NATIONAL REPORT ON THE VIENNA PROGRAMME OF ACTION (VPOA)

FOR LANDLOCKED DEVELOPING COUNTRIES 2014-2024.

UGANDA

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

JULY, 2023

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ABBREVIATIONS AND ACRONYMS

NDP III	Third National Development Plan 2021-2025
LLDCs	Low Least Developed Countries
GoU	Government of Uganda
EAC	East African Community
DPoA	Doha Programme of Action
EAMU	East African Community Monitoring Union
GDP	Gross Domestic Product
MDAs	Ministries, Departments and Agencies
DRC	Democratic Republic of Congo
AfCFTA	African Continental Free Trade Area
UNHS	Uganda National Household Survey
UNRA	Uganda National Roads Authority

I EXECUTIVE SUMMARY

The Vienna Programme of Action (VPOA) was adopted during the second United Nations conference on LLDCs to address the special development needs and challenges arising from landlockedness, remoteness and geographical constraints in a more coherent manner and thus contribute to an enhanced rate of sustainable and inclusive growth that can contribute to the eradication of poverty. This is to be realized thought implementation of the six priority areas of Fundamental transit policy issues, Infrastructure development and maintenance including; Transport, Energy, information and communications technology, International trade and trade facilitation, Regional integration and cooperation; Structural economic transformation; and Means of implementation. The Government of Uganda (GoU) made significant strides towards achieving the intended objectives in line with each of the six strategic areas in the Vienna Programme of Action (VPoA) as follows:

(a) **Fundamental Transit Policy Issues:** In collaboration with other EAC Partner States, Government of Uganda developed the Regional Electronic Cargo Tracking system (RECTS). RECTS serves EAC Partner States including Uganda, Kenya and Rwanda, and was launched in February 2017. The system is designed to enable a seamless flow of transit cargo with all the revenue authorities in the three countries having a single view of cargo along the northern corridor.

(b) **Infrastructure Development:** The cumulative paved road network in Uganda increased from 4,551 km in 2018 to 5,591km in June 2022. This represents 22.9 percentage points of the total national road network while the share of district roads in fair to good condition was recorded at 70 percent at end June, 2022.

Air transport: The Government of Uganda procured six aircrafts to revive the Uganda Airlines. This is to enhance the country's competitiveness by reducing the cost of air transport and easing connectivity to and from Uganda.

Energy: Government of Uganda has registered increased power generation capacity from 947 MW in 2018 to 1,365.7MW by end June 2022. The national electrification rate has more than doubled from 23 percent in 2018 to 57 percent in June, 2022. This represents 148 percentage increase. This is on account of the increased government investments towards rural electrification efforts in accordance with the Electricity Connections Policy (ECP) launched in 2018. Government has further continued to promote use of alternative energy sources including solar energy, wind and nuclear energy to diversify the country's energy mix and be able to meet the NDP III target of 3,500 MW.

Focusing on ICT infrastructure, Government has prioritized access to efficient and affordable ICT services to its citizens. The number of mobile phone subscriptions in the country rose by

26.2 percent from 24.8 million in 2018 to 31.3 million at the end of June 2022[1]. Internet subscriptions increased by 31 percent from 18.1 million users in September, 2017 to 23.7 million users in June, 2022. Additionally, Uganda's internet penetration stood at 52 percent as by end of September, 2022 (indicating that every 1 in 2 Ugandans has an active internet connection).

Government's key intervention in the sector is extension of the National Data Transmission Backbone (NBI) Infrastructure and e-Government Infrastructure. The NBI infrastructure is intended to connect all major towns within the country onto an Optical Fibre Cable based Network and to connect Ministries and Government Departments onto the e-Government Network. By the end of FY 2021/2022, a total of 264 additional MDAs/DLGs and target user sites were connected to the National Backbone Infrastructure (NBI). This brings the cumulative number of sites connected to 1,394. Of these, 1294 were provisioned with service.

(c) **International Trade and Trade Facilitation:** Uganda exported merchandise worth USD 4,272.3 million in 2022. This was a by 5% decline in comparison to USD 4,493.85 Million registered in 2021. This decline was mainly due to lower export earnings from non-coffee, formal exports and informal cross border exports among others. The share of the country's exports to the EAC region has increased over the years with the level of formal exports rising by 182 percent from US$ 687.5 million in 2014 to US$ 1,939.7 million in 2022. Formal exports to COMESA also increased by 63.5 percent from US$ 1,202.8 million in 2014 to US$ 1,966.8 million in 2022. Evidently, Exports to Asia, rest of Europe, Middle East have significantly increased Uganda's export revenue. On a welcome note, Uganda's exports to the Middle East increased by 54.3 percent from US$ 198.1 million in 2014 to US$ 305.7 million in 2022. In addition, Uganda's exports to the American Continent more than doubled from US$ 47 million to US$ 109.4 million in the same reporting period.

(d) **Regional Integration and Cooperation:** Government of Uganda subscribes to a number of Regional, Continental and Global frameworks. These include: East African Community (EAC), Common Markets for East and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD), African Union (AU) (Agenda 2063), United Nations (Agenda 2030) and Istanbul Programme of Action (IPOA) (now the Doha Programme of Action (DPoA).

Uganda is part of the East African Community (EAC) blocwhich has since become a major export market for the country with formal exports to the region increasing from US$ 506.9 million in 2011 to US$ 1,189.2 million in 2022. Regional trade has also been particularly important for manufactured exports, representing 51 percent of total manufactured exports in 2015. Under the Monetary Union, the EAC Monetary Institute Bill, 2017 and the EAC Statistics Bureau Bill, 2017 have been developed. The approval of the Bill laid foundation for the establishment of the East African Monetary Institute with the East African

[1] Uganda Communications Commission Q2 Report, 2022

Community Council of Ministers as an institution of the Community that is responsible for the preparatory work for the EAMU and the establishment of the Statistics Bureau for the bloc respectively.

