures and this have been consistent trends since 2009/10 which puts into doubt the ability of the sector to achieve its 5-year overall enrolment targets. Over the last three years, enrolment in primary schools has oscillated around 8,300,000 pupils while in secondary schools it has been around 1,200,000 students.

BTVET enrolment on the other hand has been improving and enrolment of female pupils and students has been on the rise. BTVET enrolment grew by 11percent from 21,180 in 2012 to 23,498 in 2013. Between 2010 and 2013, the gender parity in primary education enrolment has almost been achieved. The growth in female enrolment was 0.6 per cent compared to male that contracted by 0.2 per cent over the same period.

The education sector report 2013 shows a remarkable growth in the numbers and proportion of female students in secondary schools moving from 36.7 per cent to 46 per cent in three years. The gender gap in secondary education subsector between 2010 and 2013 has, , been oscillating around 45 per cent for girls and 55 per cent for boys.

Although there was increase in enrolment in BTVET education, the gender gap continues to widen to the disadvantage of female (girl child). In FY 2013 enrolment of female in BTVET was 5,308 against 18,016 boys.

Government commitment to universal primary and secondary education as well deliberate policy strategies to promote and facilitate girls education have been the leading factors influencing this success.

Pupil teacher ratios in primary schools have also been improving consistently since 2010 and there are indications that the 5-year NDP target may be achieved. The situation is however less impressive in secondary education.

Rural water supply has witnessed some declining tendencies on some indicators during the period under review. Records on the sector golden indicators show that the percentage of people within 1.5 km of an improved water source has remained the same at 64 per cent for 2011/12 and 2012/13, while functionality rate had stagnated in the range of 80percent – 84percent in the last decade. A number of constraints limiting the capacity of local governments to provide better access to water services have been reported, including lack of reliable sources of underground water making borehole drilling ineffective; limited operational capacity within local governments to service water sources; contracting challenges, in particular difficulties in acquiring competent contractors from the private sector; and geo-physical conditions in some local governments making drilling very expensive and at times non-yielding.

The annual water sector report 2013 reveals an improvement in accessibility to water supplies in urban areas. Based on estimated total population served, in both large and small towns, the report indicates a 1 per cent increase in urban water accessibility within 0.2 km (i.e. from 69 per cent to 70 per cent) between 2012 and 2013.

Urban sanitation has marginally increased during the period under review. The sector report indicates between 2012 and 2013 the percentage of urban population with access to improved sanitation increased by 1 per cent from 81 per cent in 2012. In both years, the sector failed to reach the annual target of 85 per cent. The annual water sector report attributes this decline to the increasing urban population and the resultant unplanned settlements in urban areas. Meanwhile the national sewerage service coverage as of June 2013 was 6.4%.

Table 25: Trends in NDP social service delivery indicators

Development Indicator	NDP Baseline 2008/09	Actual 2010 /11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
DPT 3 pentavalent vaccine coverage	85	76 / 91	90 / 60	88 (MoH)	87	N/S
Proportion of qualified workers	56	56	58	60 (MoH)	85	N/S
HCs without medicine stock-outs	26	43	49 / 70	60 (MoH)	65	N/S
per cent deliveries in health facilities	34	39	40	41 (MoH)	40	N/S
OPD utilisation	0.8	0.9 / 1.0	1.0 / 1.2	1.0 (MoH)	1.5	N/S
Infant mortality rate per 1,000 live births	76	N/A	54	N/S	41	4
Contraceptive prevalence rate (per cent)	24	N/A	N/A	N/S	50	N/S
Under 5 mortality rate per 1,000	137	N/A	90	114	60	8
Maternal mortality rate per 1,000 live births	435	N/A	438	N/S	131	15
Child stunting as per cent of under 5s	33	N/A	14	N/S	N/S	0
Net enrolment rate primary (per cent)	93.2	97.5	95.5	95.0	96.4	N/S
Net enrolment rate secondary (per cent)	23.5	25	23.2	28	35	N/S
Net completion in secondary (per cent)	35.0	41.1	N/A	N/S	N/S	N/S
Pupil - teacher ratio in primary	53	47	45	45	43	N/S
Pupil classroom ratio in primary	72	58	57	57	61	N/S
Student – teacher ratio in secondary	18 / 19	19	N/A	N/S	N/S	N/S
Student – classroom ratio in secondary	45 / 38	45 / 44	N/A	N/S	N/S	N/S
BTVET enrolment (thousand)	30	39 / 40	56 / 42	250	390	N/S
Water consumption (m3 per capita)	N/S	N/A	N/A	N/S	N/S	600

Development Indicator	NDP Baseline 2008/09	Actual 2010 /11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
per cent access to safe piped water	N/S	N/A	N/A	N/S	N/S	100
Rural water coverage	66	65.8	64 (MoWE)	64 (MoWE)	77	N/S
Urban water coverage	60	67	69 (MoWE)	70(MoWE)	100	N/S
Sanitation coverage	62	68	69.6 (MoWE)	73 (MoWE)	77 / 80	N/S

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

3.2.2.6 Science, Technology, Innovation and ICT to Enhance Competitiveness

The NDP emphasises the importance of technology capability and the importance this has on improving global competiveness. The results framework for this objective is lacking in most baselines and targets. In addition, it is difficult to access data on the indicators which are stated. It is therefore not possible to give an overall assessment of progress towards the achievement of this objective.

The ratio of national budget allocated to STI and ICT has continued to stay put at 0.1 per cent over the NDP period. One indicator which is possible to track is the share of manufactured exports as a proportion of total exports. This has raised from 4.2 per cent in 2010 to 4.4 per cent in 2010/11 and 6.0 per cent in 2011/12, still a long way from the 2014/15 target of 12 per cent, but moving in the right direction.

There are other related indicators which can be used to assess progress against this objective, and some of the movements in these were found to be very impressive. The number of mobile phone subscriptions in Uganda rose from 12.8 million in December 2010 to 17.6 million in December 2013. Over the same period, National Tele-density (%age no. of fixed lines & mobile lines) fixed line subscriptions increased from 47 per cent to 51 per cent. The percentage population with access to telephone increased from 70 per cent in 2011/12 to 80 per cent in 2012/13. The launch of the Lower Indian Ocean Network (Lion 2) under-sea cable in 2012 with a design capacity of 1.28 Tb /s has helped to increase internet speeds and access. ICT has improved outreach to peri-urban and rural areas increasing access to banking services for the unbanked as evidenced by the deployment of the mobile payment system.

Table 26: Trends in NDP science, technology, and innovation and ICT indicators

Development Indicator	NDP Baseline 2008/09	Vision Baseline 2010	Actual 2010/11	Actual 2011/12	Actual 2012/13	NDP Target 2013/14	NDP Target 2014/15
Ratio of national budget allocated to STI and ICT	0.3	N/S	N/A	N/A	N/S	0.6	N/S
Ratio of S&T to Arts graduates	1:5	N/S	N/A	1:5	N/S	1:3	N/S

Level of ICT deepening (million)	N/S	N/S	14.6	17.2	N/S	N/S	N/S
per cent urban centres with public internet access	N/S	N/S	36	N/A	N/S	N/S	N/S
Manufactured exports as per cent of total exports	4.2	4.2	4.4	6	N/S	12	50
ICT goods and services as per cent of exports	N/S	0	N/A	N/A	N/S	N/S	40
Technology achievement index	N/S	0.24	N/A	N/A	N/S	N/S	0.5
Public expenditure on R&D as per cent of GDP	N/S	0.1	N/A	N/A	N/S	N/S	2.5
Innovation -patents registered per annum	N/S	3	N/A	N/A	N/S	N/S	6,000

Source: Background to the Budget, Various Issues

3.2.2.7 Sustainable Population and Use of Natural Resources / the Environment

This NDP objective is to be assessed based on the health status of the population, the quality of human settlement and urbanisation, progress in the restoration of degraded ecosystems, and the quality of management of environmental resources. However, measuring progress towards the achievement of this objective is very challenging for a number of reasons. The last full population census was done in 2001 and the last detailed assessment of land cover was conducted in the 1990s. It is therefore difficult to find accurate data on population growth and changing land use patterns. There is also no regularly reported data on the levels of water pollution and industrial pollution. .

With regard to the health status of the people of Uganda, there have been a number of successes such as HIV prevalence dropping down to 6.1 per cent from double digits in 1990s, polio and guinea worm being nearly eradicated (although concerns exist about the re-emergence of polio cases due to cross border migration), prevalence of other vaccine preventable diseases declining sharply, infant mortality rates declining from 88.4 in 2000 to 54 in 2011 (UHDS 2011), etc. Also, a number of these indicators showed a progressive trend over the last five years with life expectancy increasing from 52.7 years in 2012 to 54 years in 2010 to; with maternal mortality ratio worsening from 430 in 2008 to 438 in 2011; with the rate of decline of infant mortality slowing down since 2005; with the unmet family planning demand continuing to be high at 34 per cent; with a contraceptive prevalence rate of 30 per cent; and with only 58 per cent of birth attended to by a skilled professional. These figures show the challenges in the health services delivery system in the country.

The use and management of the environment and natural resources in the economy has continued to pose significant social and economic challenges. The National State of the Environment Report 2010 produced by NEMA asserts the country is facing severe environmental degradation – loss of biodiversity, deforestation, encroachment on wetlands, soil erosion and declining land productivity, pollution of land, water and air resources among others. According to the GAPR 2011/12, the last recorded estimated figure for forest cover, down from 30 per cent in 1990, was 18 per cent (2009) against a target of 24 per cent in 2014/15. Of this forest cover, over 64 per cent is reported to be owned by the private individuals. The sector estimates that 92,000 hectares of forest cover are lost every year with 34 per cent lost in private forests and 12 per cent in the protected forests. Wetland coverage has continued to decline over the years, last recorded in 2008 at an estimated 10.9 per cent of the land surface area from 15.6 per cent in 1994 against the target of 30 per cent. In real terms, an estimated 11,268 square kilometres (30 per cent) of Uganda's wetland ecosystems representing 4.7 per cent of the Uganda land area has been lost since 1994.

The environment sector performance report 2012 recognized that despite a number of mitigation measures, the environment of Uganda is still under threat from natural and man-made drivers of change including poverty, rapid population growth, urbanisation, agricultural expansion, informal settlement development, industrialisation, and the impacts of climate variability among others. The most crucial issue that has emerged over the recent years is that of weak governance at all levels, coupled with the increased demand for natural resources.

3.2.2.8 Strong Governance, Defence and Security

The NDP envisages consolidation and enhancement of democracy, observance of the rule of law as a panacea for socio economic development. The Plan espouses a common regional strategy for peace and security; regional defence pact to ensure regional stability. This has been achieved through strengthening of the judicial system, professionalization of the national army and strengthening of community policing. There has been progress in regional peace keeping missions notably the AU mission in Somalia.

During the first three years of the NDP implementation, the entire country continued to enjoy a stable security environment, a factor that has enabled implementation of development activities across all regions of the country. According to a recent joint appraisal, Uganda's performance on the four main governance principles of development assistance (peace and stability, democracy, human rights, and rule of law / access to justice) has been judged satisfactory. In 2011, government demonstrated a sufficient level of commitment to good governance principles which warranted the provision of development assistance including budget support in that year, even though progress has been uneven across the four principles.

However, the situation in 2012/13 was less positive regarding governance. The country experienced significant concerns related to the governance indicators resulting in a reduction in donor support, a factor that affected progress of some NDP activities. The mid-term review of the NDP indicated that some priority projects that are meant to be funded by government of Uganda experiences slow progress in 2012 as government directed much of it revenue collections to bridging the gaps in recurrent expenditure created by donors' withdraw from budget support.

Economic and corporate governance has also witnessed significant shortcomings that have had negative influences on achievement of NDP results. A main limitation noted in this area has been the uncontrolled supplementary budgets that have taken funds away from project and service delivery sectors to administrative sectors. Parliament has not been very effective in blocking the increasing number and scale of supplementary budgets. The value of supplementary budgets has been on a steady increase from 3.8 per cent in 2008/09, to 7.2 per cent in 2009/10 and to over 15 per cent in FY 2010/11, with JLOS sector being a culprit three years in a row from 2010/11(see GAPR, 2011,12).

Uganda's score on the corruption perception index (CPI) has been oscillating between 2.4 and 2.9 during the last five years. The CPI ranks countries based on how corrupt their public sector is perceived to be. A country's score indicates the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries included in the index. The baseline score for Uganda in 2008/9 was 2.6. However the country's performance worsened in 2011 (2.4) before is improved slightly in2012 to 2.9. The Vision 2040 target is 7.1 and there is need for greater efforts to move there.

Table 27: Trends in NDP governance indicators

Development Indicator	NDP Baseline 2008/09	Actual 10/11	Actual 11/12	Actual 12/13	NDP Target 2013/14	NDP Target 2014/15
Corruption perception index	2.6/2.5N/S	2.4N/A	2.9	N/S	N/S	7.1

Sources: Frica Economic Outlook and transparency international reports, NDP, Vision 2040.
N/S = not stated. N/A = not available.

Conclusion

Progress on household incomes and promoting equity indicates that poverty has further reduced although inequality has persisted despite rising GDP and rising gross national income per capita figures. The global gender gap ranking suggests some successes in equalising access to services and opportunities between women and men.

There has been difficulty accessing progress against availability and quality of gainful employment due to lack data/information. However data from UNHS 2012/13 indicates that the share of the labour force employed in manufacturing sector has been increasing slowly in line with the rise in GDP shares in these sectors. The Micro, Small, And Medium Enterprise sector needs more attention because it creates more jobs than large companies do.

Regarding progress on indicators of Human capital development, life expectancy has been increasing, while literacy levels declined. Over the period, literacy levels dropped, while life expectancy has risen as a result of reduction in infant mortality rate and improvement of other health outcomes.

On progress regarding the quantity and quality of economic infrastructure, the stock of national paved roads has been increasing and there has been a significant improvement in freight cargo levels carried by rail. However, the transport infrastructures remain unrealisable as level of connectivity is still low across networks. For instance, limited railroad networks have resulted in an overuse of road transport making maintenance costs incrementally high. The energy indicators are slowly showing a positive trend as they appear to be improving; but consumption per capita remains low. Progress on accessibility to quality social services show that the percentage of health facilities without stock-outs of any of the 6 tracer medicines has declined; percentage of approved posts filled by health workers (Public facilities) have increased. However, inadequate referral services; household poverty which limits mothers' attendance to professional antenatal and delivery services (mainly limiting timely reach to health facilities) remain big challenges to address.

Regarding access to quality education, both primary and secondary educations have seen enrolments remaining around 8,300,000 pupils and 1,200,000 students, respectively over the last three years. BTVET enrolment grew by 11% from 21,180 in 2012 to 23,498 in 2013. Between 2010 and 2013, the gender parity in primary education enrolment has almost been achieved unlike in secondary schools and BTVET education. Continued commitment by Government to provide free universal primary and secondary education as well deliberate policy strategies to promote and facilitate girls' education have been the leading factors influencing this success. Progress towards improving quality education indicated that pupil teacher ratios in primary schools have been improving consistently since 2010 and there are indications that the 5-year NDP target may be achieved. The situation is however less impressive in secondary education.

With regard to access to clean and safe water to all, rural water supply within 1.5 km of an improved water source has remained the same, while functionality rate has stagnated in the same period. A number of constraints limiting the capacity of local governments to provide better access to water services include: lack of reliable sources of underground water making borehole drilling ineffective; limited operational capacity within local governments to service water sources; contracting challenges in acquiring competent contractors from the private sector; and geo-physical conditions in some local governments making drilling very expensive and at times non-yielding. Urban water accessibility within 0.2 km has slightly improved, between 2012 and 2013. The marginal increase is due to the increasing urban population and the resultant unplanned settlements in urban areas.

Progress on application of Science, technology, innovation and ICT for enhanced competiveness shows that the ratio of national budget allocated to STI and ICT has remained the same over the NDP period. The share of manufactured exports as a proportion of total exports is increasing though it is still a long way from the 2014/15 target of 12 per cent. The percentage population with access to telephone has been increasing. Overall, there is improved outreach to peri-urban and rural areas increasing access to banking services for the unbanked as evidenced by the deployment of the mobile payment system.

Progress on indicators for sustainable population and use of natural resources / the environment, indicated that there have been a number of mixed results. As such, HIV prevalence rate has risen to 7.3 per cent from 6.1 per cent, polio and guinea worm being nearly eradicated (although concerns exist about the re-emergence of polio cases due to cross border migration), prevalence of other vaccine preventable diseases declining sharply, infant mortality rates declining, etc. life expectancy increasing; maternal mortality ratio worsening;

unmet family planning demand continuing to be high; low contraceptive prevalence rate; and low of birth attended to by a skilled professional.

The country faces severe environmental degradation–loss of biodiversity, deforestation, encroachment on wetlands, soil erosion and declining land productivity, pollution of land, water and air resources among others due to continued loss of forest cover. Wetland coverage has also continued to decline over the years. In real terms, an estimated 11,268 square kilometres (30 per cent) of Uganda's wetland ecosystems representing 4.7 per cent of the Uganda land area has been lost since 1994.

The environment of Uganda is still under threat from drivers such as poverty, rapid population growth, urbanisation, agricultural expansion, informal settlement development, industrialisation, and the impacts of climate variability, among others. The most crucial issue that has emerged over the recent years is that of weak governance at all levels, coupled with the increased demand for natural resources have exacerbating the situation.

The slow progress in the transformation of the economy from peasant agriculture to an industry dominated economy has meant that the strain imposed by the poor people on the environment and natural resource has not significantly reduced during the last three years. At the same time it has been found that many parts of the country have become more vulnerable to environmental shocks such as landslides, pollution, droughts and floods which, according the State of Uganda's population report 2012, are increasing in frequency and intensity.

