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# LDPG Reflections on the third National Development Plan for Uganda (2020/21-2024/25)

**11<sup>th</sup> Feb, 2020  
Humura Hotel**



# Outline

## **PART I: Recent Economic Update – key messages**

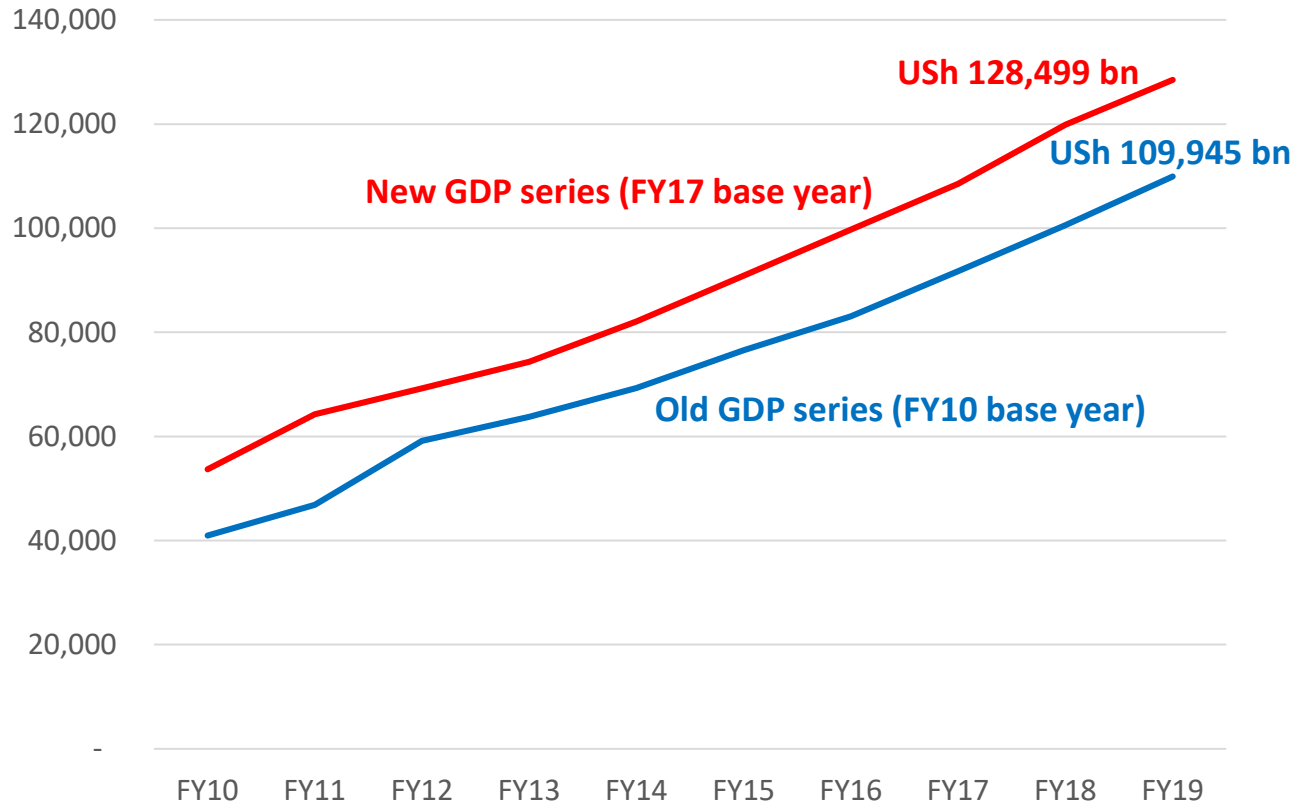
- The economy looks different from four months ago
- Uganda's industrialisation agenda seems to be bearing fruit
- Growth is still not sufficient and inclusive for Uganda's ambitions
- Fiscal policy remains constrained by low revenues and slow execution of capital spending
- Public debt remains sustainable, but vulnerabilities are growing

## **PART II: NDP III Reflection**

- NDP III Strategic Focus
- Programmatic Focus
- What is New in NDP III
- Key Expected Results
- Financing Framework
- Strategic Issues for Discussion

# The economy is bigger

**Comparing the old and new GDP estimates**  
nominal GDP (billions of USh)

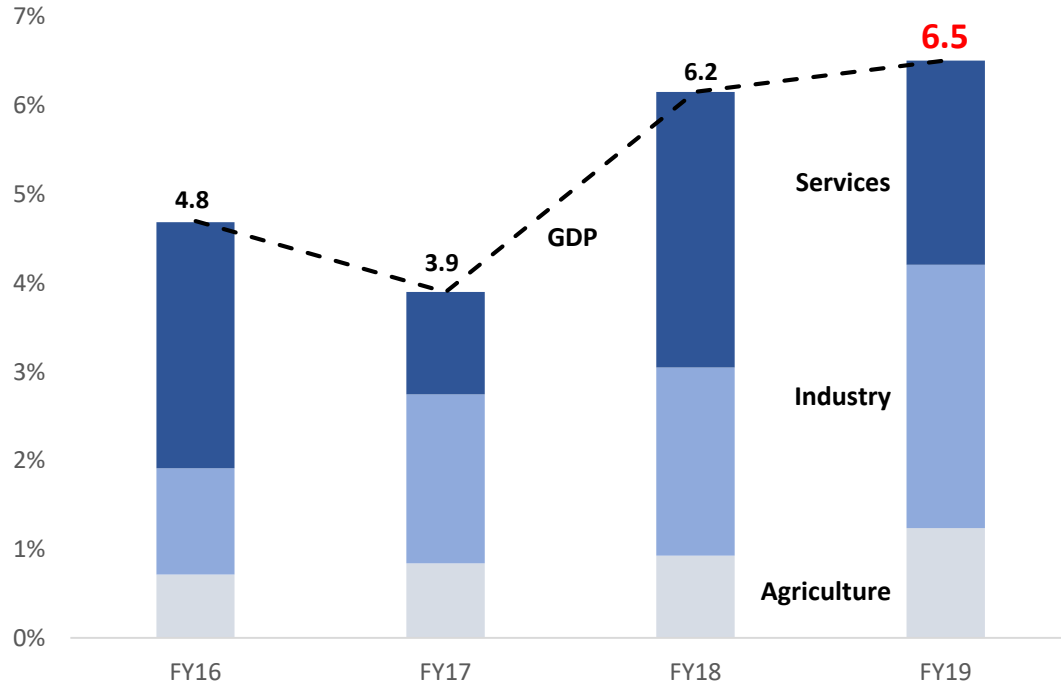


Will affect in both a good and bad way all ratios where GDP is the denominator (e.g. Tax Revenue/GDP, Public Debt/GDP)