(e) **Structural Economic Transformation:** Uganda's annual economic growth averaged 5 percent with real per capita GDP increasing from US$ 751 in FY 2014/15 to US$ 1,043 in FY 2021/22. Poverty reduced from 21.4 percent in FY 2016/17 to 20.3 in FY 2019/20. While in northern and western regions, poverty increased by 3.2% on average due to weather conditions, pests and diseases and over dependency on on subsistence crop farming. Additionally, the Agricultural sector's share of GDP slightly increased from 23.5 percent in FY2014/2015 to 24.1 percent in FY 2021/2022. The Industry sector has played a limited role in transforming the economy. This has been evidenced by the industry sector's constant contribution to GDP 26.3 percent in FY 2014/15 to 26.8 percent in FY2021/2022. The production sector's share in total employment reduced from 14 percent to 13 percent.

(f) **Means of Implementation:** Uganda's domestic revenue mobilization efforts continue to be strengthened. In 2019, Government, launched the Domestic Revenue Mobilization Strategy (DRMS) FY 2019/20-2023/24 to enhance Uganda's revenue through identifying interventions that will strengthen tax administration and restore public confidence in the tax system. The Strategy aims to raise the ratio of revenue to GDP to 18 percent over a five-year period.

Uganda's financial performance of development assistance over the years has been improving at an average rate of 4.7 percent between FY 2017/18 to FY 2021/22. There was however a 13% percent decrease in the amount of grants committed to Uganda from US$ 234.6 million in FY2020/21 to a sum of US$ 204.6 million in FY2022/2023. Grants committed in FY2021/2022 accounted 17 percent of the total external funds disbursed during FY2021/2022. Of the total amount disbursed, International Development Association (IDA) had the highest grant disbursement of USD 120.1Million (60% of grants) followed by Global Fund contributed USD 53 million (26%), European Union (5 percent), GAVI (8%), and others (1%).

Additionally, loans approved by Parliament of Uganda increased by 17.6 percent from US$1,404 million loans in FY2019/20 to US$ 1,651.2 million in FY2020/21. By end of December, 2022, the loans disbursed amounted to US$ 307.5 million translating into 78% reduction in the amount disbursed loans in comparison with the period ending 2021. This constitutes 60% of the total external resources.

11 INTRODUCTION

2.1 Background and mandate

Uganda joined thirty-one (31) other landlocked developing countries to ratify the Vienna Programme of Action for the period 2014-2024. Under the programme, landlocked developing countries are expected to harness benefits from international trade, structurally transform their economies and achieve more inclusive and sustainable growth. The Programme is in unison with Uganda's development goal of transforming to a modern and prosperous economy, reaching a GDP Per capita of 9,500 by 2040. As such, the Vienna Programme of Action (VPoA) is implemented under the armpit of Uganda' Vision 2040 and its associated National Development Plans, of which the second of six is currently under implementation up to 2020.

The Vienna Programme of Action (VPoA) for Landlocked Developing Countries 2014-2024, is a ten-year action-plan aimed at accelerating sustainable development in Landlocked Developing Countries (LLDC). The overarching goal of the new Programme of Action is to address the special development needs and challenges of landlocked developing countries arising from landlockedness, remoteness and geographical constraints in a more coherent manner and thus contribute to an enhanced rate of sustainable and inclusive growth, which can contribute to the eradication of poverty by 2024.

Particular attention is therefore to be given in the period until 2024 to the development and expansion of efficient transit systems and transport development, enhancement of competitiveness, expansion of trade, structural transformation, regional cooperation, and the promotion of inclusive economic growth and sustainable development to reduce poverty, build resilience, bridge economic and social gaps and ultimately help transform those countries into land-linked countries.

2.2 Country context on VPOA Priority areas

The GoU is in the third year of implementing the National Development Plan (NDP III) which cover the period 2020/21 to 2024/25 and whose goal is to increase household incomes and improve the quality of life of Ugandans. The goal is pursued under the overall theme of Sustainable Industrialization for Inclusive growth, employment and sustainable wealth creation. Specifically, the key objectives of the Plan are; Enhance value addition in key growth opportunities; Strengthen the private sector to create jobs; Consolidate and increase the stock and quality of productive infrastructure; Enhance the productivity and social wellbeing of the population; and Strengthen the role of the state in guiding and facilitating development.

The plan has also provided a basis for continuity in Government's response strategy to the economic and social challenges induced by COVID-19 and recent global uncertainties. Uganda recorded a range of notable development gains during FY2022/23 at national, regional and international level that contributed towards complete pre-COVID trends in economic and social progress. FY 2021/22 was the second year of implementation of the NDP III (National Development Plan III) but the implementation was hampered by the COVID 19 pandemic. Global and domestic supply chain disruptions further contracted economic activity and resulted in a decline in consumer demand, employment opportunities and per capita incomes. However, Uganda's economy remained largely resilient despite the unprecedented challenges occasioned by climate change effects and most recently the global pandemic.

As a result of prudent monetary and fiscal policy measures, Uganda's economy has remained resilient and continued on a recovery path despite the lingering impact of COVID-19, global shocks and contractionary fiscal and monetary policy measures taken to contain inflation. Preliminary estimates indicate that size of the economy increased to Ushs. 184,288 billion in FY 2022/23, from Ushs.162,883 billion registered in FY 2020/21. In real terms, the economy grew by 5.3 percent, compared to a revised growth rate of 4.6 percent in FY 2020/21[2]. The country's GDP per capita increased from USD 889 in FY 2018/2019 to USD 1,043 in FY 2021/22 surpassing the NDP III target of USD 1,006. This shows that the economy is on a path to significant recovery from the COVID-19 disruptions. The sectors of agriculture, forestry and fishing, industry and services registered significant growth in FY 2021/22, with the strongest recovery seen in industry and services sector. The Services Sector remained the largest contributor of GDP (41.5%) followed by the Industry (26.8%) and the Agriculture, Forestry, and Fishing Sectors (24.1%) respectively. Slow Global growth and inflationary environment are however, a risk to domestic economic recovery and prospects.

