



**Republic of Uganda**

**Ministry of Finance, Planning and Economic Development.**

***Uganda National Report***

**For the  
Implementation of the Programme of Action for the Least  
Developed Countries for the Decade 2001-2010**

**Submitted to the  
United Nations Office of the High Representative for the Least  
Developed Countries and Small Island Developing States (UN-  
OHRLLS)**

**January, 2010.**

### **List of Acronyms**

COMESA	Common Market of Eastern and South African States
CPI	Consumer Price Index
CSO	Civil Society Organization
DDA	Doha Development Agenda
EmOC	Emergency Obstetric Care
ESIP	Education Strategic Investment Plan
EU	European Union
GDP	Gross Domestic Product
HBMF	Home Based Management of Fever
HIV	Human Immunodeficiency Syndrome
HSSP	Health Sector Strategic Plan
ICT	Information and Communication Technologies
IDP	Internally Displaced Persons
LDC	Least Developing Country
MDG	Millennium Development Goal
MPED	Ministry of Finance, Planning and Economic Development
MOH	Ministry of Health
MP	Member of Parliament
MSE	Micro and Small Enterprise
MTEF	Medium Term Expenditure Framework
MW	Megawatt
NAADS	National Agriculture Advisory Services
NEMA	National Environment Management Authority
NGOs	Non-Government Organization
NRM	National Resistance Movement
NSP	National Strategic Plan
NTBs	Non Tariff Barriers
PD	Paris Declaration
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernization Agriculture
PMTCT	Prevention of Mother to Child Transmission
RESCUER	Rural Extended Services for Care and Ultimate Emergency Relief
UAC	Uganda Aids Commission
UBOS	Uganda Bureau of Statistics
UDHS	Uganda Demographic Health Survey
UHDR	Uganda Human Development Report
UNCTAD	UN Conference on Trade and Development
UNRA	National Roads Authority
UPE	Universal Primary Education
USE	Universal Secondary Education

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## **EXECUTIVE SUMMARY.**

This is the third National Report for Uganda highlighting the progress made towards achieving the commitments of the Brussels Program Programme of Action for Low Developed Countries (LDCs) for the Decade 2001-2010. The first and second assessments were done in 2001 and 2005 respectively. As an LDC, majority of Uganda's population (72%) is still reliant on the agricultural sector for their livelihoods and employment and poverty is still widespread. However, Uganda has taken a number of steps to fight poverty and achieve sustainable development over the last decade. The development strategy implemented throughout the decade was anchored in the country's Poverty Eradication Action Plan (PEAP). However, beginning 2010/2011 up to 2014/15, Uganda will implement a new National Development Plan that is focused on promoting economic growth and wealth creation.

Uganda has made significant progress towards implementation of the BPOA commitments as reflected in Table A1. Uganda's real GDP grew at an average rate of 7.9% while income poverty levels reduced from 37.7% 2002 to 31% in 2005/2006. At the same time, per-capita GDP has been growing at an average annual rate of 4.5%, which broadly meets BPOA targets. Gross Fixed Capital Formation as a percentage share of GDP however fluctuated between 22% and 23.7%, which is slightly lower than the BPOA target of 25%. With regard to progress in developing human and institutional resources, there has been an increase in primary school enrolment, number of primary and secondary schools as well as public and private higher institutions of learning occasioned by massive government investment in education and health. Since the beginning of the decade, the annual budgetary allocations to education and health have averaged over 15% and 10% respectively. Some improvement was registered in reducing child and maternal mortality but challenges still remain and the BPOA targets in this area may not be met. However, there was an improvement in Uganda's HDI from 0.508 in 2000 to 0.581 in 2005 although there has been some slight stagnation for the period to 2009. Uganda has met all MDG and BPOA targets with regard to HIV/AIDS.

Progress has also been registered in removing supply side constraints, enhancing productive capacity and promoting expansion of domestic markets to accelerate growth, income and employment generation. In order to improve infrastructure provision, the percentage budget allocation to the works and transport sector for road construction and maintenance increased since 2005/06 from 10.1% to 16.4% in 2009/10. Total road network (excluding community roads) increased from 35,700 km in 2001 to 43,100kms by the end of 2008, an increase of 21%. Paved roads increased by 37% (840km) to 3,120km between 2001 and 2008. Uganda still scores low in Research and Development (R&D) and expenditure on R&D remained at 0.8% of GDP during the decade. However, Uganda has registered tremendous telephone penetration and improved coverage and has met the BPOA target relating to telephone density. Although substantial progress has been made, Internet usage is still low and below the BPOA target of 10 users per 100 inhabitants.

The business environment has generally improved in some areas although more work still needs to be done. Uganda has registered reasonable increase in electricity supply in the last decade but demand increased faster than supply and at the same time there has been an increase in electricity tariffs. The high electricity tariff remains a constraint to competitiveness. Although the government implemented a number of programs to address the constraints in agriculture, the output and productivity from the sector continued to decline and more work still remains to increase agricultural productivity and value addition. Uganda has made some positive progress in meeting some MDG targets in ensuring environmental sustainability and access to improved water sources although there has been a decline in some others. Targets were met with regard to the proportion of the population with access to improved water source in rural areas while a decline was noted with urban population. The country still faces challenges related to environment degradation, ever decreasing forest cover and global climatic change.

Also, Uganda has made progress in reducing malnutrition but little progress was made in reducing food insecurity. The proportion of the population considered to be food insecure increased by 2007. Uganda was assessed to be potentially able to reach the MDG target of the proportion of the population below minimum level of dietary energy consumption of 11.5%. Progress has also been made in enhancing Uganda's share in world trade and global financial investment flows. Exports and imports have grown at rates above 20% but imports grew from a bigger base than exports and thus the trade deficit has been widening. The technology component of imports and exports has improved. Uganda has diversified her exports and earnings from non-traditional exports consistently exceeded those from the traditional ones. Uganda is an active member of the EAC and COMESA under which it is negotiating market access with the EU and other regional markets.

Despite the achievements and progress registered, challenges still remain. The rate of growth of gross capital formation is low and has remained stagnant at about 22.4%. Further still, infant mortality; child mortality and maternal mortality rates are still high due to inadequate resources. Attaining the 15% budget allocation to the health sector remains a challenge. Promoting good governance has remained difficult due to the limited capacity of the anti-corruption institutions. Again due to inadequate resources, Uganda's productive capacities have remained weak with a poor road and rail network and as well as other physical infrastructure. In addition, a relatively weak institutional framework, existence of non-tariff barriers, high cost of trade finance as well as shortage of specialized technical and entrepreneurial skills remain key constraints to Uganda's ability to trade. Finally, Uganda is still faced with high population growth rate and high level of rural poverty which continue to hinder environmental protection efforts.

The way forward for the country to fulfill its commitments under the BPOA includes among others: increasing private sector investment into agricultural value addition; addressing the challenge of high population growth, increasing investment in disease control and prevention, building the capacities of the different anti-corruption institutions, and lastly but not least substantially increasing investment in physical infrastructure to improve the business climate.





Table A1. Status of the BPOA (MDG) at a Glance

	BPOA(MDG) Targets		2000/01	2002/03	2005/06	2008/09	BPOA/M DG target	NDP target	Will target be met
	<b>Growth Targets</b>								
1	Attain a GDP growth rate of at least 7% per annum	GDP growth rate (%)	6.5%	8.5%	8.4%	7%	7%		Acv
2	Increase the ratio of investment to GDP to 25 per Gross capital formation	Gross capital formation (% of GDP)	20%			22%	25%		Prob
	<b>Poverty eradication targets</b>								
3	Make substantial progress toward halving the proportion of people living in extreme poverty by 2015 ( <i>Poverty head count</i> )	Proportion of population below \$1 (PPP) per day		37.7 %	31.1 %		28%		Prob
4	Make substantial progress towards halving the proportion of people from hunger by 2015 ( <i>Halve, between 1990 and 2015, the proportion of people who suffer from hunger</i> )	Proportion of population below minimum level of dietary energy consumption		63.5 %	68.5 %		41.7 %		Potly
		Poverty gap –P1	10.0	11.3	8.7				
	<b>Human development targets</b>								
5	Making accessible, through the primary health system, reproductive health to all individuals of appropriate ages as soon as possible and no later than the year 2015 ( <i>% attended by skilled health personnel</i> )	Percentage of births attended by skilled health personnel	39.0 %		41.1 %		90%		Ukly
		Percentage of women reporting 4 or more antenatal visits			47.2 %				Ukly
6	Making available the widest achievable range of safe, effective, affordable and acceptable family planning and contraceptive methods ( <i>In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries</i> )	Contraceptive use among currently married women aged 15-49, any method ( <i>contraceptive prevalence rate among women 15-49 yrs</i> )	18.6 %		24.4 %			46%	Potly
		Access to essential drugs, percentage of population	N/D	N/D	N/D	N/D			
7	Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to and complete, free and compulsory primary education of good quality ( <i>Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</i> )	Net enrollment ratio in primary education, both sexes (%)	87%		84%	89%	100		Prob
		Net enrollment ratio in primary education, girls	87	86	84				Prob
		Net enrollment ratio in primary education, boys	87	85	85				Prob
		Proportion of pupils starting grade 1 who reach grade 5, both sexes	0.39		0.49	0.51			Potly
		Proportion of pupils starting grade 1 who reach grade 5, girls	0.19		0.49	0.52			Potly
		Proportion of pupils starting grade 1 who reach grade 5, boys	0.20		0.48	0.50			Potly
8	Achieving a 50% improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults ( <i>Achieve 100% enrolment of 6-12 yrs old children into primary school by 2015</i> )	Adult literacy rate, both sexes (%)	65%	70%	69%		82.5		Prob
		Ratio of literate females to males			0.73		1.0		Prob
		Adult literacy rate, women	57%	63%	63%				Prob
		Adult literacy rate, men	74%	77%	76%				Prob
		Literacy rate of 15-24- year-olds, both sexes	78.8 %	80%	84.0 %				Prob
		Literacy rate of 15-24- year-olds, men		82.7					
		Literacy rate of 15-24- year-olds, women		71.2					
9	Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality. ( <i>Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015</i> )	Ratio of girls to boys in primary, education	0.99	0.99	0.96	0.99 7	1.0	1.0	Acv
		Ratio of girls to boys in secondary education	0.79	0.82	0.83	0.83	1.0	1.0	Prob
		Ratio of literate women to men of 15-to-24-year-olds	0.84	0.9	0.92		1.0		Prob
		Ratio of girls to boys in tertiary education		0.55	0.84		1.0		Prob
		Women in parliamentary seats, per cent	19%	25%	30%	30%	50%		Prob
		Parliamentary seats occupied by women	52	74	103	103			Prob
		Share of women in wage employment in the non- agricultural sector		39.2 %	28.2 %		50%		Potly
10	Reducing the infant mortality rate below 35 per 1,000 live births by 2015; ( <i>Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate (MDG 4, T-5)</i> )	Infant mortality rate ( <i>per 100,000 live births</i> )		88.4	76.0		31.0		Ukly
		Proportion of 1-year-old children immunized against measles	56.8		68.1		90.0 %		Potly
11	Reducing the under 5 mortality rate below 45 per 1,000 live births by 2015;	Under-five mortality rate ( <i>per 100,000 live births</i> )	152		137		56		Ukly

	BPOA(MDG) Targets		2000/01	2002/03	2005/06	2008/09	BPOA/M DG target	NDP target	Will target be met
12	Reducing the maternal mortality rate by three-quarters of the current rate by 2015; <i>(Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio )</i>	Maternal mortality rate ( <i>per 100,000 live births</i> )	505		435		131		Ukly
13	Reducing the number of undernourished people by half by the year 2015 ( <i>Underweight moderate and severe</i> )		22.8 %		20.4 %		11.5 %		Potly
14	Reducing by half by 2015 the proportion of people who are unable to reach or to afford safe drinking water; <i>Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation</i> )	Proportion of population with sustainable access to improved water sources: Urban	87.0	84.0			100 %		Prob
		Proportion of population with sustainable access to improved water sources: Rural	57.0	53.5	58.5		62%		Prob
		Proportion of land covered by forest	21.3		18.3				
		% of population with access to improved sanitation	82.0	87.0					Prob
15	Reducing HIV infection rates in persons 15-24 years of age by 2005 in all countries, and by 25 per cent in the most affected countries <i>(Have halted by 2015 and begun to reverse the spread of HIV/AIDS (MDG 6, T-7))</i>	HIV prevalence among pregnant women, aged 15-24 year		4.9%					Acv
		Adult prevalence aged 15-49 women as percentage of total 15 – 49 aged		7.5%					Acv
		Condom use rate of the contraceptive prevalence rate							
		Condom use at last high- risk sex <i>(Condom use at last higher risk sex among 15-24 year olds MDG)</i>	49.8	55.1	52.9				Prob
		<i>Condom use at last higher risk sex among 15-24 year olds MDG : Male</i>			65.3				
		<i>Condom use at last higher risk sex among 15-24 year olds MDG: Female</i>			27.1				
		Percentage of population aged 15-24 with comprehensive correct knowledge of HIV/AIDS	28.0 %		32.1 %				Prob
16	Increasing the percentage of women receiving maternal and prenatal care by 60 per cent								
17	Halving malnutrition among pregnant women and among pre-school children in LDCs by 2015	Prevalence of underweight children under five years of age			16%				
		Prevalence of under height children under five years of age			38%				
18	Promoting child health and survival and reducing disparities between and within developed and developing countries as quickly as possible, with particular attention to eliminating the pattern of excess and preventable mortality among girl infants and children	Children orphaned by AIDS ( <i>source: NSP 2007</i> ) (millions)	0.88 4m		2.0m				Ukly
		Percent of children under 6 months who are exclusively breastfed			60.1 %				
	<b>Transport and communication goals and targets</b>								
19	Increasing road networks or connections in LDCs to the current level of other developing countries and urban road capacities, including sewerage and other related facilities, by 2010	Total road network (km)			68,8 00	78,1 00			
		Paved primary/National roads (km)	2280	2650	3000	3120			Potly
20	Modernizing and expanding ports and airports and their ancillary facilities to enhance their capacities by 2010	Container traffic (thousand TEUs)							
		Aircraft departures (thousands)	15,6 26	14,5 23	19,2 00	23,8 47			Potly
		Passengers carried (thousands)	413, 316	422, 559	578, 880	997, 937			Potly
21	Modernizing and expanding railway connections and facilities, increasing their capacities to the level of those in other developing countries by the end of the decade	Total rail lines (km)	1266 1			321			Ukly
		Electric rail lines (km)	0	0	0	0			Ukly
22	Increasing LDCs ' communication networks, including telecommunication and postal services, and improving access of the poor to such services in urban and rural areas to reach	Population having mail delivered at home							
		Population having to collect mail from a postal establishment							

<sup>1</sup> Base year is 1990

	BPOA(MDG) Targets		2000/01	2002/03	2005/06	2008/09	BPOA/M DG target	NDP target	Will target be met
	the current levels in other developing countries ( <i>In cooperation with the private sector, make available the benefits of new technologies, especially information and communication</i> )	Population without postal delivery							
23	Increasing computer literacy among students in higher institutions and universities by 50 per cent and in junior and high schools by 25 per cent by 2015								
24	Increasing average telephone density to 5 main lines per 100 inhabitants and Internet connections to 10 users per 100 inhabitants by the year 2010.	Telephone lines and cellular subscribers per 100 population	1.4	2.3	10.0	28.4			Acv
		Personal computers in use per 100 population							
		Internet users per 100 population		1.1	5.7	8.1			Prob
	<b>ODA/GNI goals and targets</b>								
25	Contribution to the Median-Term resource envelope	Budget support			20.0	16.2		5.2	Prob
		Project support			22.4	12.4		13.6	Prob
		Domestic revenue			57.0	71.4		81.2	Prob
		Unemployment rate of 15-24 year olds		6.3	3.4				Prob
		Debt relief committed under HIPC initiative	\$69.7m	\$86.6m					Prob
		Debt service as a % of exports of goods and services	20.4		15.8				Prob
26	Donor countries providing more than 0.20 per cent of their GNI as ODA to LDCs: continue to do so and increase their efforts ( <i>More generous ODA for countries committed to poverty reduction</i> )	Net ODA total and to LDCs, as percentage of OECD/DAC donors' GNI							
27	Other donor countries which have met the 0.15 per cent target: undertake to reach 0.20 per cent expeditiously								
28	All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavors to reach the target								

Acv → Achieved, Prob → Probably, Ukly → Unlikely, Potly → Potentially

## 1.0 Background

Uganda is a landlocked country located in the East African region bordering with Kenya to the East, Tanzania to the south, Rwanda to the south-west, Democratic Republic of Congo to the west, and Sudan to the North. It has a total surface area of 241,550.7 sq km of which 199,807.4 Sq km is land (arable land is only 21.6%), while water and swamps cover a total of 41,743.2 sq km. Uganda's population was estimated to be 30.7 millions in 2009, of which 51% are females. The country's annual population growth rate has remained relatively high at 3.2% well above the 2.6 percent for sub-Saharan Africa. Uganda is an LDC with majority (72%) of the population still reliant on the agricultural sector for their livelihoods and employment. As an LDC, Uganda is part of the Brussels Program Of Action (BPOA) since 2001.

The BPOA aimed to ensure that the LDCs achieve sustainable development by 2010 and stipulated that "*its success will be judged by its contribution to progress of LDCs toward achieving international development targets, as well as their graduation from the list of LDCs*". Uganda has been committed to the BPOA that includes 30 time-bound and measurable international development goals, including those contained in the Millennium Declaration. This assessment is the 3<sup>rd</sup> of the series of assessments cataloging the achievements so far registered by Uganda through its implementation of the BPOA. The first and second assessments were done in 2001 and 2005 respectively.

## **Structure of the report**

In this report, we highlight the progress made by Uganda towards achieving the commitments of the Programme of Action for the LDCs for the Decade 2001-2010. The report contains four sections; section 1 is introduction; section 2 provides the key economic social political and environmental trends; section 3 assesses the progress and challenges in the implementation of the commitments of the program of action; section four assesses the impact of the global financial and economic crisis; while five gives the conclusion and the way forward.

## **2.0 The National Development Planning Process and Key Economic, Social, Political and Environmental Trends**

### **2.1 Introduction**

Uganda has taken major steps in fighting poverty and bringing sustainable and equitable development. Accordingly, the Government of Uganda with support from development partners and in partnership with Civil Society Organizations (CSO) has designed policy frameworks, and programs, which are people-centered and geared towards addressing the needs of the poor in terms of providing better social services as well as attaining a higher economic performance at the macro and micro levels. Specifically, poverty eradication programs have focused on the provision of basic social services, social safety nets, physical infrastructure, agrarian reforms, improved market access and provision of credit and measures to ensure the sustainability of natural resources and the environment. Human development and provision of infrastructure such as schools and health facilities are also key areas that the country is making progress. The number of hospitals increased from 101 in 2004 to 114 in 2006, while health center III increased from 904 in 2004 to 955 in 2006. Uganda currently has a total of 19,142 primary schools scattered across the country, having increased from 12,500 schools in 2000. In 2005, Uganda had a total of 1961 secondary schools and this has risen to 2,908 by end of 2008. Private sector participation in provision of secondary school education has been very instrumental in infrastructure development. In 2008, of the 2,908 secondary schools, 31.4% were owned by Government and 57.3% owned by private sector and the rest owned by communities.

Since the decade, Uganda has registered a strong economic growth and political stability. Uganda's real GDP<sup>2</sup> has been growing at an average rate of 6.8% for much of the decade while the income poverty levels reduced from 37.7% in 2002 to 31% in 2005/06. However, the national poverty level estimates for 2009 are yet to be made. Much of the economic growth has been attributed to macro-economic and political stability that Uganda has experienced since the coming of National Resistance Movement (NRM) Government to power.. The main macro-economic objective of the Government during this decade was to have a strong and stable macroeconomic environment favorable for private sector development.