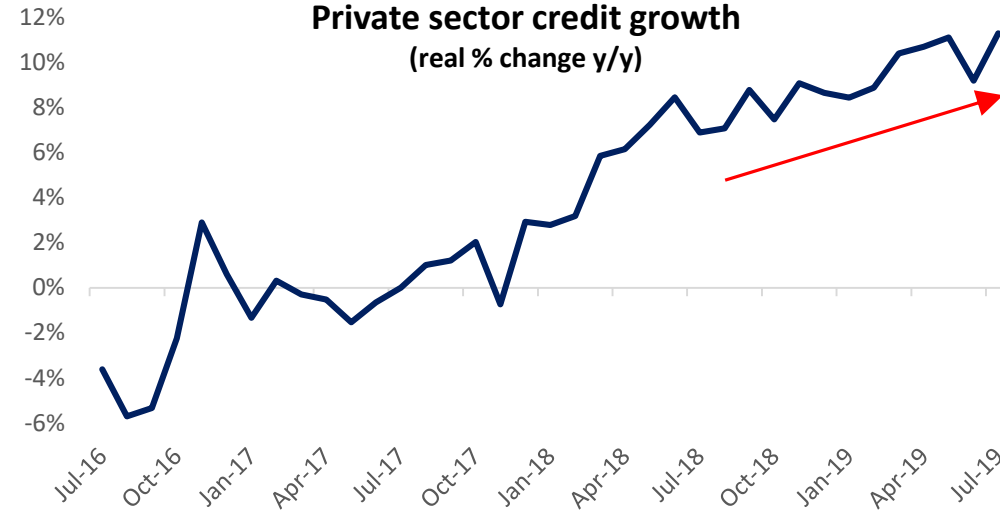
Source: UBOS

# The economy is growing faster

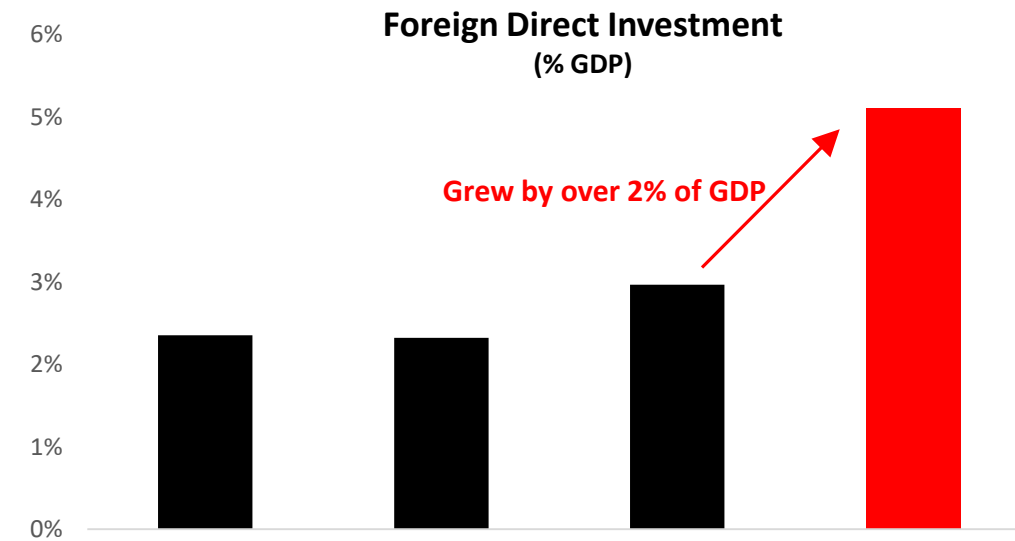
## Sector sources of real GDP growth (% y/y)



Source: UBOS, New GDP series (FY17 base year)