The external position strengthened reflecting external sector resilience compared to the previous year 2020/21 which was supported by inflow in the financial account. The financial account surplus expanded providing sufficient cover to finance the current account deficit which resulted into an overall balance of payment surplus of USD 642.2 million in 2022, a turnaround from a balance of payment of USD 74.9 million recorded in the previous year, 2021. This favourable external position was supported by the improved economic environment associated with diminishing pandemic related restrictions leading to the full reopening of the economy by end of year compared to the stringent restrictions imposed in the 12 months to February 2021.

However, the recent developments including rising international and domestic commodity prices as well as global and regional geo-political conflicts are threatening to slow down the speed of recovery. Government is fast tracking any remaining impediments to project implementation in the Oil and Gas sector, including securing the required financing and right of way for oil and gas related projects. Domestic production of oil will subsequently lower the cost of fuel in the country.

At a regional level, the economic integration agenda continued to gain traction at the level of the East African Community (EAC) and the African Union. Further efforts to deepen trade and investment within the bloc includes implementation of the revised EAC Common External Tariff (CET) which commenced in July, 2022. The revised CET will address the requests for stays of

[2] Background to the Budget 2022/23

application, which distort the EAC CET and is expected to promote industrialization in the region, spur intra-regional trade by encouraging local manufacturing, value addition and facilitate realization of the benefits of the African Continental Free Trade Area (AfCFTA).

At the continental level, the Regulatory Audits on Trade in Services for all African countries under the Africa Continental Free Trade Area (AfCFTA) was launched in November 2022. The AfCFTA Trade in Services Regulatory Audit Reports is a positive development for Uganda which addresses restrictions that impair cross-trade relations between African nations.

Growth in East Africa is estimated to have moderated to 4.2 percent in 2022 from 5.1 percent in 2021 but is projected to recover to the pre-pandemic average above 5.0percent in 2023 and 2024. The projected strong growth is not homogenous across the region, with four countries (Kenya, Rwanda, Seychelles, and South Sudan) expected to grow above 5 percent in both 2022 and 2023. Growth will likely be subdued in Comoros, Somalia, and Sudan below 3 percent in 2022, while all the East African countries (except Comoros and Eritrea) should experience a growth rate of more than 4 percent in 2023.

East Africa's real gross domestic product (GDP) growth was driven by industry on the supply side, contributing 2.2 percentage points of the region's 4.8 percent economic growth in 2021. This was followed by the service sector which contributed 1.6 percentage points while the agriculture sector contributed 1.0 percentage point. The industrial sector's performance was strongly influenced by its strong growth in Ethiopia, Tanzania, and Uganda where construction dominated the industrial sector.

2.3 Purpose of the report

The purpose of the report is to provide a comprehensive review on implementation of the Vienna Programme of Action (VPoA) for LLDCs for the decade 2014-2024, and to act a basis to feed into regional level preparations to be undertaken in 2023 and global preparations that will lead to the conference in 2024

2.4 Methodology and Preparation of the review report

The review process was spearheaded by Ministry of Finance, Planning and Economic Development in close liaison with Government Ministries Departments and Agencies. Secondary data sources were mainly used. These include NDP III, performance reports, Policy from Government Ministries Departments and Agencies.

III MAINSTREAMING VPOA IN PLANNING FRAMEWORKS OF UGANDA

Uganda, like other Least Developed Countries (LDCs) aspires to graduate from the LDCs category. Graduation is a significant milestone in a country's journey towards sustainable development. VPoA prioritizes addressing development challenges of landlocked developing countries such as special trade and development challenges, emanating from their lack of territorial access to the sea and geographical remoteness from international markets.

Uganda is making efforts and progress towards the implementation of the Vienna Programme of Action. More focus is skewed towards addressing the special challenges associated with landlockedness. Uganda is ring-fencing budgets to address bottlenecks in transport and trade facilitation with clear targets and benchmarks to be reviewed on a regular basis.

The third National Development Plan (NDPIII) is aligned to 2030 Agenda for Sustainable Development and Agenda 2063 for African landlocked developing countries aimed at achieving sustainable and inclusive growth and to eradicate poverty. The VPOA is an integral part of the two core global developments frameworks. The NDPIII prioritizes fundamental transit policies; infrastructure development and maintenance; international trade and trade facilitation; regional integration and cooperation; structural economic transformation which are strategic VPOA priority areas.

The NDPIII adapted five key programmes that align well with the VPOA programming. These include: Integrated Transport and Infrastructure; Innovation, Technology Development & Transfer; Petroleum Resources Programme; Sustainable Energy Development; and Private Sector Development. In line with the VPOA Strategic programming discussed above, a number of miles have been achieved. These include:

i. Uganda subscribes to regional and sub-regional agreements aimed at facilitating ease of movement of goods and people in the region like COMESA and EAC. In addition, Uganda subscribes to AfCFTA to facilitate Trade in Goods, the Protocol on Trade in Services and the Protocol on Rules and Procedures on the Settlement of Disputes.

ii. Uganda is contributing to the Trans-African Highway, which is at the heart of regional connectivity for the continent covering about 54,120 km distributed along nine corridors. Uganda is on a positive trajectory towards contributing to enhancing the quantity and quality of surface transport infrastructure. The cumulative paved road network in Uganda increased from 4,551 km in 2018 to 5,591km in June 2022. This represents 22.9 percentage point of the total national paved road network while the share of district roads in fair to good condition was recorded at 70 percent at end June, 2022.

iii. The country has about 1,350 kms of rail lines and most of it had not been operational for over 20 years. Implementation of NDPIII commenced with repairs on the Tororo-Gulu line and on the Gulu Pakwach Line. A railroad originating at Mombasa on the Indian Ocean connects with Tororo, where it branches westward to Jinja, Kampala, and Kasese and northward to Mbale, Soroti, Lira, Gulu, and Pakwach. Uganda's important road and rail links to Mombasa serve its transport needs and also those of its neighbors like Rwanda, Burundi, and parts of D.R. Congo and South Sudan[3].

iv. Uganda subscribes to regional Non-Tariff Barriers Monitoring and Elimination frameworks of COMESA and EAC to facilitate trade in Africa.