Uganda's performance on the four main governance principles of development assistance (peace and stability, democracy, human rights, and rule of law / access to justice) has been judged satisfactory. However, the country experienced significant concerns related to the governance indicators especially on corruption resulting in a reduction in donor support, a factor that affected progress of some NDP activities.

A main limitation in economic and corporate governance has been the uncontrolled supplementary budgets that have taken funds away from project and service delivery sectors to administrative sectors.

In general progress has been very slow regarding electricity generation, paved roads, while improvement in telephone subscriptions has been fast and impressive. Access to education has increased, albeit no answers for the quality questions and misalignment to the labour market. In some instances there have been reversals in the trends of some development indicators like HIV/AIDS prevalence rate, MMR

3.2.3 Progress on the Core Projects

In order to unlock the most binding constraints that were assessed to be responsible for slow economic growth, a number of core national projects were identified in the NDP. It was an attempt to focus key resources at national level to inform financing. To date some progress has been registered on many of these projects as reflected in Table 2.

Table 28: Progress on implementation of core projects

Core Project	State Of Progress
Water for Production	
Construction of five irrigation systems	The project is on-track: Doho, Agoro, Mubuku rice irrigation schemes have been rehabilitated. For Olweny rice irrigation scheme and Kiige, work is in progress. Coordination between the Ministry of Water and Environment and Ministry of Agriculture Animal Industry and Fisheries is very critical for the success of these initiatives.
Oil and Gas	
Refinery development	There is progress on this project- procurement process to identify the lead investor is on-going, bids solicitation is expected to end in April 2014 and an Investor to be on board in June 2014. Project is expected to be finalised within the period of NDPII.
Construction of inter-state distribution pipeline	For the pipeline for refined product, the Project is experiencing very slow progress -procurement for studies at initial stages. For crude oil pipeline development, the commercialization plan (Memorandum of Understanding, MOU) between GOU and upstream companies was signed in 5th February 2014.
Energy Infrastructure	
Construction of Karuma HEP project (600MW)	Work has commenced. Contractor is on site but financial closure not yet concluded. Project is expected to be finalised within the period of NDPII.
Construction of Ayago HEP project	Memorandum with construction company has been signed; feasibility study underway.
Construction of Isimba HEP Project (140MW	Work has commenced. Contractor on site but financial closure not yet concluded. Project is expected to be finalised within the period of NDPII.
Transport Infrastructure	
Rehabilitate the existing railway lines	Rehabilitation of Malaba-Kampala and Tororo-Gulu remains a key issue.
Construct the standard gauge rail from Malaba to Kampala, Malaba-Nimule, Kampala-Kasese-Mirama Hills	Preliminary engineering studies underway, cooperation agreements with Heads of state have been signed, project expected to be completed by 2018, solicitation of funding underway.
Improve transport infrastructure and safety for Greater Metropolitan Kampala	Feasibility study for flyover from Queensway to Jinja Road roundabout finalised. Rapid Bus Transport System not yet implemented. Challenges: lack of integration of transport modes; lack of coordination mechanisms between KCCA and neighbouring districts of Wakiso and Mukono in planning and joint implementation of projects.

Core Project	State Of Progress
Improve water transport of lake Victoria	Slow progress
Mining	
Construction and development of phosphate industry in Tororo	Memorandum of Understanding has been signed, mining lease issued and preliminary works have begun.
Development and production of iron ore ingots	No tangible progress. Fragmentation of surface rights has hampered implementation of the project. There is need to manage on-going small scale activities
Others	
National non-formal skills development programme	Strategic plan for the BTVET program has been developed and incorporates the non-formal training project. Progress on implementation of the strategic plan has largely been hampered by limited financing.
Construction and development of 4 regional science parks and technology incubation centres (SPTIC)	No tangible progress.
Information Technology (IT) business parks construction project	No progress

Source: NDP Mid-Term Review, 2013

Good progress has been made in a number of projects such as Karuma, Isimba and the rehabilitation of the irrigation schemes. However, limited progress has been observed in a number of others such as establishment of improved water transport, information Technology business parks, science parks and technology incubation centres, standard gauge railway, etc.

Factors that explain the slow implementation of core projects include: lack of bankable projects; inadequate capacity in public service to study and implement such projects; delays in mobilising project financing; time and preparations required before project implementation, inadequate institutional and/or legal frameworks, for example in the case of Oil and Gas, and public-private partnerships, among others.

CHAPTER FOUR: NDP THEMATIC AREAS PERFORMANCE

4.1 PRIMARY GROWTH SECTORS

4.1.1 Agricultural Sector

Agriculture offers the largest employment potential for majority of Ugandans. It employs about 66 per cent of Uganda's total labor force and the vast majority of the population is directly and indirectly dependent on it. Agriculture is a private sector activity, for which Government provides support towards its further development in research, seed multiplication and certification, and disease control.

The agricultural sector key result areas are assessed in line with the key objectives explained below:

Enhance agricultural production and productivity.

This objective is to be achieved through improving agricultural technology development; ensuring effective delivery of advisory services and improved technology; control of diseases, pests and vectors; enhancing productivity of land through sustainable land use and management of soil and water resources; increasing supply for water for agricultural production (irrigation, water for livestock, aquaculture); promotion of labour saving technologies and mechanisms; improving access to high quality inputs, planting and stocking materials; improving agricultural livelihoods in Northern Uganda; accelerating the development of selected strategic commodities including: coffee, maize, fish, beef, dairy, citrus, poultry, beans, bananas and cassava and implementing the hunger project - Epicentre strategy.

Improve access and sustainability of markets

Achieving this objective involves increasing PPPs in value chains in agriculture with emphasis on strategic commodities in addition to increasing the number of functioning and sustainable farmer' organization involved in collective marketing.

Create an enabling environment for competitive investment in agriculture

This objective is to be achieved through improving the capacity for quality assurance, regulation, food and safety standards for outputs and products across crops, livestock and fisheries sub-sectors; enhancing sector policy formulation, planning and coordination; enhance intra and inter-sectoral coordination and building capacity to respond to Climate Change.

Enhance institutional development in the Agriculture sector

The institutional development in the agriculture sector is intended to be achieved through strengthening of the Ministry and the related public agricultural agencies and increasing human resource productivity.

Agriculture has been growing marginally at a very low rate. Growth in agriculture declined to 0.8 per cent in 2011/12 from 1.2 per cent in 2010/11. In FY 2012/13, the overall Agriculture sector grew by 1.4%, where Cash crops grew by 3.9%, Food crops 0.2%, Livestock 2.8% and Fishing 1.9%. Cash crops, including the traditional crops and horticulture, grew at 3.9% in FY2012/13 compared to 8.25 percent previously hence contributing only 9.7% of the total sector value addition. Food crops including most of the items produced for home consumptions and for regional exports insignificantly grew at 0.2%, better than the previous year's constraint of 1.7%. It contributed 52.5% to the total value added in the sector and a 12.35% to nominal GDP (Table 29).

The share of agriculture to total GDP grew marginally to 23.9 per cent in 2012/13 from 23.7 per cent in 2011/12, and accounted for 40 percent of total export earnings in 2012[3].

Fish production was 407,639 MT and fish export stood at 18,320 MT valued at USD 108.614 Million.

During the NDP period FY 2010/11 to 2012/13, the Agricultural sector share of real GDP ranged between 13.3 and 13.8.

Table 29: Growth in the Agriculture Sector during and before the NDP Period

Activity	**Realised Share of Real GDP**											
	Pre-NDP1				**Pre-NDP1**		**NDP1**					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Agriculture, forestry and fishing	**1.3**	**2.9**	**2.4**	**1.2**	**0.8**	**1.4**	**15.8**	**15.1**	**14.6**	**13.8**	**13.8**	**13.3**
Cash Crops	9.0	9.8	-1.1	-1.5	8.2	3.9	1.4	1.4	1.3	1.2	1.3	1.3
Food Crops	2.4	2.6	2.7	0.7	-1.7	0.2	8.6	8.3	8.0	7.6	7.4	7.1
Livestock	3.0	3.0	3.0	3.0	2.8	2.8	1.4	1.3	1.3	1.3	1.2	1.2
Forestry Activities	2.8	6.3	2.9	2.8	3.3	2.8	2.7	2.7	2.6	2.5	2.5	2.5
Fishing Activities	-11.8	-7.0	2.6	1.8	1.9	1.9	1.6	1.4	1.4	1.3	1.3	1.3

Source: UBOS, 2013

The NDP envisaged improvement of agriculture production and productivity through agriculture technology development; effective delivery of advisory services and improved technology; control of diseases, pests and vectors; enhancing productivity of land through sustainable land use and management of soil and water resources; increase in supply of water for agricultural production; promoting labour saving technologies and mechanisms; improve access to high quality inputs, planting and stocking materials; improving access to and sustainability of markets; and creating an enabling environment for competitive investment in agriculture.

[3] UBOS Statistical Abstract 2013

Other key interventions relate to provision of extension services and support for agro-processing to agricultural produce. This will be done with an emphasis on rolling out the Commodity Based Approach that focuses on Ten (10) key food security and household income commodities. The commodities are maize, beans, coffee, market fruits and vegetables, rice, bananas, fish, dairy and beef cattle.

To a large extent the agriculture sector has continued to implement some of the aforementioned strategies. In particular, there has been progress in control of pests and diseases; providing advisory services through the NAADS program; as well as creating an enabling environment for competitive investment in agriculture. However, the NAADS programme has faced various challenges leading to its suspension several times in the course of its implementation during the first half of the NDP. Albeit these challenges, government is in advanced stages of establishing the single spine extension services system aimed at enhancing production and productivity, with NAADS complementing it to provide demand driven service delivery.

Productivity of land use was hindered by the slow progress of establishing the phosphate factory at Tororo. Four out of the five national core irrigation schemes have been earmarked for implementation. However the majority are likely not to be completed by the end of the current NDP.

As a way of enhancing better production and productivity, there is need to ensure availability of improved, affordable and accessible farm inputs. In addition to this, there is need for establishment of an agricultural development bank with national shareholding; this will ensure provision of affordable agricultural financing. In line with this, deliberate effort should also be put towards the provision of agricultural insurance services tailored to cushioning farmers against agricultural risks and vagaries of weather.

During the first three years of NDP implementation, the proportion of national budget allocations to the Agriculture Sector had been below the NDP target of 5 per cent for the second and third years. In 2012/13, the budget allocation to the Agriculture sector came down to 3.8 per cent from 4.8 per cent in 2011/12. Despite its improved contribution to GDP, overtime, the share of public expenditure on Agriculture to GDP has been reducing. The share of public investment in agriculture to the GDP dropped to 0.5 percent in 2012/13 from 0.7 percent in 2010/11.

Table 30: Planned and actual Expenditures on Agriculture

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocation and ratio to GDP**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
Agriculture **(UGX billion)**	268	323	386	977	283	269	279	831
% Allocation to National Budget					5.2	4.8	3.8	4.6
Ratio of public expenditure on Agriculture to GDP (%)					0.72	0.54	0.51	0.58

Source: Annual Budget Performance Reports, MFPED

In the FY 2012/13, as some of the achievements of the sector towards enhancing production, 9,900 hectares of oil palm were planted in Kalangala by smallholders and out-growers.

The rehabilitation at Agoro, Doho and Mobuku irrigation schemes were completed and are expected to be available for public use in 2013/14. This was aimed at revamping of 3,000 ha of dysfunctional land at the irrigation schemes (1,810 ha under Doho, 516 ha under Mubuku, and 674 ha under Agoro). The irrigated area in these three schemes supports 5,790 farming households to increase and sustain agricultural production and marketing.

To enhance value addition, a Fish handling facility and *Mukene* drying and storage facilities were constructed at Kaiso landing site in Hoima and a modern dry fish market in Panyimur Nebbi district was completed and handed over to the community for use.

Towards controlling of pests and diseases, during the FY 2012/13, NARO launched a strategic plan for eradication of Banana Bacterial Wilt in Uganda aimed at reducing BBW from the current level of 43% to 5% within one year.

As a way of ensuring the availability of better agricultural input, NARO formed partnership with Agro Genetics Technologies (AGT) to ensure rapid multiplication of clean planting materials of the 7 coffee wilt disease resistant varieties using tissue culture method. With its capacity of producing 10 million seedlings per annum, AGT has introduced 10 Robusta coffee varieties resistant to coffee wilt disease which are in advanced stage of multi-location trials in different agro ecological for wider adaptation. In addition this, a cassava variety NASE 14 that is tolerant to Cassava Brown Streak disease and 4 rice varieties were introduced and promoted in more than 45 districts. In order to implement this, 10 sites were identified for cassava and 2 sites in Katakwi for rice

During the same year, 24 demonstration plots for pasture grasses and legumes were established in the districts of Kiruhura, Ibanda, Mbarara, Ntungamo. The pastures and legumes targeted were; Chlorisgayana, Panicum maximum, Greenleaf desmodium, Centrocema, Glysine, Dolichos and lablab among others.

Despite the increased demand for funding in the sector, the Government has averagely invested less than 1 percent of the total GDP into agriculture, over the NDP period. This under investment has not helped famers to improve production and productivity, making the sector unattractive and less paying.

The challenge of low agricultural productivity has been attributed to high uncertainty in production caused by rain fed agriculture, shortfalls in inputs and land tenure constraints. The National Development Plan envisages the promotion of wider use of fertilisers as one of the factors in improving agricultural production in agriculture. However, with 1.3 kilogram per hectare, Uganda is one of the countries with the lowest fertilizer application rates compared to Africa’s eight kilos per hectare.

There has been slow progress towards promoting value addition in agro-processing. Therefore, there is need to deliberately map value chains and identify investment priorities for support. As a way of attaining this objective, the key area of focus identified include: fruits, coffee, tea, fish, milk and grain processing. Efforts should also be put by the relevant sectors to establish infrastructure that can support value addition such as; rehabilitation of railway networks, distribution of high power voltage, land reforms that improve access to land.

4.1.2 Tourism

Tourism has been one of the fastest growing sectors during the NDP period registering growth rates of more than 10% per annum. Uganda's tourist attractions have however increased from 1,233,000 visitors (arrivals) in the FY2012/13 up from 1,151,000 in FY2011/12 indicating a 7% increase in the total number of visitors. This has remarkably increased the foreign exchange earnings from tourism from US$ 805 million in the FY2011/12 to US$ 1003 million in FY2012/13. This improvement can be attributed to improvement in security especially in the Northern part of the Country.

Uganda's tourism is built on the country's landscape, culture and wildlife. The sector is a major driver of employment, investment and foreign exchange. During the FY 2012/13, tourism contributed 4.9 trillion Uganda shillings, to Uganda's GDP. In the same period, the sector directly and indirectly provided 483,500 jobs (7.6% of total employment). In this period, contribution of Tourism to GDP grew from 7.6 percent in 2010/11 to 8.9 percent in 2012/13, albeit limited public investment in the sector

For the first three years of the NDP implementation, the tourism sub-sector budget share to the national budget has been below 0.2 per cent, despite its year on year increasing contributions to the GDP. However, despite the doubling of the budget allocation to the tourism sub-sector from 0.1 per cent in 2010/11 to 0.2 percent, the share of public expenditure on tourism to GDP remains stagnated at around 0.02 percent as indicated in table 31 below.

Table 31: Planned and actual Expenditures in Agriculture

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocation and ratio to GDP**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
Tourism, Trade & Industry **(UGX billion)**	47	57	62	166	31	47	64.78	142.78
Tourism **(UGX billion)**					5.2	8.0	11.5	24.7
Allocation to National Budget (%)					0.09	0.14	0.15	0.13
Ratio of public expenditure on Tourism GDP					0.01	0.02	0.02	0.02

Source: Annual Budget Performance Reports, MFPED

During its implementation, the NDP laid down the following strategies towards developing the country's tourism sector; Securing international and domestic source markets for tourism; diversifying tourism products; and develop and implement a tourism information system.

During the FY2012/13, the sector undertook a series of activities tailored towards diversifying tourism products; land titles for Komuge, Kakoro Rock art Sites, and Dolwe Island were secured; construction works for Ayago Game drive tracks in Murchison Falls Conservation Area were completed by the Uganda Wildlife Authority for the purpose of expanding the Chobe Tourism game drive zone; refurbishment was done for Mweya Safari Lodge (3 bungalows, 10 cottages and a canteen) which were made operational in order to increase the accommodation to 22 beds for low budget tourist facilities so as to encourage domestic tourism.

In a bid to market Uganda's tourism potential, 10,000 assorted promotional materials and 1,200 brochures were produced in different languages and distributed both locally and internationally.

An IT-based Smart Card Access System was established to enhance customer service and revenue protection. This system was piloted by UWA to support a Wide Area Network connecting 5 National Parks and HQs. The establishment of the system was focused on removing the need for Tourists to carry large sums of money to pay for services in the national parks and improve on the visitors' database containing information collected at the national park level.

However, there remains a challenge of delayed operationalization of the Tourism Act 2008. This constrains resource mobilization, research, product development, promotion and marketing. Therefore, there is need to increase financing to the sector in order to enhance achievement of the tourism sector objectives through deliberate investments in tourism so as to enhance its productivity.

Operationalization of the Tourism Act 2008There is also need for Strategic investment in infrastructure development, training of tourism personnel in customer care and management and strong worldwide branding and marketing of Uganda's tourism potential.

4.1.3 Mining

In the FY 2012/13, the Mining and quarrying industry registered a growth rate of 18.6 percent compared to the lower growth rate of 3 percent registered in the year 2010/11. However, its share of real GDP has since stagnated at 0.4 percent over the same period.