Source: BoU

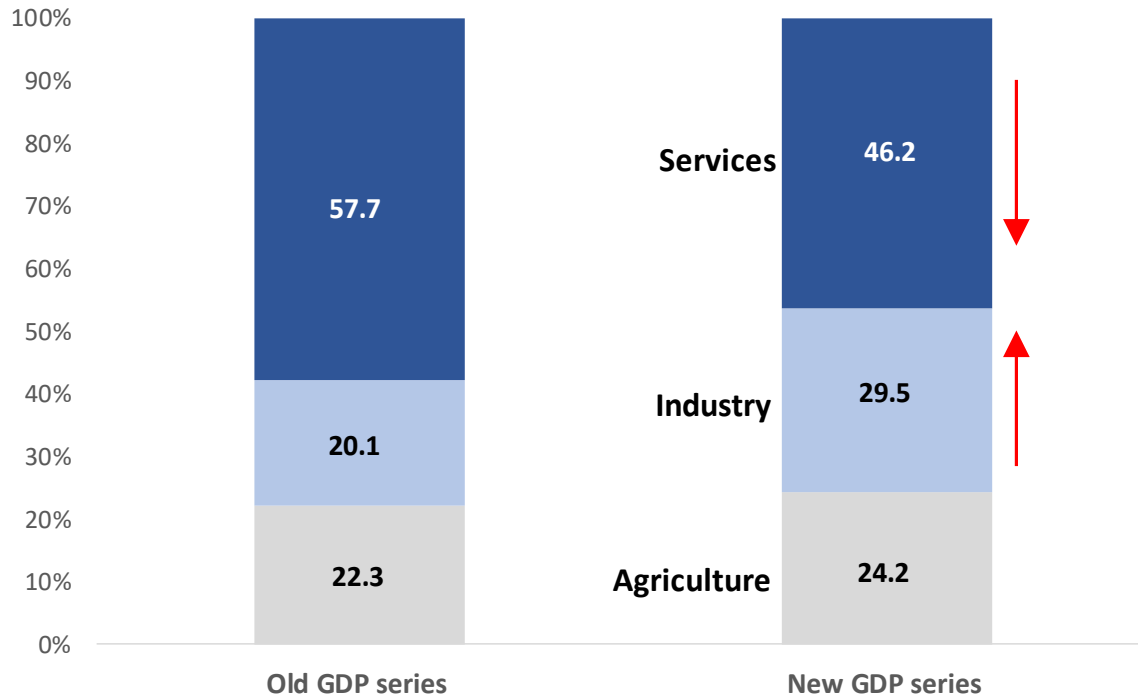


Source: BoU



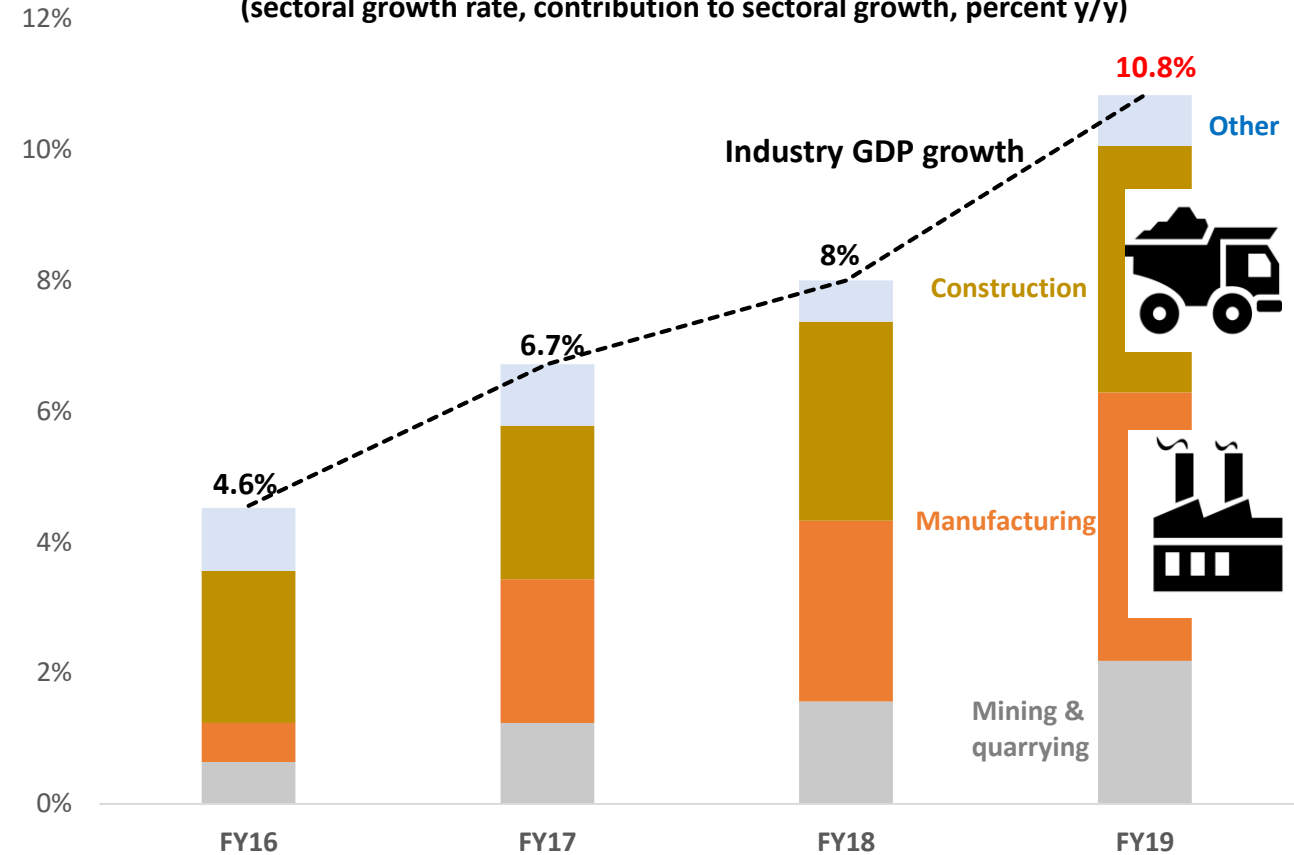
# The economy is increasingly being driven by industry