[3] Uganda Railways

v. Government adopted a PPP framework to facilitate public investment through better utilization and allocation of public funds, more efficient delivery of public infrastructure, provision of good quality public services, and increased economic growth and foreign direct investment.

vi. Uganda developed and adopted a Public Investment and Management System (PIMS) to facilitate developing bankable infrastructure and transport projects that are financially viable and environmentally friendly, and provide resources to implement the projects. In addition, developed an Integrated Bank of Projects (IBP), a system which acts as a central repository of all project information from inception to closure.

vii. Government adopted the National strategy for Private Sector Development to facilitate business competitiveness. This is in line with VPOA aim of increasing Africa's competiveness for continue to make improvements in the enabling regulatory environment for business, which is crucial for developing a strong industrial base and attracting investment.

viii. In addition, Government adopted the Business Development Services (BDS) framework to facilitate fast-tracking implementation of Uganda's Industrial Strategy. The BDS framework was recently launched as part of Government commitment to improve the management capacities of local enterprises.

IV ASSESSMENT OF KEY ECONOMIC, SOCIAL AND ENVIRONMENT DEVELOPMENT FACTORS

The assessment period covers up to fiscal year 2022/23. It involves the analysis of the quarterly performance reports submitted relevant Ministries, Departments and Agencies. The NDP III mid-term review report and programme half year performance summaries were also used to provide update on this section. The assessment on the key focus areas include;

i) Economic Factors

a) Official Development Assistance (ODA) has remained an important part for development cooperation for LLDCs like Uganda. The amounts of Official Development Assistance (ODA) have reduced over the years i.e. grants and concessional financing and yet the development needs of the country have increased. This led to government utilizing domestic borrowing starting to supplement the domestic revenue and ODA. Aid for trade has helped to improve trade facilitation and trade-related infrastructure development.

b) Government of Uganda launched the Domestic Revenue Mobilization Strategy (DRMS) 2019/20–2023/24 aimed at enhancing Uganda's revenue. The Strategy identifies interventions that will strengthen tax administration and restore public confidence in the tax system. The strategy aims to raise the ratio of revenue to GDP to 18% over a five-year period. Evidently, Strategy has played a positive role in improving Uganda's the revenue to GDP. For example, Uganda's the revenue to GDP increased by 7.8 percent from 11.5 percent in FY2015/16 to 12.4% in FY2021/22. However, this is still below the NDPIII target (15 percent) for FY2024/2025.

ii) **Social Factors**

a) The outbreak of the global COVID-19 pandemic left behind socioeconomic impacts in Uganda that included: increased poverty rates; increased borrowing to address new expenditure pressures associated with the economy-wide effects of the pandemic; major shortfalls in domestic revenues; disruption of service delivery in health and other sectors.

b) Additionally, poverty and inequality remain critical development challenges for the country. The proportion of people living on less than a dollar per day marginally improved to 20.3 percent in FY20219/20 from 21.4 percent in FY2016/17 (UNHS, 2019/20) and 41.8 percent of the population was living below the international poverty line of USD 1.9 in FY2019/20 and a significant part of the population remains vulnerable.

c) The Russia-Ukraine crisis has had lasting damage to the economies of low and middle-income countries such as Uganda, pushing millions of people into poverty as stated above. In Uganda, the crisis disrupted the supply of oil, cereals such as wheat, corn and sunflower oil as well as essential metals like Aluminum and Nickle in Uganda. Additionally, the crisis contributed to:

(i) Increased prices of essential goods and services such as cooking oil (increased by 21%), laundry bar soap (20%), fuel (diesel and petrol) according to Uganda Bureau of Statistic (UBoS).

(ii) Decline in Uganda's coffee exports to the two countries: Uganda experienced a decline in its total coffee exports to Russia from 2,914 60-kg bags (1,940 of Robusta coffee and 974 of Arabica coffee) representing a market share of 0.72 percent in January, 2022, to 640 60-kg bags (Robusta coffee) in March, 2022, representing a market share of 0.13 percent. Additionally, Uganda exported 1,950 60-kg bags to Ukraine (of these 1,630 of Robusta coffee and 320 of Arabica coffee) in January 2022 thus representing a market share of 0.48 percent.

(d) Government of Uganda focused at increasing the population's social protection coverage with a particular focus on the poor and vulnerable. This is intended to ensure that Uganda progressively moves to more comprehensive and even universal social protection. Various social protection programmes such Parish Development Model, among others have been instituted as an avenue to expand the scope and coverage of social protection services to improve the resilience and productive capacity of vulnerable persons.

(e) Approval of the National Health Insurance Scheme Bill, 2019 by Parliament of Uganda. The scheme is to be financed by a combination of employee and government contributions, and aims to cover all Ugandans when fully implemented.

(f) Dissemination the Technical Vocational Education and Training (TVET) policy by Government of Uganda to holistically address Uganda's skilling challenges in order to achieve the desired national goals of increased productivity, labour market efficiency and technological readiness.

iii) Environmental trends

(a) While climate change was not part of the review of the Vienna Programme of Action (VPoA), it remains true that Uganda like any other landlocked countries is also vulnerable to climate change, which is exacerbating desertification, land degradation and affected by flooding especially in the eastern part of Uganda, including glacial lake outburst floods. Uganda also remain highly vulnerable to external economic shocks and to the multiple other challenges faced by the international community. These greatly impeded Uganda's efforts in successfully implementing the Vienna Programme of Action (VPoA).

(b) In 2018, Government of Uganda launched its first ever National Adaptation Plan for the Agriculture Sector (NAP-Ag), which aims to help mainstream climate change in the agriculture sector's policies, plans and budgets. This plan presents adaptation actions for different agro-ecological zones, and aims to guide farmers, technical officers and decision makers on investments aimed at increasing the resilience of communities, systems and institutions.