Table 32: Growth in the Mining and Quarrying during and before the NDP Period

Activity	**Realised Growth Rates (%)**							**Realised Share of Real GDP**						
	Pre-NDP1				**NDP1**			**Pre-NDP1**			**NDP1**			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Mining and Quarrying Activities	3.0	4.3	15.8	18.6	5.7	-1.0		0.3	0.3	0.4	0.4	0.4	0.4	

Source: UBOS, 2013

With its large volume of unexploited resources, Government has continued to pursue Sustainable Management of Mineral Project. The country's slow progress in minerals development is partly attributed to the lack of an appropriate policy framework for land compensation in mineral rich areas. This has been aggravated by the lack of appropriate infrastructure to facilitate the mining process and the transportation of minerals later on the high cost involved in financing investments in value addition.

In order to develop the mining sector, the NDP has pointed out a number of strategies that can be adopted in line with achieving this objective. These strategies include; enhancing institutional collaboration and partnership; promoting the use of new proven technologies for improved mineral recovery and production; promoting transparency in mining; providing credit facilities to artisanal and small scale miners; developing infrastructure for mining activities; ensuring market awareness within artisanal and small scale miners' communities; undertaking geological, geochemical, geophysical and remote sensing surveys & mineral resource surveys; disseminating mining information; building human resource capacity in geo-scientific research and producing general interest publications about mining.

Towards attaining the laid out objectives, the sector registered the following achievements for the FY 2012/13:

Iron ore deposits were discovered in Buhara, Muyebe and Nyamiringa in Kabale district Nyamiyaga and Kazogo in Kisoro district; and at Kinamiro in Butogota, Kanungu district, all in south-western Uganda. On a similar note, developments of Sukulu Phosphate were in line awaiting settlement of compensation for the households living in the mining area.

The sector also undertook Geological, geophysical and geochemical mapping of Panyimur geothermal prospect, discovering new surface manifestations with a low magnetic signature, and an indication of existence of geothermal resources in Ntoroko District.

The sector issued 867 licences and certificates which became operational in 2013. Out of these were: 203 Prospecting Licenses (PL), 531 Exploration Licenses (EL), 5 Retention Licences (RL) 38 Location Licenses (LL), 29 Mining Leases, and 61 Mineral Dealers' Licenses (MDL).

There was an upgrade of the very small satellite aperture (VSAT) Global communication infrastructure (GCI) to improve seismic data transmission from Kyahi Earthquake Monitoring Station near Mbarara to Entebbe Data Centre. The sector upgraded the earthquake monitoring network coverage with modern state of the art technologies for fast seismic data transmission and access for on spot earthquake information and dissemination to seismic data users in planning, construction a process that involved construction of an Earthquake Research Laboratory in Entebbe.

4.1.4 Oil and Gas

The NDP placed emphasis on continued exploration in the Albertine and other basins outside the Graben; development of an appropriate institutional framework to monitor, regulate and promote the development of midstream infrastructure/facilities; refinery development; ensuring that the oil and gas resources in the country provide maximum optimal benefits to the country and region; building appropriate and the necessary human resource capacity necessary to oversee, regulate and promote the oil and gas sector; undertake regional cooperation in the development of refineries and other midstream infrastructure to achieve regional security of energy supply; development and retention of a pool of national expertise for oil and gas sector; restocking strategic reserves; building capacity for the downstream petroleum; and strengthening policy, regulatory and institutional framework for the sector.

Over the first three years of the NDP implementation, the budget share on Oil and Gas to the national budget has been increasing because the government increased expenditure on petroleum exploration and development since the country received a lot of capital inflow. The budget allocations as shares of the national budget increased more than three times between 2010/11 (0.11 percent) and 2012/13 (0.38 percent) representing an average of 0.28 percent indicating 0.03 per cent of the GDP.

Although the share of public expenditure on petroleum exploration and development to GDP has been increasing overtime, there remains a high level of uncertainty on the ability of the sector to adsorb a great proportion of the labour force in the short run due to limited of skills and capacity of the country's workforce in the petroleum exploration. However, it is still estimated that oil production in the country will begin 2018.

Table 33: Planned and actual Expenditures on Oil and Gas

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocations and ratio to GDP**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
Energy & Mineral Dev. **(UGX billion)**	47	57	62	166	31	47	64.78	142.78
Petroleum **(UGX billion)**					7.89	14.57	23.79	46.25
Allocation Petroleum Exploration and development to National Budget (%)					0.11	0.32	0.38	0.28
Ratio of public expenditure on Petroleum to GDP (%)					0.02	0.03	0.04	0.03

A total of twenty (20) exploration and appraisal wells were drilled during 2012/13 bringing the total number of wells drilled in the country to date to ninety two (92). Eight one (81) of these wells encountered oil and gas in the subsurface representing a drilling success rate of over 88%.

By end of 2012/13, more oil and gas discoveries had been made in the country which gives way to more anticipated and commercially viable discoveries of oil and gas deposits as the explorations go on. It is estimated that these discoveries made to date can support production of over 100,000 barrels of oil per day (BOPD) for twenty five (25) years which makes them sufficient to implement a large scale refinery in the country.

One oil discovery, the *Lyec* discovery was made during the year 2012/13 bringing the total number of petroleum discoveries in the country to twenty one (21). The total petroleum resources in these discoveries are now estimated at 3.5 billion barrels of Oil in place out of which between 1.2 and 1.7 billion barrels of oil equivalent are estimated to be recoverable.

In line with the Petroleum Supply (General) Regulations, 2009 which aims at streamlining the downstream petroleum sub-sector, Government has relicensed all industry players. A total of 167 companies were issued with petroleum operating licenses and forty seven (47) Petroleum Construction Permits. A total of one hundred twenty five (125) companies were issued with Petroleum Operating Licenses and thirty two (32) Petroleum Construction Permits were issued.

Government signed an agreement with Hared Petroleum Limited to refurbish stock and operate Jinja Storage Facilities. The refurbishment of the facility was completed and a bonded warehouse number WO334, was issued. The facility will be stocked with 12 million litres (8 million for AGO; 4 million for PMS) as a strategic reserve and 18 million litres (12 million for AGO; 6 million for PMS) as a trading stock.

In more effort to enhance growth of the sector, the Governments of Uganda and Kenya are procuring a Private Investor for the pipeline to transport refined petroleum products between Eldoret-Kenya and Kampala-Uganda.

4.1.5 Information and Communication Technology (ICT)

The Ugandan ICT market is growing at a cumulative annual growth rate of over 25% with significant growth seen in areas of mobile devices, computer applications, information processing, storage and dissemination as well as mobile finance, e-finance, global connectivity and online trade.

In order to develop ICT sector in the country, the NDP envisaged implementation of the following strategies; Development of ICT infrastructure; promotion of the use of ICT in business and service operations (e-commerce and e-government) and utilization of ICT as a business; development of Broadcasting infrastructure; development and implementation of policy, legal and regulatory framework for systematic sector development; and promotion and use of Library Services and Postal Services.

According to World Bank econometrics analysis of 120 countries, for every 10-percentage point increase in the penetration of broadband services, there is an increase in economic growth of 1.3 percentage points. ICT sector contribution to Gross Domestic Product has increased to 6.5% in 2012/13 from 1.6% in 2011/12 and is considered as a major contributor to national revenue. The sector has attracted an investment in excess of US $73 Million employing over 1 million people.

For the first three years of the NDP period, the ICT sector budget share to national budget has been oscillating around 0.13 percent almost same as the NDP target of 0.1 percent and its share of public expenditure on it to GDP has been around 0.03 per cent for 201011, 2011/12 and 2012/13.

Table 34: Planned and actual Expenditures in ICT

Sector	NDP Budget (UGX billion)				Actual Budget Allocations and ratio to GDP			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
ICT **(UGX billion)**	6	6	7	19	14	13	15.11	42.11
ICT Budget Allocations to National Budget (%)					0.14	0.13	0.19	0.20
Ratio of public expenditure on ICT to GDP (%)					0.04	0.03	0.03	0.03

Source: Annual Budget Performance Reports, MFPED

Towards achieving its objectives of enhancing; access to quality, affordable and equitable ICT services country-wide, use and application of ICT services in business and service delivery, access to quality affordable and equitable library services and Rejuvenation of the application of postal services country-wide, the sector undertook the following initiative during FY 2012/13:

In order to establish an enabling environment for the growth and development of ICT in the country a number of policies, acts and laws were passed during the year. Among these, the Uganda Communications Act, 2013 was enacted and assented to by H.E. the President; the E-waste management policy, Uganda Country Code Top Level Domain name (ccTLD) Policy and the strategy for rationalization of IT services in MDAs and LGs were approved by Cabinet; plans and regulations to operationalize the Cyber laws were completed.

Other policies that were completed and disseminated include; the Postal Policy and the Digital Migration policy. The sector through the telecom service providers enforced the national SIM card registration. By the end 2013, over 90% of the 17.6 million subscribers had been registered.

Towards enhancing the use of ICT services in business and service delivery, the sector developed an e-government Master plan in collaboration with the Government of the Republic of South Korea and established a directorate of Information Security was established in NITA-U to spearhead information security management.

In the same effort, the Business Process Outsourcing incubation centre was maintained and operators provided with internet bandwidth and utilities. This consequently, increased the employment opportunities from 65 agents to 100 agents in the centre.

In order to enhance access to quality and affordable ICT services, efforts were directed towards the Commercialization of Phase 1 and 2 of the National Backbone Infrastructure (NBI) which was completed and handed over to the commercial manager. Phase 3 of the NBI was redesigned to include an alternative route to the submarine cables through Tanzania via Mutukula;

As a way of bringing ICT services closer to the communities, Under the Rural Communication Development Fund, 127 ICT laboratories were set up in secondary government schools and tertiary institutions bringing cumulative total to 953 ICT laboratories and in addition to this, Two District Business Information Centre (DBICs) were set up in Tororo and Kitgum districts bringing the total number to 12 centres in the whole country.

However, the country still lags behind in the penetration and access of ICT services in the different regions which impact on social life especially that ICT is now a basic resource as far as development and service delivery is concerned and creation of employment opportunities.

4.1.6 Housing Development

Uganda has continued to pursue the objective of having planned settlements. Over 80% of Uganda's urban population lives in slums[4]. This comprises about 4.5 Million people. This growing population of Uganda's slum dwellers is attributed to the increased unplanned construction for human settlements especially in the urban areas.

It is estimated that housing need for Ugandans could hit eight million by 2020 if nothing is done to arrest the situation. Formal supply of housing is not keeping up with the demand – mainly because Uganda has only a few well capacitated formal housing developers.

The NDP espouses housing development through a number of strategies that include: development of a comprehensive national housing policy, law and investment plan; development of Information, Education and Communication Strategy (IEC) strategy to sensitize the public; promotion of rural housing development schemes; implementation of the national slum upgrading strategy and action plan; increasing accessibility and availability of long-term affordable housing finance; provision of technical support to Government, public and private sector on housing, and providing technical support to earthquake and other disaster prone areas.

A number of larger developers, both local and foreign, have entered the market recently, such as the Kensington Group from Dubai UAE, Pearl Estates, Nationwide Properties, Akright Projects and more recently Highland Heights. These developers however contribute only a modest number of units, mainly to the middle to upper income categories. At the lower end of the income spectrum, the government in conjunction with donors such as Danish International Development Agency (Danida) and UN-Habitat has got involved in a number of local housing initiatives with women's groups as well as slum upgrading initiatives.

As a way of closing the hosing gap, other housing projects that have been announced include funding by DFCU using a credit line from Norfund for a project for 2000 low cost houses using prefabricated technology, to be developed by Akright Projects. Iranian investors launched a USh600 billion (US$260.8 million) investments named Haba Nace consisting 4,000 housing units in Bwebajja. Nationwide Properties, a real estate venture between Property Services and Mukwano Industries is constructing another 1,300 up-market residential houses estimated to cost about USh282 billion (US$122 million), at Butabika Hill in Kampala. Akright plans to construct 4 000 new houses in the next five years in Kampala

[4] UN Habitat Report

and Wakiso District, each costing about USh47million (US$25 000) or less, on 20 year mortgages. Also, the NHCCL plans to build 8 728 housing units by 2014.

The achievements towards the NDP objectives and targets in line with Housing Development sub sector for the FY2012/13 include; the production of Prototype plans for 10 districts of Kiryandongo, Buliisa, Kamwenge, Masindi, Hoima, Kyenjojo, Kabarole, Bundibugyo, Ntoroko, and Kyegegwa, the development of plans and regulations to operationalize the land lord tenant bill, the establishment of 2 housing cooperatives, and the opening of Kasoli, Chem woko, Otieng lane, Kasoli lane roads in Kasooli Housing project area. In similar effort, construction of 45,580 new housing units was undertaken by the private sectors which increased the housing stock to 6,301,500.

4.2 SOCIAL SECTORS

4.2.1 Population

Uganda continues to experience one of the highest population growth rates in the world (3.2%), third highest after Yemen and Niger (World Population References Bureau 2013, UNDP 2012). The UBOS Abstract 2012 estimates total fertility rates for Uganda at 6.2 in 2012 from 6.9 in 2010. Infant mortality rate (IMR) also declined over the same period from 76 per 1,000 live births in 2010 to 68 per 1,000 live births in 2012 and 54 per 1,000 live births in FY2012/13 while Maternal Mortality Rate (MMR) increased from 435 per 100,000 live births in FY2005/6 to 438 in FY2012/13. This has been attributed to absence of emergency obstetric care arising from a poorly resourced referral system; inadequate trained midwives; negative attitude of health workers; and the use of traditional birth attendants and the conditions they operate in.

The strategies in the NDP aimed at promoting a healthy population for national development include: commitment to population and development linkages and appreciation of community initiatives in response to population and development issues; promotion of access and use of population and health information; advocacy for affordability, availability and accessibility of quality health services; ensuring established population groups have functional and competitive skills and are increasingly participating in education, training and functional literacy programmes; increasing the ability of households to earn and allocate higher incomes to meet national nutrition and food security standards, and to demand appropriate sources of clean energy while conserving water and soils; ensuring communities and individuals utilize available health services and adhere to good sanitation practices; promoting adherence to a manageable family size among couples; and ensuring planned urban infrastructure with adequate employment and amenities for education, health, water and waste disposal.

During the financial year under review, the National Planning Guidelines were developed for all Sectors to integrate population issues into their development frameworks. Implementation of the National Nutrition Action Plan continued under the coordination of the Office of the Prime Minister.

4.2.2 Education and Sports

The NDP placed great emphasis on expanding access to education at all the three levels of — primary education, secondary education, and higher education— as well as improving the quality of education. This was to be achieved through the reduction of costs of education to families; programs targeted at disadvantaged children and youth; expansion and improvement of primary school infrastructure facilities; provision of quality materials to increase pupils' achievement of literacy, numeracy and basic life skills; strengthening the teaching force; expansion and improvement of BTVET facilities and enhancing equitable access to sports.

Over the first three years of implementation of the NDP, the proportion of the Education and Sports Sector budget to the National budget has been fluctuating from 17.6% in FY2010/11, to 15.5% in FY2011/12 and 17.13% in FY2012/13 below the NDP target. As a result, expenditure per pupil as a percentage of GDP per capita has remained low ranging between 0.38% in FY2010/11 and 0.46% in FY2010/2013. Despite the decline, the ratio of public expenditure per student to GDP per capita increased from 8.3% to 9.3% over the same period. The ratio of public expenditure on Education and Sport to GDP has been above two per cent.

Table 35: Planned and actual Expenditures on Education and Sports

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Education and Sports	345	424	515	1,284	1,137	1,259	1,323.55	6287.35
Primary					619.61	657.74	695.87	1973.22
Secondary					256.16	274.97	293.78	824.91
BTVET								
Capitation Grant – Primary					38.32 (8,297,780)	49.68 (7,099,083)	49.68 (7,051,790)	137.68
Capitation Grant – Secondary					68.96 (686,403)	80.21 (718,000)	104.93 (736,955)	254.10
Expenditure per pupil as a per cent of GDP per capita					0.38	0.57	0.46	
Expenditure per student as a per cent of GDP per capita					8.29	9.18	9.31	
Ratio of public expenditure on education and sports to GDP (%)					2.91	2.53	2.42	2.81
Share of Budget allocation (%)					17.67	15.55	17.13	16.70

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

Overall, there has been a steady increase in enrolment of pupils over the last three years from 8,022,540 (male 4,002,269; female 4,020,271) in 2011 to 8,337,069(4,168,939 boys; 4,168,130 girls) in 2012 and 8,390,674 (4,205,388 boys; 4185,286 girls). This has largely been attributed to the growing number of primary schools both government and private from 17, 679 in 2012 to 17,899 in 2013 which has further led to increase in the number of classrooms in primary schools from 143,443 in FY2010/11 to 144,513 in FY2011/2012 and 147,352 in FY 2012/2013. With the increase in classrooms outstripping that of enrolment, Pupil Classroom Ratio (PCR) has remained at 57:1. Pupil Teacher Ratio also remained static at 45:1 (54:1 gov't and 24:1 private) due to the increase in recruitment of teacher from 170,652 (Male 100,321; Female 70,331) 2012 to 172,475(Male 100,934; Female 71,541) in 2013.

During the FY2011/12, gender parity in primary education was maintained at 50% for both boys and girls. The quality of education in primary schools improved with the percentage of pupils at P.3 level rated proficient in literacy and numeracy increasing from 53.80% (52.10% boys; 55.60% girls) to 53.856.12% (53.87% boys; 56.42 girls) in 2012; and 69.8% (70.6% boys; 68.8% girls) in in 2013. At P.6, 40.15% of the pupils were rated competent in literacy in FY2012/13 compared to 40.80% in FY2011/12, registering a 0.65% reduction. Equally, proficiency in numeracy rate reduced from 45.2% in FY2011/12 to 41.4% in FY2012/13.

At secondary education level, emphasis was to be put on enhancing access to secondary education through the implementation of Universal Secondary Education (USE), expansion, equipping and improvement of school facilities, and effective and efficient inspection of schools.