### Sector share of GDP, FY19



Source: UBOS

### Manufacturing and construction continue to boom (sectoral growth rate, contribution to sectoral growth, percent y/y)



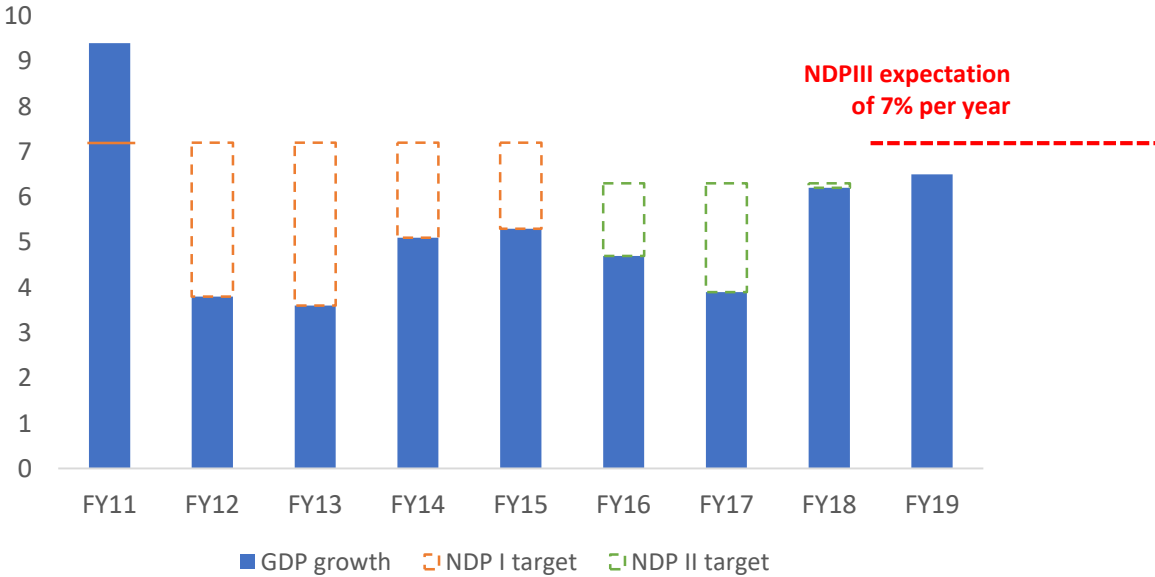
Source: UBOS

# Growth is still not sufficient and inclusive for Uganda's ambitions

It is back on track with the NDP II target

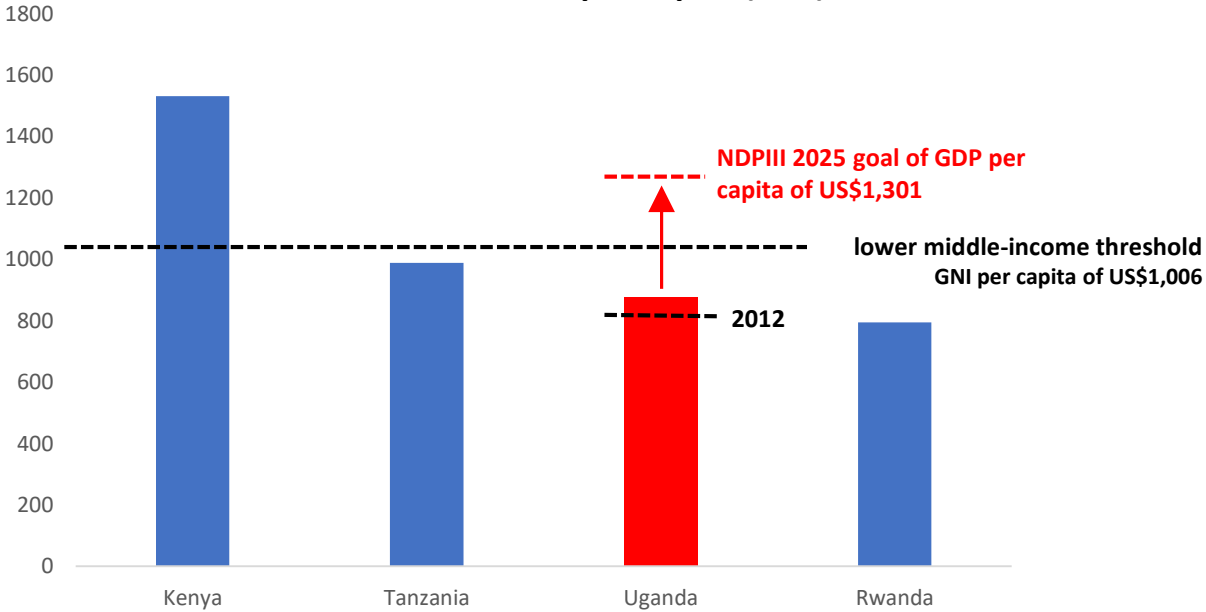
But, still underperforming

GDP growth – actual vs. target (% , y-o-y)



Source: UBOS

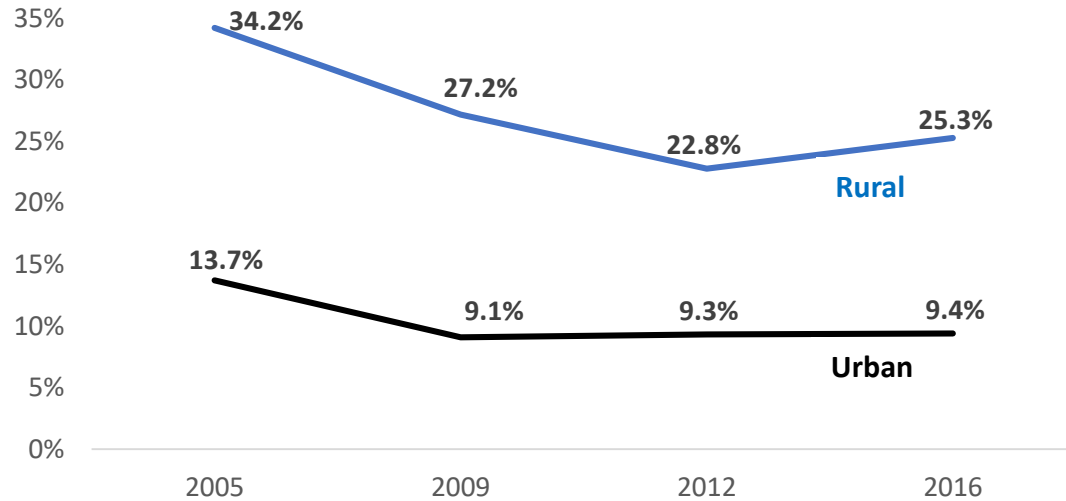
2019 GDP per capita (US\$)



Source: UBOS and World Bank

# Too many remain vulnerable to shocks, falling into poverty

Poverty rate, proportion of population



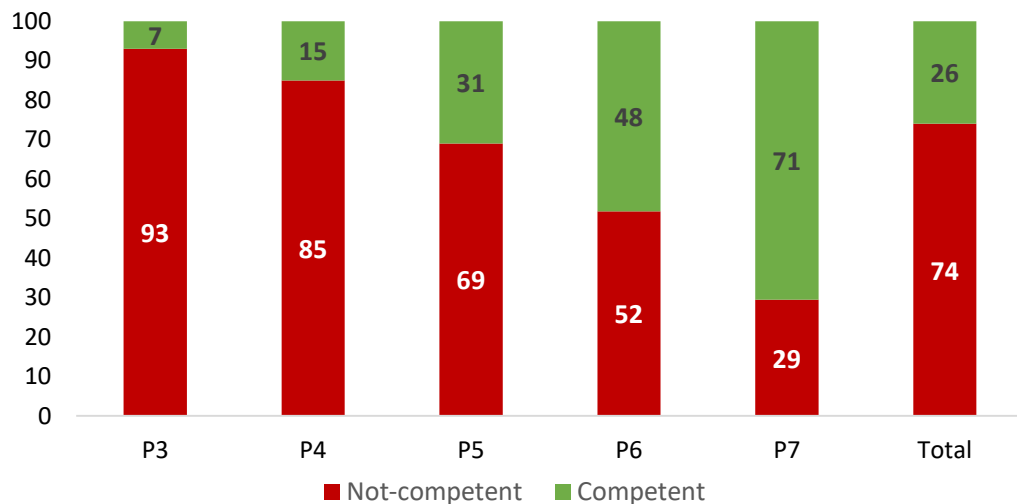
Source: World Bank (2019), Uganda Poverty Update Note