On the whole this has been achieved including the Macro-economic management targets of an inflation rate of 5% per annum (although during 2008/09, the country experienced a

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<sup>2</sup> GDP is the value of goods and services produced with in an economic territory of the country

high annual inflation rate of 15.2% mainly resulting from a dramatic increase in food inflation that reached the peak of 33.7% in the same year); foreign reserves to cover 5 months of imports; and a competitive exchange rate. The realization of the robust growth rate and other macro-economic targets was made through the Government's consistent pursuit of a market-based economic growth strategy led by the private sector; a prudent fiscal regime geared to gradually improving revenues and restraining expansion in Government expenditures, while maintaining a strong focus in poverty eradication as outlined in the Poverty Eradication Action Plan (PEAP). However, Uganda's economic growth continued to be hampered by poor physical infrastructure high population growth rate (3.2%), impacts of HIV/AIDS, insecurity in northern Uganda (which has been contained and peace established in the recent past), negative effects of climatic change that has led to decline of the agricultural sector performance, declining terms of trade of Uganda's commodity exports in the international markets other the regional markets, as well as the impact of global economic and financial crisis. Uganda also has a young financial sector, characterized by high interest rates, which has negatively impacted on credit expansion and investment hindering the gross capital formation that has stagnated at 22% of GDP for much of the decade compared to BPOA target of 25% by 2015.

## **2.2 Uganda's National Planning Frameworks 2001-2009**

Uganda has implemented its development strategy throughout the decade, firmly anchored on its Poverty Eradication Action Plan (PEAP) framework which is also the country's PRSP. The successor National Development Plan (NDP) has been developed and is expected to be implemented for five years from July, 2010 up to 2014/15.

### **The Poverty Eradication Action Plan (PEAP)**

PEAP has been Uganda's overarching policy framework for achieving economic development in Uganda since 1997. PEAP 1 covered the period 1997/2001, PEAP 2 2001/2004 and PEAP 3 covered the period 2005/2008 but was extended for one year (i.e. 2009/10) to allow for the completion of the National Development Plan (NDP). The PEAP has also been the country's main strategy framework for the attainment of the Millennium Development Goals (MDGs). It was designed to guide policy makers and implementers under 5 main pillars<sup>3</sup> on the development of the economy. The poverty eradication priority areas under the PEAP were born out of extensive consultation at different levels ranging from local Governments, line ministries, the executive and legislature. The budget allocations were translated into expenditure on national sectors through three year rolling MTEF. The PEAP was evaluated and updated every four years, through a wide consultative process. New developments were incorporated that reflected the changing aspirations of the people of Uganda.

**Agriculture Policy Framework:** As part of the wider poverty reduction initiative, Government of Uganda adopted the Plan for the Modernization of Agriculture (PMA) as a means of boosting agriculture production and consequently increase household incomes. One of the pillars of the PMA, is National Agriculture Advisory Services (NAADS), which provides extension services to farmers, was rolled out to 37 districts by

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<sup>3</sup> Pillar 1 Economic management, Pillar 2-Enhancing production, competitiveness and Incomes, Pillar 3-Security, Conflict resolution and disaster management, Pillar 4 Good governance, Pillar 5 Human development

2005 and now covers all districts of Uganda. The 2005 mid term evaluation of PMA indicated that household adoption of improved technologies and marketing of output increased (Oxford policy Department, 2005). The Development Strategy Investment Plan considers the review and harmonization of absolute laws, rules and legislations as key in achieving the objectives of the agriculture sector. In addition, the plan also focuses on implementation of crop, livestock and fisheries laws, regulations, standards and guidelines along the entire value chain. Uganda also introduced the 'Prosperity For All' initiative in 2006 as a way of refocusing the fight against poverty at a household level. As part of this initiative, a Minister of State in charge of Micro-Finance was appointed to coordinate the implementation of this program that aims at giving micro-credit to the 'economically active poor' throughout the country.

**Education Policy Framework:** Uganda has been committed towards human development of her population. The Government's introduction and continued support of the Universal Primary Education (UPE) Uganda Post-Primary Education and Training (UPET) and currently Universal Secondary Education (USE) have created a strong foundation for development of human capital. The Government has mainstreamed gender issues in most aspects of human development. The girl child has been emphasized both under UPE and USE programs while in public universities; women have been given 1.5 extra points, thereby reducing gender disparities in enrolment. Through the Education Sector Strategic Investment Plan (ESIP), the education sector has received an average of 16.4% of the national budget since the beginning of the decade under review. The MDG targets under this sector are viewed as achievable (see table A1).

**Water and Health Policy Framework:** In order to improve access to water, the Government developed sector investment plans for urban and rural water supply. The Government has also implemented the Health Sector Strategic Plan (HSSP) and Health Sector Investment Plan focusing primarily on hygiene and sanitation, immunization, malaria control, Reproductive Health and HIV/AIDS. The primary healthcare implemented by the government is aiming at delivering of the Uganda National Minimum Healthcare package of which malaria control and management is central. Malaria has been found to be halving the per capita income in long term, while HIV/AIDS reduces per capita growth by an effect of 0.7% on average and by 2025, Uganda's economy would be 35% less than what would have been in absence of HIV/AIDS. PEAP focused on reducing morbidity levels as a consistent way of dealing with causes of poverty at household level especially among the rural population. In 2002, the Government introduced and encouraged adoption of Home Based Management of Fever (HBMF) which led to free malaria treatment through the use of Community Medicine Distributors. The Community Medicine Distributors' work has led to reduction on both inpatients and out patient cases at health facilities. To increase the use of Insecticide Treated Nets especially among the rural poor, the Government provided free ITNs and also abolished taxes on the same in 2001. Uganda is unlikely to achieve most of the health MDG targets by 2015 as shown in table A1.

**HIV/AIDS policy framework:** In view of the devastating impact of HIV/AIDS both at Macro and Micro level, Uganda has implemented programs and put in place relevant policies and legislations to provide the enabling environment for combating the disease. Consequently, Uganda has already achieved the MDG target of halting the HIV/AIDS

and has begun to reverse the spread of the same. Through the implementation of the National Strategic Plan (NSP) 2007/08-2011/12 Uganda will comprehensively address universal access for three priority service areas of prevention, care and treatment and social support with clear targets. In August 2009, Uganda designed a National HIV Prevention Policy Guideline; while in 2008, a National Guideline for HIV/AIDS Communication (NGC) was also designed. Other HIV/AIDS programs so far implemented covered; a) awareness raising and advocacy; b) blood transfusion safety; c) Voluntary counseling and testing; d) promotion of Abstinence, Be faithful & Use Condom and Plus other methods (ABC+); e) Psycho-social support for vulnerable groups such as People Living With AIDS and orphans; f) Prevention of Mother To Child Transmission (PMTCT); g) Provision of Post Exposure Prophylaxis (PEP); and h) Provision of Antiretroviral Therapy (ARVs). The HSSP II (2005-2009) aims at increasing the TB case detection rate from 60% in 2005 to 70% and in 2009 the target were: a) increase the TB cure rate to 85%; b) Reduce TB associated deaths by half to 3.1%; and c) Attain full coverage of TB Directly Observed Treatment Short-Course country wide.

***Northern Uganda Policy Framework:*** Further more, Uganda started special programs to address special development needs of war-affected areas of northern Uganda and the cattle rustling areas of Karamoja. The programs have been addressing infrastructure development and provision of credit facilities. The programs included; 1) Northern Uganda Rehabilitation Program; 2) Northern Uganda Social Action Fund; 3) Emergency Rehabilitation Plan; 4) the Karamoja Development Program; 5) the Peace, Recovery and Development Program that is aimed at addressing fundamental structural problems in the north of the country.

Regarding national security, Uganda with assistance of international development partners, implemented a series of national and international responses to improve the security and economic conditions in Northern Uganda. These responses included; 1) Peace negotiations with various rebel groups; the extension of amnesty since 2000 to all those who denounced rebellion; Reconciliation efforts facilitated by NGOs, traditional leaders and religious leaders between the Government and the Lord's Resistance Army rebels); Uganda signed the 1999 Nairobi Moratorium process on small arms and light weapons; 2) Security responses included, Military operations by the Uganda Peoples Defense Forces and local militia groups over the rebels; The Karamoja disarmament program since 2001 that has checked on cattle rustling and gun trafficking; and 3) Socio-economic responses (such as provision of health, education, water and sanitation services to vulnerable people).

The International responses came mainly through budget support to the national programs and provision of emergency aid. The development aid funds given to Uganda have gone to support key poverty programs under the Poverty Action Fund, the Northern Uganda Social Action Fund, the Local Government Development Program and European Commission projects. The international community contributed to the national political/legal responses mainly during reconciliation and mediation efforts between Government of Uganda and the armed rebels, including the Carter Center Dialogue. Humanitarian responses like food distribution, water and sanitation, and medical care by International Humanitarian agencies.

**Political Governance Framework:** Uganda made and is still governed under the 1995 constitution which was amended in 2005 removing the presidential term limits and opening up political space by adapting the multi-party system of governance. Article 1 of the constitution provides that *“All power belongs to the people who shall exercise their sovereignty in accordance with this constitution ...The people shall express their will and consent on who shall govern them and how they should be governed through regular, free and fair elections of their representatives or through referenda”* Since 1994, Ugandans have gone through a number of elections ranging from those for Constituent Assembly delegates in 1994, the Presidential and Parliamentary elections of 1996, 2001 and 2006, to a series of local council elections nationwide. Through the regular elections, Ugandans have had an opportunity to choose the leaders of their choices a fact that has contributed to relative stability in most parts of the country. The Uganda Electoral Commission is mandated to organize, conduct and supervise elections as per Articles 60, 61 and 62 of the constitution. The Electoral Commissions mandate to conduct *“free and fair elections and referenda”*. The electoral laws of Uganda are held in eight different law documents; 1) the constitution; 2) the Electoral Commission Act; 3) the political parties and Organizations Act; 4) the Presidential elections Act; 5) the Parliamentary elections Act; 6) the Local Governments Act; 7) National Women’s Council Act; 8) National Youth Act; and 9) the Referendum and other provisions Act.

#### **The Proposed National Development Plan (NDP)**

The new five year National Development Plan (NDP) (which is the successor to PEAP) is designed and built on the achievements of PEAP 2 and PEAP 3. Whereas the PEAP reflected a focus on eradicating poverty, micro-economic stability, and enhancement of human well-being, the NDP is growth oriented, focusing on the production of goods and services, growth in per-capita income and enhancement of human well-being. The NDP focuses on the rapid modernization of the economy, whose development strategy is aimed at wealth creation. The NDP (2010/11 to 2014/15) with its seven objectives<sup>4</sup> classifies the sectors of the economy into four clusters as follows; 1) primary growth sectors<sup>5</sup>; 2) Complementary sectors<sup>6</sup>; 3) the social sectors<sup>7</sup>; and 4) Enabling sectors<sup>8</sup>. Consequently, for promoting sustainable development, the NDP has identified the following as priorities; a) lifting economic growth in the key sectors; a) improving the environment for economic growth; and c) ensuring social development.

To ensure that NDP is effectively implemented, an implementation plan has been prepared for successful execution of the priorities and strategies. The plan emphasizes strong linkages between policy, planning, implementation monitoring and evaluation. It

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<sup>4</sup> a) Increase household incomes; b) Enhance the quality and availability of gainful employment; c) Improve the stock and quality of economic and trade infrastructure; d) Increase access to quality social services e) Promote innovation and competitive industries; f) Harness natural resources and environment for sustainable development; and g) strengthen good governance and improve human security.

<sup>5</sup> Agriculture, Manufacturing, Mining, Forestry, Oil and gas, tourism, ICT, and Housing

<sup>6</sup> transport and works, energy –power and biomass, land management and administration, physical planning, urban development, trade development, financial services, cooperatives, science technology and innovation, and water for production

<sup>7</sup> population, labour and employment, health and nutrition, education and sports, skills development, HIV/AIDS, social development, and water and sanitation

<sup>8</sup> good governance, national defense and security, justice law and order, accountability, efficiency in public service delivery, meteorology; ECA integration, Statistics, and environment



also emphasizes the responsibilities and accountability of the various structures, institutions and systems.

### **Millennium Development Goals (MDGs)**

Since 2000, the implementation of programs to achieve MDGs was integrated into Government's programs across all sectors. The Government of Uganda ensured that every ministry and department integrated the relevant MDG into their activities. Uganda's progress on the MDGs is monitored using data from the National Statistical System and is reported in the MDG status reports, and the country's status is shown in table A1.

With regard to Goal 1 of eradicating extreme poverty and hunger, it is highly probable that Uganda will halve the proportion of people living in extreme poverty by 2015, but remains potentially able to halve the proportion of people suffering from hunger by 2015. In response to this, the NDP has focused on creation of meaningful employment and increasing budget allocation to the agricultural sector for 2010/11 and 2014/15 from current 4.4% to 6.0%. With regard to achieving universal primary education, and ensuring that children both boys and girls will be able to complete a full course of primary schooling, it is probable that Uganda will achieve this goal by 2015 as the state of supportive environment is rated to be strong. The NDP will maintain the budget allocation to the education sector above 15% and expected to increase it to 17.1%. Uganda's progress in relation to goal three "promote gender equality and empowering of women" is assessed as probably achievable by 2015. Uganda has strong supportive environment that has tremendously increased women's participation in politics, narrowed down the gender enrolment gap at primary school level, which is also likely to reduce at secondary school level with the introduction of Universal Secondary Education (USE).

However, on reduction of child mortality i.e. Goal 4, and improving maternal health, i.e. goal 5, Uganda is unlikely to achieve these targets by 2015. As a way of improving the enabling environment for these goals, Uganda is to continue the emphasis of the girl child under USE to reduce teenager pregnancies, increase budget allocation to health from 10.42% to 11.7% of total budget, and achieving full vaccination coverage. Uganda has created a Sexual and Reproductive Health budget line under the Ministry of Health to improve on service delivery. The Government will continue focusing on improvement in national wide security to facilitate easy access to health units throughout the country.

Under goal 6 i.e. "Combat HIV/AIDS, malaria and other diseases", Uganda has already halted and began to reverse the spread of HIV/AIDS because of the strong supportive environment. However, Uganda still remains potentially able to achieve the malaria target of halting and begin to reverse the incident of malaria and other major diseases. Uganda continues to focus on preventive care and efficient management of malaria cases, HIV/AIDS interventions as well efficient resource utilization and management of health related projects. With respect to goal 7 "Ensuring environmental sustainability", Uganda is potentially able to achieve the target by 2015. Uganda continues to focus on rural electrification to reduce dependency on natural resource base for energy, maintenance of safe water sources, improving the institutional framework for environmental health, promoting afforestation among others. Uganda has no specific targets for goal 8

“Developing global partnership for development”, however, Uganda’s NDP is devoted to the matter of developing partnerships for the realization of development targets.

### **3.0 The Progress and Challenges in the Implementation of BPOA Commitments**

#### **3.1.1 Introduction**

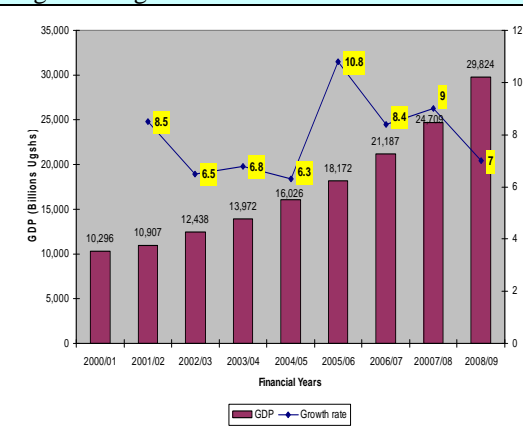
This section provides an analysis of the progress that Uganda has made towards achieving the commitments of the Brussels Program Of Action (BPOA) and in particular, the principle target of GDP growth rate of 7% per annum and ratio of investment to GDP of 25% per annum. It further reviews the extent to which Uganda’s policies and external support measures have fulfilled the following priorities of the program, namely; reduction in extreme poverty; ii) development of human and institutional resources to support sustained growth and sustainable development; iii) removing the supply side constraints and enhancing productive capacity; iv) enhancing Uganda’s share in world trade and global financial investment flows; environmental protection; as well vi) attaining food security and reducing malnutrition. It also identifies critical accomplishments and outstanding challenges in each of the seven commitments with the BPOA.

#### **3.1.2 Progress on GDP Growth and Investment Growth Rates**

Over the years, Uganda’s economic growth has been evidently impressive, as it has recovered steadily from the economic recession/decline experienced during the 1970’s and 1980’s. The shuttered economy has been rehabilitated, and the people’s living standards have been tremendously raised. Uganda’s real GDP has been growing though not at a steady rate since the beginning of the decade. The average growth rate achieved during the decade 2001/09 was 7.9% which broadly meets BPOA targets. The highest peak (10.8%) was experienced in 2006, followed by a decline in 2007 (8.4%) and 2008 (9.0%) - see figure 1.

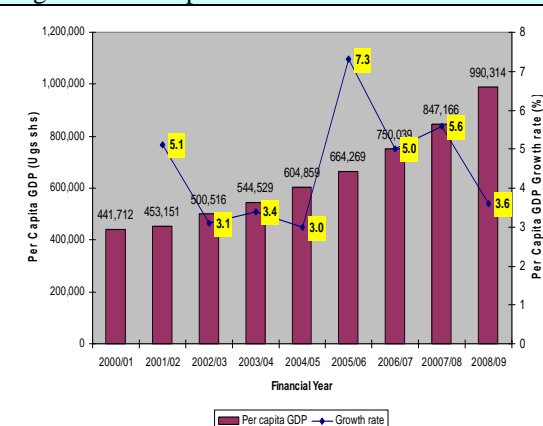
With regard to per-capita GDP, growth was registered over the period from 441,712 Ug.shs in 2000/01 to 990,314 Ug.shs in 2008/09, although punctuated by declines –see figure 2. Similarly, Uganda’s GDP per capita in terms of PPP grew since 2002 from 1,390 US\$ in 2002 to 1,626 US\$ in 2005. On the whole, between 2000/01 and 2008/09, Uganda’s per-capita GDP has been growing at an average annual rate of 4.5%.

Figure 1 Uganda's GDP at Market Prices



Source: UBOS Statistical abstract 2009

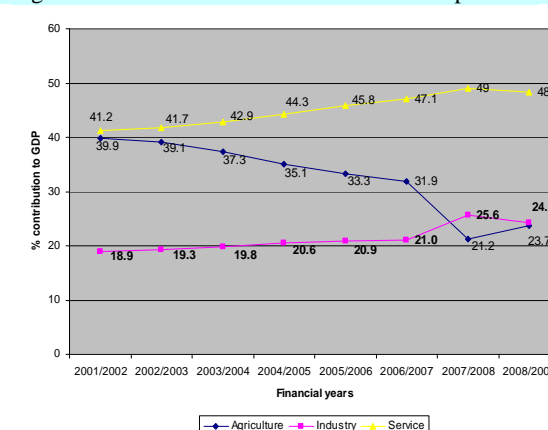
Figure 2 Per Capita GDP at Market Prices



Source: Statistical Abstract, UBOS 2009

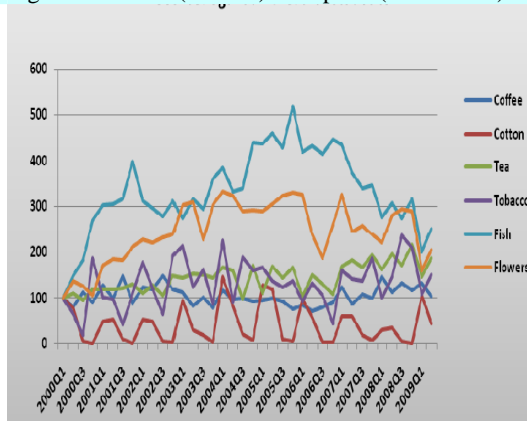
Uganda has been able to meet the BPOA growth targets because of her rapidly growing service sector whose contribution to GDP has grown from 41.2% in 2001/2002 to over 51.2% in 2008/09 and grew up to 20% per annum in 2008/09. This strong growth of the service sector has been mainly due to high growth in transport and communications sub-sector. Over the last five years, this sub-sector has registered an average growth of 24.4% per annum, thus achieving the fastest steady growth over the period relative to other sectors of the economy. In addition, to the service sector, moderate growth was experienced in the manufacturing sector whose GDP contribution has grown from 18.9% in 2001/02 to 24.2% in 2008/09 and registered a growth rate of 8.3% in 2008/09. The sector was driven by strong growth<sup>9</sup> in food processing that helped to cushion the manufacturing activities from the impact of the global financial crisis.