(c) In addition to the above, Government of Uganda developed Green Economy Recovery Plan in 2022 to address pending policy issues in critical areas of joint priority, including climate finance, renewable energy, resilient agriculture, resilient cities, land use and biodiversity.

V ASSESSMENT OF PROGRESS AND CHALLENGES IN THE IMPLEMENTATION OF THE VPOA

The programme highlights six key priority areas including; Fundamental transit policy issues, Infrastructure development and maintenance including; Transport infrastructure, and Energy and information and communications technology infrastructure, International trade and trade facilitation including; International trade and trade facilitation, Regional integration and cooperation, Structural economic transformation, and Means of implementation. According to the VPoA report of 2019, Uganda made commendable progress against these priority areas. The progress attained on each of the key priority areas is illustrated below:

5.1. Fundamental Transit Policy Issues

Uganda has made progress in simplification and modernization of transit procedures. Government of Uganda in collaboration with other EAC partner States developed the Regional Electronic Cargo Tracking system (RECTS). RECTS that serves EAC partner States that include Uganda, Kenya and Rwanda was launched in February 2017. The system is designed to enable a seamless flow of transit cargo with all the revenue authorities in the three countries having a single view of cargo along the northern corridor.

The system was put in place to overcome challenges of dumping, delayed bond cancellation and refund processing that were a hindrance to cross border trade, making it costly in terms of both money and time. Implementation of RECTS has seen 20% of cargo subjected to e-monitoring and resulted into reduced transit time from 6 to 3 days for regional, and 3 to 1.5 days for national transactions, improved truck turnaround time from 4 to 8 trips a month and suppressed transit diversion and improved trade facilitation.

Additionally, following the outbreak of the global COVID-19 pandemic, Government of Uganda in collaboration with other EAC member states virtually marked the technical completion and development of the Regional Electronic Cargo and Driver Tracking System (RECDTS). RECDTS was designed as a mobile application to enable the issuance of the EAC COVID-19 digital certificates that were mutually recognized across the Partner States thus eliminating need for multiple testing as well as contributing to alleviating ongoing congestion at East Africa border crossing points. Relatedly, RECDTS aimed to allow Partner States to electronically share truck drivers' COVID-19 test results hence minimizing need for multiple need for multiple COVID-19 tests in a single trip.[4]

In collaboration with the East African Community (EAC) Partner States, the country commenced a roll out of the EAC e-Passport in January 2019. The EAC e-passport is fully digitized and incorporates biometric security, making it fully compliant with international best practices and, therefore, accepted at border controls all over the world. Its use is expected to enable East Africans to easily negotiate visa-free access to countries outside the region, thus enhancing both trade and travel.

In addition, the International Organization for Migration (IOM) launched the first Continental Strategy on Migration for Africa for the period 2020-2024. The Strategy was conceived to reinforce commitment towards safe, orderly and regular migration within and outside the African continent. The strategy emerges as a result of the Memorandum of Understanding (MoU) signed between EAC partner States and IOM in June 2006. The MoU has contributed towards overall

[4] https://www.eac.int/press-releases/147-health/1851-eac-rolls-out-regional-electronic-cargo-and-driver-tracking-system

efforts to ensure free and safe movement of people between EAC Partner States while tackling issues such as irregular migration, smuggling, human trafficking and labour migration.

5.2. Infrastructure Development and Maintenance

Transport infrastructure

Uganda continues to prioritize investments in infrastructure in a bid to close infrastructure gaps that constrain the country's productive capacity and competitiveness. Emphasis has been given to construction of infrastructure that links production to market centres so as to facilitate farmers to sell their produce and improve their livelihoods. Various interventions in the sector have led to an improvement in the stock and quality of national infrastructure over the third National Development Plan (NDP) III period.

In FY2021/22, Government of Uganda undertook upgrading and construction of 27 road projects totaling 1,437 km. By the end of December 2021, construction of 114.45km had been achieved against a target of 415km by June 2022.[5] UNRA's strategic plan targets to construct 500km annually. The cumulative road network in Uganda has increased from 4,551 km in 2018 to 5,591km in June 2022, thus representing 22.9 percentage points of the total national road network. Whereas this is a marked improvement, there is need to further improve the conditions of both district and community access roads.

Several policies and regulations have been introduced to improve service delivery in the sector and address the various key constraints. A Multi modal Urban Transport Master plan for Greater Kampala Metropolitan Area has been developed to improve the efficiency and cost effectiveness of transportation of persons and goods. It is intended to create a well-organized and modern urban metropolitan transport system. In November 2021, the GoU developed a National Transport and Logistics Policy, 2021 and Strategy to meet changing conditions and to provide for a more holistic approach to improving the country's economic development and competitiveness through transport. The policy seeks to serve as the overarching policy and regulatory framework for all transport and logistic infrastructure and services.

Air transport, Government of Uganda has undertaken efforts provide and improve existing air transport services to boost Ugandan exports, facilitating and enriching tourism services and products, and also to penetrate international markets. By end of FY2021/2022, rehabilitation of the Entebbe International Airport progressed steadily at 75 percent completion stage. The renovation of the Airport aims to increase the passenger terminal's capacity from the current 410 arriving and 320 departing passengers to 930 arriving and 820 departing passengers during peak hours respectively. The renovation will also enable the airport to increase the availability and frequency of international flights. Additionally, Entebbe International Airport is anticipated to handle 6.1 million passengers and 172,000t of cargo a year by 2033.

[5] Uganda National Roads Authority (UNRA) Half Year (July-December 2021) Performance Report

Following the revival of Uganda Airlines, Government of Uganda procured six aircrafts with a focus of enhancing the country's competitiveness by reducing the cost of air transport and easing connectivity to and from Uganda. The revival of the national carrier also focusses at enhancing Uganda's Tourism industry through increased regional and international flights to the country.

Rail and water, Government of Uganda Procured continued to pursue the plan to implement the Standard Gauge Railway (SGR) project. The SGR is intended to reducing passenger travel time from Kampala to Nairobi by a half (6hours), create more employment opportunities (150,000 jobs to be created directly and indirectly during construction), lowering cost of production by 30% and increasing Uganda's competitiveness through a reliable transport system increasing exports to international markets and boosting tourism and among others.