Progress against poverty remains fragile, especially in rural areas



*Need to reduce vulnerability of holds to adverse shocks*

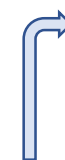
Rates of combined literacy and numeracy competence in P3-7 (%)



Source: UWEZO, 2019

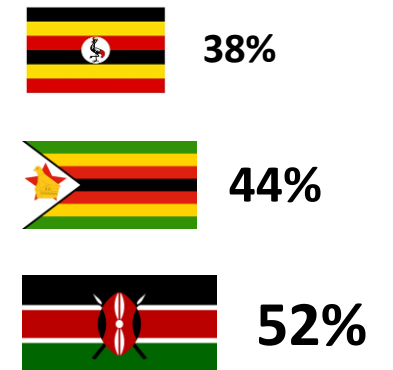
Uganda is underinvesting in the future productivity and resilience of its people

A child born in Uganda today will only be **38 % as productive** when she grows up as she could be if she enjoyed complete education and full health (World Bank, HCI, 2018)



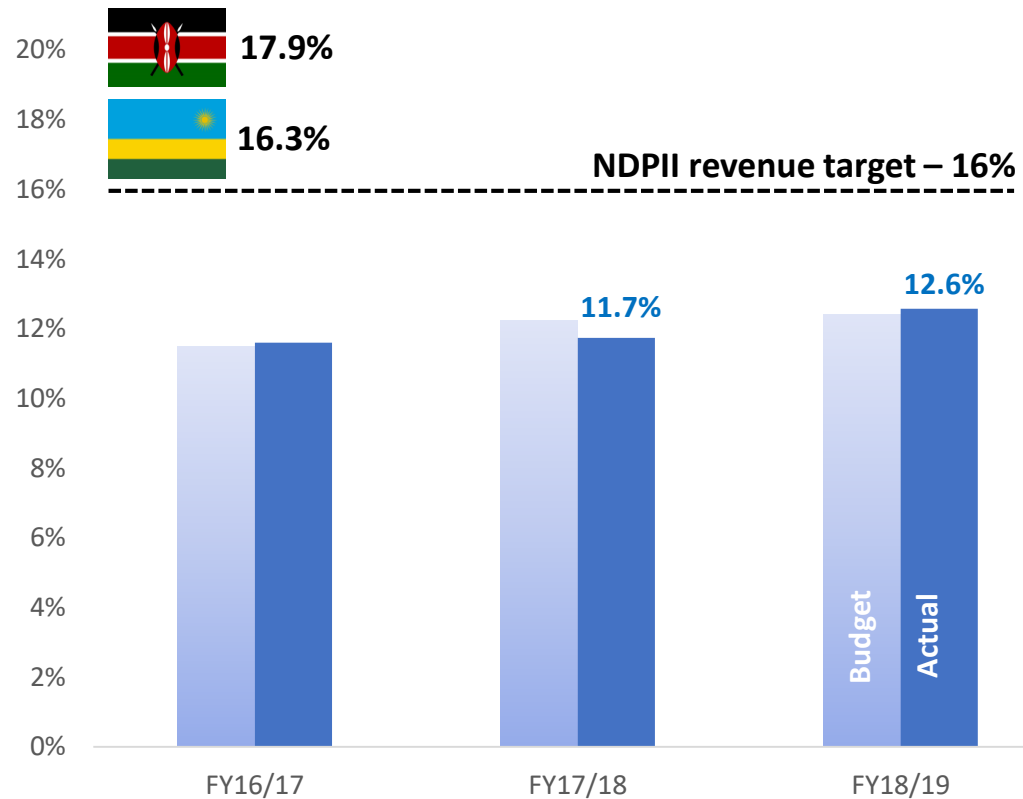
*Need to develop and sustain human capital*