Figure 3 Sector contribution to GDP at basic prices



Source :Background to the budget2 2007/2008,2008/2009 and 2009/2010

Figure 4 Growth (volume) of exports (2000/ 2009)



Source: Rapid impact assessment of the global economic crisis on Uganda

<sup>9</sup> The food processing sub-sector grew at 12% in the last quarter of 2009

Uganda would have achieved higher GDP growth rates if her agriculture sector's growth rate was more buoyant. Since the beginning of the decade, the sector has experienced a rapid declining growth rate from 3.8% per annum in 2003/4 to 1.5% in 2004/5 and further declined to 0.4% in 2005/06 with a slight improvement to 2.6% in 2008/09. This decline made the agriculture sector's percentage contribution to GDP decline from 39.9% in 2001/02 to 21.2% in 2007/08 although there was a slight improvement to 23.7% in 2008/09. Uganda's agriculture sector is predominantly rain fed, with limited or no back stoppers to help mitigate the effects of climatic changes. The sector has had to bare the blunt effects of prolonged drought, delayed rains and floods that have been experienced in most parts of the country. This recent improvement has been partly attributed to the refocusing of agriculture extension services through NAADS, agriculture recovery in north and north-eastern parts of the country following a resettlement of Internally Displaced Persons (IDPs) back into their villages of origin as well as high market prices offered for food crops in neighboring countries of Southern Sudan and Democratic Republic of Congo (DRC).

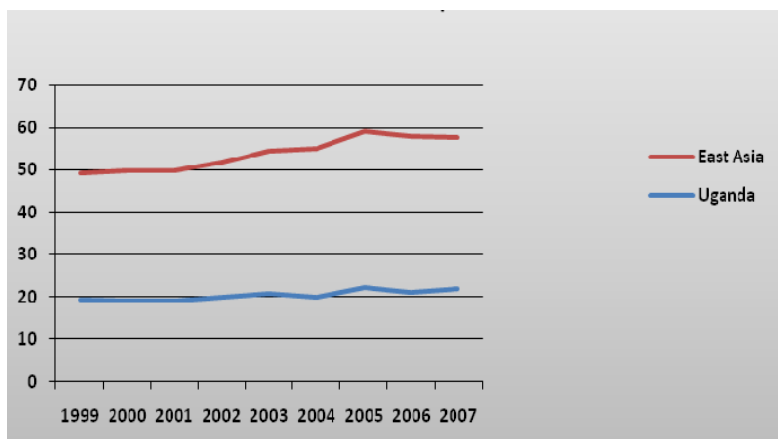
Furthermore, the declining growth rate of the agriculture sector whose activities are especially labour intensive implies less gainful employment for the less educated and rural based majority of the population. There is need to have more investment in the agricultural sector to improve productivity and output since it still employs 72% of the national labour force and contributes 85% to the total exports.

### 3.1.3 Progress in Capital Formation

Uganda's Gross Fixed Capital Formation as a percentage share of GDP (at current prices) has been consistently lower than in East Asian economies over the period 1999 to 2007 (figure 5) fluctuating between 22% and 23.7% during the decade under review. This is below the BPOA recommended target of 25% by 2015. During the decade, the Government has undertaken a wide range of policy and regulatory reforms that have strengthened the supervision of the financial sector. Notable progress has been made in regulating the banking sector, which was recently strengthened with the enactment of the Financial Institutions Act and the Micro finance Deposit-Taking Institutions Act. Furthermore, there has been some progress in the development of Uganda's capital markets and the launching of the Uganda Securities Exchange has created an avenue for greater popular participation in the securities market.

In spite of the Government's efforts to develop and deepen Uganda's financial sector, the rate of growth of the gross fixed capital formation is still lower than the Sub-Saharan average. Uganda's financial sector is still under developed, characterized by; a low saving rate, high cost of credit, reducing the sector's capacity for credit expansion which is in turn is reflected by the under-developed capital markets. The net effect of the above has been to keep the gross fixed capital formation as a percentage of GDP low and somewhat stagnant, which limits the economy's capacity to create new jobs. Therefore the Government will continue to work to strengthen and deepen the financial sector to meet the BPOA target by 2015.

Figure 5 Gross fixed capital formation (% of GDP)



Source: World Development Indicators

### 3.2 Assessment in Progress in Reducing Extreme Poverty

As already mentioned, Uganda has registered tremendous progress towards poverty eradication (African Peer Review Mechanism 2009), reducing income poverty from 37.7% in 2002/03 to 31.1% in 2005/06. Uganda's overall improvement in poverty levels since 2001 was driven mainly by increases in average income, rather than re-distribution. This is shown by gaps in poverty levels between rural (34%) and urban (14%) residents, and the regional disparities (Northern Uganda 61% and Eastern Uganda 36%, western Uganda 20.5% and Central Uganda 16.4%)—see table 1. Moreover the most vulnerable groups to poverty have been found to be women and children-headed households, IDPs, crop farming households, and the unemployed.

Whereas Uganda is broadly on the right track to meet the BPOA target of bringing the head count poverty levels to 28% by 2015, the hope to meet the ambitious PEAP target of 10% by 2017, still remains a challenge. Despite the tremendous reduction in poverty levels the country has registered, a significant proportion (20.4%) of Ugandans are still living in chronic poverty<sup>10</sup>. This compares very unfavorably with the MDG target of 11.5% by 2015. The BPOA targeted to halve the proportion of people suffering from hunger by 2015 (target 41.7%). Though Uganda has made some progress towards meeting this target (reducing from 83.4%, to 58.7%, to 63.5% and to 68.5% in 1992, 1999, 2002, and 2006 respectively) there is still a lot that needs to be done. Nearly two fifths (38%) of the children under five in Uganda are stunted or too short for their age, while 6% were wasted or too thin for their height, and 16% were under weight. In response to the above trends, the Government of Uganda has developed a Food and Nutrition Policy to help mainstream actions on nutrition into sector plans, thereby hoping to improve the MDG indicators on nutrition. The investments in mitigating the climatic changes will help increase agricultural output and enhance the chances of meeting this target. Uganda will need more support, in terms of resources from the development partners to make heavy investments, if it is to meet the above targets by the set date.

<sup>10</sup> The chronic poor are those whose poverty status remains unchanged over time and constitutes the poorest of the poor

**Table 1 Proportion of people below the income poverty line (%)**

	1992	1993/4	1994/5	1996	1997/8	1999/2000	2002/03	2005/06
<b>National</b>	<b>55.7</b>	<b>51.2</b>	<b>50.2</b>	<b>49.1</b>	<b>44.4</b>	<b>33.8</b>	<b>37.7</b>	<b>31.1</b>
Rural	59.7	55.6	54.3	53.7	48.7	37.4	41.1	34.2
Urban	27.8	21.0	21.5	19.8	16.7	9.6	12.2	13.7
Central	46.0				28.0	19.7	22.3	16.4
Western	53.0				43.0	26.2	31.4	20.5
Eastern	59.0				54.0	35.0	46.0	35.9
Northern	72.0				60.0	63.7	63.6	60.7

*Source: Uganda human development report 2007, and UBOS Statistical abstract 2009*

In order for Uganda to achieve more meaningful and sustainable poverty reduction at household level, and meet the BPOA targets by 2015, studies have identified the following as the critical drivers of poverty and hence need to be addressed; 1) Increasing the rate of growth of the agricultural sector; 2) continue to ensure security of all regions and the disarmament of the Karamojong be completed as soon as possible; 3) Speedy implementation of Northern Uganda rehabilitation programs 4) Comprehensively addressing the high fertility rates (of 6-9 children) and high (3.24%) population growth rate; and 6) Continuing the provision of social-economic services of health, education, water supply, financial services, roads and markets

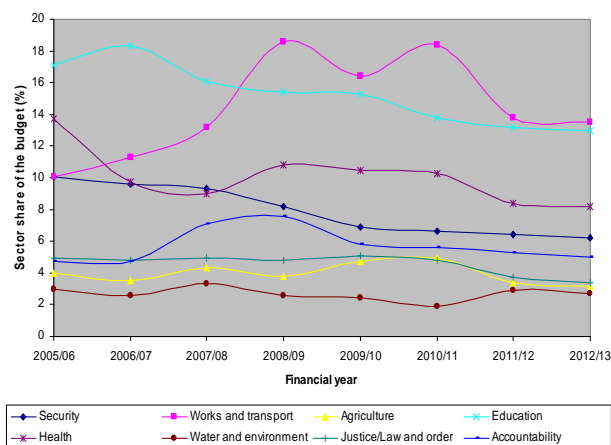
### **3.3 Assessment of Progress in Developing Human and Institutional Resources to Support sustained Growth and Development**

#### **3.3.1 Introduction**

A healthy and well-educated population is a necessary condition for development of any country. In Uganda, households' economic status has been highly linked with their health and educational status as well as their social capital, and hence the Government has concentrated her attention in obtaining a healthy and well-educated population as a basis for her sustainable development. There has been deliberate massive Government's investment<sup>11</sup> in education and health (see figure 6) to address the human development concerns. Evidently, there has been an increase in primary school enrolment, number of primary and secondary schools as well as public and private higher institutions of learning. In the health sector, Uganda is implementing the HSSP that has focused on improving the quality of health care and treatment of malaria, sanitation, community mobilization, Sexual Reproductive Health and family planning, TB, and HIV/AIDS among other issues. There has been progress in reducing the prevalence of AIDS to about 6.4% (sero-behavioural survey 2004/05), though recent studies show increase in infections and shifting of high prevalence to those in stable marriage relationships. Uganda is also implementing an Infant and Maternal Health Strategy to address child and maternal health issues. Focus has also been put on provision of safe water.

<sup>11</sup> The percentage share of the national budget, see figure 6

Figure 6 Medium term expenditure allocation-%



Source: Background to the budget 2006/07, 2007/08, 2009/10

Under the PEAP, the following were identified as the key priority areas in Uganda's human development efforts; 1) Primary and secondary education: with a focus on quality; 2) Improving health outcomes; 3) Increasing people's ability to plan the size of their families through access to information; and 4) Community empowerment including adult literacy. These have been maintained as priority areas in the NDP although some additional areas have been added such as; skills development, as well as labour and employment for the period 2010-2015.

To ensure the effective delivery of the required services, Government had to improve the capacities of the respective institutions. For the health sector, the Government under the HSSP upgraded infrastructure, abolished user fees in public facilities, provided subsidies to the not-for-profit sector, and upgraded training and enhanced drug availability. To improve on the education service delivery, the Government focused on the following issues; 1) Multi-grade teaching; 2) double-shift teaching; 3) Incentives for teachers in hard-to reach areas; 4) provision of schools and classroom facilities; 5) training teachers in special needs education; 6) provision of basic education in emergency situations; 7) A school feeding programme in selected areas.

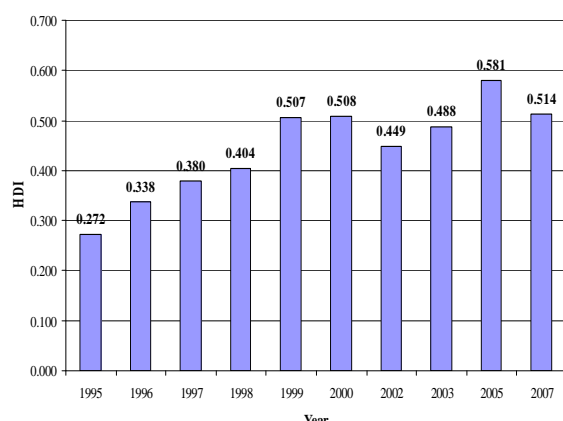
### 3.3.2 Progress in Human Development Index (HDI)

The Human Development Index<sup>12</sup> as an indicator of human empowerment in any given country shows how wide people's choices are and the platform for making such choices. When these choices are widened, then people can develop their full potential in order to lead productive and creative lives in accordance with their needs and interests (UNDP, 2001). According to the 2001 HDI, Uganda was ranked number 141 out of 162 countries, placing it among the most under-developed and poverty-stricken countries in the world. Uganda's HDI has however been improving since then as seen in figure 7. The improvement in Uganda's HDI is highly attributed to the UPE program that has improved

<sup>12</sup> Human Development Index (HDI) is a composite index embracing longevity (measured by life expectancy), knowledge (measured by education attainment-as a composite indicator combining adult literacy and gross enrollment in the ratio of two thirds and one third respectively), as well as income per capita (measured in terms of purchasing power parity).

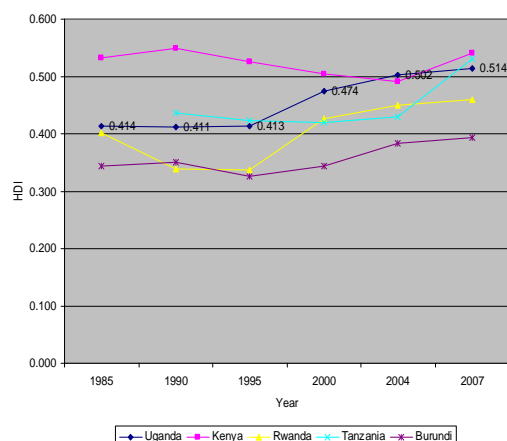
her school enrolment as well as per-capita income. When put into the East African Community context, Uganda still lags behind Kenya and Tanzania but the gap has been narrowed since 2001–See figure 8.

Figure 7 Trends of Uganda's HDI



Source: Uganda Human Development Report 2007 and HDR 2009

Figure 8 The HDI trend of EAC Countries



Source: Human Development Reports for 2001, 2006 and 2007, and 2009

### 3.3.3 Progress in Education

The Government of Uganda (GoU) attaches great importance to improvement of education services since it plays a vital role in promoting sustainable development. In Uganda, education services at all levels (primary, secondary and more recently tertiary) are provided both by private and public sector as well as communities since it is both a social and economic profitable investment. The 1995 Uganda constitution strongly supports the contribution of private and social sectors in providing education services “Individuals, religious bodies and other non-Governmental organizations shall be free to found and operate educational institutions if they comply with the general educational policy of the country and maintain national standards”. However, the Government-aided schools still constitute the majority. For example, 74% of primary schools are Government aided, while the private schools constitute 11% and 15% are community schools/others owned.

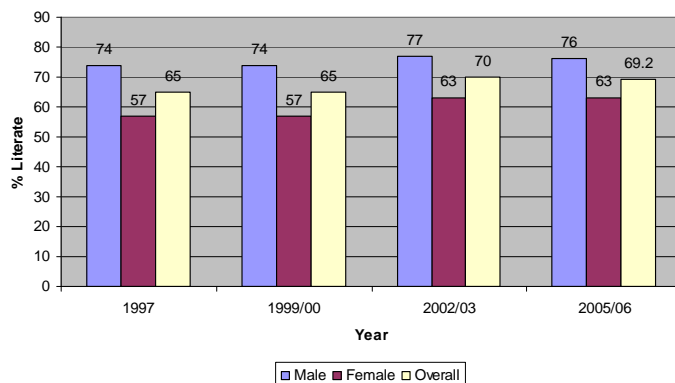
The 2025 vision for Uganda's development formulated in 1997 incorporated a commitment to education as a development priority. Consistent with the sector-wide approach, the Education Sector Strategic Investment Plan (ESIP) 1997-2003 was prepared to mobilize resources and guide the investment in this sector. As a result, a number of achievements have been registered including the following;

#### a. Adult Literacy Rates

There has been an improvement in adult literacy levels among the population aged more than 10 years since the beginning of the decade under review from 65% to 69.2% in 2005/06 –see figure 9. The BPOA target was to increase the literacy levels by 50% by 2015 which for Uganda was to increase it from 65% to 82.5%.



**Figure 9 Adult Literacy Rate of 10+ year old people**



Source: Statistical Abstract, 2009, UBOS

Despite the overall improvement noted, wide sex and regional disparities in literacy levels still exist. Males are more literate (76%) than females (63%), while Northern Uganda's (59%) literacy levels are lower than the other regions (Western - 67%, Eastern 64%, and Central 80%).

With the current literacy rate of 15-24 years old population of 84% and ratio of literate females to males was 0.73 in 2005/06 and it is probable that Uganda will meet the BPOA target by 2015. The long-term strategy of addressing adult literacy challenge is embedded in proper implementation of the UPE program.

#### **b. Primary Education**

Under PEAP, providing Universal Primary Education (UPE) has been one of the main priorities of the Government and central to the Education Sector Investment Plan (ESIP). Primary education provides children with basic reading, writing and math skills along with an elementary understanding of such subjects as history, geography, natural science, social studies, art and music.

Consequently, Government has invested substantial resources in primary education. Uganda introduced Universal Primary Education (UPE) in 1997 with the intention of broadening access to primary schooling, largely through reducing the costs of schooling. Its introduction saw primary school enrolment figures increase from 3.4 million in 1996 to 5.2 millions in 1997 representing about 68% increase in enrolment and by 2002, the total enrolled number was about 7.3 million which increased to 7.5 millions in 2008. In order to support this program, the Government continued to inject a substantial portion of the budgeted resources into the education sector, which receives the largest share (see figure 6) in accordance with the second Education Sector Investment Plan (ESIP II). The budgetary allocation to the education sector is projected to reach a level of 17% by 2015. As a result of this sustained investment, progress has been registered in the key performance indicators of primary and secondary education as reflected in table 2. Uganda's net enrollment ratio in primary education increased from 84% in 2000 to 89% in 2008. For the period 2000 -2006, male net enrolment ratio declined from 85% to 84%, while the female Net Enrolment Rate (NER)<sup>13</sup> increased from 84% to 85% in the respective years. At this rate of performance, Uganda was unlikely to achieve 100% net enrolment by 2009, but remained potentially able to achieve the target by 2015. Although

<sup>13</sup> NER is the ratio of pupils in primary school aged 6-12 years to the country total population aged 6-12 years

there has been relatively good performance in net enrolment levels, completion rates have remained low and declining. The overall primary school completion rate dropped from 88.4% in 2000 to 26% in 2008 against the MDG target of 100% by 2015. (Male completion rate reduced from 88.3% in 2000 to 27% in 2008, while that of girls reduced from 88.5% to 26% over the same period) against a PEAP target of 69%. Whereas the cost factors do lead to dropout of both boys and girls, teenager pregnancy, early marriage, and sexual harassment do affect girls more than boys. Boys on the other hand are still indifferent to education hence easily dropout of school.