During the period under review, total student enrolment in secondary schools was 1,257,378 (672,828 girls; 584,550 girls) from 258,084 (662,003 boys; 596,081 girls) in 2011 and 1,251,507 (671,347 boys; 580,160 girls) in 2012. Gross Enrolment in secondary education improved from 28% (30% boys; 26% girls) in 2012 to 27% (29% boys; 25% girls) in 2013 while Net Enrolment increased to25% (26% boys; 24% girls) in 2013 from 24% (25% boys; 23% girls) in 2012. The increase in total enrolment in secondary schools can largely be attributed to the increase in student enrolment under USE program from 751,867 (408, 441, boys; 343,426 girls) in 2012 to 806,992 (372,519 boys; 372,517 girls) in 2013. There was an improvement in the gender disparity in enrolment with the ratio of girls to boys increasing to 47% in 2013 from 46% in 2012.

Like at primary level, the total number of secondary schools increased from 2,531 (1,007 Government 1,524 Private) in 2012 to 2793 (1,008 Government, 785 Private) in 2013. The number of secondary schools both government and private implementing USE program also increased from 1,647(904 government; 743 private) in 2012 to 1,919(1,024 government and 879 private) in 2013 with the biggest share being Government.

Total enrolment in BTVET Education increased during the financial year under review, from 21,180 in 2012 to 23,498 in 2013 while under UPPET program, enrolment in BTVET institutions increased from 7,932 in 2012 to 8,206 in 2013. The gender gap at BTVET continues to widen with 4,588 female enrolling against 16,592 male.

Total enrolment in higher education increased from 179,569(110,255 male; 86,135 female) in FY 2011/12 to 198,066(111,831 male; 86,235 female) in FY2012/13. The percentage of female students enrolled to total enrolment increased by one percentage point.

Furthermore, lecturers with PhD increased from 8.5% in FY 2011/12 to 10% in FY 2012/13, while those with Masters Degrees increased from 27.8% in the previous financial year to 39% in 2012/13.

In FY2012/13, a number of facilities were constructed within the different education institutions to accommodate the increasing number of students. Under primary education, 60 new classrooms were constructed and 42 others rehabilitated across the country. With support from the ADB and the World Bank 30 secondary schools were renovated and eight new ones constructed. Additionally, twenty four new classrooms and teachers' house were constructed also constructed. Under BTVET programme, twenty nine classrooms were constructed, eight rehabilitated and 42 libraries rehabilitated.

In order to further support and sustain both UPE and USE, Government continued to provide tuition support to all eligible students. During the FY2012/13, UGX49.68 billion was paid for 7,051,790 pupils in primary school and UGX104.93 billion to 736,755 students in Secondary schools in form of capitation grants.

4.2.3 Skills Development

The NDP sought to enhance skills development as a way of imparting applied knowledge for formal and non-formal employment. This is to be achieved through the review of curricular; setting up of incubation centres; integrating business skills development; establishing a youth fund; participation of private sector in skills development; and improving skills development facilities.

Progress has been made over the last financial year in shifting focus from only BTVET programme to a more comprehensive approach 'skilling Uganda' which has been adopted under the Sector's strategic plan of2011-2020. The approach is aimed at creating employable skills and competencies relevant in the labour market.

During the FY2012/13, Government supported youth and children in nineteen districts aimed at promoting entrepreneurial skills among the youth. Government also established a youth Livelihood program to be rolled out to all 112 districts and KCCA.

Despite the progress made, skills development continues to face a number of challenges including negative attitude towards vocational and technical training. In addition, the capital investment requirements for technical schools are much higher than for ordinary schools, hence, there is need for heavy public sector intervention in establishment of technical schools.

There has also been limited progress in establishing and effectively operationalizing vocational training. The adoption of universal primary and secondary education has created a need for scaling up of BTVET programme. The dilemma that must resolved is the balancing of the intra budget allocations across the sub-sectors of education, namely; primary, secondary, tertiary and BTVET. Focus should be placed on primary and technical training

There is also a challenge of high youth unemployment largely emanating from lack of skills and limited employment opportunities. The focus should be on skills development at all levels to enhance youth employability and increased value addition within the country for faster job creation. However, starting 2014, the youth will access the youth fund.

4.2.4 Health and Nutrition

The NDP placed great emphasis on reducing Infant Mortality Rates (IMR), Total Fertility Rate (TFR), Maternal Mortality Rate (MMR) and under-nutrition among children; ensuring universal access to quality Uganda National Minimum Health Care Package (UNMHCP) with emphasis on vulnerable populations; ensuring that all levels of the health system carry out their core functions effectively and efficiently; increasing motivation, productivity, performance, integrity and ethical behaviour of human resource; mobilizing sufficient financial resources to fund the health sector; improving access to quality health services at all levels in both the public and private sector; and implementing the national health policy and the health sector strategic plan.

During the period, Infant Mortality Rate (IMR) declined from 76 per 1,000 live births in 2010 to 68 per 1,000 live births in 2012 and 54 per 1,000 live births in 2013. The total fertility rates were estimated at 6.9 in 2010 and 6.2 in 2012 (UBOS 2012). Maternal Mortality Rate (MMR) increased to 438 per 100,000 live births in 2012 from 435 per 100,000 live births registered in 2005/6. The level of stunting (height /age) and wasting (weight /age) among the under-five children was estimated at 33% and 14% respectively according to the UDHS 2011. Despite the good progress registered over the period, the quality of health services at health centres across the country remains low and the NDP targets for infant, child and maternal health are not likely to be met.

Budget allocations over the first three years of the NDP have been mixed with the proportion of Health Sector allocations to the National budget falling sharply in FY2012/13 to 7.8 per cent having increased to 15.5 per cent in FY11/12 from 9.3 per cent in FY2010/11 against the NDP target for FY2012/13 of 11.3 per cent. As a result, per capita health expenditure as a percentage of GDP per capita remained low at 1.2 per cent over the three year period.

Table 36: Planned and actual Expenditures on Expenditure

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Health	790	939	2,089	3,818	1,137	1,259	1,323.55	3,719
share of budget allocation					9.34	15.54	7.83	8.64
Public expenditure on health as a per cent of GDP					2.91	2.53	2.42	2.59

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

In FY2012/13, a total of 21 million LLINs were procured and distribution to be completed by January 2014. TB Treatment Success Rate increased from 71.1% in FY2011/12 to 79% in FY2012/13. DOTS coverage increased from 47% in 2011/12 to 55% in 2012/13. The proportion of new TB smear positive cases notified compared to the expected (TB CDR) has decreased from 57.2% in 2011/12 to 54.5% in 2012/13.

During the period under review, the percentage of deliveries in health facilities increased from 38.1% in FY2011/12 to 41% in FY2012/13. The percentage of mothers delivering in public health services with access to mama kits increased 82% while those attending the 4 Antenatal clinic visits declined from 34.2% in FY2011//12 to 31% in FY2012/13. Coverage for immunization services of children below one year immunized with third dose of pentavalent vaccine (DPT3) increased from 85% in 2011/12 to 87% (1,319,860 children out of 1,520,347 targeted, of which 88% were males and 85% females).

With regard to immunisation against measles, 85% (1,285,020 children out of 1,520,347 target, of which

86% were males and 83% females) of one year old children was immunized during the financial year under review. The percentage of pregnant women who completed second dose of Sulphadoxine/Pyrimethamine (S/P) for Intermittent Presumptive Treatment (IPT) for malaria also increased from 44% in FY2011/12 to 47% in FY2012/13.

The percentage of approved posts filled by health workers in public facilities improved over the period from 58% in FY2011/12 to 63% in FY2012/13. Staffing levels at district level excluding referral hospitals increased from 55% in FY2011/12 to 60.5% in FY2012/13 with a significant increase registered at HC IIIs and HC IVs at 70% and 71% respectively. This level of performance was attributed to the recruitment of additional 7,619 health workers (7,211 GoU funding & 408 GFTAM); including both the trained health workers, administrative and support staff in public health facilities. Per capita Out Patient Department (OPD) utilization rate continued to be above the annual HSSIP target of 1.0 at 1.1 (15,094,349 males, 15,094,349 females) in FY2012/13 compared to 1.2 in FY2011/12. Despite the good progress registered in recruitment of health workers, the quality of health services in the country remains largely low with most of the specialized cases and complications referred to Nairobi, New Delhi, Khartoum and Johannesburg.

4.2.5 HIV/AIDS

The NDP envisaged building effective HIV/AIDS response system through strengthening of the policy, legal, social and community response framework and institutional coordination; strengthening the policy, legal, social and community HIV/AIDS response framework; increasing access to prevention and treatment of HIV/AIDS and opportunistic infections, ART and treatment of opportunistic infections, and support to income generating activities for those affected; and scaling up social support to affected households.

According the recent AIDS Indicator Survey (AIS) of 2011, HIV prevalence rate among Ugandan adults was at 7.3% from 6.4 per cent in 2005/06. This was partly due to the increased rate of new infections and an improvement in the survival rate as more and more people leaving with HIV get access to ART services. The percentage of children exposed to HIV from their mothers accessing HIV testing within 12 months increased from 32.3% in FY2011/12 to 46% in FY2012/13. The consolidation of Early Infant Diagnosis (EID) testing at the Central Public Health Laboratory (CPHL) has significantly reduced the unit cost from

$22 to $5 per EID test. This has significantly reduced the result turnaround time from over 45 days to 2 weeks which strengthens the treatment regime.

During the financial year under review, the percentage of eligible people receiving ARV treatment therapy increased from 59% in FY2011/12 to 76% in FY2012/13. This has been attributed to increase in the number of individuals accessing ART currently at 566,123 (76.5% coverage) with 1,073 health facilities including 2 referrals, 13 regional referrals hospitals, 114 general/district hospitals, 187 HC IVs, and 700 (63%) Health Centre III and II providing ART services and 2,138 health facilities (48%) providing PMTCT services (including 129 hospitals, 187 HC IV and 1,034 HC III and 733 HC II).

4.2.6 Water and Sanitation

In order to increase access to clean and safe water and sanitation services, a number of strategies are to be pursued which include: the construction, maintenance and operation of water supply systems in rural in order to increase access from 53% to 77% by 2015; construction, maintenance and operation of the water supply systems in urban areas to increase access from 60% to 100% by 2015; promotion of good sanitation and hygiene practices and improve its access to 80% from 69% in rural areas and 100% from 77% in urban areas; and increase sewerage systems in urban areas.

Overall, public expenditure on water and sanitation as share of GDP over the first three years of implementation of the NDP ranged between 0.1 to 0.3 per cent. The proportion of Water and Sanitation allocations to the National Budget increased to 2% in FY2012/13 from 1% in the previous FY2010/11. Despite the increase in allocations, the per capita water and sanitation expenditure as a percentage of GDP per capita remains low at 0.3%.

Table 37: Planned and actual Expenditures on Water and Sanitation

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Water & Environment	158	194	230	582	172	153	369.10	694
Rural water supply and sanitation					66.88	80.235	93.59	241
Urban water supply					13.71	48.655	83.60	146
per capita water and sanitation expenditure as a per cent of GDP per capita					0.21	0.26	0.32	0.10

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

Access to safe water within 0.2 km in urban areas increased from 69% in FY2011/12 to 70% in FY2012/13 while safe water coverage in rural areas within 1.5 km stagnated at 64% for the second year in arrow having fallen from 65% in FY2010/11. The gradual reduction in the number of people served over the last 3 years in rural areas is partly due to creation of new districts as considerable investments from the district water and sanitation conditional Grant (DWSCDG) went into establishing new district water offices, purchase of Transport and Office and low functionality of water sources in rural areas recorded at 84% in FY2012/13.

The percentage of urban population with access to improved sanitation increased marginally from 81% in FY11/2012 to 82% in 2012/13. This was attributed to the increasing urban population and the resultant unplanned settlements in urban areas. The national sewerage service coverage remains very low at only 6.4%.

The proportion of households with latrines (all types of latrines) declined from 70% in FY2011/12 to 68% in FY2012/13 while access to hand washing facilities in primary schools was at 35%, two percentage points higher than it was in the previous financial year. Reports from some of the districts however, indicate that many hand washing facilities in schools had no water for the most parts of the day.

4.2.7 Social Development Sector

Social Development is to focus on diversifying and providing comprehensive social protection measures for the different categories of the population; promoting gender mainstreaming in development plans, programs and projects; reducing gender based violence and promote women's rights; and strengthening the systems for promotion of human rights and prevention of human rights abuses.

The Social Development sector allocations as a percentage of National Budget has remained very low over the years registering 0.3% in FY2012/13 down from 0.5% in 2010/11.

Table 38: Planned and actual Expenditures on Social Development

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocations (UGX billion)**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
Social Development	31	36	41	108	24	34	28.61	87
					0.45	0.55	0.35	0.46
Public expenditure on social development as a per cent of GDP					0.06	0.07	0.05	0.06

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During the FY2012/13, 5259 vulnerable persons were trained in vocational entrepreneurial and life skills; 50 vulnerable and marginalized groups accessed with start-up capital; 144 youth trained in vocational skills, and another 4,715 under PCY and Youth Venture Capital Funds in entrepreneurship skills; 10,000 books distributed to community and public libraries while 200,000 FAL learners enrolled ; 145 stakeholders were trained in the Human Rights Based Approach to planning; and 640 children and adults were withdrawn and settled from the streets of Kampala and other towns.

The Social Development Sector continue to be constrained by financing for social protection notably provision of services for the marginalized groups; functional adult literacy among others. There is need to identify more financing that is sustainable to support social development sector to address these key challenges.

4.3 ENABLING SECTORS

4.3.1 Legislature

The NDP places emphasis on effective legislation which is to be achieved through improvement in the quality of research and support services for Members of Parliament; promotion of researched, informed and knowledge-based debate in Parliament; increased advocacy and strengthened institutional relations amongst stakeholders involved in the legislative process; provision of adequate space in the chamber, and for offices and committee meetings; enforcement of the mandatory period of 45 days within which Bills must be attended to by Committees. Other strategies to be pursued include: empowering Parliament to print bills for assent and citizens to demand MPs to actively participate in Parliamentary sessions and committee meetings; strengthening Parliament's role and authority in overseeing the National Budget and policy processes, service delivery and performance of the entire Government.

The first three years of implementation of the NDP, have seen the budget allocation to Legislature as a percentage of the National Budget continue to rise from 2% in FY2010/11 to over 6% in FY2012/13 against the NDP MTEF projection of 1.5% in FY2012/13. This increase has been largely been attributed to the increasing number of MPs arising from the creation of new districts, municipalities and Constituencies.

Table 39: Planned and actual Expenditures on Legislature

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocations (UGX billion)**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
Legislature					158	255	232.63	646
Budget share					2.32	1.79	6.28	2.32
Public expenditure on legislature to GDP (%)					0.41	0.51	0.43	0.45

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During the financial year under review, 55 Parliamentary meetings were held, 72 oversight field visits carried out, and 80 committee reports produced for Plenary. With regard to legislation, sixteen Bills were passed, 1539 sessional committee meetings held and 72 oversight field visits carried out. Parliament also carried out best practices benchmarking tours in other Parliaments especially those under Multi-party dispensation.

Despite the gains made by the Sector, the growing size of Parliament continues to be of great challenge due to the rising public expenditure, quality of debate with higher numbers and reduced delivery of services to the public.

4.3.2 Justice, Law and Order Sector

The NDP highlights a number of development strategies to be pursued by the Justice Law and Order Sector (JLOS) and these include: fostering the faster enactment and availability of laws and their continuous revision; promotion of the independence of the judiciary; enhancing due process; enhancing transparency, accountability and ethics across JLOS institutions; and creating more awareness on the value of administration of justice in the country; enhancing human rights awareness and practices at institutional and sectoral levels and reducing human rights violations in JLOS institutions; rationalizing physical access and availability of JLOS institutions and functions; minimizing financial bottlenecks hampering access to justice; promoting use of alternative conflict resolution mechanisms (ADR) and innovative approaches to enhance justice; supporting National Community Service program; strengthening capacity of local council courts to ease access to justice; and enhancing quality of delivery of justice and minimizing technicalities that hamper access to justice.

Others strategies to be pursued by the Sector include: enhancing JLOS response to crime; reducing the rate of recidivism; strengthening crime prevention mechanisms; promoting safety of persons and security of property; controlling, preventing and reducing proliferation of small arms and light weapons; increasing non-tax revenue collections; and strengthening JLOS contribution to creating an environment that enables Uganda comply with and take advantage of regional, bilateral and international trade agreements.

Over the first three years of implementation of NDP, the proportion of JLOS Sector budget to National Budget declined in FY2011/12 to 5.8% from 7.6% in FY2010/11 before it could rise again to 6.6% in FY2012/13. Despite the fluctuations its share of the budget has remained above the NDP targets of 4.7% in FY2011/12 and 4.4% in FY2012/13. The share of public expenditure on JLOS to GDP also declined to 1% in FY2012/13 from 1.3% in FY2010/11.

Table 40: Planned and actual Expenditures on Justice Law and Order Sector (JLOS)

Sector	**NDP Budget (UGX billion)**				**Actual Budget Allocations (UGX billion)**			
	2010/11	**2011/12**	**2012/13**	**Total**	**2010/11**	**2011/12**	**2012/13**	**Total**
JLOS					621	573	577.39	1,772
Budget share					7.57	5.84	6.58	6.59
Public expenditure on JLOS to GDP (%)					1.59	1.15	1.06	1.23

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During the FY2012/13, seven Bills and fourteen Acts were drafted and published, as well as 42 statutory instruments, three ordinances and thirteen Legal notices. Four laws were revised;

two laws simplified and translated into local languages for instance the Local Council Courts Act was translated into Ngakaramajong and Ateso.

Within the courts of law, 110 Civil Appeals, & 44 Criminal Appeals were disposed of; 2,734 Civil suits, 1,183 commercial suits, 1,235 criminal suits, 1,576 land cases and 267 Anti-corruption cases disposed of in High Court; 27,918 cases at Commercial Courts, 16,061 cases at Grade 1 courts and 6,406 cases at Grade II courts also disposed of. CID Investigated and concluded 33,657 criminal cases and secured 8,422 convictions.