HCI in 2019

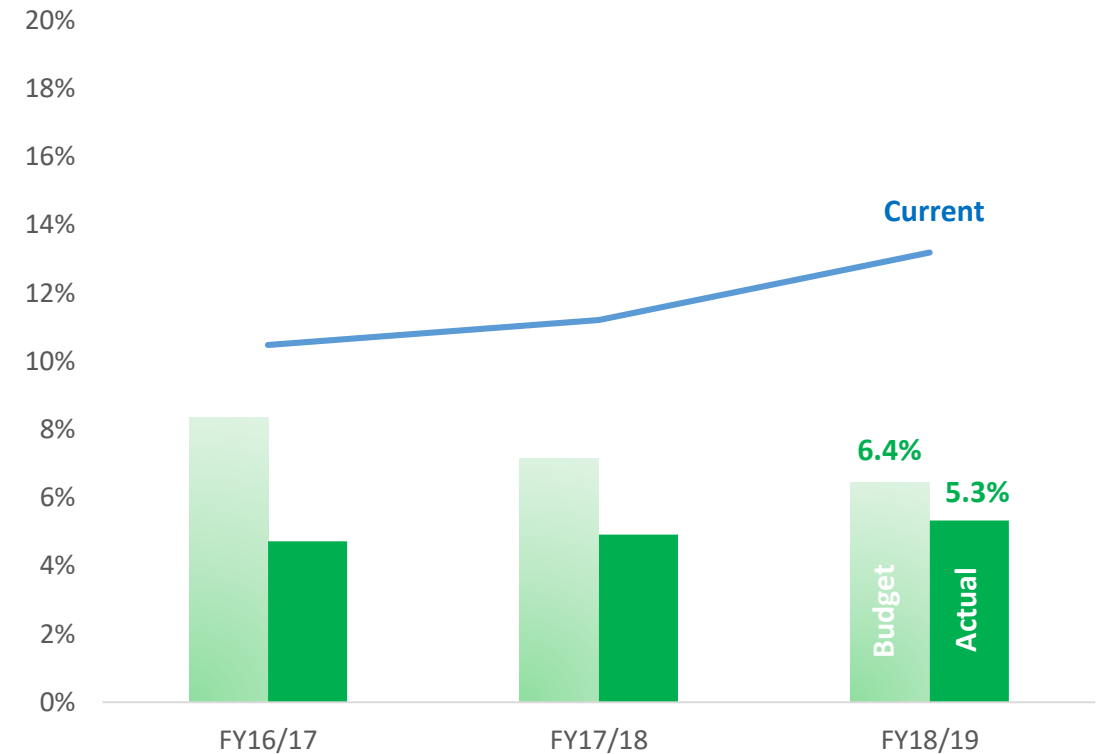


# Fiscal policy remains constrained by low revenues and slow execution of capital spending

**Tax revenues (% GDP)**



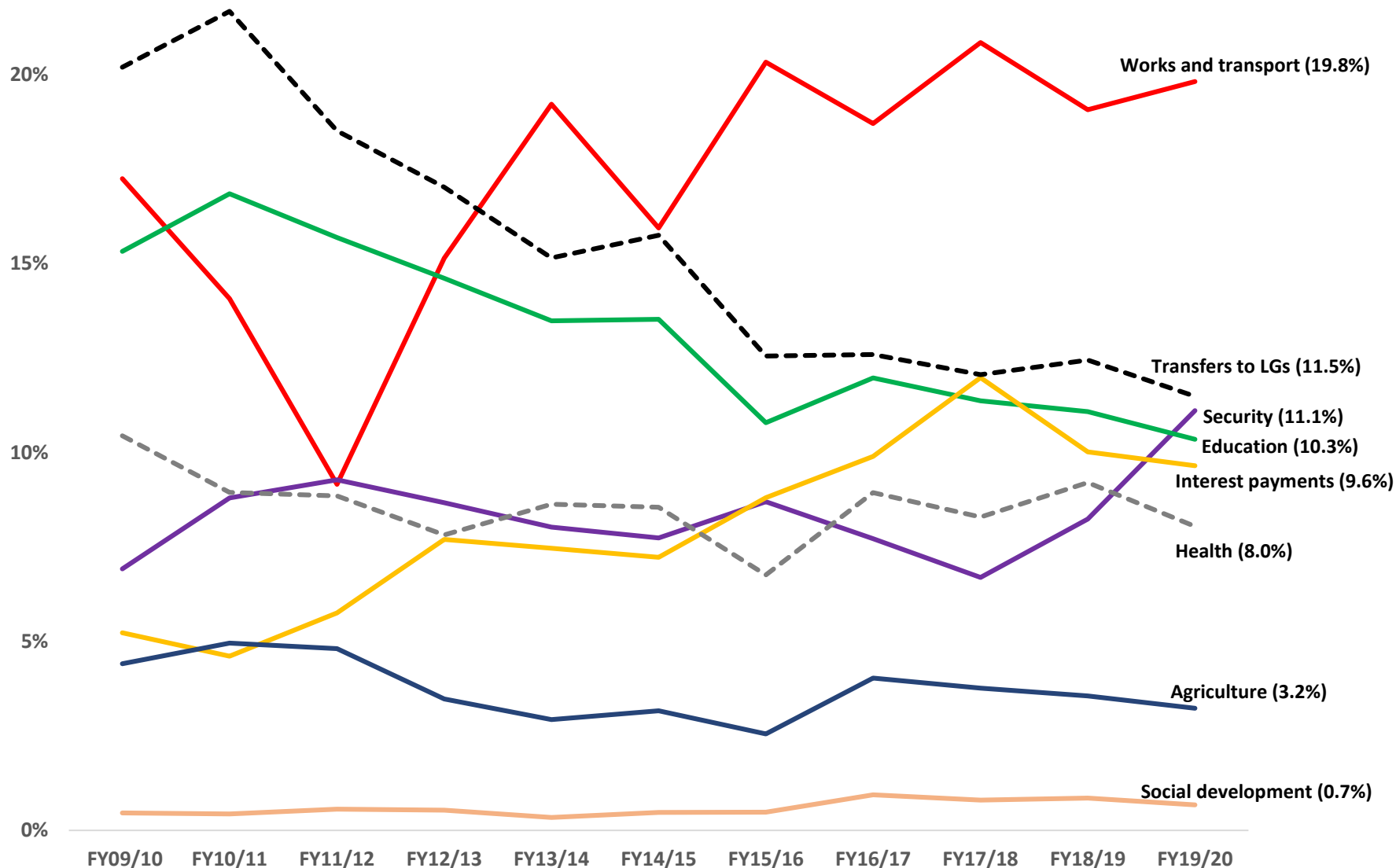
**Capital (columns) and current (line) spending (% GDP)**





# Budget allocations to important sectors have faltered

Evolution of budget allocations (% of budget, selected sectors)



Works and transport rose 35% in nominal terms

Security rose 75% in nominal terms

Transfers to Local Government's have fallen

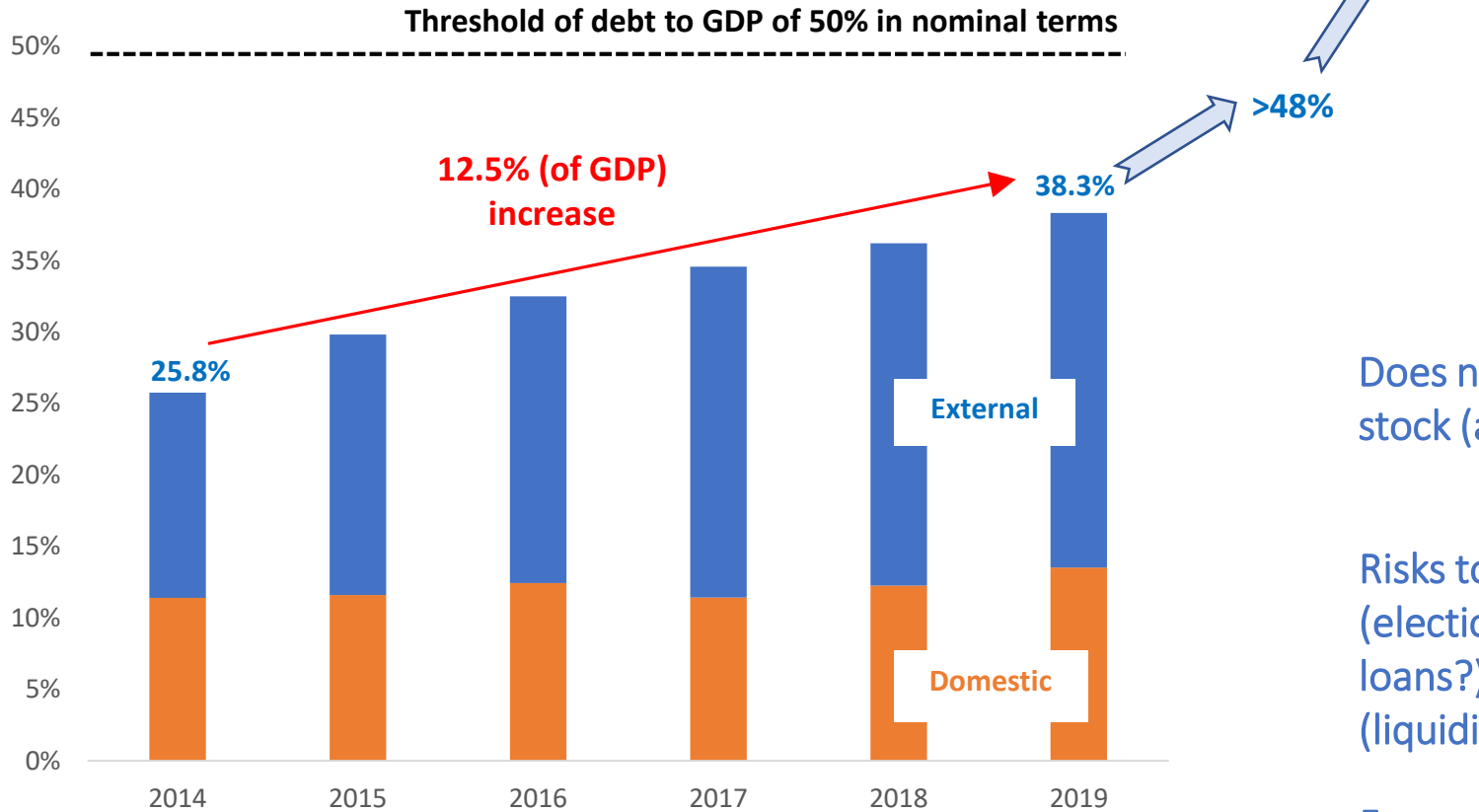
Education continues to fall as a percentage of the Budget