5.3. Energy and ICT Infrastructure

Government's ultimate objective is to ensure increased access to affordable electricity in order to reduce the cost of production and promote private investment in the country. The focus in this regard has been expansion of the national electricity power grid network, promotion of energy efficiency and use of alternative sources of energy. Uganda's installed electricity generation capacity has grown from 947MW in 2018 to 1,346.7MW in June 2022 (representing a 42.2 percentage increase).

The national electrification rate has more than doubled from 23 percent in 2018 to 57 percent in June, 2022 (thus representing 148 percentage increase). Of the 57 percent, 19 percent was connected on national grid and 38 percent was connected off the grid [6]. Government of Uganda is supporting rural electrification efforts in accordance with the Electricity Connections Policy (ECP) launched in 2018. By end of FY2021/2022, 364,428 households are connected to the national grid through the ECP. This accounts for 20 percent of households, against a 60 percent target by 2030, connected on the national grid.

Government has further continued to promote use of alternative energy sources such as solar energy, wind energy and nuclear energy to diversify the country's energy mix and be able to meet the NDP III target of 3,500 MW.

In terms of ICT infrastructure, Government has prioritized access to efficient and affordable ICT services to its citizens. The number of mobile phone subscriptions in the country rose by 26.2 percent from 24.8 million in 2018 to 31.3 million at the end of June 2022[7]. Internet subscriptions increased by 31 percent from 18.1 million users in September, 2017 to 23.7 million users in June,

[6] Uganda National Household Survey (UNHS) FY2019/2022
[7] Uganda Communications Commission Q2 Report, 2022

2022. Additionally, Uganda's internet penetration stood at 52 percent as by end of September, 2021 (indicating that every 1 in 2 Ugandans has an active internet connection).

The key Government's intervention in this sector is extension of the National Data Transmission Backbone (NBI) Infrastructure and e-Government Infrastructure. The NBI infrastructure is intended to connect all major towns within the country onto an Optical Fibre Cable based Network and to connect Ministries and Government Departments onto the e-Government Network. By the end of FY 2021/2022, a total of 264 additional MDAs/DLGs and target user sites were connected to the National Backbone Infrastructure (NBI). This brings the cumulative number of sites connected to 1,394. Of these, 1294 were provisioned with service.

Some of the challenges encountered by Government of Uganda in ensuring sustainable energy and ICT infrastructure include:

(i) Land acquisition for government projects is consumes a lot of time and a considerable budget. The major constraints have been slow resolution of challenges regarding land acquisition for the project sites. Whereas government has endeavored to avail funding, the following issues have caused delays to project works.
(ii) Land/Property owners who demand for unreasonable compensation amounts, leading to protracted reviews. Some project valuation reports have had as many as six (6) reviews.
(iii) External such as COVID-19 Pandemic that affected movement of people greatly impeded progress of Government's projects especially in the energy sector.
(iv) Vandalism on the transmission lines and other installations.

5.4. International Trade and Trade Facilitation[8]

Government of Uganda has undertaken various policies and strategies to support productive sectors. This includes preparation of the National Exports Development Strategy (NEDS) FY2017/18-2021/22 aimed at boosting export growth over the medium term. The third National Development Plan indicates that Government of Uganda will continue pursuing an export-oriented growth strategy with a target of expanding the value and share of Uganda's manufactured goods in total exports.

Uganda exported merchandise worth USD 4,272.3 million in 2022. This was a by 5% decline in comparison to USD 4,493.85 Million registered in 2021. This decline was mainly due to lower export earnings from non-coffee, formal exports and informal cross border exports among others. In order to further increase exports and close the trade deficit, the country continues to explore new export markets with EAC and COMESA forming the dominant ones. The share of the country's exports to the EAC region has increased over the years with the level of formal exports rising by 182 percent from US$ 687.5 million in 2014 to US$ 1,939.7 million in 2022. Formal

[8] Bank of Uganda Statistics, 2022

exports to COMESA also increased by 63.5 percent from US$ 1,202.8 million in 2014 to US$ 1,966.8 million in 2022.

Evidently, Exports to Asia, rest of Europe, Middle East have significantly increased to increase in Uganda's export revenue. On a welcome note, Uganda's exports to the Middle East increased by 54.3 percent from US$ 198.1 million in 2014 to US$ 305.7 million in 2022. In addition, Uganda's exports to the American Continent more than doubled from US$ 47 million to US$ 109.4 million in the same reporting period. Although Uganda's export basket has also continued to diversify. Evidence shows that coffee has been the country's major export earner for many decades, its merchandise share in exports has increased from 15 percent in 2014 to 20.1 percent in 2022.

Uganda also continues to put in place measures to facilitate trade. Seven One Stop Border Posts (OSBPs) have been commissioned by December 2022. These OSBPs have reduced on the time taken to clear goods evidenced by a reduced turn-around time from 2 days in FY 2017/18 to 2 hours in FY 2021/2022. A trade portal was launched in November, 2018 to ease access to trade information through provision of timely and accurate information on procedures, documentation, fees, and charges for exportation, importation and transit of goods. The portal is expected to reduce the cost, time and administrative complexity in the export, import and transit of goods, particularly to the Micro Small and Medium-Sized Enterprises (MSMES). Additionally, the Democratic Republic of the Congo (DRC) formally joined the East African Community (EAC) following the signing of the Treaty of the Accession of the DRC into the EAC in April, 2022.