The sector has continued to implement the strategy on rationalized physical presence through provision of infrastructure and ensuring that the infrastructure is operational.

Through Citizenship and Immigration services (DCIC), a total of 76,066 passports of which 163 Official, 264 Diplomatic and the rest Ordinary; 433 East African passports were issued. 103 CTDs and 4,674 Certificates of identity were also issued. 9,161 work permits were issued to foreigners in employment in the country, 4,860 dependants of work permit holders issued with passes, 3,313 special passes issued as temporary facility to Aliens intending to regularise their stay in the country; 40,018 visas issued to visa prone travellers, 675 foreign visitors visas extended; and 30,120 National Identity Cards personalized.

4.3.3 National Defence and Security

The strategies to the develop the national defence and security sector include: human resource development, reorganization and restructuring of the sector, securing and maintaining of equipment, building up of defence alliances, reinforcing of defence diplomacy, building of strategic partnerships with the public and toughening of the reserve force, strengthening internal policing, early warning mechanisms, joint border security coordination, and stopping proliferation of Small Arms and Light Weapons (SALW); .strengthening Research, Development and Innovation; and rationalization of salaries and wages for army and police, and improving of; working environment, pension and gratuity management, provision of health services and the improvement of SACCOs and the Police and Defence shops

The first three years of NDP implementation, have seen a decline in the proportion of National budget allocation to the security sector to 9% in FY2012/13 from 28% in FY2010/11. However, the allocations to the national budget have remained high compared with the amount provided in the NDP to the security sector. The share of public expenditure on National Defence and security to GDP declined to 1.3% in FY2012/13 from 5.2% in FY2010/11.

Table 41: Planned and actual Expenditures on national defence and security

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Defence and security					2,042	984	749.07	3,775
Budget share					8.29	10.70	8.67	9.60

Public expenditure on defence and security to GDP (%)					5.23	1.97	1.37	2.63

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During 2012/13, the sector continued to focus primarily on protecting the Country's sovereignty and territorial integrity thereby ensuring a peaceful and stable nation for economic development.

The threats from LRA and ADF rebels were substantially minimised with no incidence of attack on the Country not reported. Specialized training was provided to 150 mid managers.

The External Security Organization provided intelligence on local and international terrorist groups such as ADF, LRA, supported regional peace initiatives including International Conference on Great Lakes Region and African Union, participated in security related activities as expected.

Force capabilities were consolidated, generated and maintained as well as welfare of troops on AMISOM.

4.3.4 Environment

The development strategies for attaining environment objectives to be pursued over the NDP period include: integration of environmental concerns in all development initiatives; strengthening the policy, legal and institutional framework to support environmental management; developing national, regional and international partnerships and networks to enhance trans-boundary environmental management; enhancing institutional collaboration between key actors for example UNBS, URA and NEMA to assist in regulating counterfeits and other non-environmental friendly products; increasing public awareness and environmental education; promoting compliance with environmental laws and regulations; and increasing and enhancing access to environmental information for investment and environmental management.

During the financial year under review, monitoring indicators for environmental issues in various Sectors including Water, Transport, Energy, Health and Education were developed. A total of 283 Environmental Impact Assessments (EIAs) were approved by NEMA; with majority of approved projects under infrastructure development such as Roads, Housing and Renovations, ICT (telecommunication masts) and industries (processing and manufacturing). EIAs for 2 other projects within and around the wetlands were also approved.

Under waste management, three composting plants were completed in Arua, Masindi and Hoima making the total twelve. Composting plants in the areas of Arua, Masindi, Hoima, Lira, Soroti, Mbale, Jinja , Mukono, Fort Portal, Kasese, Mbarara and Kabale were operational for the period under review. The towns and municipalities of Gulu, Tororo, Busia, Entebbe and Mityana were provided with solid waste management equipment. Relatedly, seventee municipalities were also supported to improve on their solid waste management systems and these included Arua, Gulu, Lira, Soroti, Mbale, Tororo, Busia, Jinja, Mukono, Entebbe, Mityna, Masindi, Hoima, Fort Portal, Kasese, Mbarara, and Kabale). Some of the support provided included; nine wheel loaders, 221 waste collection skips, sixteen skip lifters for eight municipalities and Capacity building for continuous improvement in efficiency and effectiveness.

4.3.5 Climate Change

Climate change is to be addressed through the talking the legal and institutional frameworks necessary for the implementation of United Nations Framework Convention on Climate Change (UNFCCC); re-definition of climate change as a development issue; providing and promoting incentives for clean development to reduce carbon emissions and implementation of climate change conventions.

During the FY2012/13, final draft for national climate change policy was developed. Its implementation strategy awaits approval by Cabinet. The guidelines for mainstreaming of Climate Change in national development plans were also developed through sector and local governments consultations while Uganda National Meteorological Authority Bill was approved by Parliament and assented to by H.E the President

4.3.6 Water Resource Management

The sub sector objective is ensure that Uganda fully utilizes its water resources for development and guarantees her water security. This is to be achieved through the promoting cooperation for equitable and sustainable utilization of shared water resources of the Nile and Lake Victoria Basins; monitoring the quantity and quality of water resources in the country; foster partnerships with relevant agencies; promote cost effective planning and development of water resources; strengthen the national data and Management Information System (MIS) for water resources management and development; and decentralize the management of water resources to the lowest appropriate scientific level (water management zones, catchments and or basins). Other strategies to be pursued by the sub sector, include: strengthening of national and regional capacity for water quality analysis; improve regulation and management procedures of large and small hydraulic works; strengthen the management and use of water reservoirs for fisheries, hydropower and lake transport; strengthen regulation of water use and waste water discharge to safeguard the water resources from over exploitation and pollution.

During the FY2012/13, mapping of the existing water use and all waste water discharging establishments as well as determination of the current and future water demands and pollution loads in Lake Victoria and Lake Albert basins was finalized. The demarcation and gazetting of Nakivubo wetland system was concluded with 72 pillars planted while for Kyetinda and Kansanga wetlands the process was still on-going. Other fragile ecosystems including the five critical wetlands in Kampala (Kinawataka, Lubigi, Nakivubo (32kms), Kansanga (18kms), Nyanama, Lutembe (46kms) and Kyetinda (5km)) and five others in the municipalities of Gulu, Lira, Mbale, Busheyi, Masaka and Jinja were yet be demarcated.

4.3.7 Meteorology

The intended strategies for achieving this sector objective included the overhaul, automation and interlinking of the meteorological system; enhancing of human resource capacities to strengthen observational and analytical capabilities, creating awareness and promoting use of meteorological services as well as strengthening the policy, legal and institutional framework for meteorological services.

During the financial year under review, Uganda National Meteorological Act was assented to by H.E. the President. The Act is intended to transform and improve on the delivery of meteorological services to the stakeholders. External and Internal audits of quality management systems were carried out in preparation for the attainment of ISO 9001:2008 certification. There was also continued provision of accurate severe weather information tailored for fishermen and users of Lake Victoria and farmers in Kasese district through partnerships and support from UKMet Office, World Meteorological Information System (WIS), MTN, Grameen and Ericson International.

4.3.8 Wetland Management

The realization of optimum ecological value and socio-economic benefits from sustainable use of wetlands is intended to be achieved through: conservation of the biodiversity value of wetlands; enhancing the ecological value of wetlands; ensuring sustainable use of wetlands for economic purposes; instituting and operationalizing appropriate policy, legal and institutional frameworks; restoring degraded wetlands and ensuring sustainable management; and promoting trans-boundary co-operation for sustainable management of wetlands.

Wetlands are recognised as national assets for development and an enabling resource for sectors such as agriculture/fisheries, health, tourism and energy. Major wetland types include seasonally flooded grasslands, swamp forest, permanently flooded papyrus, grass swamps and upland bogs. However, according to the 2008 wetland satellite survey, wetland coverage has continued to shrink over the years currently at 11.9% of Uganda's total land surface area, down from the 15.6% in 1994 registering a 4.7% percentage point loss. This could be attributed to majority of the wetlands having no management plans with only 12% of Uganda's wetlands having wetland management plans. Wetland Management plans have been developed for nine Ramsar Sites and five framework Wetland Management Plans developed for Okole -Arocha in Northern Uganda, Rwizi-Rufuuha in Western Uganda, Doho -Namataala in Eastern Uganda, and Ssezibwa in Central Uganda. Over 50 community-based management plans developed, of which some are being implemented. This area expected to increase following the finalisation of a framework management plan for Awoja.

During the FY2012/13, the National Wetlands Information System (NWIS) became operational and is now linked to the four Regional Wetland Coordination Offices. Plans are under way to connect the NWIS to all the Local Governments in Uganda. The NWIS is a tool that is expected to advance wetland management once the roll out is completed. Resource user guidelines and manuals to guide wetland management processes at various levels were printed and disseminated to stakeholders at both National and International levels.

In order to protect wetlands from encroachment and activities of man, 156.1Km of wetlands were marked with mark stones, pillars and beacons in Kampala, Bushenyi, Wakiso and Jinja. Another 47.5km of wetlands were also marked in Rwambu wetland in Kamwenge, 7km in Ruhimbo wetland in Isingiro Town council, and 33km in Kachera in Rakai District.

4.3.9 Statistics and National Development

The main objective of the subsector is to institute a consistent and coherent framework for coordination of the National Statistical System (NSS) and training and retention of personnel to facilitate the fulfilment of UBOS mandate and functions for implementation of the NSS. This is to be achieved through developing MDA and Local Government institutional capacity to generate and use statistics as well as promote information sharing at national level; availing short-to medium-term support to key tertiary training institutions; developing a critical mass of local tertiary institutional staff to provide graduate training in priority areas and reviving the East and Central African Regional Statistics Training Programme.

During the period under review, economic statistical indicators including: weekly and monthly Consumer Price Indices (CPI) to monitor inflation levels were developed. Population and Social Statistical indicators were also produced. In addition, the Urban Unemployment survey was carried out while Industrial and Agricultural statistical indicators were developed. The capacities of statistics Units for eleven Local Governments were boosted with training for statisticians on data management.

4.3.10 Standards & Quality Infrastructure

Strategies to be pursued under Standards and quality infrastructure include; adopting the use of standards in public policy and legislation; setting up a national conformity assessment regime that provides confidence in national capacity and competences in line with market requirements; developing and maintaining institutional capacity for development, analysis, implementation and dissemination of laws, regulations and standards in line with demonstrated priorities and anticipated needs in standardization; increasing awareness on standardization among public and private sector decision makers to enhance competitiveness and improve consumer protection; establishing a national co-ordination framework to enhance cooperation and coherence within the National standardization system; promoting the application and use of standards in industry to enhance quality and competitiveness; and evolving innovative and sustainable funding business models to attract increased funding. During the period under review, no significant progress was reported in this area.

4.3.11 Public Sector Management

Efficiency and effectiveness in Public Sector Management is to be achieved through the review of institutional mandates, roles, responsibilities and structures and building of sustainable capacity for Sectors and Local Governments for development planning; developing and maintaining skilled, able and committed human resource in the public service and developing the national human resource plan; institutionalizing a Result Oriented performance management system; implementing an accelerated pay reform strategy, a pension reform strategy; strengthening public service delivery accountability; improving public and Media relations management; improving work facilities and environment;

strengthening records and information managements systems to improve timeliness and quality of decisions made; ensuring adequate financing for priority public service delivery functions; improving value for money and downward accountability; and strengthening coordination of the implementation of Government Policies and Programs.

The proportion of Public Sector Management to the National Budget has continued to decline over the first three years of implementation of NDP from 11.8% in FY20101/11 to 10% in FY2012/13. However, despite the declining trend in the share of Sector to the National Budget, the allocations remained above the NDP projections. The share of public expenditure on public sector management to GDP declined from 1.9% in FY2010/11 to 1.3% in FY2012/13.

Table 42: Planned and actual Expenditures on Public Sector Management

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Public Sector Management					737.1	640.75	746.42	2623
Allocation share					11.83	10.83	9.98	10.84
GDP ratio					1.89	1.29	1.36	1.83

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During the FY2012/13, twenty two Ministries and seventeen Local Governments were supported and monitored in the implementation of the reward and sanctions framework. Performance Agreements was also rolled out to Accounting Officers with in twelve Government Agencies and Heads of Human Resource Management function in Ministries, Government Departments and Local Governments.

Organisation structures for nineteen urban councils were customized, a restructuring report of the sampled fifteen BTVET Institutions was produced, and a base line survey on a comprehensive review of LGs also conducted. Draft report on re-engineered recruitment system in Local Governments was produced and the migration of Government pay roll to IPPS was also commenced.

Under the Ministry of East Community Affairs, Uganda’s annual contributions to the secretariat for FY2012/13 were paid and all outstanding arrears cleared.

Under NPA; Uganda Vision 2040 was finalized and launched. The Annual National Development Report on the Performance of the Economy was also produced. Planning capacities of MDAs and LG planners’ was strengthened and the training of Uganda Integrated Macroeconomic modelling was underway.

Under Office of the Prime Minister; sixteen Bills were passed, seventeen Ministerial Policy Statements produced, the National NGO Policy approved by Cabinet Conducted. Sub-county accountability meetings (Barazas) were conducted in 39 districts. E-monitoring tools for all LGs were also rolled out.

4.3.12 Accountability Sector

The Accountability Sector is expected to pursue a number of strategies which include: ensuring efficient use of Government resources for better service delivery, effectiveness and impact of accountability policy and action efficiency and effectiveness in the implementation of broad accountability agenda; establishing professional standards, development of capacity building programs and promoting public demand for accountability; promotion of public demand for accountability, improving performance of accountability institutions; improving performance of accountability institutions and promotion of informed decision making and usage of data, and improve the welfare of citizenry.

Overall, the size of the economy grew at a rate of 5.1% compared to 3.4% in FY 2011/12 lower than the NDP target of 5.4%. Annual headline inflation was recorded at 3.6% while Core inflation at 6.4% for the FY2012/13. The stock of foreign exchange reserves amounted to US$3.3bn, equivalent to 4.5 months of import cover to mitigate external shocks. This is an improvement compared to US$2.6bn equivalent of about four months of import cover registered in FY2011/12.

External resources amounting to US$399.28 million in loans and US$96.67 million in grants were mobilized to finance the FY2012/13 budget and 34 loans worth UGX2.046bn were disbursed through microfinance support centre.

The Uganda Revenue Authority’s total revenue outturn for FY2012/13 amounted to UGX7.15 trillion against the target for the year of UGX7.28 trillion registering a shortfall of UGX 135.19 billion. NTR amounting to UGX 120.2bn collected over the same period. Despite the shortfall against the target, revenue collected grew by 15.16% from that collected in the previous FY2011/12. As a result, tax to GDP ratio grew from 12.5% in FY2011/12 to 13.1% in FY2012/13.

During the period under review, the Office of Auditor General carried out 1,603 financial audits, nine value for money audits; and these were all contained in the volume 5 of the Annual Audit report to Parliament. In addition, fifteen specialized audits were carried out and reports produced.

The Inspectorate of Government completed investigation of 377 complaints on alleged corruption and prosecuted and concluded 59 corruption cases.

The Directorate of Ethics and Integrity established integrity promotion centres in ten districts and disseminated the National Anti-Corruption strategy to twenty districts. Twenty new non-State organizations were brought on board to strengthen the Government efforts in mobilising the public to demand for service delivery.

The PPDA carried out 91 procurement audits, 45 investigations and made follow ups in concerned entities to assess the implementation of audit recommendations of the previous financial years and projects.

4.3.13 Disaster Management

Under disaster management, the plan is to develop and implement the national policy for disaster and risk reduction; develop capacity of MDAs, Local Governments, Private Sector and Civil Society in disaster risk reduction; build capacities and strengthen National and LGs and develop National and Local Government disaster preparedness plans.

During the FT2012/13, SEVEN main DRR platform meetings were held as a result of anticipated El-Nino rains. National and Local Disaster Preparedness Plans for all LGs were developed and capacity building and strengthening at national and LG level done.

4.3.14 SUB-NATIONAL DEVELOPMENT

In order to enhance democratic and political governance a number of strategies are to be pursued which include; harmonisation of Local Government policies, laws and regulations with those at the national level; review the LG by-laws and ordinances; Streamline the mandates and functions between Parliamentary Accounts Committee and the Local Government Public Accounts Committee; strengthen human resource capacities; Strengthen LG institutions and systems; and enhance revenue mobilization and management; consolidate peace and lay foundation for recovery and development in Northern Uganda through implementation of PRDP; focus on the implementation of the Karamoja Integrated Disarmament and Development Programme (KIDDP); finalize and implement the Luwero-Rwenzori Development Plan (LRDP) as an integrated affirmative and recovery plan for the twenty nine districts that were affected by insurgency. Provide support, under the broader PRDP framework, to household income enhancement initiatives of the poor and improve public infrastructure, access and utilisation of basic services in underserved communities through implementation of the Second Northern Uganda Social Action Fund (NUSAF2); create a conducive environment for local investments and promote community participation; and improve information flow and social accountability and

During the financial year under review, the implementation of affirmative programmes like KALIP, ARLEP, PRDP, LRDP and NUSAF 2 projects were on-going in the districts of Karamoja, Northern Uganda and Luwero-Rwenzori regions.

Under Local Government Inspection and monitoring; CAOs Performance Agreements were monitored in 111 LGs. 33 LGs were also supported in the use of MIS and LG Public- Private Partnership guidelines were developed. 40 IFMS LGs supported on the use of the system (141FMS Tier 1 LGs and 26 IFMS Tier 2 LGs). DLSP, CAIIP, MATIP, LGMSDP and UGOGO project implementation still on going across the country.