Health and Agriculture trend down

Social development (including social protection) remains flat

# Public debt remains sustainable, but vulnerabilities are growing

## Public debt (% GDP, nominal)



Looking forward NDP III “includes a ceiling on debt to GDP of 50% in present value terms”, which could be above 65% in nominal terms

Does not include SOE debt (about 7.6% of GDP), a PPP stock (about 2.3% of GDP) or other contingent liabilities

Risks to debt overhang are real, especially slower growth (election period?), further delays to the Oil FID (servicing loans?), and greater non-concessional borrowing (liquidity?)

For every US\$10 of revenue/grants, almost US\$4 to debt servicing

Steep upward trajectory: increased sharply from about US\$ 7.6bn in 2014 to over US\$ 13bn in 2019 and is expected to be over 40% by the end of 2020

Source: Bank of Uganda

Recent borrowing	Loan (USD)	Grace Period (years)	Maturity (years)	Interest Rate/Fee (%)
IDA (World Bank)	200,000,000	6	38	0.75
Standard Chartered	39,520,000	1	6	Euribor + 4.0
UKEF	285,350,000	3.5	13.5	Euribor(6m)+1.2+1.17

Source: MoFPED

# Strategic Focus of NDP III

## Goal

**To Increase Average Household Incomes and Improve the Quality of Life of Ugandans.**

## Objectives

1. Enhance **value addition in key growth opportunities**
2. Strengthen **the private sector to create jobs**
3. Consolidate and **increase the stock and quality of productive infrastructure**
4. **Enhance the productivity and social wellbeing** of the population
5. Strengthen the **role of the state** in guiding and facilitating development

# Programmatic Focus: 18 Programmes

-  **Agro-Industrialization**
-  **Mineral-based Industrialization**
-  **Petroleum Development**
-  **Tourism Development**
-  **Private Sector Development**
-  **Manufacturing**
-  **Innovation, Tech Development and Transfer**
-  **Sustainable Energy Development**
-  **Transport Infrastructure and Services**
-  **Digital Transformation**
-  **Sustainable Urban Development**
-  **Human Capital Development**
-  **Water, Environment, Climate Change, and Nat. Resource Management**
-  **Public Service Transformation**
-  **Community Mobilization & Mindset Change**
-  **Governance and Security**
-  **Development Plan Implementation**
-  **Inclusive Rural Development**

# What is new in NDPIII?

1. **Programmatic approach** to planning complemented by area-based, commodity and spatial planning
2. **Clear and interlinked results and targets and goal, objective, programme and project level** NEXT STEP IS how that should be linked to budget
3. **Increase role of the state**, directly involving in key strategic sector: energy, roads, specialized services in education and health, but also in manufacturing (iron and steel)
4. **Increased Investment in fundamentals** (Human Capital Development; Transport, energy and ICT)
5. **Aligns objectives**, Programmes to **2030 Agenda, AU 2063 and EAC 2050**