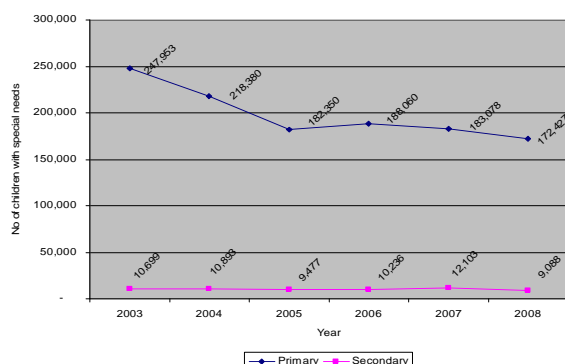
**Table 2 Trend of Key Primary and Secondary Education Indicators**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Primary Education</b>									
Enrolment ('000s)	6,559	6,901	7354	7,633	7,377	7,224	7,225	7,538	7,471
Number of Primary Teachers ('000s)	110	127	139	146	147	145	150	152	131
Number of Primary Schools	12,480	12,280	13,332	13,353	13,371	13,576	14,093	14,728	14,179
% Annual change in enrolment	4.3	5.2	6.6	3.8	(3)	(2)	1.9	2	(1)
Pupil Teacher Ratio	59	54	53	52	50	50	48	57	57
Pupil Classroom Ratio	96	90	87	87	79	74	72	72	72
Net Enrolment Rate	84			100.8	90.0	93.0	92.0	93.0	89.0
Male NER	85	87	85	85		84	84		
Female NER	84	87	86	86		85	85		
Completion rate: National			56		60		48		26
Boys			66		71		55		27
Girls			44		51		42		26
<b>Secondary Education</b>									
Enrolment	518,931	539,786	655,951	683,609	697,507	728,393	814,087	954,328	827,504
Number of secondary schools	1,892	2,400	2,723	2,899	3,645	1,961	2,286	2,644	1,907
Number of teachers	30,408	30,425	37,227	38,549	37,313	37,607	42,673	24,548	40,352
Student teacher ratio	17	18	18	18	19	19	19	39	21
Gross enrolment rate	Na	Na	Na	Na	Na	18.6	22.1	25.0	21
Net enrolment rate	Na	Na	Na	Na	Na	15.4	18.6	21.3	17.9

**Source:** Statistical Abstract, UBOS, 2006; Statistical Abstract, UBOS, 2007; Statistical Abstract, UBOS, 2008; and Statistical Abstract, UBOS, 2009,

In addition to the general enrolment under UPE program, Government has tried to pay attention to the education needs of children with special needs.

**Figure10 Total enrolment of children with special needs**

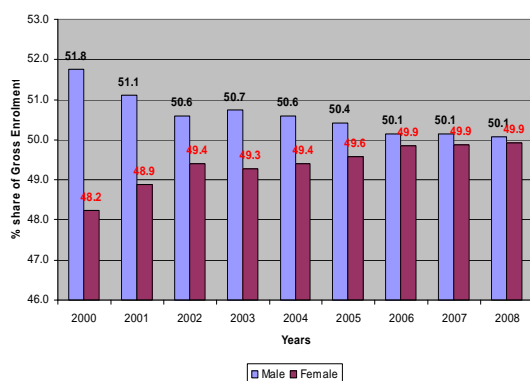


Source: Statistical abstracts 2006, 2007, 2008 and 2009

The enrolment of children with special needs rose from 20,000 pupils in 1997 to 218,286 in 2002. This number further increased to 247,953 in 2003 although there has been a slight decline since then -see figure 10.

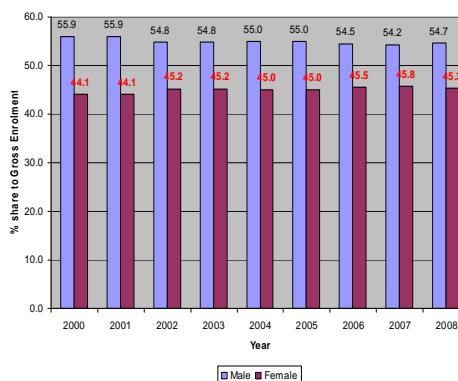
One of the important aspects of the UPE program has been the emphasis on the girl-child, which was well received by the communities resulting into minimum gender disparities among the enrolled children –see figure 11. This was a result of higher (74%) net enrolment rate for females compared to 72% for males in 2008. In 2008, the total enrollment for boys (3,730,015 boys) was almost equal to that of girls (3,730,259 girls). A benefit incidence analysis conducted in 2004 concluded that the UPE programme was not only pro-poor but also pro-girls. The baseline value of net enrolment of 6-12 year old population for 2002/2003 was 86.7% (87% for boys and 86.4% for girls). This increased to 91.7% (90.4% for boys and 93.0% for girls) in 2006.

**Figure 11 The Share of Male and females in primary enrolment**



Source: Statistical abstract 2006, 2007, 2008 and 2009

**Figure 12 Secondary school enrolment by sex**



Source: Statistical abstract 2006, 2007, 2008 and 2009

### c. Secondary education

In addition to the Universal Primary Education (UPE), Government launched the Post Primary Education and Training (UPPET) and Universal Secondary Education (USE) programme in 2007. The gross enrolment rate in secondary education was 18.6% in 2005 and improved to 39% in 2007 after the introduction of USE though it reduced to 21% in 2008. The net enrolment also improved from 15.4% in 2005 to 21.3% in 2007, which also reduced to 17.9% in 2008 –see table 2. Generally, secondary school enrolment is still dominated by boys than girls –see figure 12.

On the whole, secondary education has been faced with a lower completion rate than primary education for both boys and girls. The completion rates for boys and girls have been 28% and 22% respectively. This has been attributed to high education costs. There has not been any significant change in the number of children with special needs enrolled in secondary schools save for 2007 which showed an increase from 10,236 children to 12,103, which increase has been followed by a drop in 2008. It is important that the Government addresses the concerns of these children in the institutions' infrastructures.

#### ***d. Tertiary education***

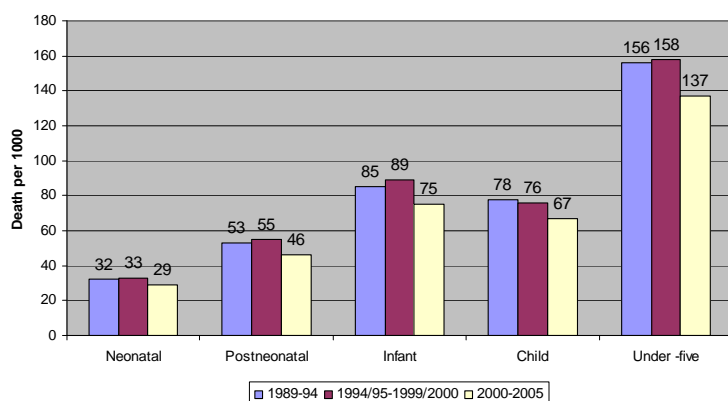
Currently, Uganda has 144 public institutions, 600 private training service providers, and 17 apprenticeships and enterprise-based training programs. Between 2006 and 2008, the total enrolment increased from 25,682 to 47,298 signifying a 46% increase. Since 1990, Uganda has exercised affirmative action in favor of women with regard to admission into university and other tertiary institutions. When applying for admission into institutions of higher learning, girls are awarded 1.5 bonus points on top of their scores to help them gain admission. The policy led to significant increase in the number of women at universities. The proportion of females in total student enrollment increased from 31% in 1993/94 to 40% in 2002 and up to 42% in 2004. Currently Uganda has 26 registered and operational Universities and women enrolment forms 43.3% which is higher compared to women enrolment in other tertiary institutions other than universities (39.5%). On the whole, women enrolment in post secondary institutions is 42.1% (UBOS 2009). In 2007, Uganda had a total of 145 higher education institutions (universities and non-universities) with a total enrolment of 155,000 having grown from 60,000 in 2000 signifying a 14% increase.

### ***3.3.4 Progress in Health***

#### ***a. Child mortality rate***

Generally Uganda has experienced an improvement in trends of mortality since 1999/2000 as shown in figure 13. The Infant Mortality Rate (IMR) declined from 89 deaths per 1000 live births in 2001 to 75 deaths per 1000 live births in 2006 not meeting the 2008 PEAP target of 68 death per 1000 live birth and also still below the MDG/BPOA target of 34 by 2015. The under-five mortality rate also reduced from 158 in 2001 to 137 in 2006. Although Uganda has been able to meet her PEAP target, the MDG and BPOA target of 31 deaths per 1000 live births by 2015 still remains an uphill task. As part of the strategy to reduce child mortality, Government has implemented the affirmative action for the education of women under UPE and USE. This is because, mothers' education was found to be strongly associated with the higher rate of child survival. Children born to a mother with secondary or higher education had a far less rate (40% less chance of dying before first birthday) of dying before their first birthday than children whose mothers had primary or no education.

**Figure 13 Mortality Trends**



Source: UDHS 2006

As part of implementation of the first Health Sector Strategic Plan (HSSP), the Government of Uganda undertook multiple interventions like; 1) Immunization; 2) Integrated Management of Child Illness; 3) Implementation of child days; and 4) Home based management of fever (HBMF) as well as other social programs of UPE and USE.

#### ***b. Maternal mortality***

The estimated maternal mortality is 435 deaths per 100,000 live births (UDHS 2006) having reduced from 527 level in 1995 and this must be reduced further to 131 deaths per 1000 live births which is the MDG and BPOA target by 2015. The major causes of maternal mortality in Uganda have been identified as; 1) Severe bleeding; 2)-Eclampsia; 3) Unsafe abortions; 4) Obstructed labour; 5) Malaria; 6)HIV/AIDS; 7) High rates of fertility (6.7 births per woman); 8) Poor access to quality maternal and neonatal care; 9) Limited capacity of health facilities to manage abortion/miscarriage complications; 10) Short pregnancy intervals; 11) High costs of maternal/health care, poor information on safe pregnancy and diseases; 12) Harmful culture and traditional practices; and 13) Low status of women in family and community. The Government has tried to respond to these factors in an effort to meet the MDG and BPOA target though it remains unlikely to be met by 2015.

Interventions towards maternal and child health were implemented through the overall Health Sector Strategic Plan (HSSP) 2001-2005 through delivery of the Uganda National Minimum Health Care Package. This plan focused on integrating management of childhood illness, adolescent pregnancy, Emergency Obstetric Care (EmOC) and overall maternal and newborn health. In addition, the implementation of the Sexual Reproductive Health programs with the support of UNFPA (see figure 14) helped to improve the proportion of mothers delivering in Government and Private-Not-For-Profit health units to 41.1% in 2006 from 38% in 2001. This was progress towards meeting the BPOA target of *“Making accessible, through the primary health system, reproductive health to all individuals of appropriate ages as soon as possible and no later than the year 2015 i.e. Percentage of births attended by skilled health personnel”* The elimination of cost sharing (user fees) at public facilities in 2001 further encouraged women to use the

facilities. Uganda's contraceptive prevalence rate increased from 15.4% in 1995 to 18.6% in 2001 and by 2006 it had increased to 24.4%. The NDP is targeting to achieve 46% by the year 2014/15. This is in effort to meet the BPOA target of *“Making available the widest achievable range of safe, effective, affordable and acceptable family planning and contraceptive methods- Contraceptive use among currently married women aged 15-49, any method”*

Figure.14 Some of RESCUER Program services



### c. Morbidity level

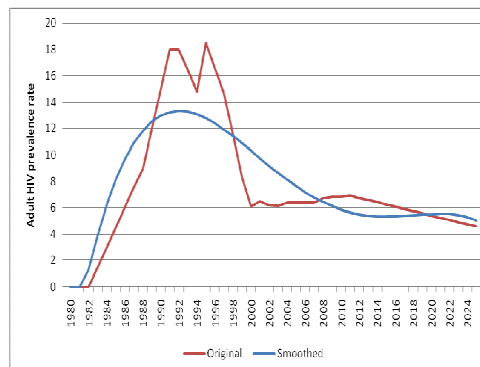
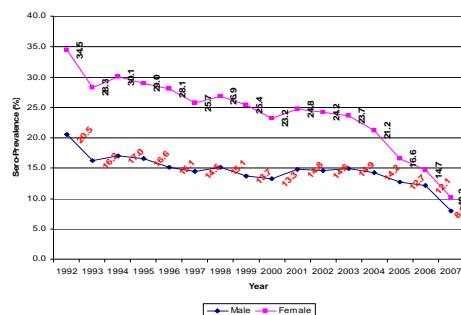
Uganda has been faced with an increase in disease prevalence from 29% to 40% between 2002/03 and 2005/06. During the same period, malaria was the most frequent disease among outpatient accounting for 48% of the disease burden in 2002 through 2004 and raising to 51% in 2005 and accounting for 25% of hospital admissions and 14% of hospital deaths. In general, malaria remains the leading cause of illness and death in Uganda, killing over 70,000 children annually. Malaria is affecting both rural and urban households with rural households being more affected both in terms of morbidity and mortality. The high malaria prevalence has greatly hampered the Government's efforts of reducing the high infant mortality rate. To control malaria, the Government has focused its interventions on preventive care. Consequently Government prepared and disseminated a national policy on Insecticide Treated Materials (ITMs) leading to waiving of taxes on those materials and insecticide to make them more affordable especially by the rural poor.

Government's response to morbidity also covered the control and treatment of TB. The HSSP II (2005-2009) aimed at increasing the TB case detection rate from 60% in 2005 to 70% and in 2009 the targets were: a) increase the TB cure rate to 85%; b) Reduce TB associated deaths by half to 3.1%; and c) Attain full coverage of TB Directly Observed Treatment Short-Course country wide. These targets were to be achieved through improved laboratory diagnosis, training of microscopists in peripheral laboratories and ensuring that every health center IV has one laboratory equipped to undertake a smear microscopy.

Uganda has been one of the most successful countries in bringing down HIV prevalence and incidence rates (Figure 15 and figure 16). Uganda has managed to reduce the prevalence of HIV/AIDS significantly from 18% (1992) to 6.4 % in 2004/05. With this level of prevalence, Uganda has already achieved the MDG target. In addition, by 2005, HIV prevalence rate among persons aged 15-25 years was 2.9% (sero-behavioural survey 2004/05), suggesting that Uganda had also met the BPOA target. Currently, it is estimated that 1 million people are infected with HIV and approximately 130,000 new infections occur annually, of which 100,000 are among adults. To curb the new infections, the Government has drafted a 'National Over Reaching HIV/AIDS' policy in the National Strategic Plan 2007/08-2011/12, which focuses on HIV infection and addressing factors that increase vulnerability to HIV infection. Overall the current level of prevalence and new infection has continued to have adverse consequences on the economy, labour supply and productivity, as well as overall production, and revenues. It is estimated that by 2025 Uganda's economy will be 39% smaller than it would have been without HIV/AIDS.

In partnership with development partners, the Government has demonstrated continued commitment to controlling and preventing HIV/AIDS. There has been an increase in the funds allocated for the purpose of accelerating activities against HIV/AIDS. These include funds from the Global Fund Against AIDS, TB and Malaria Program. By 2007, Uganda had received a total of US\$ 26.2 million towards HIV/AIDS. Out of the increased funding, PMTCT services have been scaled up to 140 sites in 49 districts compared to 71 sites in 31 districts in 2002/03; Antiretroviral Treatment services have been scaled up (50,000 persons were served by 2005) and Antiretroviral Therapy are now part of the national drug distribution system. By December 2008, there were approximately 360,000 PHAs (adults and children) who needed ART, of which 154,800 (43%) were on ART; and of the 33,000 children who need ART, about 13,200 (40%) were receiving the service.

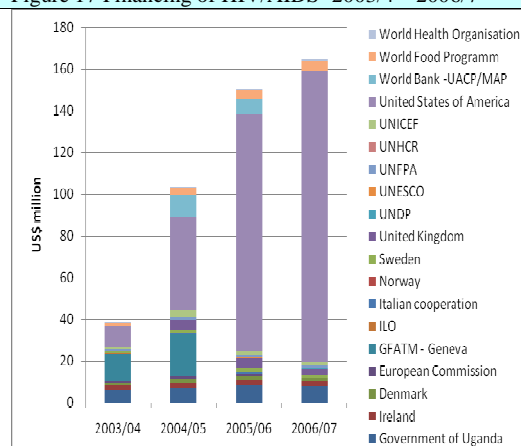
Figure 15 Sero-prevalence by sex 1992-2007 (MoH)      Figure 16 Projected HIV prevalence by 2025



Source: Vulnerability and risk analysis to HIV/AIDS –Uganda Police Macro-Economic Impact of HIV/AIDS 2008

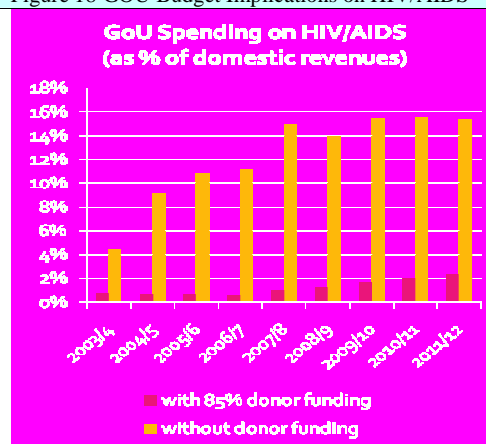
According to the NSP's projected activities, the Government of Uganda still needs the development partners for funding (figure 17). With 85% of the projected cost being funded by development partners, Uganda can only manage to continue running the HIV/AIDS activities. However, if the donors pull out and Uganda is to foot the whole bill, then GoU share in funding these activities would have to increase from \$8m currently to \$511m implying an increase from 0.5% to 15% of GDP which is beyond reach (see figure 18).

Figure 17 Financing of HIV/AIDS- 2003/4 – 2006/7



Source: Macro-economic impact of HIV/AIDS in Uganda -2008

Figure 18 GOU Budget Implications on HIV/AIDS



Source: Macro-economic impact of HIV/AIDS in Uganda -2008

### 3.4 Assessing the Progress in Removing Supply Side Constraints and Enhancing Productive Capacity to Accelerate Growth, Income and Employment Generation

#### 3.4.1 Introduction

Uganda is a member of the East African Community (EAC), The Common Market for Eastern and Southern Africa (COMESA) and the African Union (AU) and participates in initiatives such as New Partnership for African Development (NEPAD) and Inter-



Governmental Authority for African Development (IGAD). It qualifies to access the USA market, under the African Growth and Opportunities Act (AGOA) and the European Union markets under Everything But Arms (EBA) trade arrangement. The 2007 World Bank Country Economic Memorandum observed that Uganda's economy has continued a remarkable run of growth in the face of shocks. The quality of growth seems to be improving and many of the features of a dynamic economy are reported to be visible in Uganda's growth experience. For instance, farmers are switching to new higher value crops, labor is moving into new occupations, new products are being discovered, new exports are emerging and the technology component of imports and exports is improving. Progress has been registered in removing supply side constraints and enhancing productive capacity and promoting expansion of domestic markets to accelerate growth, income and employment generation.

### ***3.4.2 Progress in Infrastructure Development***

Uganda being a land locked country, physical infrastructure remains a binding constraint to her economic development. However, Uganda has made strong efforts to improve infrastructure provision. The percentage budget allocation to the works and transport sector for road construction and maintenance has increased since 2005/06 from 10.1% to 16.4% in 2009/10 - see figure 6. In addition to increased budget allocation, the Government created the Uganda Road Formation Agency Unit that was in charge of national roads management in the country. The agency was later upgraded to Uganda National Roads Authority (UNRA). In relation to meeting BPOA targets of increasing the road networks, during the decade 2001-2009 Uganda has made tremendous progress.

In 2001, Uganda had a total road network of approximately 35,700 km (excluding community roads) of which about 8% was paved. The classified road network consisted of about 9,500 km of which 24% was paved. By the end of 2008, the country had increased its total road network to 78,100kms of which 20,800kms were national roads, 17,500 kms district roads, 4,800kms urban roads, and 35,000kms community access roads. The total road network (excluding the community roads) increased by 21% between 2001 and 2008. By close of 2008, 15% (3120kms) of the national roads were paved representing an increase of 37% (840kms) since 2001.

Currently roads show an adequate road density of 190 m/sq-km and about 67% of households have access to a usable road all year round. However, the quality of community access roads remains low with less than 10% in good condition. Only 17% of households were close to feeder roads in good condition in 2008. In spite of improvements in roads network, Uganda's motorization rate was low at 9.3 vehicles per 1000 Ugandans, of which 3.4 were motorcycles. There were 247,045 vehicles in Uganda in 2004 and 470,488 vehicles in 2008. Uganda experienced an increase in container traffic from Mombasa totaling to 123,147 and a total of 3.7 million tons of merchandise being imported through the same port (*Kenya Ports Authority –April 2009*).