4.3.15 Public Administration

The first three years of implementation of the NDP have seen the proportion of national budget allocation to the Public Administration sector management decline to 3% in FY2012/13 from 4.3% in FY20101/11. The ratio of public expenditure of Public Administration sector to GDP also declined to 0.7% FY2012/13 from 1.3% in FY2010/11.

Table 43: Planned and actual Expenditures on Public Administration

Sector	NDP Budget (UGX billion)				Actual Budget Allocations (UGX billion)			
	2010/11	2011/12	2012/13	Total	2010/11	2011/12	2012/13	Total
Public Administration					496.6	310.9	389.62	771.52
Allocation share					4.29	2.54	2.95	3.19
GDP ratio					1.27	0.62	0.71	0.54

Source: Annual Budget Performance Reports, Annual Sector Performance Reports

During FY2012/13, Government under the Presidency successfully organized the Golden jubilee celebrations; monitored the performance of NAADs and SACCOs in various districts and monitored the performance of the roads sector in Kapchorwa, Jinja, Mbale, Sironko, Kabarole, Hoima, Kibale, Kyenjojo, Apac, Gulu, Lira, Alebtong, Kampala, Mpigi, Kayunga and Masaka. Inspections were also carried out to assess the status of mineral development in Uganda.

Inspections were conducted to track the progress of implementation of MATIP markets in Lira, Gulu, Jinja, Mbale, Wandegeya, Kabarole and Hoima; and as well as the performance of various Government programs and Projects in the different districts.

Under Ministry of Foreign Affairs and Missions Abroad, four ICGLR extra ordinary Summits which led to the peace talks between M23 and DRC government with Uganda as the chief mediator were held. Twenty nine MOUs / Agreements with various countries including South Korea and Sri Lanka were signed.

4.3.16 Regional and International Coordination

The NDP highlights a number of strategies to be pursued in order to strengthen regional and international coordination which include; initiation and coordination of implementation of foreign policy decisions relating to regional and international cooperation and development; initiation, promotion and coordination of bilateral, regional and multilateral cooperation; conclusion of bilateral, regional, and multilateral treaties and agreements between Uganda and other countries, multilateral and international organizations; and enhancing the capacity of the Ministry of Foreign Affairs to forecast and respond to emerging regional, international and global challenges.

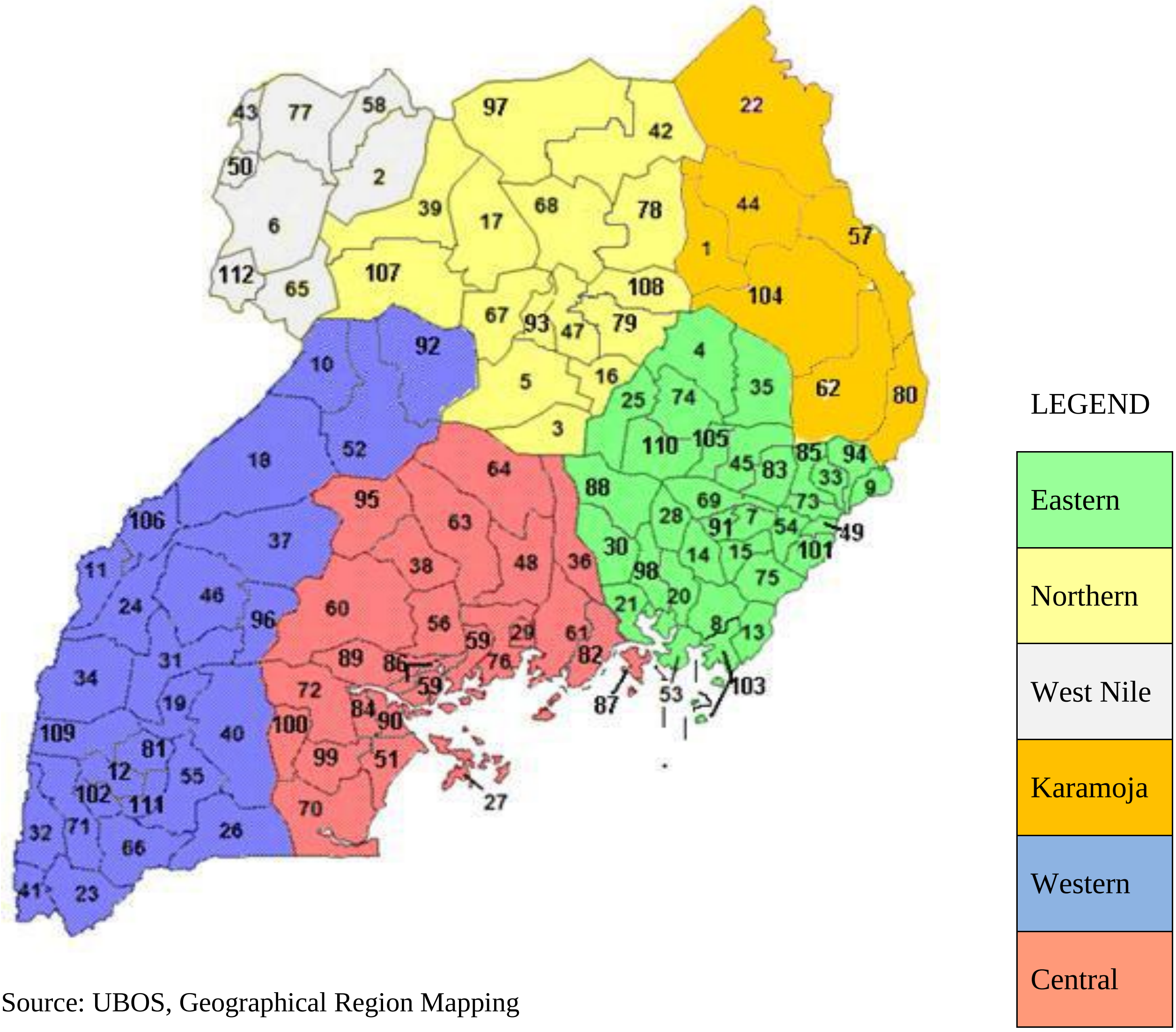
During the first three year of implementation of the NDP, Kiswahili language was introduced in primary schools and made compulsory in secondary school up to senior two (S.2). In terms of harmonization and domestication of treaties, the common market became operational (much as work is on-going on VAT and NSSF contribution). Bilateral trade negotiations were part of the negotiations under the Customs Union Protocol which is under operation. Work is on-going on mechanisms for preparation of the EAC Constitution to facilitate implementation of a political federation. The work of a Monetary Union Committee of the EAC partner states has been appointed and work is on-going towards a Monetary Union.

The major challenge has been the slow uptake of reforms necessary for the adoption of key commitments under the EAC protocol. There is a general lack of buy-in and knowledge of the benefits of EAC integration.

4.4 LOCAL GOVERNMENTS DEVELOPMENT PERFORMANCE

This section looks at the overall performance of selected districts representative of the Geographical regions in Uganda as spelt out in the NDP 2011/12 -2014/15 and the Uganda Vision 2040. These geographical regions include; Eastern, Northern, West Nile, Karamoja, Western and Central. The selection of the districts takes into consideration a number of dimensions including the age of the district (whether new or old), whether the district is a hard to reach or not and a diversity of cross cutting issues that affect service delivery.

Figure 11: Map of Uganda showing the regions and location of districts



Source: UBOS, Geographical Region Mapping

The assessment of performance of the selected Local government is structured around the following themes: economic Management; development Cooperation; Institutional framework; Policy and strategic direction; Political economy and the results framework

4.4.1 Economic Management

When the NDP was conceived, the plan was that even the LGs should use the NDP as the basis for their annual plans and budgets rather than engaging in multiple planning processes. The key question to be answered was the extent to which public expenditure and related accountability systems ensure alignment of budgets, spending and financial reporting with the NDP. Also it is important input for preparing the Vision 2040 from an economic management perspective what could be done to improve the NDP II. In this section analysis on economic management is provided about the LGs of Kayunga, Kiruhura and Bushenyi.

4.4.2 Alignment with the NDP

The District Development Plan (DDP) identifies a number of objectives that are aligned to those of the NDP. The objectives included: reduction of poverty and improving household incomes; provision of basic social services especially for education and health care; keeping all roads in motorable conditions especially community roads; modernizing agriculture by providing advisory services and infrastructure for marketing farm inputs, and restoring and protecting natural resources and encouraging land owners to acquire land titles.

Although at a higher level objectives have been aligned to those in the NDP, most of them do not have underlying performance targets upon which progress is to be measured which make the implementation of the plan very difficult.

The key challenges in implementation of the DDP relates to collection of local revenue where by Local Governments have not been able to raise the needed local revenue to finance most of the planned activities not prioritised under Central Government funding and grants which are tied to specific outputs. The local governments are also constrained by the poor road networks especially community access roads which are usually funded by local revenues.

On a special consideration, Kiruhura district which was recently curved out as a new district has realised successes that have been realized recently in the district upon the transformation of farming methods where most livestock has now been converted from the local breeds to cross or Friesian breeds. However, the key challenge in the district relates to being a water stressed district despite some efforts to provide water for production.

4.4.3 Progress on meeting the Binding Constraints

The key binding constraints envisaged in the District Development plans and National Development Plan include; poor state of road infrastructure, access to finance, access to education, and low incomes and employment levels.

Through the Road Fund, Local Governments continue to receive conditional grants to improve on the state of the road infrastructure in the districts. However, the funds remain very low considering the length of road network to be covered within a district. For instance, each sub county receives about UGX3 million per year to maintain their road network in a good condition.

With regard to access to finance, a number of SACCOs have been supported and village banks attracted to the different Local Governments. However, the challenge remains on regulation and management of the SACCOs and the high levels of lending rates.

Access to education continues to be addressed through the UPE and USE programmes through the construction of school facilities, provision of capitation grant, text books, and recruitment of teachers at both levels. The performance of these programmes is hampered by inadequate or no supervision of schools due to lack of transport for district officials to perform the function.

The limited access to electricity is being addressed through the rural electrification program. However, this has also been hindered by the high power tariffs and fluctuations in its supply.

Progress has been in increasing incomes and employment opportunities for people within the districts through the introduction of a number of value addition programs especially in the areas of agro processing under NAADS.

Despite the progress made in addressing the binding constraints, challenges still abound and these include; high turnover of health personnel; limited local tax revenues; shortage of water for production especially in the water stressed areas where majority are livestock farmers.

Relationship between NDP and Planning Process at the District

The key observation by the district planners is that the egg concept and the sectors in the egg yolk were not aligned in terms of budget allocation. This implies that what was planned for in the NDP is different from what is being implemented by the MOFPED in budgeting. Resources should also be allocated based on the importance of sectors and there should be room to readjust the NDP as sometimes activities planned can be overtaken by events. The fact that the government is also moving away from outputs to outcome, this should be reflected in the NDP, OBT and sector plans.

There is a complete disconnect between the District Development Plans, National Development Plan and the budgeting process spearheaded by the Ministry of Finance Planning and Economic Development. While the NPA provides some guidance at the beginning for the development of the DDP, it was reported that there is hardly follow up from the NPA. Following up is key in ensuring the quality of the DDP and the extent to which these documents are being implemented in the district. Based on the field findings, the monitoring and evaluation aspect of the DDP is still lacking.

How NDP implementation has contributed to improvements in productivity, private sector development and competitiveness

There has been tremendous growth of the private sector in business activities, industry and agriculture. The districts have also been at the forefront of promoting access to finance through SACCOs and groups. During 2012/13, districts put much emphasis on value addition to traditional products grown in the area. They have been able to enhance local economic development by facilitating PPPs. As a result of these increased private sector activities, there has been reduction in losses by farmers due to increased value addition and improved marketing.

4.4.3.1 Development cooperation

This section discusses development cooperation as it relates to aid and grants provided through on and off budget support. The analysis included only Amolator and Gulu Districts. Unlike Amolator, Gulu district is heavily supported by development partner funding. Gulu is the most populous town in Northern Uganda and the second most populous in the country. As such, many development partners, non-government organisations (NGOs) and agencies have programme offices permanently located in there.

At the time of the insurgency of the Lord's Resistance Army (LRA) there were large numbers of internally displaced people (IDP) in northern region. This region therefore on a whole became the focus of a major humanitarian response. Although humanitarian aid was largely delivered directly in IDP camps, some of this support was channelled through district government structures. In the wake of the 2006 ceasefire IDP slowly started to return home and the nature of external assistance started to change from emergency assistance to peace-building and socio-economic development. The Peace, Recovery and Development Plan (PRDP) was developed as a government framework for action and funding to consolidate peace and security, and to lay the ground for recovery and development in the North. The PRDP is now in a second phase that will run until 2015.

The PRDP however has been greatly affected by the scandal involving the misappropriation of donor funding that was uncovered at the end of 2012. As a consequence a number of donors froze their PRDP financing (alongside budget support). Local Government officers reported repeatedly during the visit that programmes have been postponed or cancelled as a result. An atmosphere of mistrust now pervades among implementing partners, donors, and recipients.

Donor Alignment and Planning

The fact that external funding is always comingled with government funds, it is not possible to specifically apportion impact or results to the donors. Where donors have implemented specific projects/programmes there is no system for identifying the contribution of particular donors.

Alignment to NDP objectives and progress

Development partners are particularly keen on measuring progress towards the MDGs because they continue to be the yardstick against which progress in reducing poverty is assessed. The Local Government officials felt meeting these targets and objectives more than meeting those of the NDP. Finding is also tagged to these international targets.

Alignment of Donor Programmes with District Planning Processes

On-budget support by development partners is aligned with the relevant sector plans and budgets and subject to the same district planning and results monitoring processes as government funded activities. There is a budget line in the district budget for donor contributions. Numerous respondents stated that donations come with their five-year plans that are not linked to the NDP. The donor funding does not always address the gaps that are available at the district level, and certain areas receive considerably more funding than others especially the front line sectors like roads, agriculture, health, water and education.

Capacity of districts to absorb increased levels of development partner funding directly

During the third year of the NDP implementation, we found that district officials expressed confidence in their ability to absorb more external funding although they acknowledged that there was a ceiling that would be reached where they would begin to struggle to effectively administer donor support. For example, it was noted that although Gulu received a large amount of additional funding through the PRDP, they were not allocated extra administrative resources to manage the utilisation of this finance (for example compared to districts which are not within the PRDP). Infrastructure and livelihood programs were identified as areas where they lacked capacity to administer grants.

These two Local Government office hosts a variety of forums and review meetings for implementing partners to provide a platform for discussing plans and review progress, however these meetings are poorly attended and clearly not a priority for partners. Given the funding that the district receives, they are particularly keen to ensure coordination between implementing partners especially to minimise duplication.

4.4.4 Institutional framework

This thematic report reviews the institutional framework for the NDP and covers four major aspects: an overview of the structure, roles, functions and mandates of key NDP implementing institutions; an assessment of the oversight and management architecture for NDP implementation; a review of the alignment and coherence of mechanisms for implementation, monitoring and oversight of NDP progress so far; and proposal of institutional changes that will ensure better implementation of this and subsequent NDPs.

The main blocks of the Institutional architecture comprises of four major components of the state namely: the Executive, Legislature and the Judiciary. In addition, there are also non-state actors that are key players on the functioning of the institutional set up namely civil society, private sector, academia and the media. The challenge remains the functionality of these institutions in a singular ethos that rallies all Ugandans and all productive forces around one Comprehensive National Development Framework. The districts assessed on this include Katakwi, Nakapiripirit and Kabale.

4.4.5 The role of the district and its linkage with other national level institutions

This is a critical area for discussion in order to assess how to maximize efficiency and effectiveness of NDP preparation, implementation and monitoring. From the field findings, the district had a 5 year Development plan linked to the NDP and the district work closely with Ministry of Local Government and Ministry of Finance (to whom reporting is done quarterly using the OBT).

From the districts visited, raised was the need to for unique interventions that are not adequately addressed explicitly in the NDP, even when they are elaborated in the district plans. From discussions held district plans are more linked to their respective sector plans than to the NDP.

4.4.6 The extent to which NDP implementation at the Local Government level has been enabled or hindered

The NDP priorities are said to be different from the needs of the local population. Cattle rustling, flooding and resettlement of people are the key needs but not targeted under the NDP for Katakwi district. Capacity has not been built for district establishments to understand what to do with the NDP.

In Nakapiripiriti the NDP has encouraged longer range planning, but without assurance that resources will be there to fund this plan. Also LG planning is aligned to the NDP in a way; that implementation is done at sub-counties although at this level financial and technical capacity is very low in Karamoja. Councillors who represent the people are in most cases not educated and unable to steer a technical process.

NPA guidelines suggest that districts do not have to collect annual plans and priorities from the lower local governments. Previously, this used to be the core activity of councillors and chiefs. While there is a guide at the district level for linking planning to the NDP, there is no guide at sub-county level. Guidelines should be developed in the second NDP to help link planning between NDP and Sub-county planning.

The extent to which institutions are working together effectively to develop, deliver and monitor cross sectoral policy outcomes / results relevant to the NDP

The district plans are coordinated by MoLG and MoFPED, but with the guidance from NPA. It’s currently not clear how Local Government plans fit into the NDP as a national plan. NPA needs to work with the MoLG and MoFPED to demonstrate the district contribution expected as part of NDP implementation.

The level of effectiveness in working of central and local government, civil society and the private sector to implement the NDP

In the three districts that were visited, there is an increased presence of NGOs and other CSOs. However, CSOs operating in the districts work in a disjointed manner and do not disclose their work-plans to allow cohesive implementation of district programmes. There is still a big gap between national planning and district planning. It is not easy to benchmark IPFs on national priorities to what CSOs and the private sector are doing.

Policy and strategic direction

The major elements of the NDP policy and strategic direction include: private sector led growth with strong public sector participation – quasi- market approach; equity and poverty reduction; monetary policy that supports growth; fiscal expansion for public investment for infrastructure; value addition for increased export earnings and employment; wealth creation through harnessing primary growth sectors; and fast tracking of skills development.