Some of the challenges encountered by Government of Uganda in conducting effective and profitable international trade and ensuring a conducive trade environment include

(i) High power tariffs, which are not attractive to the manufacturing sector
(ii) Inadequate trade sector funding. The total budget sector allocation has remained low compared to other sector allocations in the national budget. This has affected effective implementation of the National Trade policy and Plan;
(iii) Limited production capacities and low levels of production;
(iv) Limited Financing for export development to address challenges related for export development;
(v) Negative impact caused external shocks such as the global Coronavirus 2019 (COVID-19) pandemic and the recent Russia-Ukraine crisis that greatly impeded Uganda's cross border trade activities.
(vi) Non-Tariff Barriers remain a major barrier to increasing the levels of intra-African trade and investments and some of these include: Infrastructural, policy and procedural constraints that create trade bottlenecks – complex clearance procedures, cumbersome documentation requirements and unpredictable trade policies which contribute to high intra-Africa trade costs.
(vii) Infrastructure deficit has high potential to limit access to markets and it increases costs, consequently limiting trade flows between Uganda and other countries.

5.5. Regional Integration and Cooperation

Government of Uganda subscribes to a number of Regional, Continental and Global frameworks. These include: East African Community (EAC), Common Markets for East and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD), African Union (AU) (Agenda 2063), United Nations (Agenda 2030) and Istanbul Programme of Action (IPOA) (now the Doha Programme of Action (DPoA).

Uganda is part of the East African Community (EAC) bloc which has since become a major export market for Uganda with formal exports to the region increasing from US$ 506.9 million in 2011 to US$ 1,189.2 million in 2022. Regional trade has also been particularly important for manufactured exports, representing 51 percent of total manufactured exports in 2015.

The EAC Monetary Institute Bill, 2017 and the EAC Statistics Bureau Bill, 2017 have been developed under the Monetary Union. The approval of the Bill laid foundation for the establishment of the East African Monetary Institute with the East African Community Council of Ministers as an institution of the Community that is responsible for the preparatory work for the union and the establishment of the Statistics Bureau for the bloc respectively.

At the continental level, in March 2018, Uganda was among the first countries that signed and adopted the African Continental Free Trade Area (AfCFTA) which aims to create a single continental market for goods and services, expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across the Regional Economic Communities (RECs) and across Africa in general; and enhance competitiveness at the industry and enterprise level.

In addition to the above, Government of Uganda developed the Africa Continental Free Trade Area Implementation Strategy, 2022 to enhance Uganda's mutual participation in and benefit from the continental initiative to pursue deeper integration within the African Continental Free Trade Area (AfCFTA) framework.

At a Global level, the Country has maintained her participation at the Fifth United Nations Conference on the Least Developed Countries (LDC5). The key focus areas for action include: (i) Investing in people in least developed countries: eradicating poverty and building capacity to leave no one behind; (ii) Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve the Sustainable Development Goals; (iii) Supporting structural transformation as a driver of prosperity; (iv) Enhancing international trade of least developed countries and regional integration; (v) Addressing climate change, environmental degradation, recovery from the COVID-19 pandemic and building resilience against future shocks for risk-informed sustainable development; (vi) Mobilizing international solidarity, reinvigorated global partnerships and innovative tools and instruments: a march towards sustainable graduation.

Some of the challenges encountered by Government of Uganda in ensuring smooth international trade relations included:

(i) Emergence of COVID-19 exacerbated significant losses due to reduction of earnings as business operations.
(ii) Barriers to trade and investment such as import tariffs that have greatly impeded intra-regional trade.
(iii) Technology related factors such as inadequate research, extension services and training.
(iv) Inadequacy of funding.
(v) Limited infrastructural development to enhance Uganda's competitiveness

5.6. Structural Economic Transformation

Uganda's annual economic growth averaged 5 percent with real per capita GDP increasing from US$ 751 in FY 2014/15 to US$ 936 in FY 2019/20. Poverty reduced from 19.7 percent in FY 2014/15 to 20.4 in FY 2019/20. Additionally, the Agricultural sector's share of GDP slightly increased from 23.5 percent in FY2014/2015 to 24.1 percent in FY 2021/2022.

However, there was a decline in the working population in the agricultural sector from 68% in 2019/2020 to 61 percent in 2021[9]. There has been an increase in the percentage of employed persons in the services sector from 46 percent in 2016/17 to 50 percent in 2019. Likewise, employment in the agriculture sector decreased from 39 percent in 2016/17 to 36 percent in 2021.[10]

The Industry sector has played a limited role in transforming the economy. This has been evidenced by the industry sector's constant contribution to GDP 26.3 percent in FY 2014/15 to 26.8 percent in FY2021/2022. The production sector's share in total employment reduced from 14 percent to 13 percent. To harness economic transformation, Government has increased its efforts in the agricultural sector, targeting to increase economic benefits through investments in increased productivity and value addition. A Public Investment Management Strategy for agro-industry was launched in FY 2017/18 in a bid to foster a sustainable agro industrialization agenda for Uganda. Coffee, tea, cotton, cassava, maize, oil palm, fish, dairy and beef have been identified as the priority value chains to transform the economy. A national industrial development policy spanning 2018-2028 has also been launched with the aim of achieving a fully integrated, innovative and competitive industrial sector.

Some of the challenges encountered by Government of Uganda in ensuring sustainable structural transformation:

[9] Uganda National Household Survey (UNHS) FY2019/2020 and 2021 National Labour Force Household Survey, (NLFS), 2021

[10] Uganda National Household Survey (UNHS) FY2019/2020 and 2021 National Labour Force Household Survey, (NLFS), 2021

(i) Emergence of COVID-19 exacerbated significant losses due to reduction of earnings as business operations;
(ii) Infrastructure gaps have greatly impeded Uganda's level of competitiveness;
(iii) Stagnating agricultural labor productivity.
(iv) Inadequate better employment opportunities especially for the youths.

5.7. Means of Implementation

Uganda's domestic revenue mobilization efforts continue to strengthen. In 2019, Government, launched the Domestic Revenue Mobilization Strategy (DRMS) FY 2019/20-2023/24 to enhance Uganda's revenue through identifying interventions that will strengthen tax administration and restore public confidence in the tax system.