Furthermore, over the same period, new vehicle registration increased from 38,451 new vehicles in 2004 to over 100,000 vehicles in 2008. The BPOA provides that LDCs should modernize and expand railway connections and facilities, by the end of the decade. In response to this target, Uganda prioritized the preparation of a Railway Master Plan to guide investments. By 1990, the total rail network was 1266km, which has since declined

to 321kms of functional rail network from Malaba-Kampala (251km) and Port-Bell- link (9kms), Tororo-Mbale line (61Km). The Uganda Railways Corporation was privatized through concessioning its operations and maintenance of the functional rail system to the Rift valley Railways Ltd. In the African Region context, Uganda has recently adopted a continental position on harmonization of the rail gauge to standard gauge of 1.435m. This is intended to increase continental connectivity, carriage capacity and reduce on transit time. In addition to rail transport, Government has built a new passenger/cargo ferry (MV Kalangala) between Kalangala and the main land to supplement the already existing ferries. There have been a number of significant reforms in the transport sector that aim at separation of roles and responsibilities with respect to policy formulation, road development and maintenance, regulation and financing. The result of this has been creation of UNRA. Others that are about to be approved are; a Transport Master Planning Unit, National Road Safety Authority, Multi Sectoral Transport Regulatory Authority and an autonomous Metropolitan Area Transport Authority as well as Metropolitan Area Transport Executive.

### ***3.4.3 Progress in Technology, Research and Development***

Uganda still scores low in the area of research and development. Over the 2001-2009, expenditure on Research and Development was 0.8% of GDP. There were just 24 researchers employed per 1 million people in Uganda compared to over 300 researchers per 1 million people in South Africa. Uganda had only one researcher per a thousand members of the workforce compared to over five researchers per a thousand in the developed world. Within the manufacturing sector, technological growth was still weak as only 14% of the manufactured exports were said to be high-tech products. By 2005, of the total recorded applications for industrial property rights, 75% were owned by foreign enterprises suggesting that local innovation was still weak. Additionally, out of 26,189 trademarks registered, a third was local as of 2004.

Since 2001, Government has responded to the challenge of limited science and technology capacity by; 1) setting up a full fledged ministry for ICT (Ministry for Information and Communication Technology-MoICT); 2) Developing a National ICT Policy in 2008/09; 3) Harmonizing National ICT policy with the Regional ICT Policy; 4) Drafting the cyber bill; 5) Developing the Rural Communications Development Policy; and 6) Abolishing taxes on computers and software.

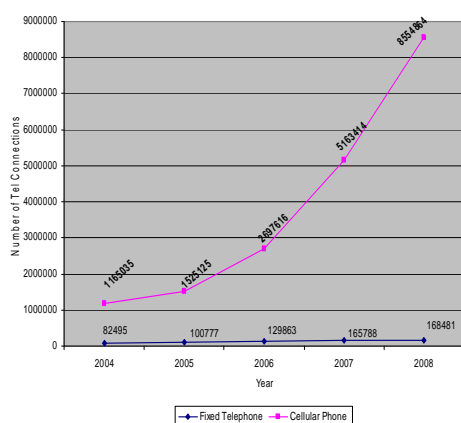
Further more, in response to the low level of research and development, Uganda established the Uganda Industrial Research Institute through the Act of Parliament in 2002, the Uganda National Council of Science and Technology, and other institutions all geared towards promoting scientific research. Further more, in response to the BPOA target of increasing computer literacy among students in higher institutions and universities by 50% and in junior and high schools by 25 per cent by 2015, the Government integrated ICT into education curricula. The policy calls for exposure to science for all university students as well as improved research and technological infrastructure. Beginning in 2005/06, 70% of the students sponsored by Government in higher institutions of learning have been in the fields of science.

With regard to telecommunication sub-sector, Uganda has registered tremendous progress. Uganda has registered tremendous telephone penetration and improved

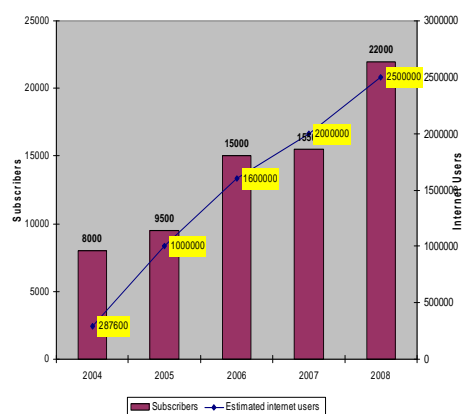
coverage. Since the beginning of the decade, the number of mobile telephone lines has grown more rapidly than the fixed lines as shown in figure 19. Uganda has made tremendous strides in meeting the BPOA target of telephone density of 5 main lines per 100 inhabitants by 2010 (*by December 2008, Uganda was at 28 telephone lines per 100 inhabitants*) The liberalization of the telecommunications sector, boosted investors' interest and currently Uganda has 6 telecommunications operators. The level of sector investment (communication sector investment) grew steadily from 43,197,100 US\$ in 2003 to 150, 000,000 US\$ in 2007.

With regard to Internet use, a 41.9% growth has been realized in the fixed subscriber base with a total of 22,000 fixed Internet subscribers by the end of December 2008 compared to 8000 in 2004 –see figure 20. In addition, the emergence of mobile wireless Internet access has complemented the fixed Internet access. By the end of December 2008, there were about 220,000 mobile wireless accounts using a range of technology media including GPRS, CDMA and WIMAX facilitated by the heavy capital investment by network operators in high-speed data networks. Internet users have also increased by 769% during the period 2004-2008. Generally, there has been an exponential growth in the number of Internet users as well as Internet subscribers. Though the number of Internet users is increasing, Uganda is still having less than 1 user per 100 hence not meeting the BPOA target of 10 Internet users per 100 inhabitants by the year 2010.

Figure 19 Telephone subscribers (2004- 2008)      Figure 20 Internet Users and subscribers



Source: Uganda Communications Commission



Source: Uganda Communications Commission

### 3.4.4 Progress in Improving Business Environment and Promoting Enterprise Development

Uganda has taken measures to improve the business environment and promote the growth of the enterprises. The Government has been implementing the Competitiveness and

Investment Climate Strategy 2006-2010. This strategy has helped to address the following elements; 1) provide structure for policy formulation and dialogue; 2) Skills development and training like vocational and technical training capacity, promote training in entrepreneurship, training of trainers in small business management, country-wide community-based training for micro entrepreneurs organized in groups); 3) Infrastructure development such as utilities and roads); and 4) Business development services. Uganda has also developed the MSE policy for micro and small enterprise capacity development. The policy has resulted into the development of a regulatory framework for Micro Finance Institutions (MFIs) to regularize their operations and expand their reach on a countrywide basis. This has helped to complement the Government policy that aims to increase productivity in agriculture, shift excess labour from agriculture to non-farm activities, reduce the costs of doing business for entrepreneurs, expand the formal private sector particularly in manufacturing and services, and improve incomes of MSE operators.

Further more, in 2005, Uganda developed trademark rules and in 2006 a Copyright Act and Counterfeit Goods Bill were developed and are currently into force. In 2008, the Ministry of Tourism, Trade and Industry (MTTI) finalized the drafting of a National Trade policy, and successfully carried out the Diagnostic Trade Integration Study, which spelled out the key action areas to enhance the capacity of the country to improve its competitiveness and engage profitably in international trade. The National Export Strategy was developed in accordance with the National Trade Policy and launched in 2009. Uganda has also developed Anti-counterfeits bill that is meant to fight the proliferation of counterfeit goods that have undermined the competitiveness of Uganda's manufacturing sector. Uganda is also reviewed the Standards Act to provide for the better national standards that are consistent with international quality standards for goods and services.

As a result of Government interventions, the micro and small enterprise (MSE) sector had about three million farm households and about one million formal and informal enterprises comprised of retailers, processors, repair shops by 2008. Currently the MSE sector employs 90% of non-farm economically-active people. The business environment has generally improved in some areas although more work still needs to be done. According the World Bank's Doing Business report of 2007, Uganda improved in the areas of; registering property, paying taxes, employing workers, and enforcing contracts. However, the following areas were identified as still requiring improvement; 1) starting a business; 2) dealing with licenses; 3) ease of doing business; 4) protecting investors; 5) getting credit; 6) trading across borders; and 6) closing a business.

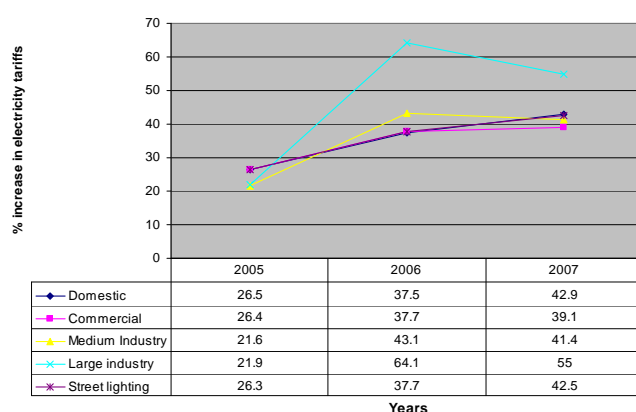
#### ***3.4.5 Progress in Provision of Energy***

The energy sector in Uganda comprises of both traditional and conventional energy sources that include petroleum products and renewable energy. However, the dominant locally produced energy sources are fuel wood and charcoal. Uganda prepared a Renewable Energy Policy in 2007, which aims at increasing the use of modern renewable energy through appropriate technology investments and promoting sustainable production and utilization of bio-fuels. Government also established and operationalized the Energy Fund in 2008, which has provided fund for the development of planned power projects to

meet the electricity supply needs of the country. Electricity coverage was at 8% of the population and less than 3% in rural areas in 2002. To transform rural communities into modern communities, Uganda has been implementing a 10-year Energy for Rural Transformation program. This program had an overall goal to increase rural electricity rates from 1% to 10% by the year 2010. By 2008, 6% of rural households have access to grid power as compared to 40% of urban households.

Uganda has an estimated overall electrical power potential of over 5,300 MW, comprising of 2200MW potential of hydro power, 1650 MW from biomass, 200 MW from solar power, 450 MW from geothermal and 800MW from peat. By 2008, Uganda had a total installed generation capacity of 570 MW, compare with 180Mw in 2001. A total of 150 MW of thermal power plants was installed and commissioned over the last 10 years leading to an overall increase of power supply from GWh 1,887.7 in 2001 to GWh 2,176.0 in 2008. Out of Uganda's total installed capacity, hydro electricity has up to 60%, thermal electricity has 38% and biogas has 2%. Uganda plans to increase power generation output through public and private investments from the current level of 280-330 MW to 780-820MW, and also increase access to grid power from current 11% to 15% by 2015. In order to achieve the above targets, government has invested in Bujagali, and Karuma hydropower dams. Additionally the government plans to increase power output from both biomass co-generation and solar generation by over 100 MW. Although Uganda has registered reasonable increase in electricity supply in the last decade, the country has experienced dramatic increase in tariff rates since 2004, making use of electricity very expensive –see figure 21.

Figure 21 Percentage change in electricity tariffs



Source Statistical Abstract 2009

Government has continued to support efforts to promote petroleum exploration in Uganda. The discovery of commercial quantities of petroleum reserves in the Albertine

Graben has boosted efforts and interests to find more petroleum and has also attracted more interest from oil companies to invest in the Petroleum Sub-sector. Investment in this sector by December 2008 was about US\$ 540 million. In 2008, Uganda developed a National Oil and Gas policy

The Government targets to increase the solar power generation to a tune of 50 MW. The Government of Uganda through the Energy for Rural Transformation (ERT) project has put in place the Business Uganda development Services (BUDS)-Energy for Rural Transformation (ERT) marketing and output-based grants availed to companies developing the solar PV market. BUDS-ERT has made several gains, but still the market has not been transformed. The slow pace of solar project taking off is blamed on; 1) high cost of solar system and high rural poverty levels; 2) low education among the potential buys that limits their appreciation of the solar system; 3) quality of some solar systems that are on market; and 4) weak institutional arrangements in delivering the services among others. PVTMA aims at facilitating the achievement of 80,000 solar home system installations by 2012.

#### ***3.4.6 Progress in Removing Constraints to Agriculture and Agro industries***

As already pointed out, the agriculture sector is a core sector of Uganda's economy in terms of its contribution to the GDP, the number of people it employs, as well as its contribution to ensuring food security. However, the sector's performance has been declining as already pointed out. The food sub-sector has not been improving for a long time, mainly because of; adverse weather conditions<sup>14</sup>; crop diseases; and inability of the small-scale farmers to respond to these challenges. The industrial crops<sup>15</sup> have not been expanding (see figure 4) though cocoa has been consistently improving. By 2005, Uganda had a total of 7.4 million heads of cattle of which 16% were exotic animals. Cattle farmers considered the pastures and veterinary costs as the major constraints to livestock productivity. Government has put measures to improve production and productivity, with a specific focus on addressing crop pests and livestock diseases, provision of good breeds and stocks, promoting the use of fertilizer, mechanization, and irrigation, as well as enforcing quarantines and other regulations. In general, these have been the main constraints hindering productivity improvement in the sector. The aim is to ensure that there are adequate supplies of raw materials for the agro-processing sector. Government has adopted the Marketing and Agro-Processing Strategy (MAPS) within the Plan for Modernization of Agriculture (PMA). The strategy focuses on attracting increased investment in agricultural processing; strengthening the value chains and promoting market linkages for both domestic and export markets. In line with this strategy, government has set up industrial parks in major towns of Uganda to facilitate agro-processing investments among others. In addition, Government has implemented the NAADS as another pillar of the PMA to provide extension services to farmers. In order to improve livestock productivity, the Government has invested in increasing the stock of improved cattle in the country. The Government has continued to support and strengthen the sector agencies such as Dairy Development Authority (DDA), the Uganda Coffee Development Authority, Tea Development Authority, and Cotton Development Organization (CDO), which were put in place to ensure competitive development of the respective agriculture sub-sectors.

<sup>14</sup> Estimated that in 2004/05 between 10% and 19% of the crop was damaged by crop diseases and rainfall shortage respectively

<sup>15</sup> These include coffee, tea, cotton, tobacco, sugarcane, cocoa, wheat, oil palm, sorghum, barley and oil seeds

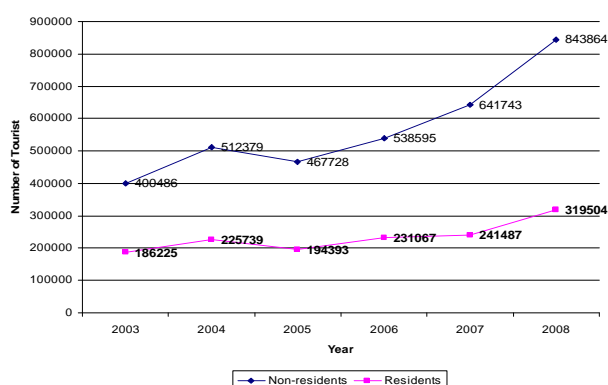
### 3.4.7 Progress in Addressing the Constraints in Manufacturing and Mining

Over the period under review, the industrial sector occupied a central position in the Government's vision and policy actions geared towards economic and social transformation. The Government developed a National Industrial Policy in 2008, which was a product of wide consultations. Combined with macro-economic policies, as well as policies to promote investment, competitiveness and business environment, the policy is expected to spur increased growth of the manufacturing sector. The sector's contribution to GDP has grown from 18.9% in 2001/02 to 24.2% in 2008/09 –see figure 3. Uganda has continued to attract investors in the manufacturing sub-sector over the last ten years and by 2008 the sub-sector was employing about 32,125 people<sup>16</sup>. To boost the mining sector, Uganda has conducted airborne geophysical surveys aimed at understanding rock formations and identification of mineral targets. In this regard, 200,612 line kilometers of magnetic and radiometric data were acquired bringing the total coverage to 630,612 line kilometers.

### 3.4.8 Progress in promoting Sustainable Tourism

Over the decade, Uganda has been able to revive the tourism sector significantly (see figure 22). Tourism has now become the leading foreign exchange earner for the country thus in the year 2008 alone, it contributed up to US\$ 589 million. A tourism policy was developed in 2003 while the Tourism Act was enacted in 2007. Uganda Tourist Board was re-branded to create Tourism Uganda, to market Uganda overseas. Several tourism associations have been created such as the Uganda Tourism Association, Uganda Community Based Tourism Association, Uganda Hotel Owners Association and several conservation organizations.

Figure 22 Number of tourist arrivals in Uganda



Source: Statistical Abstract 2009

<sup>16</sup> Uganda's manufacturing sector is mainly composed of; processing of meat/fish/dairy products, coffee processing, grain milling, tea processing, bakery and manufacture of other food products, manufacture of beverages and tobacco, manufacture of textiles/leather products, sawmilling, and chemicals and chemical products.

Uganda Wildlife Authority which was created in 1996 has continued to conserve the wildlife resources, provide security and offer concessions to private investors in the gazetted game park areas.. The hotels and restaurants business output grew from 6.5% to 10.7% between 2004 and 2008. The demand and use of air transport services has had steady increase through the decade at a growth rate of 16.6% while the aircrafts movement increased by about 8.4% in 2008 compared to 2007, which had experienced an increase of 14.6%. Over the period 1997/2007, total passengers and cargo traffic increased by 102% and 137% respectively. All this was consistent with the need to achieve BPOA indicator (*Modernizing and expanding ports and airports and their ancillary facilities to enhance their capacities by 2010*). International tourist arrivals registered an annual average growth rate of 14.4% and an overall increase of 50.7% from 2001 to 2007 –see figure 22.

### **3.5 Assessing the progress in Environmental Protection and Responding to Challenges of Climate Change**

#### **3.5.1 Introduction**

Uganda's climate is largely bimodal with two rainy seasons; March-June and October/November –December/January. The rainfall level ranges from 400 to 2200 mm per year (averaging at 1180 mm/yr). For a long time, these two seasons have been stable and predictable to the benefit of agriculture. However, of late, Uganda is experiencing changing seasons, which have become more unreliable and unpredictable with wetter seasons becoming more wetter and drought seasons becoming more frequent. Also, there has been a 49% decline in the area extent of glaciers in the Rwenzori Mountains from the year 1987 to 2003 and these are projected to disappear within the next two decades. These and other changes are negatively impacting on the performance of the agriculture sector as well as causing health challenges like increased prevalence of malaria.

Though there are no specific BPOA indicators on environment, Uganda has made some positive progress in meeting some MDG targets under 'ensuring environmental sustainability' umbrella but declined in some others. The positive strides are noted on the following indicators; 1) proportion of population with access to improved water source in rural areas (from 57% in 2000 to 63% in 2008/09 meeting the target of 62%); and 2) The proportion of the population with access to improved sanitation from 82% in 2000 to 87% in 2005/06. During the period 2004 to 2009, access to improved sanitation increased from 57% to 69% for the rural population, while for urban population, it increased from 74% in 2007/8 to 77% in 2008/9. Despite these improvements, there were some decline in the trend of the following MDG indicators; 1) Proportion of population with access to improved water source in urban areas whose target is 100% (declined from 87% in 2000 to 60% in 2008); and 2) The land covered by forest (declined from 21.3% in 2000 to 18.3% in 2005/06) as reflected in table 3. Table 3 shows that by the mid of this decade under review, majority of the districts had lost either all the forest cover or more than 50% of the forest that existed at the start of the 1990 decade.

**Table 3 The loss of forest cover in some districts**

District	1990(ha)	2005(ha)	Loss	%Loss
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Kibaale	114,102.66	58,268.06	-55,834.60	48.9
Mukono	100,626.65	63,977.12	-36,649.53	36.4
Wakiso	28,461.12	3,781.68	-24,679.44	87.7
Hoima	75,143.95	58,889.27	-16,254.68	21.6
Mayuge	15,162.05		-15,162.05	100.0
Mubende	18,618.86	3,906.65	-14,712.22	79.0
Mpigi	40,300.64	27,169.67	-13,130.98	32.6
Mityana	10,247.86	4,137.66	-6,110.20	59.6
Masindi	36,373.82	31,933.49	-4,440.34	12.2

Source: State of Environment Report for Uganda 2008

### 3.5.2 Assessing Progress Towards Environmental Protection

Uganda has always put the protection of environment among her top priorities and this commitment is embedded in the 1995 Uganda Constitution that mainstreamed environment as a human right. Section 39 of the constitution stipulates “Every Ugandan has a right to a clean and healthy environment”. Therefore, any action leading to environmental degradation constitutes an infringement of the human rights to life, health and livelihood. Overall, Uganda is losing a lot of money through environmental degradation totaling to 2,456.61 billions of shillings per year –see table 4.