In this section focus is on the extent of alignment of policy and strategic direction in terms of its common understanding, consensus on the direction, evidence of integration with other high level documentation, links between the NDP and the Public Investment Plan (PIP) and funding, and alignment of the NDP with sectors and district development plans. The section also sets out options for strengthening the policy and strategic direction going forward. The districts for which this theme was assessed were Katakwi and Nakapiripirit.

Policy and related issues

Officials interviewed therefore observed the need to amend LG Act to align with the NPA Act. The current LG Act gives functions and schedules for LGs and therefore if not consistent with the NPA Act makes planning based on NPA guidelines confusing.

Amendment of the LG Act should define the relationship between the NPA, sectors and the districts or LGs. This will also pave way for more concrete and policy based alignment of district development plans (DDPs) with the NDP.

Incentives to attract and retain staff in remote districts need to be reviewed. Currently, there are too many vacancies at the district (at levels of 30-50 per cent), partly due to poor attitudes and bad working conditions. The NDP should also prioritise capacity development of staff at the LG level for effective and efficient delivery. Furthermore, the culture of hard work among the people is said to have collapsed. There is too much laziness, lack of business culture and too much consumerism, as well as apathy and corruption especially in procurement. Service delivery is said to be very poor and poverty remains a major issue. These situations need to be changed

The decentralisation policy is said to devolve to many functions without commensurate resources for execution of the functions. Due to limited resources in form of revenue, a number of devolved functions remain unperformed. The district suggests that either more money is released to the LGs to perform devolved functions or some of the functions should be recentralised and funded by the central government. Bottom-up planning is said to be hypothetical as feedback is not provided and budgeting does not normally take into account local priorities. In fact, in Kabale, the LCV Chairman observed that the NDP was not directly useful beyond a few district officials, that Parish Development Committees were dead, and that the NDP added hardly any value.

Meeting with a District NGO

The meeting established that the district NGOs were very aware of the NDP. During the National NGO Forum study on assessment of the impact of NDP done in 2012, it was established that the level of knowledge about NDP beyond a few district leaders was low. Consultations with NGOs in the district were done with limited assurance that the views expressed by the NGOs would not be considered and that there is no feedback from the district leadership after the consultations. And so, there is need to build capacity of civil society and create awareness about planning in the country, its usefulness and processes.

Some of the suggestions include re-focusing of the development interventions, through industrial policy for example, should target regions to address regional and sub-regional differentials. Concentration of industries in areas such as the central region of the country means more economic opportunities will be found in those areas while the rest of country will remain under-developed.

With regard to efficiency, the discussion also revealed that there is increased corruption, poor standards of service delivery, inefficiency and inadequate planning in the district. CSOs were consulted during budget conferences, but the private sector was not. Consultation with the private sector should be started for purpose of wealth creation. There is also a need to establish incubation centres, skills development centres such as BTVET, industrialisation, and agricultural development through advocacy, as well as business parks and value addition centres.

Revenue generation, urbanisation and creation of districts:

The districts have limited resources as more trading centres have been upgraded to town councils and town council to municipality (recall these are self-accounting bodies). Chiefs who are responsible for revenue collection for the district are said to be powerless; they have no law enforcement mechanisms to compel people to pay taxes. Limited revenue implies that the district has no capacity to manage road equipment for example. The district recommends a change in the conditionality of grants in light of reducing/dismal local revenues and an increase in funding to local governments so that departments can ably implement the NDP.

Agricultural inputs and advisory services:

NAADS has created a culture of giving free inputs. Some of the inputs are given out of season and no training in enterprise development is done prior to their distribution. The district official interviewed observed that as a strategy for sustainable development, the poor should sell their labour to entrepreneurs who should be supported to create wealth and employ others. Poverty reduction cannot be massive, covering everybody as is the current approach by the government where for example everybody is given goats (and some even sell them). They also highlighted limited follow up to ensure compliance. There is a need to align NAADS with NDP to sustain some of the successes that have been recorded like value chain processes. The zoning policy should be implemented and planning at the central government level should be aligned to seasons for agriculture, especially with respect to releases of funds.

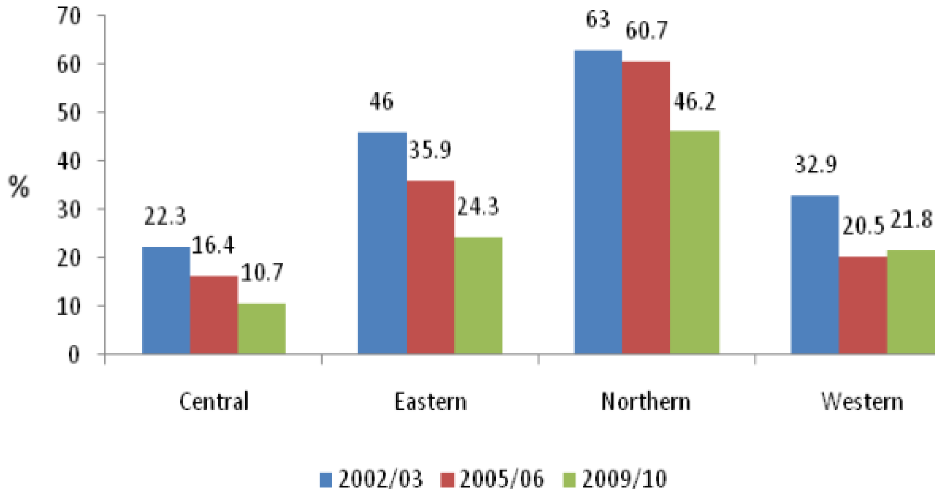
Political economy

This report is based on the field study conducted in Amolotar and Gulu districts to inform the political economy thematic area that is part of the National Development Plan. The analysis of this report is based on a field visit and a series of interviews with key informants (both political and technical staffs) of Amolotar and Gulu district. This section highlights the factors that constrain the state’s capacity to deliver the NDP in the districts. The capacity of local governments is critical to NDP implementation as they are the frontline providers of most key services

Equitable development across regions and districts

The study sought to find the extent to which NDP is promoting equitable development across Uganda’s regions and districts. To address this there is need to understand the variation in development between regions. The figure below shows that in FY2009/10, 46.2 percent of those in Northern Uganda were living in poverty compared to 10.7 percent in Central while poverty in Eastern Uganda decreased from 35.9 per cent in FY2005/06 to 24.3 per cent in FY2009/10, and increased to 21.8 per cent from 20.5 per cent over the same period.

Figure 12: Poverty trends by region 2002/03 –2009/10



Source: UBOS, UNHS 2009/10.

Table 44: Levels and trends of inequality as reflected by Gini- Coefficient across different regions of Uganda (1992-2012)

Region	FY 2008/09	FY2009/10	FY2010/11	FY2011/12	Variance 2008/09-2011/12
Northern	0.345	0.35	0.331	0.367	-0.022
Central	0.395	0.46	0.417	0.451	-0.056
Eastern	0.327	0.365	0.354	0.319	0.008
Western	0.319	0.359	0.342	0.375	-0.056

Source: Ministry of Finance, Planning and Economic Development, 2012

There are large variations in the outcomes and quality of service delivery across different geographical areas. For example net enrolment has increased to around 92 percent and all regions have fair access to primary education. In 2009 several districts in the North East region (Moroto, Nakapiripirit, and Kotido) registered completion rates below a third of the national average (World Bank 2012). In the health sector, while the infant mortality national average is 76 deaths per 1000 live births, it is almost double this number in the Southwest, North, and Central regions.

High productivity businesses and higher commercial value agricultural production are increasingly concentrated around the Lake Victoria crescent which includes the Southern, Central and Western regions of the country, and industrial activity is clustered around large towns and along transport corridors (World Bank 2012). The NDP makes a renewed commitment to existing affirmative action programmes that aim to address regional imbalances in development. This includes Northern Uganda Rehabilitation Programme (NUREP) 1 and 2 and Northern Uganda Social Action Fund (NUSAF); Karamoja Integrated Disarmament and Development Programme(KIDDP); Peace Recovery and Development Plan (PRDP) for Northern and Eastern Uganda and the Luwero-Rwenzori Development Plan(LRDP); and equalisation grants that seeks to provide additional funding to address imbalances. It is also noteworthy that the Vision 2040 plans for four additional regional cities (Gulu, Mbale, Mbarara and Arua), as well as a range of 'strategic cities', including Hoima (oil), Nakasongola (industrial), Fort Portal (tourism), Moroto (mining) and Jinja (industrial). However, the NDP does not mention a specific approach for systematically addressing regional imbalances, and the concentration of economic development in certain geographic areas.

4.4.7 NDP and equity

This section focuses on the extent to which the NDP addresses regional disparities in development including the impact of shift from poverty to growth and others which impact negatively on the implementation of the NDP.

Change in focus of spending

District officials claimed that the focus of spending is determined by central government and NDP priorities rather than the district priorities. It was felt that districts should be given the opportunity to determine the focus of spending through identifying its own priorities other than being determined by the centre.

Impact of the removal of the equalisation grant

The equalisation grant was removed from 2008-2011 and re-started in the financial year 2011/2012. During the early days of the district, the grant was used to cover funding gaps like the health sector and district officials claimed that its removal was a blow to the health sector.

4.4.8 Role of civil society and DPs (and private sector)

This looked at the extent to which private sector, civil society and DPs played the role envisaged for them in the NDP. It further looked at the civil society involvement in the NDP and measurement of NGO contribution towards NDP implementation.

Amolatar has very few organisations and a small number are active in local level advocacy. For example, Lango Samaritan Organization (L.S.I.O) and Facilitation for Peace and Development (FPAD) are engaged in budget tracking and HOPE and ACCORD-Uganda has trained female councillors in budget tracking. Their work supplements the implementation of the NDP in these districts.

4.4.9 Local government engagement with NPA

It was noted during the engagement that district interacts with NPA only during planning process and when there is some information they (NPA) want from the district. District officials indicated the need for NPA to do proper coordination and work closely with the district during planning and if possible NPA should establish regional coordination offices.

Many of the district officials agreed that the engagement with NPA has been very helpful, although it was highlighted that NPA often generates information about the districts without its knowledge. District officials also noted that NPA does not communicate in advance before their visits to the districts and the time frame is usually short.

NPA provided support to the district during the development of the DDP and development of the budget framework paper through a half day training but this was reported to be inadequate difficulty in aligning the DDP and BFP with the NDP. Districts did not receive adequate technical support from NPA, guidelines always come late. In the view of several District officials interviewed, NPA should establish regional offices to give technical support to districts on issues of planning and also breach the gap between NPA at the centre and the districts.

4.4.10 Local government funding

District officials claimed that funding from the centre was not reliable. Funds are released towards the end of the quarter which affects the implementation of the planned activities, for example the inspection grant which used to come monthly, now comes quarterly since 2011. And every time money comes from the centre, it doesn’t come in full instalment as planned.

Abolition of graduation tax

The abolition of graduated tax was a big blow to districts as it was the biggest source of income to the district. It narrowed down the tax base. It was claimed that the compensation grant which replaced graduated tax, is sent on a quarterly basis and is frequently received late. This grant is shared with the lower local governments - 30 per cent at the district and 70 per cent for lower local governments.

The abolition of graduated tax has also affected the district council because they lack funds to meet. Previously the council was being facilitated by revenue from graduated tax. For example during 2012, since this year began the council has only had two meetings compared to the 6 meetings mandated by the local government act. This has affected the implementation of some activities which need approval from the council. However, the CAO of Amolator had written to the Ministry of Local government to allow them to spend some more than the 20 per cent allocated for this particular activity.

The results framework

Wide-ranging consultations with key NDP actors involved in its implementation and coordination at national government, local government (the case of Kamuli, Masaka and Moyo), civil society, development partner and private sector levels were carried out on the results framework.

One of the findings of this study was that the staffing position in the public sector had shown marginal improvements in a few areas and significant deterioration in others. Data submitted by the Public Service Commission shows that the percentage of declared vacancies filled has been increasing from 68 per cent in 2008/09 to 87 per cent in 2012/13 although this runs short of the 100 per cent targeted by the NDP. However, the same source indicates that many key positions requiring specific skills like mining engineering and land valuation have not been filled. This is also happening at district level as reported by the BMAU report of 2012/13 which indicated that most of the districts’ engineering departments faced capacity constraints in terms of staffing. LGs indicated that lack of enough staff was the reason for some of the underperformance in relation to delivery of services and budget performance, however some analysis shows that there is almost no correlation between the filling of key staffing positions or overall staffing positions and completion of works at LG level.

There are also some disparities in the staffing levels between regions of the country with some regions lagging far behind other. For example, in 2010/11, 26 per cent posts across the entire establishment structure were filled in LGs in the PRDP region (comprising mainly northern Uganda), as compared to 35 per cent in the rest of the country. Only 47 per cent of key administrative posts, like the CAO and Planner were filled in the PRDP region, as compared to 52 per cent in the rest of the country. It has also been noted that there is a failure of some Government institutions to recruit staff even where resources for salaries had been provided, especially under the newer local governments.

Supply of skilled technical staff to deliver public services remains a problem in the economy despite the NDP recommendations. Consultations with the NDP sectors revealed, for example, that health facilities often lack the requisite medical staff and technicians to operate the machinery they purchased or to deliver the services they are supposed to provide; the infrastructure sectors faced a challenge of inadequate engineering skills to carry out feasibility studies and design work; the local construction industry still lacks adequate capacity

Changes in the status of people's incomes and employment and factors that have influenced these changes

Most stakeholders contacted during the study in Kamuli district tended to agree that there has been a positive shift in people's income in the district during the last three years. Though not based on quantified evidence, most district officials and other stakeholders contacted in this review contended the position that people incomes levels have been improving. They used the "visible" changes in household consumption patterns and other welfare-related indicators as proxy indicators of a positive change in household income the district. Overall, it was observed that peoples' consumption of basic household welfare commodities (sugar, salt, soap, clothing, etc.[5]) has been on a growing trend since 2001. A recent assessment by the district NAADs program revealed that at least 60 per cent[6] of the households in the district had sustained consumption of the basic welfare commodities including better housing facilities during the period 2008 to 2011.

Some of the factors that have influenced this change in Kamuli over the last three years included: a growing monetisation of agriculture production, which has been attributed to emergence of a high demand for all kinds of agriculture products (food and non-food), has taken place in the district (including demand originating from other countries in the region). This factor has led to higher access to monetary income than before, even for peasant farmers.

However, a positive income status notwithstanding, most district stakeholders felt that there has not been much improvement in the level of employment generation in the district. Their biggest concern was that many more people are entering the working bracket at a far faster rate than the rate of growth of jobs in the district economy. Similarly, there have not been significant changes in the main areas of employment in the district. Subsistence agriculture

[5]These are regarded by UBOS to be basic consumption commodities that demonstrate the level of poverty at household level using the consumption model.
[6] District Livelihood Assessment, District NAADS Programme, 2011.

remains the highest employer (estimated at about 88 per cent) followed by trade and services (estimated at about 10 per cent), and artisan and small scale manufacturing (estimated at about 1 per cent)[7].

Changes in the state of basic social indicators (Safe water coverage, maternal and child mortalities)

It was generally acknowledged in Moyo, Masaka and Kamuli district had experienced some noteworthy improvements in the quality of health services in the last three years. For example, all district stakeholders agreed that maternal mortality had been reduced mainly as a result of improvements, though minor, in the proportion of mothers delivering under professional care (which shifted from 39 per cent in 2010/11 to 41.3 per cent in 2012/13)[8]. Equally, child mortality (both infant and under five) was reported to have been reduced as a result of the improved health services and improved access to safe water (61 per cent in 2012)[9] as well as improvements in household sanitation (83 per cent latrine coverage in 2011)[10].

These perceptions were found to be in line with the district scores on the quality of health services as reflected in the national annual health management information system. According to the National League table (of the Annual health sector performance report), there have been some notable improvements in the quality of delivery of health services in districts in 2011. For example, the district's ranking in respect of quality of health coverage, quality of health care as well as management of the health delivery processes moved from a 29th position in 2010/11 to a 19th position in 2011/12[11] out of the over 110 districts in the country. The improved ranking in health services delivery attested some degree of improvement in the basic health indicators.

Maternal and infant mortality have also been reduced by other specific factors including; increased supply and use of mosquito nets; increased access to HIV preventive services for pregnant mothers; support from private and civil society health providers; a significant rise in government budgetary contribution to primary health care services[12] in the district; an effective government policy promoting integrated approach to child health care.

The challenges that still require redress with regard to delivery of maternal and child health services in the district include; inadequate referral services; household poverty which limits mothers' attendance to professional antenatal and delivery services (mainly limiting timely reach to health facilities); a significant presence of negative beliefs and attitudes regarding delivery in health centres; neglect by central government of other tropical diseases that are excluded in the primary health care packages yet they present peculiar health problems to the district.

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[7] These estimates were based on the general consensuses by district stakeholders and not on empirical data.
[8] National League Table 2010/2011 and 2011/2012, Ministry of Health.
[9] District Water sector annual Performance report, 2012, Kamuli District.
[10] National League Table 2010/2011 and 2011/2012, Ministry of Health.
[11] Rankings of Local governments in the delivery of health services, National League Table 2010/2011 and 2011/2012, Ministry of Health.
[12] Government contribution to PHC in the district grew from Ushs 774m in 2009/10 to UGX 2,300m in 2011/12).

Changes in the state and stock of economic infrastructure (roads, power, and financial services)

There has been a slight improvement in the state of road network in the districts during the third year of implementation of the NDP. Different government-supported programmes have supported road rehabilitation and maintenance activities in the district resulting into an increase in the stock of roads in motorable condition within the district. Leading amongst such programs is the Community Agriculture Infrastructure Improvement Program (CAIIP) where 200Kms of community access roads have been rehabilitated and upgraded to first class gravel roads and consequently taken over by the district. Other government support to the roads sector has included the conditional grant for road maintenance which is channelled through the Road Fund; and the Local Government Management and Service Delivery program (LGMSD). The situation has also been improved by the provision of road equipment and adoption of the Force Account approach to road maintenance.