The Strategy aims to raise the ratio of revenue to GDP to 18 percent over a five-year period. The Strategy has been anchored on several tax policy and administrative measures aimed to increase revenue-to-GDP ratio from 12.5 percent in 2019/2020 to 15 percent by 2024/2025 in the medium term. We are happy to report that the revenue to GDP increased by 7.8 percent from 11.5 percent in FY2015/16 to 12.4% in FY2021/22 although is still shy of the NDPIII target of 18 percent.

Uganda's financial performance of development assistance has been improving at an average of 4.7 percent between FY 2017/18 to FY 2021/22[11]. However, there, was a 13% percent decrease in the amount of grants committed to Uganda from US$ 234.6 million in FY2020/21 to a sum of US$ 204.6 million in FY2022/2023. Grants committed in FY2021/2022 accounted 17 percent of the total external funds disbursed during FY2021/2022. Of the total amount disbursed, International Development Association (IDA) had the highest grant disbursement of USD 120.1Million (60% of grants) followed by Global Fund contributed USD 53 million (26%), European Union (5 percent), GAVI (8%), and others (1%).

The amount of loans approved by Parliament of Uganda, increase by 17.6 percent from US$1,404 million loans in FY2019/20 to US$ 1,651.2 million in FY2020/21. By end of December, 2022, the loans and disbursed amount to US$ 307.5 million translating into 78% reduction in the amount loans by the Government of Uganda in comparison with the period ending 2021. This constitutes 60% of the total external resources.[12] The loans were utilized along the NDPIII programmes such as Integrated Transport Infrastructure & Services program (55 percent) followed by Natural resources, Environment, climate Change, and water management, Energy Development together with Human Capital Development (13% respectively) while others got 5%.

Challenges encountered in ensuring effective means of implementation in the Republic of Uganda during the VPoA period include:

(i) Existing informal sector that continuously escapes regulations, taxation or observation;
(ii) Tax avoidance in the extractive sectors: Profit shifting, and other kinds of tax avoidance, is a real concern in the extractive sectors, especially in mining;

[11] Public Debt, Grants, Guarantees and Other Financial Liabilities Report FY2022/2023
[12] Public Debt, Grants, Guarantees and Other Financial Liabilities Report FY2021/2022

(iii) Inadequate tax governance laws to ensure limited tax avoidance and evasion;

(iv) Incomplete project selection, design, appraisal, and analysis before the project is approved and sanctioned for funding.

(v) Emergence of COVID-19 exacerbated significant losses through establishment of the lockdown that halted business operations hence affecting revenue mobilization.

VI MONITORING AND IMPLEMENTATION

Uganda's Progress under the VPoA has been monitored through various mechanisms such as the Mid-term review of the NDP III Programmes' annual performance reports and periodic Government Annual Performance reports and quarterly performance reviews from government Ministries, Departments and Agencies. Additionally, the Country has a Budget Monitoring and Accountability Unit housed in the Ministry of Finance, Planning and Economic Development. The Unit undertakes monitoring and evaluation of key government programmes and projects. Therefore, VPOA is incorporated as part of the monitoring areas. The challenges affecting the implementation of the VPOA programme are captured as part of the assessment under section (V) above.

VII TOWARDS THE NEXT LLDC PROGRAMME OF ACTION: CONCLUSION AND WAY FORWARD

Lessons Learnt

(i) Intensify efforts in identifying and exploiting alternative revenue sources to complement domestic revenue mobilization. Additionally, there is also need to take advantage of other forms of financing;

(ii) Escalate efforts to promote climate adaptation and mitigation, disaster risk reduction as avenue of reversing some of the impacts experienced by the most vulnerable Ugandans.

(iii) Holistically scale up investments in human and physical capital development to effectively boost the citizenry's capacity through re-engineering the formal and informal systems, as well as setting up better health infrastructure.

(iv) Government of Uganda should also fast track the implementation of AfCFTA and leverage the opportunities provided by the African Continental Free Trade Area to strengthen regional value chains. Uganda stands to benefit from the AfCFTA through boosting intra-Africa exports, increasing manufacturing exports, job creation and enhanced incomes as well as enhanced transport and logistics services in the region.

(v) Strengthen public investment management to enhance Government's potential to deepen equitable service delivery as well enhance systems for resource mobilization.

Recommendations

(i) LLDCs should increase the provision of incentives to move out of informality including market and financial access, simplifying, harmonizing and reducing the cost and procedures for business registration. This is intended to enhance revenue mobilization thus increase service delivery to the citizenry.

(ii) Investing in and supporting the greening of planned industrial parks as a prime driver for sustainable industrialization.

(iii) Enhance support investment promotion and strengthening public-private partnerships.

(iv) Develop avenues to improve the soft and digital skills of workers and reduce the cost of trading through investing in physical and digital infrastructure.

(v) To ensure effective and efficient resource absorption, there's need to improve project selection, design, appraisal, and analysis before the project is approved and sanctioned for funding. Conduct of a feasibility study done confirming the economic and financial viability of the project and the MDA must prove technical competence to implement the project. Is crucial.

(vi) Import substitution strategy should be at the core of addressing the widening trade balance.

(vii) Proposed pursuance of export oriented growth strategy to target the wider global market as well as domestic production to save foreign exchange and enhance job creation.

In conclusion, The Vienna Programme of Action has been instrumental in guiding Uganda's development agenda as a landlocked developing country. The Vienna framework and Uganda's third National Development Plan are synced in timeframe of implementation and the focus of NDPIII to strengthen the country's competitiveness for sustainable wealth creation, employment and inclusive growth embodies the principles of the Vienna Programme of Action.

VIII. STATISTICAL ANNEX

Bank of Uganda Statistics, 2022

Performance of the Economy Report, 2022

https://www.eac.int/press-releases/147-health/1851-eac-rolls-out-regional-electronic-cargo-and-driver-tracking-system

National Labour Force Household Survey, (NLFS), 2021

Public Debt, Grants, Guarantees and Other Financial Liabilities Report FY2021/2022

Uganda Communications Commission Q2 Report, 2022

Uganda National Household Survey (UNHS) FY2019/2020

Uganda National Roads Authority (UNRA) Half Year (July-December 2021) Performance Report.