**Table 4 Some of estimated cost of environmental degradation in Uganda**

	Ug.shs in Billions per year
Biodiversity loss	506
Degradation of soil resources	225
Rangeland degradation	815
Wetlands encroachment	2
Water hyacinth pollution	870
Contamination of water systems	38.61
Total	2,456.61

Source: State of Environment Report for Uganda 2008

Between 1991 and 1994, Uganda prepared the National Environment Action Plan, which took stock of its laws and policies in relation to the challenges for a sustainable future. Since then, several policies and laws have been formulated. In addition, ordinances, by-laws, regulations and standards have also been made to protect the environment.

The National Environmental Act -1995 set up the National Environment Management Authority (NEMA) as the principal agency responsible for the management of the environment and empowers it to coordinate, monitor and supervise all environment activities in Uganda. This Act is currently the most significant law on the environment. Its goal is to create and establish an efficient institutional mechanism for environmental management so as to promote and ensure sound environmental planning and integration of environmental concerns into the national socio-economic development planning process. During the period 2001/09, Uganda Government aimed at integrating the aspects of the environment policy through ensuring the integration of environmental concerns in national planning in the PEAP and the current National Development Plan. In addition, the Government has established a Policy Committee on the Environment for high-level policy and political oversight of NEMA. Through participatory approach, Uganda has

made a National Adaptation Programme of Action of 2007 to help the country address issues of climatic change especially among the vulnerable people. The National Climate Change Steering Committee has been formed to help coordinate the different programs under different line institutions, which are aimed at addressing challenges of climatic change. The above measures taken by the Government are aimed at both stopping the country's environment from degeneration as well as mitigating the effects of climate change the country is facing. Despite of these measures, the country still faces challenges related to environment degradation and global climatic changes.

### ***3.5.3 Progress Towards Addressing Climate Change***

It has been established that poorer nations, are more vulnerable to climate change since they have lower capacity to adapt due to inadequate financial, institutional, technical and knowledge capacities. This directly implies that climate change is likely to amplify existing inequalities between the developed countries and the LDCs and within the poor countries themselves. Uganda has prepared and is committed to addressing issues of climate change through its National Adaptation Program of Action of 2007. It was prepared in a participatory manner drawing heavily on the views of vulnerable communities and their knowledge on coping mechanisms. The following were identified as priority areas; 1) land and land use; 2) Farm forestry; 3) Water resources; 4) Health; 5) Weather and climate information; 6) Indigenous knowledge documentation and awareness creation; 7) Policy and legislation; and 8) infrastructure. Relevant line institutions, and the coordination of the Ministry of Water, Lands and Environment have implemented projects under different intervention areas. The National Climate Change Steering Committee assists the ministry in its coordination function. Some of the interventions so far implemented cover the following:-

**Reducing biodiversity loss:** Uganda has made great efforts in addressing the practices that lead to biodiversity, genetic and ecosystem lose through implementing an effective national system of protected areas and natural resource management. These strategies include; i) Development and implementation of a national biodiversity strategy and action plan; ii) Wild life protected areas system plan; iii) The national forest plan; iv) The wetlands sector strategic plan; and v) Forestry Nature conservation master plan. Uganda is trying to address the climatic change issues through the National Adaptation Program of Action of 2007. Development partners have provided funding towards environmental protection activities like in cattle corridors, and management of forests in private lands in the Albertan rift valley. With assistance of donor partners, several million trees of various species have been planted covering a total of 2270 hectares in the 72 sub-counties in 24 districts

**Promoting science education for better research:** The Government of Uganda recently increased resources for organized research with specific funding going to the Uganda Industrial Research Institute and the National Council for Science and Technology. The institutions focused on are; Makerere University; Agriculture research agencies (Uganda has over 14 research agencies involved in agricultural research and development with a budget of 18 billion shillings. They include National Agriculture Research Organization which has a broad mandate covering crop, livestock, and forestry and fisheries research);

and some NGOs like Urban Community Development Association with a ‘Clean Indoor Air Program’

**Expanding sources of fresh water:** Uganda is looking into the potential of harvesting rainwater to act as a buffer against climate-linked water shortage. Rainwater harvesting has recently been provided for, in policy documents and expanded the potential of Uganda’s water resources. The 2007/08 budget made a provision to support low cost rainwater harvesting technology in the rain stressed areas and provision of rural water supply. The MWE adopted a new strategy of bulk water supply by providing water through the construction of small reservoirs.

**Cleaner production:** In the last 8 years, Uganda has tried to enforce cleaner production methodologies as a means of benefiting both the business and the environment through technical approaches involving reduced pollution and greater energy efficiency. This has been through reduced pollution, greater resource efficiency, better staff health and well-being and ultimately a better quality of products. There has been recycling of used items as an innovative way of using waste. In 2001, Uganda established Uganda Cleaner Product Center (UCPC) in collaboration with United Nations Industrial Development Organization (UNIDO).

### 3.6 Progress in Attaining Food Security and Reducing Malnutrition

#### 3.6.1 Introduction

In the year 2000, world leaders unanimously agreed to work towards a world free of poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women and a healthier environment. In line with the other international treaties and conventions<sup>17</sup> that recognize the right to adequate food as a fundamental human right, the international community had to take action at the beginning of the millennium. In response to this commitment and her own 1995 constitutional obligation<sup>18</sup>, the Government of Uganda has made a commitment to support and monitor the country’s progress towards meeting the Millennium Development Goals (MDGs) - the first of which relates to eradicating extreme hunger and poverty i.e. “*Halve, between 1990 and 2015, the proportion of people suffering from hunger*”. The Government has been monitoring this target using the following two indicators: i) The prevalence of underweight children under five years of age; and ii) the proportion of the population living below the minimum level of dietary energy consumption.

Uganda’s potential for eradicating extreme poverty and hunger that is associated with the development of the agricultural sector is well articulated in the PEAP and the current draft NDP. Other than the sector being the major source of income and livelihood for

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<sup>17</sup> treaties include; *Universal Declaration of Human Rights (Article 25 -1)*; and the *International Covenant on Economic, Social and Cultural Rights –ICESCR (Article 11-1,2)*

<sup>18</sup> **XXII. Food security and nutrition.** *The State shall—(a) take appropriate steps to encourage people to grow and store adequate food; (b) establish national food reserves; and (c) encourage and promote proper nutrition through mass education and other appropriate means in order to build a healthy State.*

majority of rural households, own-farm production has been one of the major sources of food for almost all rural households. As a result, the sector has remained central in ensuring food<sup>19</sup> and nutritional security at household level as well as at the national level.

### 3.6.2 Progress in Ensuring Food Security

Uganda prepared a Food and Nutrition Policy in 2003 whose overall goal is “to ensure food security and adequate nutrition for all the people in Uganda, for their health as well as their social and economic well-being”. The overall objective of the policy is to promote the nutritional status of the people of Uganda through multi-sectoral and coordinated interventions that focus on food security, improved nutrition and increased incomes. Other related policies approved are agricultural research policy, and the fisheries policy all of which are aimed at increasing food and nutritional security of Ugandans. Additionally, the MoH has made nutrition as one of the priority components of National Minimum Health Care Package, which is being implemented under the Health Sector Strategic Plan (HSSP). Uganda has also sought partnership with development partners to respond to the food crisis experienced in some parts of the country especially in the aftermath of disasters like floods and prolonged drought.

Uganda has made some progress towards meeting the MDG target of fighting hunger i.e. “Make substantial progress towards halving the proportion of people from hunger by 2015 as indicated by Proportion of population below minimum level of dietary energy consumption”. From the UHDS 2006, the estimate of acute malnutrition -Global Acute Malnutrition (GAM) in the rural population was 6.1% and Severe Acute Malnutrition (SAM) was 1.9%. Approximately 17% of children were underweight and 4% of these were severely underweight. Stunting was estimated to be 39% (moderately or severely stunted) and 16% severely stunted in the rural population. The prevalence of underweight children by 2006 was estimated to be 20.4% having been reduced from 22.8% in 2000. The 2007 MDG evaluation concluded that Uganda is potentially able to reach the MDG target of 11.5% by 2015.

However, Uganda has not been able to reduce the proportion of population unable to meet the recommended food caloric intake as shown in table 5. The proportion of the population considered to be food insecure increased from 58.7% in 1999 to 63.5% in 2002 and further increased to 68.5% in 2006. This undesirable increase was fairly pronounced between both the rural and urban populations, and in all the regions of Uganda. However, the western region experienced a smaller increase than the rest of the regions. In the December 2009 assessments by FAO in Acholi and Teso Sub-regions, which are in the northern and the eastern regions, it was found that majority (92%) of households had experienced food shortage in the 6 months prior the assessment.

**Table 5: Population below minimum caloric intake, 1992-2006**

	Food insecure (%)			
	1992	1999	2002	2006
National	83.4	58.7	63.5	68.5
Rural	82.5	56.5	61.6	66.2
Urban	89.2	73.0	75.4	80.9
Central	85.3	63.2	68.4	73.5

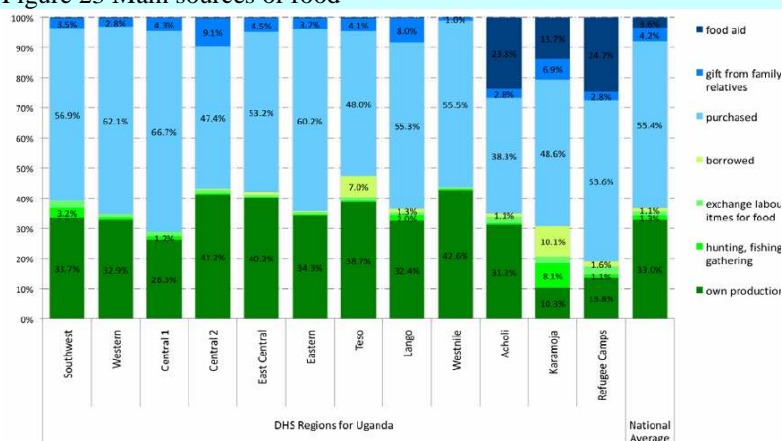
<sup>19</sup> Food security is access by all people at all times to enough food for an active, healthy life.

Eastern	83.2	59.9	73.1	73.4
Northern	89.5	73.8	68.2	84.3
Western	76.8	42.3	42.4	45.3
Source:	MDG Uganda progress report 2007			

The World Food Program, in its food security and vulnerability analysis, done in the year 2009, showed that most parts of the country had experienced food insecurity (see Map 1 and Map 2). The analysis also found out that a higher prevalence of food insecurity was among the ‘Natural Resource Dependents’, ‘Fisher folk’ and ‘External Support Dependents’. These groups rely on marginal livelihood strategies that have low income earning opportunities, or on external assistance. In the event that the environment is not well protected, such people become even more vulnerable to the effects of global climatic changes.

At household level, the main sources of food have been either from purchases (55%) or from own production (33%)-see figure 23. However, due to differences in regional security situations, some people have been forced into IDP camps thereby limiting their access to and utilization of their land, and have had to rely on food aid from international agencies like WFP. Consequently, such regions have over 20% of their households depending on food aid. Due to unfavorable climatic conditions coupled with high poverty levels in Karamoja region, food aid has also been a major source of food. There has been a high dependence on purchases as a major source of food for households across all regions of Uganda (figure 23).

Figure 23 Main sources of food

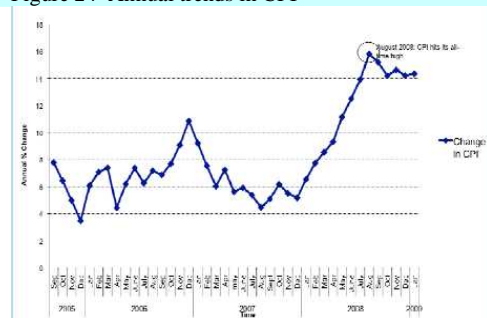


Source: Comprehensive food security and Vulnerability analysis report –April 2009

The high proportion (55.5%) of households depending on purchases for their food sources, coupled with increased export of food stuffs to neighboring countries of Southern Sudan and Democratic Republic of Congo (DRC) amidst global food crisis made the food prices in Uganda go high. This is well indicated by the rise in the Consumer Price Index of food as shown in figure 24 and figure 25 that all suggest that the country is faced with some food crisis. The factors for the accelerated increase in food prices in Uganda were both global and local. During the High-Level conference on World Food Security (Addressing the global food crisis) 3-5 June, 2008 the UN Conference on

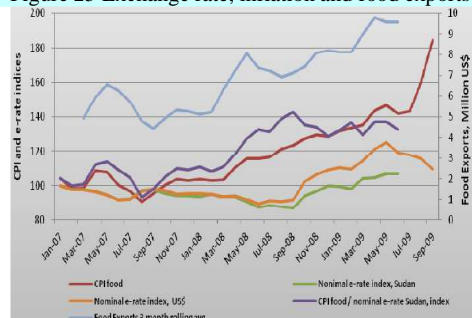
Trade and Development (UNCTAD) had this to say “*The recent global food crisis can be seen as a wake-up call which can be turned into an opportunity by developing countries and the international community to revitalize global agriculture production and trade and do more to rectify the systemic imbalances in global agricultural production and trade that have contributed over the years to today's problems*”. Although Uganda’s export of food to neighboring countries of Southern Sudan, and DRC was such an opportunity that Uganda harvested from the global food crisis, the capacity and preparedness to sustain export while maintaining her own food security was not adequate. As a result of the foregoing, the food prices in Uganda increased dramatically and disproportionately since the end of 2007 in the context of the global food crisis. Hence, it is argued that Uganda is likely to face much more consequences of devaluation due to the food price inflation.

Figure 24 Annual trends in CPI



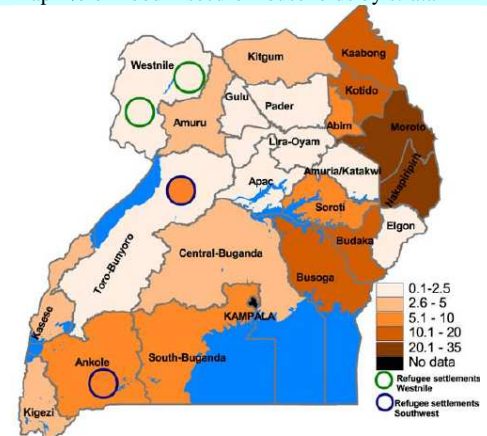
Comprehensive food security & vulnerability analysis –Uganda 2009

Figure 25 Exchange rate, inflation and food exports



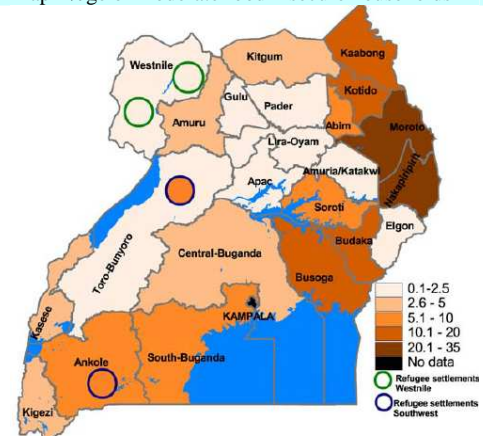
Source: Impact of global economic crisis

Map1 % of Food Insecure Households by strata



Comprehensive food security & vulnerability analysis –Uganda 2009

Map2 %ge of moderate food insecure households



Comprehensive food security & vulnerability analysis –Uganda 2009

To increase on the value of agriculture produce through processing as one of the ways of ensuring food and nutrition security, Uganda has adopted the Marketing and Agro-Processing strategy under the PMA. Currently, the use of traditional household food processes and preservation methods (such as sun drying, fire drying, salting, fermenting, smoking, roasting and grinding) is on the decline and is being replaced by industrial methods. There is a wide spread of small scale mills and cottage industries in the country

processing maize, wheat, sorghum, millet, cassava, groundnuts and simsim. Large-scale commercial plants processing sugar, wheat, tea, Rice, Fish, and maize are also taking root in the country. The processing and preservation of animal products such as milk is generally still under-developed.

### 3.7 Assessing Progress in Enhancing Uganda's Share in World Trade and Global Financial Investment Flows

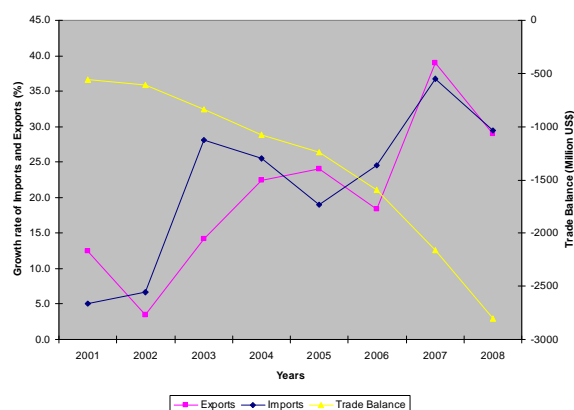
#### 3.7.1 Introduction

A vibrant trade sector impacts positively on the economy by placing and distributing incomes into all the production units in the country thereby raising the purchasing power. Effective trade allows people to exploit their productive potential, assist economic growth, and helps to optimally allocate productive resources as well as insulate economies amidst shocks. Effective trade can therefore significantly contribute to poverty reduction.

In 2007 the Government developed the National Trade Policy whose focus is to; 1) strengthen trade institutions dealing with trade policy, standards, trade facilitation/customs, and provision of trade information; 2) Provide trade market information to traders and all the business community to enable them reach prudent and optimal investment decisions; and 3) Develop domestic trade and ensuring that it is a foundation for developing Uganda's capacity to produce and engage in profitable international trade. The policy also addresses the earlier policy gaps and gave due attention to domestic trade as a lever to participating in international trade. It also facilitates the growth of and increase in competitiveness of the private sector. The initiatives have included provision of sufficient technical staff, financial resources, developing and implementing market information systems at national and local levels. The trade policy also encourages the private sector participation in national trade policy formulation.

#### 3.7.2 Progress in Improving Uganda's Exports

Figure 26 Trends in Imports, Exports and Trade Balance



Source: UBOS 2006-2009 Statistical Abstracts

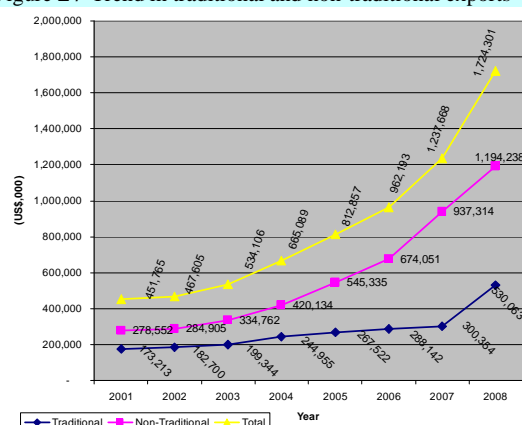
Uganda's foreign trade has been characterized by a situation where exports and imports have been growing steadily at a high and matching rate during the decade –see figure 26. Between 2001/08, the average annual growth rate of exports has been 20.4% while that of imports has been 21.9%. Although both imports and exports have been increasing, the Trade Balance has been

increasing at a high rate. This is because, the imports were increasing from a much bigger base compared to exports. In 2001, Uganda's trade deficit was estimated at US\$ 554.8 Million and has since increased to US\$ 2801.6 millions in 2008. Worse still, most of the imports have been consumables rather than industrial/production inputs that would be useful in production. This makes Uganda's negative trade balance unsustainable both in medium and long terms without significantly increasing her exports far above the current levels. In terms of trade policy, Uganda has maintained an open and liberal economy. Trade reforms were undertaken and involved mainly reduction in tariffs, rationalization of tariff bands, substantial reduction in Non-Tariff Barriers (NTBs) and pursuit of regionalism and multilateralism.