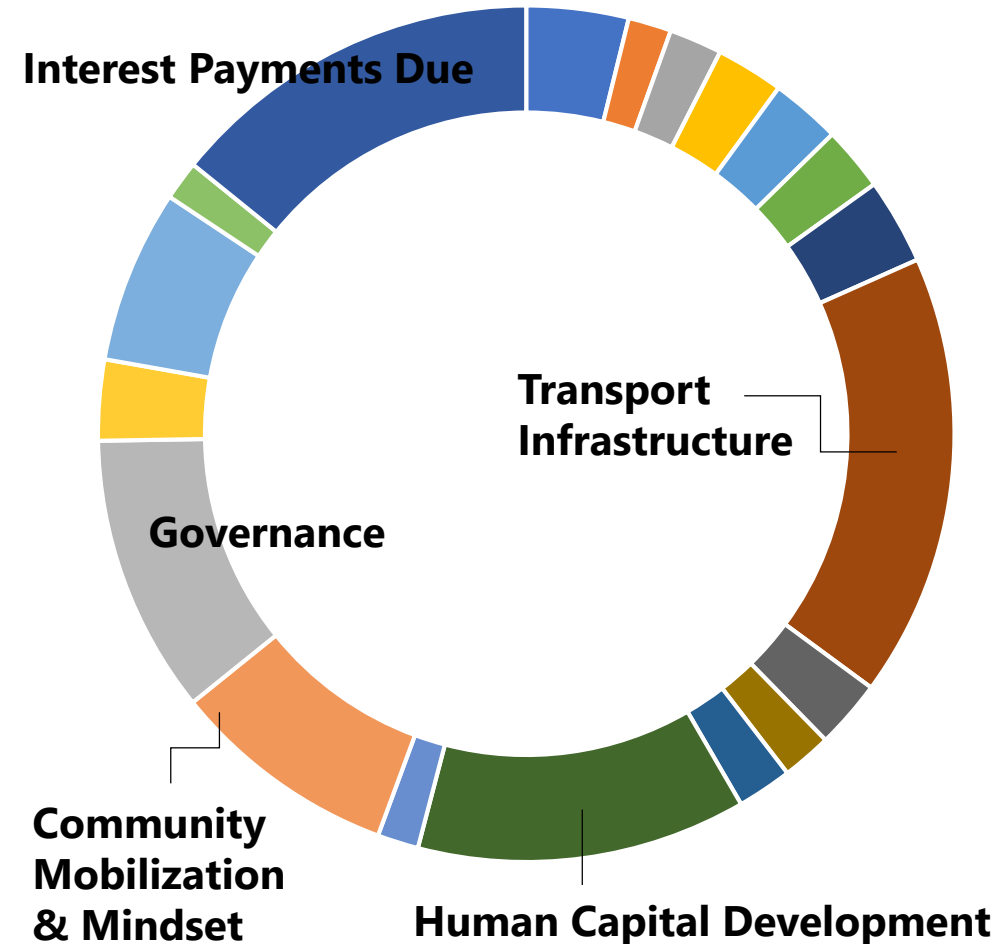
# Key Expected Results

1. Reduction in poverty from 21.4% to **15.5%**
2. Reduced population growth rate from 3% to **2.5%**
3. Growth in Real GDP from 6.2% to **7.0%**
4. Growth in value of manufactured exports in total export from 12.3% to **20%**
5. Expansion in household access to electricity from 21% to **60%**
6. Expansion in energy generation capacity from 943MW to **3500MW**
7. Reduction in households in subsistence agriculture from 68.9% to **55%**
8. Expansion in forest cover from 9.5% to **18%**
9. Increase in social security coverage from 2% to **25%**

# Financing Framework (2)

## Private and Public Financing

	Public + Private FY20/21-24/25	
Programme	Pub+Priv (UGX B)	Share of Total
Agro-industrialization	13,203	3.9%
Mineral Development	5,578	1.6%
Sustainable Development of Petroleum Resources	6,852	2.0%
Tourism Development	8,748	2.6%
Climate Change, Nat Ressources, Enviro,	9,042	2.6%
Private Sector Development	8,313	2.4%
Manufacturing	11,087	3.2%
Integrated Transport Infrastructure and Services	57,423	16.8%
Energy Development	8,856	2.6%
Digital Transformation	6,437	1.9%
Sustainable Urbanisation and Housing	7,096	2.1%
Human Capital Development	42,623	12.4%
Innovation, Tech Development and Transfer	5,319	1.6%
Community Mobilisation and Mindset Change	29,403	8.6%
Governance and Security	36,080	10.5%
Public Sector Transformation	10,442	3.0%
Regional Development	22,432	6.5%
Development Plan Implementation	5,081	1.5%
<b>Interest Payments Due</b>	<b>48,590</b>	<b>14.2%</b>
<b>Total Budget</b>	<b>342,607</b>	<b>100.0%</b>



# Key Strategic Issues: Overall Observations

- 1. Structure and methodology:** reinforce the link between problems, specific objectives and expected results across programmatic areas.
- 2. Programmatic approach:** welcome effort there is a need to get clarity on the NEXT steps i.e., how to move to the full articulation of the programmes, alignment of projects to the programmes and the Budget process.
- 3. Population growth:** population issues facing Uganda – it is s a challenge and opportunity. Draft plan has objective to reduce population growth, the HCD programme should be well articulated to harness the demographic dividend and a clear strategy how government will manage population required.
- 4. Aligns to Global, Regional and sub regional Agenda:** commend the effort, however more alignment is needed, especially in ensuring that accelerator goals and strategies to be identified, e.g., SDG 5-Gender Equality.



# Key Strategic Issues: Sustainable and Inclusive Growth

- **Jobs, industrialization derive and poverty reduction:** alignment of these three agendas is needed.
  - The proposal to create 2.6 million jobs **average 520, 000 is inadequate** Vs population growth;
  - Service and agric. Jobs dominate (60%), industry only 10% - **does not fully align with the drive to industrialization and or poverty reduction agenda-** Decent & high paying jobs need.
  - No clear strategy to make growth inclusive. Massive skills gap but not clear strategy.
- **Agriculture, Natural Resource and Climate change**
  - Focus for **Agric dev't is inadequate** – with 3.9% total resources, suggest strengthening and further articulation to ensure how the sector will overcome institutional challenge, low productivity and resilience.
  - **Infrastructure investments over stressed access but not use of services**
  - Remains priority for next 5 years, yet **results to be achieved not clearly specified**

# Key Strategic Issues: Human capital Development

- **Human centered approach to industrialization: Plan need to balance human development with Industrialization drive**
  - Advancement of the **population's well-being** should be well-articulated;
  - With the current low level of financing paired with population projections even maintaining key education parameters at the same rate (e.g. enrollment, completion, transition) would not be possible; Health and crosscutting issues such as HIV/AIDS not articulated well in the draft.
  - Uganda has significantly **heightened Vulnerability** Profile, yet, the NDP III is muted in appreciating the vulnerabilities and the vulnerable groups –clear approach to address increasing vulnerabilities.
- **Refugees issues are acknowledged in the plan- however, the mechanism of integrating the refugee issues and framing of the issue needs further attention.**
- Cautious refugee population as “**threats**” and we encourage the Government to frame refugee populations as “opportunities and challenges”.

# Key Strategic Issues: Implementation of the Plan

- **Unrealistic assumptions for financing of the plan: e.g., 74% increase from NDPII costing**
- **Domestic Resource Mobilization – to reach the stretched targets high level commitment is needed and Streamlining tax incentives proposed in NDP III- will have bearing in Tax revenue.**
- **Debt Sustainability – care needs to be done in how debt is managed and confusion need to be cleared up on the debt measurement.**
- **Alignment of plan, Public Investment Plan (PFM) and capacity to implement core projects- clear next step should be articulated in the plan.**
- **Delivery flexibility mechanism- Relying on only Local Governments to do this is very challenging – increased role in service deliver by private sector and CSO to be considered;**
- **Role of the State not clear/ New development approach/philosophy points to increasing state intervention-Role of the State needs to be reframed:**

**Thank you**