Outstanding challenges with regard to the road sector include: shortages in government funding in relation to the total inventory of feeder and community roads that the district and sub-counties have got to maintain; weather and topographical factors that limit motorability of district and community roads especially during rainy seasons; difficulties in obtaining basic road maintenance materials (such as gravel), a factor that leads to higher unit costs of road maintenance than what is provided for by central government under the local government road grants.

With regard to financial services, it was noted that the district is witnessing a significant positive change in the rate of financial services penetration. The presence of formal commercial banks in the district has expanded with the opening up of three commercial bank branches and two deposit-taking micro finance institutions. In addition, there has been a significant growth in the number and capacity of non-formal financial institutions including SACCOS and village savings and lending associations/ clubs (VSLAs). Consultations with some of the financial institutions revealed a three pronged growth trend: growth in number of clients; growth in range of financial products offered; and growth in the size of financial operations (e.g. savings and loan portfolios).

Changes in access to critical inputs for improved production and productivity (water for production and fertilisers)

Government and other partners introduced initiatives aimed at improving agriculture production and productivity in the districts of Kamuli and Moyo. However, the districts have not benefited much from the use of water for production, irrigation and / or fertilisers. The District NAADS programme attempted to introduce treadle pump irrigation system in a few of their operational areas but the utilisation and adoption rate of this technology has been very low.

In Kamuli, the initiative by the FIFOCO program to support soil fertility enhancement, irrigation and forestry development did not yield much result either. It was reported that farmers are not very enthusiastic on adopting irrigation practices and that the use of fertilisers by farmers has been very minimal benefit. There were similar concerns that although the NAADS programme has endeavoured to educate farmers about the use of fertilisers to boost production and productivity, and has, in fact, supported a good number of them (1,500 farmers in 2012) by supplying them with fertilisers to demonstrate the potential benefits, very few farmers have adopted the practice.

A number of factors have impacted on the rate of adoption of irrigation and use of fertilisers by the farming communities in the district. These include, inter alia, absence of sustainable sources of water for the majority of farming communities in the district; the high costs of acquiring irrigation technologies by the common farmers; high cost of acquiring fertilisers especially the small holder farmers with meagre working capital; counterfeit fertiliser products which have been a major disincentive to farmers.

CHAPTER FIVE

5.1 CONCLUSION AND RECOMMENDATIONS

5.1.1 Overall Performance against NDP Objectives

Overall, Sectors continue to align their work plans and budgets to the NDP objectives and focusing on fast tracking the core projects.

The proportion of unpaved urban roads in fair to good condition in FY2012/13 was 44.7% from 60% in FY2008/09 while the proportion of national unpaved roads in fair to good condition was 66% in FY2012/13 from 71% in FY2008/09.

The Human Development Report (UNDP 2013) still places Uganda in the low human development category with most development indicators being static and some worsening in relation to previous years. The country's HDI value for 2012 was 0.456, reflecting a marginal improvement from her position in 2011 which was 0.454. In both 2011 and 2012, Uganda ranked 161 out of 187 countries that were assessed. This country ranking fell below the HDI average for countries in the low category (0.466) as well as below the average for countries in sub-Saharan Africa (0.475).

5.2 THEMATIC AREAS PERFORMANCE

5.2.1 Primary Growth Sectors

Agriculture

The share of Agriculture to GDP over the year grew marginally to 23.9 percent in FY2012/13 from 23.7 percent in FY2011/12. This accounted for 40 percent of total export earnings for the year. This however remains very low considering the fact that the sector employs majority of Ugandans, (66%).

As a way of enhancing better production and productivity, there is need to ensure availability of improved, affordable and accessible farm inputs. In addition to this, there is need for establishment of an agricultural development bank with national shareholding; this will ensure provision of the much needed affordable agricultural financing. In line with this, deliberate effort should also be put towards the provision of agricultural insurance services tailored to cushioning farmers against agricultural risks and vagaries of weather.

Tourism

During the FY2012/13, tourism contributed 4.9 trillion Uganda shillings, to Uganda's GDP. In the same period, the sector directly and indirectly provided 483,500 jobs (7.6% of total employment). Uganda was published by Lonely Planet as the World's number one tourist destination in 2012. CNN listed Kidepo Valley National Park as one of the top ten National Parks in Africa, River Nile as one of the seven wonders of Africa while Queen Elizabeth National Park was honoured as the top performing National Park by travellers on the World's largest travel site-Trip Advisor. Despite the potential of the sector, little has been done to promote it locally and internationally.

There is need therefore for Government to operationalise the Tourism Act 2008, invest in strategic infrastructure, training of tourism personnel in customer care and management and develop an aggressive worldwide branding and marketing campaign of Uganda's tourism potential.

Information and communication Technology

ICT had been classified among the primary growth sectors alongside traditional sectors such as Agriculture, Industry, Energy, Oil and Gas. Currently, the Sector contributes between 5% and 7% to Uganda's GDP and employs over 1 million people (directly and indirectly). The Sector continues to broaden and deepen the availability and use of information and communications technology across the country. However, access to quality, affordable and equitable ICT services remains low. There is need to expedite the roll out of the National fibre optic cables to cover all districts, construction of Information Technology (IT) Business Parks, and migration from Analogue to Digital terrestrial broadcasting in line with internationally agreed switchover date of June 2015.

Housing development

The UN habitat Report 2010, estimated that Uganda has a housing deficit of 550,000 units and about 160,000 of this backlog are in urban areas. Kampala alone has a housing deficit of 100,000 units. The report estimated that in the next two decades, Uganda will have a housing shortage of close to 8 million units, of which 2.5 million will be in urban centres and one million in Kampala alone if the current pace is maintained. The number of condominium properties registered was at 80 units instead of the targeted 100. There is therefore need to pursue efficient and effective policies aimed at reducing the cost of housing materials, access to affordable housing credit as well as low-cost housing arrangements for those that cannot afford to own decent houses.

Forestry

Forest cover remained at 18% of the total land area against the NDP target of 24%. In order to restore and protect the forest cover, there is need to step-up efforts on re-afforestation and forestation on both public and private land, enhance private investment in forestry through promotion of commercial tree planting, agro-forestry and the use of trees to demarcate boundaries of land holdings as well strengthen the environment protection force within the central reserves.

5.2.2 Complementary Sectors

Science and technology

The country has continued to put emphasis on promoting science, technology and innovation as a means of achieving socio-economic transformation. However the use of research, innovation and applied technology largely remains very low. Not much progress has been made to institutionalise a sector for Science, Technology and Innovation in particular the establishment of a Ministry of Science and Technology.

Works and Transport

Government should move to address the declining trend in the proportion of the unpaved roads in fair to good condition both nationally and in urban areas. For instance the proportion of unpaved urban roads in fair to good condition in FY2012/13 was 44.7% from 60% in FY2008/09 while the proportion of national unpaved roads in fair to good condition was 66% in FY2012/13 from 71% in FY2008/09.

The Ministry of Works and Transport should expedite the review of regulations on axle load control and harmonize the regulations to EAC standards to meet the current challenges. The process of installing networked devices at weigh bridges in Busitema, Lukaya and Mbale stations also need to be fast tracked to increase compliance of the drivers.

The Railway infrastructure remains remarkably uncompetitive and highly unproductive characterised by continuous poor operational performance in real terms; low volume of freight, low labour, wagon and locomotive productivity among others. There need to fast track the implementation of the standard gauge railway to increase the competitiveness of the sector and reduce pressure on the roads.

Energy sector

Government should fast track the development of large hydropower plants, thermal power plants and mini hydro power plants to increase generation capacity and reduce the unit cost of power. Efforts should also be put in expanding the rural electrification programme.

Water for production

Water for Production: The total water storage capacity added in the FY2012/2013 was 152,000 m3. This is significantly lower than what was created in the previous financial year of 605,400 m3. Cumulatively storage capacity increased to 27.5 million cubic meters from 27.3 million cubic meters in FY2010/2011. This level of supply remains very low considering the current demand of 499M^3. There is therefore need to increase investment in water for production to support crop irrigation, fish rearing, livestock farming, industrial processing and wildlife conservation.

Land Management and Administration

The National land policy remains in draft form and no significant progress was made in the development of the National Resettlement Policy, and the Government land management policy. Implementation of the redistributive land reform program through a comprehensive operationalization of the land fund remained very slow. These are very critical interventions that require to be fast tracked if any gains are to be realized in the sector.

Physical Planning

According to section (3) of the Physical Planning Act 2010 the whole Country was declared a physical planning area and this brought it under physical planning control regime. This implies all developments whether in urban or rural areas should be approved by either the National Physical Planning Board or the respective Physical Planning Committees. However, there is currently no national, regional, district or Sub-county physical development plans in place to guide this process and these require urgent attention.

Urban Development

In the period under review, steps were taken to formulate and implement the national urban development policy to guide urban planning and development, concept papers were prepared to prepare several plans such as the urban beautification and landscape plans for selected urban centres, disaster management plans among others and the Physical Planning Regulations, Mortgage, Regulations, and Land Regulations were developed. Despite the efforts, progress in this sub sector remains slow especially in Upgrading slums and informal settlements.

Trade development

According to the Doing Business Report 2014 by the World Bank, Uganda's overall ranking in the ease of doing business continued to worsen having been ranked 132 out of 189 economies assessed FY2012/13. Uganda needs to take steps towards making it easier to do business, streamlining procedures by setting up a one-stop shop, making procedures simpler or faster.

In order to stem the increasing levels of counterfeit and substandard products on the Ugandan market, there is need to fast track the development and harmonization of standards, calibration and verification of equipment, quality assurance of goods & as well as Laboratory testing.

Cooperatives

Construction and refurbishment of storage facilities under cooperatives remains very slow and as a result farmers continue to register high post-harvest losses, low prices for produce, and are increasingly becoming food insecure. Efforts are therefore required to fast track the implementation of the same to strengthen cooperatives and improve farmer incomes.

5.2.3 Social Sectors

Population

According to the UBOS Statistical Abstract of 2012, Uganda's total population was estimated to be at 34.1million people with 14.7% leaving in urban areas. The population of Kampala city alone was estimated to be at 1.72 million people. The population density remained at 123 persons /km^2. The population continues to grow at the rate of 3.2%. During the 2012, the anticipated National Population Census was not carried out. There is thus need to prioritise this important activity in the next financial year to ascertain the population levels of the country in order to enhance planning.

Education and Sports

Between 2010 and 2013, the share of budget allocation to the education and sports sector has been 16.7 percent, on average representing 2.8 percent of the GDP. This investment has resulted in increased enrolments in primary and secondary schools, while quality remains a very big challenge to human resource development as evidenced by low literacy and numeracy proficiency rates. A significant percentage of Uganda's children have not made it beyond primary level education since the introduction of UPE. There is need to increase funding per pupil. Currently, public expenditure per pupil as a percent of GDP per capita has been only 0.6 per cent and less than 10 percent of the per capita GDP for a student.

Skills Development

Skills development has largely remained un-prioritised and as a result no significant progress has been made to re-configure the skills development system, expand, equip and improve formal skills development facilities as well as enhancing attractiveness of skills development.

Health and Nutrition sector

The sector continued to mitigate infant and maternal mortality through pentavalent (DPT3) vaccines to the infants and IPT2 to pregnant women. However, immunization coverage of infants with the third dose of pentavalent vaccine (DPT3) declined from 90% in 2010/11 to 83% in 2011/12. Health facilities continue to face drug stock outs with 57% of the health facilities experiencing stock outs in the financial year under review. Maternal and child nutrition initiatives continued to be promoted through educating women on nutrition and antenatal care, developing and disseminating nutritional messages, conducting under five growth monitoring, counselling HIV positive mothers and as a result Stunting levels among under-fives reduced to 33% and wasting levels at 14%.

There is need to fast track the implementation of nutrition related interventions, step up efforts in the fight against infant and maternal mortality rates and improve the distribution and management of medical supplies.

HIV/AIDS

The National HIV and AIDS Policy and the HIV/AIDS control bills were finalized during the financial year under review. The Uganda Aids Commission developed and disseminated the National HIV Prevention Strategy 2011/12- 2014/15 and Action Plans. The National HIV Strategic Plan (NSP) 2011/12-2014/15 aimed at extending specific social support and protection interventions for PLHAs and OVC including other vulnerable groups was also developed and disseminated. Despite the efforts, the incidence of HIV among adults aged 15-49 continued to increase reaching 7.3% in 2011 from 6.5% in 2010 while that for children under the age of five was at 0.6%.

There is thus an urgent need to step up prevention and treatment interventions for HIV/AIDS and other opportunistic infections and increase access to ART services and treatment of opportunistic infections.

Water and Sanitation

Access to safe water within 0.2 km in urban areas increased from 69% in FY2011/12 to 70% in FY2012/13 while safe water coverage in rural areas within 1.5 km stagnated at 64% for the second year in arrow having fallen from 65% in FY2010/11. Considering most of the diseases registered in the health centres are water borne or water related, and with fast growing population, there is need to increase funding to the sector to ensure universal access to safe water.

Although there is some improvement in access to safe and effective sanitation in rural and urban areas, the situation in schools continues to deteriorate. The ratio of pupils to latrine/toilet in schools was 43:1 in FY2008/09, this worsened in FY2010/11 to 66:1 and 70:1 in FY2012/13 against the desired level of 43:1. There is need for Government to invest more in strategies aimed at addressing the sanitation situation in schools.

5.2.4 Enabling Sectors

Justice, Law and Order

The Sector continues to grapple with the heavy case backlog due to shortfalls in staffing levels at the different courts, space within courts, slow investigation processes, limited budget to finance the sector activities including compensations arising out of court cases.

During the period under review, there was a decline in the proportion of the public confident in the enforcement of existing laws from 30% (baseline) in 2008 to 29% in FY2012/13. This means the public trust in the courts of law is very low and would lead to the public taking alternative courses of action that would breed anarchy. It is recommended that Government prioritises resources for recruitment of State Attorneys to cover all the established Courts across the country, increase the number of Judges to the High Court and Court of Appeal to meet the recommended number, enhance the usage of community service programme, retrain Prison Officers to improve management of prison services and initiation of extradition agreements with the Government of South Sudan and the Democratic Republic of Congo.

According to Uganda Prisons Services, the prisons carrying capacity is estimated at a daily average of 14,898 prisoners and prisoner population at 38,684 in FY 2013/14. This means congestion levels are a record high of 258%. The Police Population ratio is currently as 1:754 below the international standard of 1:500. There is need to step up the recruitment and deployment of police officers to reduce the rising crime rates and increase investment in prison facilities to match the growing demand numbers of inmates.

Legislature

During the FY2012/13, there was a decline in the level of participation of MPs in Parliamentary debates from 90% in FY2011/12 to 50% in FY2012/13. This affects the quality of debate as well as the length of time it takes to pass bills. 25% of plenary sittings did not have quorum and 50% of accountability committee reports were not considered for discussion for plenary. There is thus need for parliament to address the participation of MPs in parliamentary business.

National defence and Security

The National defence and Security sector continues to preserve and defend the sovereignty and territorial integrity of Uganda, build adequate and credible defence to address both internal and external threats, provide intelligence information to support national security and stability, and create military alliances that enhance regional security and stability. However, more efforts are required in innovation, research and development and payment of pension and gratuity for the retired soldiers and their next of kin as well improve on the welfare programmes for the soldiers and all other forces in the country including police, security and intelligence services.

Environment

With wetland cover remaining only at 11.9% from 30% in the 1990s and only 37% of all the samples taken from final effluent points complying with the National standards for effluent discharge for biological Oxygen demand (BOD) of maximum 50 mg/l (53% of the samples checked complied to the total suspended solids standard of 100 mg/l and 68% complied with the faecal coliforms standard of 10,000 CFU/100ml), there is need to focus energies on demarcation of all wetlands, developing of wetland management plans for those without, and strengthen the compliance regime on waste discharge and disposal and carbon emissions.

Development of National Statistics

With only four out of eighteen MDAs, and 49 Local Governments implementing community information system produced annual statistical abstract in 2011. There is need for Government to extend support in form of capacity building and recruitment of Statisticians to all institutions of Government to ensure sustained production and use of statistics at all levels.

Public Sector Management

As the NDP enters into its third year of implementation, the re-structuring process of the entire Government envisaged has not taken off. There is need to fast track these reforms in order to improve on the delivery of services to the public.

5.2.5 Sub-National Development

Government has put in place some measure like the Youth Venture Capital Fund to address the plight of the youth however these measures are not enough with the youth constituting majority part of the population. During the financial year under review, there were no specific measures implemented by the Sector to address this situation. There is thus need for Government to put in place strategies aimed at addressing youth unemployment in the Country.

5.2.6 Regional and International Cooperation

There is need for stepping up sensitization of the general public on the benefits of EAC integration. At the political level, there is need for positioning Uganda to competitively participate in the EAC so as to generate economic dividend for all Ugandans. Constraints to operationalization of the protocol on free movement of persons and labour and the right of establishment and residence should be addressed.

Social development

The Social Development Sector continues to be constrained by financing for social protection notably provision of services for the marginalized groups; functional adult literacy among others. There is need to identify more financing that is sustainable to support social development sector to address these key challenges.

Labour laws and policies both nationally and internationally prohibit employment of children in any work that is injurious to their health, or is dangerous or hazardous or otherwise unsuitable for them. However, the National Labour Force and Child Activities Survey 2011/12 by UBOS, indicates that 307,000 of the 2 million children in child labour were engaged in hazardous work. Kampala City had the highest proportion of children in hazardous work (88%) compared to all other regions. The sector needs to come up with new strategies to combat child labour.

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