### 3.7.3 Progress in Export Diversification

Export diversification has been a key component of the trade policy reform, focusing particularly on non-traditional exports such as fish and fish products, flowers, maize, gold among others, which have been growing. As a result, non-traditional exports have accounted for a larger proportion of Uganda's exports performance –see figure 27

Figure 27 Trend in traditional and non-traditional exports



Source: UBOS 2006 -2009 Statistical Abstracts

Within the East African Region, Uganda has competitive advantage in some non-traditional agricultural exports produce in particular maize. Uganda also appears to have some competitive advantage in some manufactured goods with respect to countries that are even more landlocked than itself, such as Southern Sudan, Eastern Democratic Republic of Congo (DRC), and Rwanda.

### 3.7.4 Progress in Export Market Diversification

Uganda has made progress in diversifying her trading partners. COMESA and the European Union (EU) member states remained the major destinations for Uganda exports. The Total Export value to EU increased from US\$ 324.4 million in 2007 to US 460.2 million –see table 6. The value of exports to COMESA has been increasing since 2001 from US\$122.0 millions to US\$ 725.152 millions in 2008 and between 2007 and 2008, the increase was up to 43.2%. The main trading partners within the region have been Sudan (14.3), Kenya (9.5%), Rwanda (7.9%), and D.R. Congo (7.2%). Asia and Middle East are also important export destinations. There is also a lot of informal trade especially with countries bordering Uganda. Uganda has net exports in this trade with a recorded surplus of US\$ 1.2 billion in 2008 compared to US\$ 719.3 million in 2007. Informal exports increased from US\$ 200m in 2005 to US\$1,315m in 2008. This level of diversification of trading partners has helped Uganda to increase the



technology intensity of her exports while reducing her over-dependency on traditional export markets of the EU.

**Table 6. Uganda exports to selected African countries ('000 US\$)**

Country/Region	2001	2004	2005	2006	2007	2008
Kenya	59.1	76,903	72.4	88,002	118,191	164,631
DRC	8.8	28,913	60.4	44,820	100,046	124,990
Sudan	9.2	22,676	50.5	91,746	157,117	245,873
Rwanda	16.6	24,683	36.1	30,525	83,309	136,895
Burundi	4.8	18,113	20.8	20,554	42,719	45,383
Other COMESA	16.9	6,707	9.1	8,100	5,127	7,380
Total COMESA	122.0	177,995	249.3	283,747	506,509	725,152
Tanzania	6.7	12,155	15.4	13,749	30,599	30,528
South Africa	24.1	9,250	9.8	10,852	10,730	14,868
Other Africa	9.4	37,823	13.7	37,763	87,745	72,493
Total	155.5		288.2			
Rest of the world	296.3	80	566	297	159	2,576

*Source: Statistical Abstract 2009*

### ***3.7.5 Oil an emerging Non Traditional Export***

Government has continued to support efforts to promote petroleum exploration since 1997. The discovery of commercial quantities of oil deposits (approximately 2 million barrels of oil equivalent as of June 2009) in the Albertine Graben region has increased the potential of petroleum as a non-tradition export for Uganda, while generating savings from quantities that would be imported. The export of petroleum products is also expected to improve on the country's terms of trade. Further more, Uganda in partnership with Kenya plans to construct an oil pipeline extension to ease oil transportation between the two countries. The construction was scheduled to commence at the end of first quarter of 2009 and is expected to be completed in June 2010.

### ***3.7.6 Progress in Trade Negotiations, and Regional Trading Arrangements***

To increase its bargaining power and to strengthen the lobby and implementation frameworks, Uganda has consciously chosen to work within the existing regional partnerships (regional, bilateral and multilateral) to which it is a member to effectively negotiate favorable market access for her export products. The negotiations and trading arrangements Uganda has participated include the following;

### ***3.7.8 East African Community (EAC) Common Market***

Uganda is a member of the EAC-Common Market that is to commence on 1<sup>st</sup> July 2010. The common market will result into greater EAC integration allowing free movement of goods, persons, labour, services, capital, the right of establishment and residence. The common market has built on the EAC customs union that has been in operation since January 2005. A number of targets for elimination of internal tariffs amongst the partner states have been met and mechanisms are in place for addressing the residual non-tariff

barriers to trade. The EAC member countries continue to work on harmonization of fiscal and monetary policies towards convergence in order to lay a foundation for an EAC Monetary Union by 2012. Currently all the EAC currencies are fully convertible in the respective partner states. Kenya and Uganda have also fully liberalized their capital accounts to facilitate flow of capital.

#### ***3.7.9 The Economic Partnership Agreements (EPAs)***

Uganda has been involved in EPAs negotiations with the EU since 2005. The EPAs are meant to ensure continued enjoyment of trade preferences to the EU market under reciprocal free trade agreement in conformity with the WTO regulations. Discussions have involved mechanisms and strategies of fostering local development and trade through development of national and regional infrastructure. Uganda's negotiations of the EPAs have been undertaken under the umbrella of the EAC secretariat. The outcome of the EPA negotiations from Uganda's perspective should be; improved access to the EU and regional markets, increased overall trade with the EU and within the region, improved capacity of Uganda to take advantage of the opportunities created by EPA and capacity built amongst the trade stakeholders to more efficiently participate in regional and international trade, in the overall context of the National Trade Policy.

#### ***3.7.10 Common Market of Eastern and South African States (COMESA)***

Uganda is a member of COMESA. Uganda has participated in negotiations for the Free Trade Area and subsequently for the COMESA Customs Union. The COMESA customs Union is scheduled to be launched in 2010. Since 2007 Uganda has been involved in negotiations for a tripartite arrangement involving the merger of three trading blocks the EAC, COMESA and Southern African Development Cooperation (SADC). The plan to merge 26 Eastern and Southern African states into a single trading bloc with a combined GDP of \$625 billion is yet to be completed. The economic merger would open borders throughout the Eastern side of Africa, from Egypt to South Africa, upgrading the continent's power in trade talks, and opening doors to both African and international producers to a hugely enlarged market. This would translate into much stronger representation of African interests at the world trade-negotiating table. .

#### ***3.7.11 World Trade Organization (WTO)***

Uganda actively participated in the Doha Round of negotiations since 2001. Uganda as an active member of the LDC group has pursued her market access interests through the Doha Development Agenda (DDA) negotiations, so that as a poor country, it can export more and boost her participation in the global economy. However, as it is widely known, the negotiations have not moved on as expected and have missed deadlines due to deep differences over how to lower the barriers to exports in agricultural products, industrial products and in trade in services. Uganda like her LDC partners is concerned with the need to conduct the WTO negotiations in a transparent and all inclusive manner and the need to maintain the centrality of development outcome from the Doha Development round.

### **3.8 Critical Accomplishments on the BPOA Commitments and Outstanding Challenges**

#### **3.8.1 Introduction:**

This section provides an analysis of the critical accomplishments that Uganda has made towards meeting each of the seven commitments of the Brussels Program Of Action (BPOA). Uganda's best practices as well as innovative strategies towards achieving the said commitments are also highlighted. The section also highlights the outstanding challenges faced by the country while meeting the said commitments and it further points out some of the strategic priorities for the next 5 to 10 years that country will focus on while endeavoring to meet targets of the BPOA. The overriding goal of the BPOA of the Least Developed Countries being *"to make substantial progress towards halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the Least Developed Countries"*, with 7 interlinked commitments;

#### **3.8.2 Commitment 1: fostering a people centered policy framework**

##### **a. Accomplishments:**

Uganda has been implementing policies so as to be able to meet the BPOA and MDG target of the GDP growth rate of 7% by year 2015. Since the beginning of the decade under review, Uganda's GDP has been growing at an average annual rate of 7.9%. Furthermore, Uganda hopes to meet the BPOA/MDG target of reducing income poverty to 28% by 2015.. The reduction of extreme poverty targets is also possible to reach (the current percentage of under weight children is 20.4% against the 11.5% target by 2015). Uganda has also reduced the maternal mortality ratio from 505 in 2001 to current level of 435 in 2006 though still below the MDG target of 131 by 2015. The under-five mortality rate also reduced from 158 in 2001 to 137 in 2006, while the Infant Mortality Rate has also declined from 89 in 2001 to 75 in 2006 (though still below the 2008 PEAP target of 68 and the MDG target of 34 by 2015). Uganda has managed to reduce the prevalence of HIV/AIDS significantly from 18% (1992) to 6.4 % currently.

##### **b. Best practices and innovative strategies**

The development of the key development policy documents like PEAP has been highly consultative from grass root levels to the national level and their subsequent review processes have kept the Government on course. The Macro-Economic stability established in 1990s was maintained through the entire decade under review and this helped to keep economic development on course. Uganda has been generally stable save for the northern region, which in the last three years has also become very calm. PMA has introduced a number of innovations in the agriculture sector as a way of boosting the incomes of the rural communities. Also Uganda's decision to use a multi-sectoral approach in fight against HIV/AIDS yielded good results of bringing down the HIV prevalence. Uganda developed and is implementing a National Strategic Plan 2007/08-2011/12 which focuses on curtailing HIV infection and addressing factors that increase vulnerability to HIV infection

***c. Outstanding challenges.***

Uganda's achievement of BPOA target of "Increase the ratio of investment to GDP to 25% Gross capital formation" still remains a challenge since it has been more or less stagnant at an average of 22.4% per annum since the beginning of the decade. The BPOA target to "*Make substantial progress towards halving the proportion of people from hunger by 2015*" has remained a challenge for Uganda since the proportion of people considered to be food insecure increased from 58.7% in 1999 to 68.5% in 2006. Further more, currently in Uganda, it is estimated that 1 million people are infected with HIV and approximately 130,000 new infections occur annually, of which 100,000 are among adults implying that HIV/AIDS is still a major threat to the country. Uganda is still faced with high infant mortality, child mortality and maternal mortality rates and is likely not to meet the MDG targets by 2015

***d. Strategic priorities for the next 5 to 10 years***

The draft NDP has clearly identified the agriculture sector as a primary growth sector and aims at increasing productivity to fight both poverty and hunger and further increase rate of GDP growth. Furthermore, through UPE and USE programs, Uganda hopes to significantly reduce the level of teenager pregnancies thereby reducing the fertility rates as a way of reducing the current high population growth rate. Mobilization of local savings and increasing the competitiveness and efficient market for domestic lending is another focus for Uganda as a way of improving the level of gross capital formation. The need to finalize the National HIV/AIDS policy, sectoral policies and HIV/AIDS bill is crucial in the coming years. Government's plan to focus on prevention of HIV infection is likely to bring more returns while increasing access and treatment of Antiretroviral Treatment and opportunistic infections should be scaled up.

***3.8.3 Commitment 2: Good governance at national and international levels***

***a. Accomplishments:***

According to the 2004 Global Action Report, It is estimated that an increase in corruption by one point on a scale from 10(highly clean) to 0(highly corrupt) lowers productivity by 4% of GDP and decreases net annual capital inflows by 0.5% of GDP. In Uganda, the main accomplishment has been the development of the Accountability Sector Strategic and Investment Plan (ASSIP) which supports achievement of key national policy priorities. The ASSIP will also facilitate the incorporation of accountability issues into the broader national framework. Other accomplishments include reform initiatives to improve efficiency and effectiveness of public expenditure management, promote transparency and accountability, and enhance the quality of public finance management and service delivery. The government has put in place any number of anti-corruption institutions which include; the Inspector General of Government (IGG), Directorate of Ethics and Integrity (DEI), Criminal Investigation Directorate of Uganda Police, Office of the Auditor General and Public Procurement and Disposal of Assets (PPDA), Public Accounts Committee (PAC), and the Budget Monitoring Unit.

***b. Best practices and innovative strategies***

Best practices in place include the Commitment Control System (CCS) that restricts expenditure to the budgeted items particularly curtailing the growth of domestic arrears

by prompting accounting officers not to commit Government to expenditures to which there is no release; the Integrated Financial Management System which is Governments' computerized budgeting and accounting system that helps Government plan and use financial resources more efficiently; the Fiscal decentralization Strategy (FDS) that is intended to strengthen decentralization; the Non-Tax revenue reform that is intended to increase the contribution of NTR to National Budget; the Electronic Funds Transfer (EFT) where all payments for central Government transaction and payment above Ug.shs. 20 million are required to use EFT as well as improvement improved payroll management and adopting the Straight-Through Payment System where salaries for Government employees are remitted directly to the beneficiaries' bank accounts by the Central Bank directly from the Treasury.

The government established the Directorate of Ethics and Integrity (DEI) to coordinate and harmonize of various anti-corruption institutions. The directorate acts as secretariat to the Inter-Agency Forum (IAF<sup>20</sup>), which is a policy developing and enforcing association of the anti-corruption agencies. The Government has developed an 'Anti-Corruption' bill and the 'Whistle Blower Protection' bill. The Directorate of Public Prosecutions (DPP) is currently developing witness protection legislation. Furthermore, the government recently enacted the National Audit Bill. This legislation is designed to secure greater autonomy and independence of function of the office of the Auditor General. The Auditor General's office is one of the institutions that operate as a national vanguard to ensure transparency, integrity and accountability in the management of public finances. The Inspectorate of Government, the office of the Auditor General and the Directorate for Public Prosecutions were granted constitutional independence in the performance of their functions so that they can effectively fight corruption without any political interference.

### c. Outstanding challenges

In the view of the current CPI, Uganda still has enormous work to clean the now viewed as institutionalized corruption that has eaten up all the sectors of the economy to the core of their existence. For example, corruption in Judiciary defeats the reason for its existence more so for vulnerable and voiceless population of Uganda. Although Uganda has enacted laws and established institutions to fight corruption, its position on corruption perception index (CPI) suggests that the country still faces enormous task to fight this vice as shown in table 7. Since 2000, Uganda has not progressed significantly in the fight against corruption, the country is still oscillating between 2.8 in 2007 and 1.9 in 2001.

**Table 7 Trends of Uganda's Corruption Perception Index (CPI)**

YEAR	CPI	Rank	No of countries
2000	2.3	80	90
2001	1.9	88	91
2002	2.1	93	102
2003	2.2	113	130
2004	2.6	102	145
2005	2.5	117	159
2006	2.7	110	163
2007	2.8	111	179

<sup>20</sup> The IAF is a coalition of 18 national institutions that corroborate in the fight against corruption and it has been the chief architect of the National Anti-Corruption Strategy (NACS) that has been adopted and implemented by the government in its fight against corruption.

2008	2.6	126	180
2009	2.5	130	180

**Source:** *Transparency International Ratings*

The National Public Procurement Integrity baseline survey confirmed that a huge percentage of government resources meant for Poverty Eradication Programmes (up to us\$ 64-85 millions) were lost due to corruption in the procurement process at central and local government levels. That between 2.2%-3.0% of the annual budget of local governments (equivalent to Ug.shs 32-86 billion or us\$43.4-61.3million) may have been lost in procurement related corruption in FY 2004-2005.

The limited capacity of anti-corruption institutions to cope with tasks required of them in terms of human and financial resources. Furthermore, the staff is not adequately motivated given the poor levels of remuneration in Government institutions; Thirdly, due to the shortage of manpower in the key anti-corruption institutions, the potential for corruption has been extended to local Governments and has become ingrained in the districts and sub-counties, yet the inspectorates of Government and auditor general have a few regional centers/staff. .

***d. Strategic priorities for the next 5 to 10 years***

The key priorities include building the capacities of the different anti-corruption institutions to enable them cover the whole country effectively remains a major challenge for fighting corruption, ensuring good governance and effective use of public resources. Others include strengthening the public demand for accountability and enhancing the remuneration for Government public officers. The government is drafting a bill that will lead to a law that will facilitate the tracing of proceeds of corruption with in and outside Uganda.

***3.8.4 Commitment 3: Building human and institutional capacities***

**a. Accomplishments:**

Government has focused on expanding the health infrastructure through construction of more health facilities in an effort to bring services closer to the people. The number of hospitals increased from 101 in 2004 to 114 in 2006, while health center III increased from 904 in 2004 to 955 in 2006. Uganda's proportion of mothers giving birth in health facilities increased from 38% in 2001 to 41.1% in 2006. The contraceptive prevalence rate increased from 15.4% in 1995 to 18.6% in 2001 and by 2006 it had increased to 24.4%. The number of primary schools constructed increased from 12,500 in 2000 to 19,142 in 2008, while the secondary schools increased from 1961 in 2005 to 2,908 in 2008. With the introduction of UPE, total enrolment rose from 2.7 millions in 1996 to present 7.96 millions in 2008. Uganda's Net Enrollment Ratio in primary education has improved from 84% in 2000 to 89% in 2008, which is a good progress towards meeting the MDG target of 100% by year 2015. Uganda's adult literacy rate has also improved from 65% in 1997 to 69.2% in 2006 (male adult literacy improved from 74% to 76% while the female adult literacy rate increased from 57% to 63% over the same period). In 2000, the total primary school enrolment had more boys (51.8%) than girls (48.2%) and the 2008 enrolment had almost an equal number of boys (50.1%) as girls (49.9%)

**b. Best practices and innovative strategies**

The budget allocation to education (15.3%) and health (10.5%) sectors has been among the highest reflecting Government's commitment to deliver at the MDG and BPOA targets. Uganda has effectively implemented the UPE program which is effectively addressing the challenge of attaining the adult literacy rate MDG and BPOA targets *i.e. Achieving a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults*. Uganda has focused on increasing the education institutional capacities to deliver the services like improving pupil teacher ratio, the classroom pupil ratio, and textbook pupil teacher ratio. The encouragement of private sector to invest in education has helped the country a big deal. The emphasis on a girl child under UPE program has yielded tangible results. The introduction of USE/Universal Post Primary Education and Training in 2007 was very strategic in absorbing the UPE graduates.

**c. Outstanding challenges**

Whereas the general primary NER showed an improvement, the male NER showed a decline from 85% in 2000 to 84% in 2006. The primary school completion rate dropped from 56% in 2002/2003 to 48% in 2006 against a PEAP target of 69% and BPOA target, which focuses on increasing retention for both boys and girls. Male completion rate reduced from 88.3% in 2000 to 51% in 2008, while that of girls reduced from 88.5% to 47% over the same period. Uganda still faces gender imbalance in secondary school enrolment. In 2000 secondary enrolment had 55.9% as boys and 44.1% as girls, while in 2008 54.7% were boys and 45.3% were girls signifying a small improvement towards meeting the BPOA/MDG target of *"Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality"*. Due to inadequate budgeting resources, there is also a challenge of attaining the 15% budget allocation target to the health sector as required by the Maputo Plan of Action endorsed by African countries. Uganda still faces a challenge of manning some of the health facilities with right cadre of health workers and some facilities still remain ill equipped.

**d. Strategic priorities for the next 5 to 10 years**

The introduction of USE and emphasis on the girl-child therein will help to improve the gross and net enrolment by gender. Focus on improvement on quality of education and making it more relevant and practical will increase retention. The plan for the Government to collaborate with the civil society organizations will help in taking the education services to disadvantaged groups. The continued improvement in institutional capacities and infrastructure will make school environment conducive, more so for a girl child. On the health indicators, the move to forward the pending policies and bills to promote and regulate health service delivery is key. The move to have multi-sectoral approach in addressing health issues is being considered. Through advocacy, and development of comprehensive health financing strategy and streaming funds from development partners to sectoral priority areas will help in effective delivery of services.

### **3.8.5 Commitment 4: Building productive capacities to make globalization work for LDCs;**

#### **a. Accomplishments:**

By close of 2008, Uganda had a total of 10,965km of roads of which 3098km (28%) were paved. From the start of the decade, the demand and use of air transport services increased steady at a growth rate of 16.6% per annum. Between 1997 and 2007, total passengers and cargo traffic increased by 102% and 137% respectively. Uganda made the Railway Master Plan. Uganda has integrated ICT into education curricula at all levels. By December 2008, Uganda was at 28 telephone lines per 100 inhabitants, which is way above the BPOA target of 5. Internet users have also increased by 769% during the period 2004-2008.

#### **b. Best practices and innovative strategies**

The awarding of the concession of the operations and maintenance of the functional rail system to the Rift valley Railways Ltd was a good step Uganda could have taken at the time. Uganda adopted the continental position on harmonization of the rail gauge of 1.435m. Government has also implemented the Rural Communications Development Project to address Universal Access Issues

#### **c. Outstanding challenges**

The BPOP target of “*Modernizing and expanding railway connections and facilities, increasing their capacities to the level of those in other developing countries by the end of the decade*” remains a challenge

By 1990, the total rail network was 1266km which has since declined to 321kms of functional rail network while the number of internet users have increased, Uganda is still at less than 1 user to 100 would be users hence not meeting the BPOA target of 10 internet users per 100 inhabitants by the year 2010

#### **d. Strategic priorities for the next 5 to 10 years**

These include: upgrading a total of 1055 km of national roads from gravel to bitumen standard raising the level of paved national roads from 15% to 21%; reconstruct or rehabilitate a total of 1200km of paved roads; dualing a total of 150 km for capacity improvement; upgrading 10,000km of district roads; improve the condition of national roads network from current 60% in fair to 85% good condition by 2015. With regard to rail transport, the priorities include: reconstruction of the Kampala-Kasese railway line (2012-2015) followed by the Tororo-Pakwach Line (2013-2016). With regard to air transport, upgrade five airstrips to become international airports; upgrade Entebbe International Airport to class A standard; and modernize and expand the meteorological infrastructure to support the air transport industry. With regard to the promotion of ICT, the priority is on developing the ICT sector as a business enterprise in the areas of hardware assembly and manufacturing, software development, IT Enabled services such as Business Process Outsourcing, back office data processing, content management services and others.

### **3.8.6 Commitment 5: Enhancing the role of trade in development;**

#### **a. Accomplishments:**



In 2007 Uganda developed the National Trade Policy and the National Trade Development Plan that among other things emphasized export diversification that substantially reduced dependence on traditional exports.

***b. Best practices and innovative strategies***

Uganda has continued to be at the forefront of promoting regional integration to allow for expansion of markets for the private sector and attract foreign direct investment into the East African region. Uganda has also maintained an open economic environment emphasizing private sector driven industrialization and growth.

***c. Outstanding challenges***

A number of obstacles have been encountered and gaps remain in Uganda's efforts to promote the role of trade in development. The key constraints are: weak policy, legal and institutional framework and systems, especially related to promoting private-public partnerships; existence of Non-tariff Barriers (NTBs) to trade both in the regional and international markets; high cost and limited access to trade finance; shortage of specialized technical and entrepreneurial skills, inadequate physical infrastructure; inadequate quality infrastructure and lastly but not least, inadequate data and information about the trade sector. Other external challenges include: decline in the regional demand for Uganda's exports as a result of the second round effects of the global economic downturn on the fiscal revenues of our trading partners; the general reduction in tariffs following WTO membership has reduced the preference margins given to other African countries which in turn has reduced the incentives for intra-regional trade; the similarity of Uganda's exports with other countries in the region continues to limit trade opportunities while the infrastructure for intra-African trade remains poor leading to high transaction costs as commodity prices, including of oil, falls; slow implementation of regional agreements and there is little private sector involvement in them as compared with their equivalents in Europe, Latin America or Asia. For Uganda, the East African Common Market imposes constraints on the fiscal options for raising additional revenue. The developments since the establishment of the EA Customs Union have eliminated the flexibility to raise revenue through new tax measures on trade—a major source of tax revenue to Government. In the past, Government increased revenue through modest adjustments on import duty rates, which option will no longer be available beyond 2010.

***d. Strategic priorities for the next 5 to 10 years***

The strategic priorities for the sector identified for the five years of the National development Plan include: improving the 'doing business environment'; nurture the private sector with a view to improve its competitiveness in the domestic, regional and other international markets; increase market access for Ugandan goods and services to the regional and international markets; increase the stock and quality of trade infrastructure; effectively penetrate and position Uganda's products and services in international markets; promote policy synergies between the production and trade sectors; and lastly, provide equal opportunity to women and other disadvantaged groups to participate in trade issues.

### **3.8.7 Commitment 6: Reducing Vulnerability and Protecting the Environment**

#### **a. Accomplishments:**

Uganda has implemented a number of actions to reduce vulnerability and protect the environment. These include; Improved wetlands management; afforestation programs and control of illegal timber harvesting and trade; control fishing methods; and enforcement of environmental impact assessment regulations. Uganda put in place the NEMA whose role is to monitor, supervise and enforce regulations, standards and guidelines and coordinate all environment matters in the country. Regarding access to safe water, Uganda has made positive strides in helping her rural population access safe water (improved from 57% in 2000 to 63% in 2008/09)- MDG/BPOA target of 62% by year 2015. Access to sanitation has improved from 82% in 2000 to 87% in 2005/06. while for urban population it increased from 74% in 2007/8 to 77% in 2008/9.

#### **b. Best practices and innovative strategies**

Involve local communities in the maintenance of rural water projects and related infrastructure. The afforestation efforts through public-private partnerships have brought about sustainability of the program.

#### **c. Outstanding challenges**

Whereas access to safe water improved, the in the case of urban population, it reduced from 87% in 2000 to 60% in 2008 when the target is 100% by year 2015. The land under forest cover has reduced from 21.3% in 2000 to 18.3% by 2005/06. Uganda is still faced with high population growth rate and high level of rural poverty, which continue to hinder environmental protection efforts.

#### **d. Strategic priorities for the next 5 to 10 years**

The Government's strategy to strengthen technical and financial capacity of local private investors to attract them into the sector will go a long way in helping the Government deliver the service. Lowering the unit cost of water in urban areas will assist in improving urban water access. The planned review of water policy and water Act and regulations will help sector's performance.

### **3.8.8 Commitment 7: Mobilizing financial resources.;**

#### **a. Accomplishments:**

The main accomplishment has been the reaching of agreement with Development Partners on a Joint Assistance Strategy over the period. This has helped bring about a reduction of transaction costs due to greater coordination among donors when they engage Government. During 2007/08, Uganda mobilized US\$ 519.5 millions from development partners and these funds were targeting sectors that had direct impact on poverty reduction. Due to Uganda's strong stance in improving public finance management and macro economic framework, development partner's confidence was built resulting in increases in budget support disbursements in 2004/05 to tune of US\$ 1269.8 million having increased from US\$ 583.5 millions in 2003/04.

#### **b. Best practices and innovative strategies**

Adoption of Budget Support as a preferred aid modality on the part of Uganda has worked effectively as it has helped improve budget monitoring and coordination of Government programmes. Development partners are members and participate in sector working groups. They participate in policy formulation and through this avenue the government has been able to build trust among the development partners. There has been an increase in the number of projects administered using government systems while those administered outside government systems have declined since 2007/08. In terms of value, 379 projects worth US\$ 554.89 million were administered outside government systems in 2007/08 and this was expected to decline to US\$ 52.15 million in 2009/10, and projected to decline further to US\$ 6.08 million by 2011/12.

#### ***c. Outstanding Challenges***

Knowledge of the Paris Declaration (PD) is still concentrated in a few individuals who have participated in previous aid effectiveness meetings (local or international). There has been no clear line of responsibility for the dissemination of information or inviting civil society and the private sector into the PD-related processes and dialogues. Furthermore, the PD document is suggestive of unfinished business, as many commitments under some of the principles do not have corresponding indicators. There is also lack of Government leadership or buy-in at the initial stages of the Division of Labour exercise, together with the launch of a process to formulate a new national development plan, which emphasizes growth as opposed to poverty reduction, prevented a logical continuation of the exercise at sector level.

#### ***d. Strategic priorities for the next 5 to 10 years***

Emphasis on use of country systems for public financial management and procurement has to take care of country-specific risks such as poor administration, political governance and corruption and hence needs to be balanced with appropriate risk mitigation measures.

### **4.0 Assessment of the impact of the global financial and economic crisis on the economy of Uganda**

#### **4.1 Introduction**

There is growing evidence that the global economic and financial crisis, which started in the second half of 2008 in the US and quickly spread to other advanced economies, is now exerting some negative impacts on Uganda. While the limited integration into the global capital markets may have initially shielded the country from the effects of the collapsing housing and financial markets in much of the developed world, second round effects from reductions in trade, foreign direct investments, remittances and overseas development assistance have been quite severe. The impacts have been particularly adverse given the limited fiscal space to pursue counter-cyclical policies or stimulus packages. Moreover, the economic and financial crisis came at a time when Uganda was already struggling under the pressures from an increase in global food prices and the spike in energy prices early in 2008.

As a result of the crisis, Uganda's growth forecasts for 2010 had to be reduced from 7% to 6% although it remains above the average for Sub-Saharan Africa. The global economic and financial crisis has impacted on the Ugandan economy in a number of ways. The avenues through which the impact has been felt is summarized below.

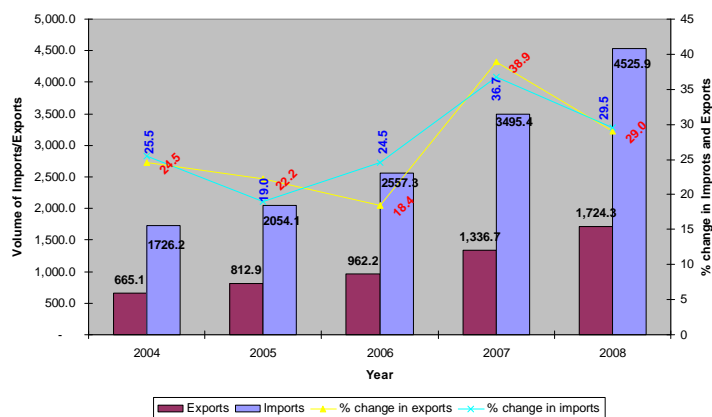
#### **4.2 Effect on Portfolio Investment**

Although portfolio investment is relatively small compared to other channels, the impact of the crisis was most drastic and immediate through portfolio investment, because net inflows plummeted from +\$80 million in the first half of 2008 to -\$109 million in the second half and close to zero in the first half of 2009. This was the main driver for the strong depreciation of the Ugandan shilling. As a result, access to credit from domestic banks has become more restrictive since 2009 as banks perceived higher risks in their portfolio. There has been a slowdown in lending from Uganda-based commercial banks to the private sector. Total outstanding claims, after increasing with few exceptions over recent years, appear to have reached a plateau in May 2009. While this is likely to have had an adverse effect on investment and thus employment growth in the medium term, there was no evidence of companies shutting down or laying off workers because of a tightened access to credit (Sender, et al., 2009)

#### **4.3 Effect on Exports, Imports and Terms of Trade**

Uganda's main trading partners in 2008 for formal exports were the EU (27%), Sudan (14%), Kenya (10%), Switzerland (9%), Rwanda (8%) and the United Arab Emirates (7%). Formal exports to all partner regions declined in the first half of 2009, but the decline of exports to the EU and the rest of the world was more pronounced than the decline in regional exports when comparing the first half of 2008 with the first half of 2009. Official exports declined from \$854 million to \$714 million between the first half of 2008 and the first half of 2009, a reduction of 16%. This is a sizeable setback for a country whose exports – on average – had grown by over 25% per year between 2001 and 2008. Similarly, tourism earnings declined substantially in the first two quarters of 2009, falling way below their level in the same quarters in 2008 (-27%). This strong decline in the first half of 2009 was clearly unusual and attributed to the global economic and financial crisis.

Figure 28 Uganda's exports 2004-2008

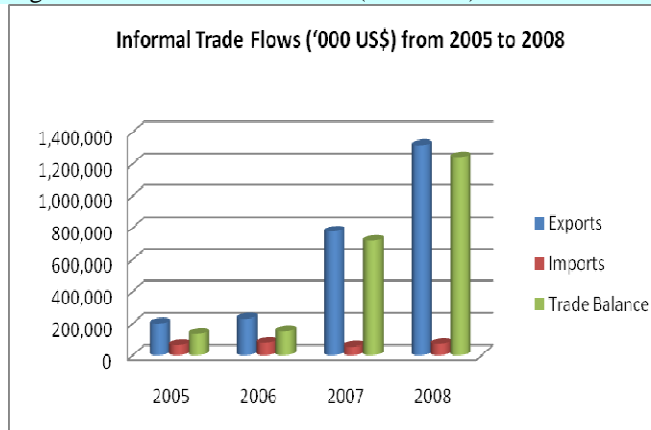


Source: Uganda Bureau of Statistics

Coffee, the single largest export product for Uganda, suffered a decline in value from \$210 million in the first half of 2008 to \$152 million in the first half of 2009. This was caused mainly by a decline in the world market price; 2009 exports would have totaled \$190 if valued at 2008 prices. Tobacco and cocoa exports also declined slightly in value despite increases in export volume, indicating potentially negative impacts of world market prices. Also declines in fish, gold, flowers and cobalt exports have been attributed to a contraction in export volumes.

In addition, some of Uganda's traditional export crops, most notably coffee but also tobacco and cocoa, suffered a decline in export value caused by lower world market demand that led to a fall in prices.

Figure 29 Informal trade flows ('000 US\$)



Source: UBOS

The global economic and financial crisis also, surprisingly, led to a boom in Uganda's informal exports to the neighboring markets that seemed to have been driven mainly by ad-hoc trading by individuals in consumer goods following the depreciation in the Ugandan shilling. While it demonstrates the large demand potential for exports to regional markets, and especially

into Southern Sudan, it has not yet been associated with increases in output and employment in Uganda and its sustainability is questionable.

Despite the mixed effects on exports, the effects on imports and terms of trade were slightly positive. Import values declined during the crisis, which was partially a price effect due to lower world market prices for oil. This in turn also led to a substantial improvement in the terms of trade since the beginning of the crisis.

#### **4.4 Effect on Remittances**

With the developed world in a recession and layoff of workers escalating, remitted earnings fell by 11% in the fourth quarter of 2008/2009 and estimates put the overall decline for the year to 24%. There was a strong decline of remittances inflows in the first half of 2009 (\$237 million) when compared with the first half of 2008 (\$509 million). Remittances have in the past contributed substantially to improving household welfare and investment in construction and consumption. The negative effect on remittances has therefore contributed to reduction in the welfare of the recipient households.

#### **4.5 Effect on Foreign Aid**

A large amount of aid goes through Civil Society Organizations (CSOs), NGOs and Faith Based Organizations (FBO). Many CSOs have experienced financial difficulties as the economic situation in rich countries reduces their ability to attract donations. Several international CSOs notified the Ministry of Gender, Labour and Social Development that they are reducing local staff in Uganda, citing financial difficulties in relation to the economic crisis as the reason. So far, around 150 staff have been laid off by CSOs. While the immediate employment losses affecting CSO staff seem rather small, a decline in their activities could have adverse consequences for already disadvantaged parts of the country, such as the northern districts, in the longer run.

#### **4.6 Effect on Foreign Direct Investment**

Inflows of Foreign Direct Investment declined only slightly in the second half of 2008 and remained at the same level in the first half of 2009. The Uganda Investment Authority indicated that interest from international investors has changed and is increasingly evident from investors based in India, China, and Arab countries, rather than from investors based in Europe. However, overall expressions of interest remain strong. The main sectors attracting Foreign Direct Investment have been manufacturing, finance, insurance and real estate services, as well as agriculture, energy/oil and telecommunication.

#### **4.7 Effect on the Ugandan Shilling**

The Ugandan shilling depreciated significantly against the US\$ in September, October and November 2008 and then again in March, April and May 2009, when it reached 2248 Ug.Shs. per US\$1, 38% below its level in August 2008. Since May 2009, the exchange rate has appreciated again, but it remains well below its pre-crisis level. The initial depreciation of the Shilling in October 2008 came in the context of a widening trade deficit caused by a decline in export value in the third quarter of 2008 as well as a very strong outflow of portfolio investment in the fourth quarter which was caused by global investment funds and financial institutions engaged in the Ugandan money and capital market that pulled out of developing countries to reduce the risk in their portfolios.

#### **4.8 Effect on People's Welfare**

The food component of Uganda's Consumer Price Index has been increasing steeply since the end of 2007 and the devaluation caused by the global economic crisis aggravated the problem since October 2008. This development was driven by dramatic increases in the prices of food staples in 2007/8, especially by increases in the price of maize.

Many Ugandans suffered a decline in their standards of living as a result of these trends in the price of the most basic goods, but some households and workers were particularly vulnerable and are likely to have suffered disproportionately. Poor households suffered the most from the rapid increase in food prices since a much larger proportion of their total expenditures is spent on food. The poorest households in Uganda spend 60% of their income on food. Before the 2008 price shock, average consumption in poor households was 28% below the official poverty line. However, by early 2008, the rise in food prices had caused the severity of poverty to worsen making the average consumption in poor households to further fall to 32% below the poverty line (Sender, 2009). Thus, even poor rural households that have the capacity to grow some of the food they consume have not effectively been insulated from food price shocks.

Workers, especially low-wage casual workers, have borne a disproportionate share of the impact of the economic crisis in Uganda. By 2009, there was an ongoing steep decline in real wages caused by food price inflation combined with stagnation in nominal wages.

#### **5.0 Conclusion and Way Forward**

On the whole, substantial progress has been made towards successful implementation of a number of BPOA commitments. Although a number of obstacles have been encountered, and some gaps still remain, Uganda remains committed to the implementation of the BPOA. Many of the obstacles require integrated approaches to address effectively. A number of recommendations can be made to further advance the country's ambition to fulfill its commitments under the BPOA.

##### **Proposed interventions**

1. In order to enhance and accelerate the implementation of the 'people centered programs', not only will it require increased private sector investment into the agriculture to enhance value addition but also ensure beneficial market access for agricultural exports with in-built mechanisms to safeguard against frequent price shocks and declining terms of trade especially in international markets.
2. There is need to urgently address the challenges of high (3.24%) population growth rate which has generally tended to curtail national efforts geared to reduce poverty levels and boost economic growth. The issues of Sexual and Reproductive Health require to be looked at as cross-cutting hence a multi-sectoral approach needs to be adopted in controlling population growth rate.

3. The impact of disease on GDP and per capita GDP<sup>21</sup> growth is high and expected to remain so in the short to medium term. *Additional investment in diseases* control and prevention is still necessary and resources need to be mobilized and directed to further strengthen the country's health sector in line with the National Health Policy and the Health Sector Investment Plan. Special emphasis need to be put on Reproductive Health services to effectively tackle the challenge of high child, infant and maternal mortality rates.
4. Increased Government investment is still required to achieve effective mobilization of the masses to fight poverty and encourage proper attitudes towards wealth creation by using the resources available
5. The need to build the capacities of the different anti-corruption institutions to enable them cover the whole country so that they can be more effective in fighting corruption, ensuring good governance and effective use of public resources.
6. The capacity of education institutions still need to be expanded to receive and handle a big influx of children both in terms of infrastructure, manpower and other resources to stem the dropout
7. Uganda needs substantial resources to be able to address the numerous supply side constraints that continue to hamper improvement in production capacity, international competitiveness and harnessing the benefits of globalization. Investment in infrastructure is needed to improve the business climate. Uganda still requires substantial international support to raise the resources necessary to finance her infrastructure requirements through different financing mechanisms.
8. As a poor country that is vulnerable to climate change Uganda needs, among others; Increased support for cleaner production and facilitating technological transfer in the area of cleaner production; increased technical and financial support to science education and scientific and industrial research; support to control of wide spread bush burning through community education programmes and implementation/enforcement of national laws and bye-laws regarding bush burning.

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<sup>21</sup> Studies have found a very powerful impact of malaria on per capita income, even halving per capita income in the long run. While AIDS reduces per capita growth by an effect of 0.7% on average (PEAP 2004/05 Page 147)



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