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BOARDS APPROVAL Lapse-of-time Procedure 14 October 2019	FOR INFORMATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : UGANDA – MIDTERM REVIEW - COUNTRY STRATEGY PAPER 2017-2021 AND 2019 COUNTRY PORTFOLIO PERFORMANCE REVIEW*

The above-mentioned document was submitted for **your consideration on a Lapse-of-time Basis** on 30 September 2019.

Since no objection was recorded by 5:00 pm, on 14 October 2019, the document is considered as **approved**.

Attach:

Cc.: The President

***Questions on this document should be referred to:**

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AFRICAN DEVELOPMENT BANK GROUP

REPUBLIC OF UGANDA

MIDTERM REVIEW

COUNTRY STRATEGY PAPER 2017-21

AND

2019 COUNTRY PORTFOLIO PERFORMANCE REVIEW

REPORT

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RDGE DEPARTMENT

October 2019

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CURRENCY EQUIVALENTS

Currency		**=**	**Uganda Shilling (UGX)**	
UA	1.00	=	1.38	USD
UA	1.00	=	1.23	EUR
UA	1.00	=	5,166.29	UGX
USD	1.00	=	3,756.15	UGX

As of July 31, 2019

WEIGHTS AND MEASURES

Metric System

GOVERNMENT FISCAL YEAR

July 1- June 30

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency (Agence Française de Développement)
AFDB	African Development Bank
AGTF	African Growing Together Fund
CPIP	Country Portfolio Implementation Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
EA-RISP	East Africa Regional Integration Strategy Paper
EITI	Extractive Industries Transparency Initiative
ESW	Economic and Sector Work
EU	European Union
Ex-fin	External (parallel) financing
GDP	Gross Domestic Product
GOU	Government of Uganda
HEST	Higher Education Science & Technology Project
IFMIS	Integrated Financial Management System
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MSMEs	Micro, Small and Medium Enterprises
MTR	Medium Term Review
NDC	National Determined Contributions
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SDGs	Sustainable Development Goals
TF	Trust Fund
UGX	Uganda Shilling
USD	United States Dollar
WB	World Bank

MAP OF UGANDA

Source: https://www.nationsonline.org/oneworld/map/uganda-map.htm

EXECUTIVE SUMMARY

1. **The Bank Group's Country Strategy Paper (CSP) 2017-2021 for Uganda was approved by the Board of Executive Directors in June 2017. This review assesses overall progress made in the implementation of the CSP at mid-term and draws lessons for the remaining strategy period 2019-2021.** The main objective of the CSP is to address Uganda's infrastructure and human capital needs to reduce the binding infrastructure bottlenecks and create a more enabling business climate by scaling up investments to boost industrialisation, employment and business creation. It is articulated around two pillars: Pillar 1 - Infrastructure Development for Industrialization; and Pillar 2 - Skills and Capacity Development. Pillar 1 focuses on four key sectors, water and sanitation, energy, roads and agriculture, while Pillar 2 supports human capital development and entrepreneurship, with a focus on business vocational training institutions and graduates reskilling. The CSP is aligned to Uganda's Vision 2014 and National Development Plan II 2015/2016-2019/2020, as well as to the Bank's High-5s, in particular Integrate Africa, Feed Africa, and Improve the quality of life for the people of Africa.

2. **Since the Country Strategy was approved in 2017, the country has benefited from a stable political environment, supporting a robust economy with strong growth and stable inflation.** The National Resistance Movement, in power since 1986, has ensured a stable environment, and has played a key role in promoting peace and stability within a region that faces fragility challenges. The Government has pursued an accommodative policy towards migration, and welcomed more than 1.3 million refugees fleeing the conflict in South Sudan.

3. **The Government is focused on growing the economy, which has achieved 5% growth on average over the past five years, driven by expansion of industry and services. The fiscal deficit has continued to widen, with debt remaining sustainable.** The Bank of Uganda has achieved stable prices, with inflation below the medium-term target of 5%. A public investment infrastructure drive has widened the fiscal deficit to 5.8% in 2018/2019 from 2.6% in 2013/14. Although, there has been a recent increase in non-concessional financing of investments, most projects have been financed by concessional loans, which has contributed to maintaining sustainable public debt levels (41.3% of GDP in 2018). However, vulnerabilities lay ahead as debt servicing has risen rapidly in the past two years. Despite strong gains in poverty reduction, the poverty head count in 2016 shows a rise in poverty. An estimated 27% of the population are living below the poverty line from 20% in 2012, demanding a substantial push for inclusive growth to match the high population growth of 3.3%.

4. **The Country Strategy is funded from ADF-14 and 15, ADB public and private window, and special funds.** In 2017, the indicative ADF-14 allocation to Uganda was UA 173.9 million for 2017 to 2019. However, due to weak project implementation, the Performance Based Allocation was reduced to UA 150.9 million in 2019. Uganda's sovereign rating of low risk of debt distress gives it access to ADB funding. The indicative operational plan for 2017 to 2019 included ADF projects of UA 169 million, ADB projects of UA 359 million and co-financing of UA 115 million.

5. **The Country Strategy planned a total of 15 projects to be submitted to the Board between 2017 and 2019.** The planned projects amounted to UA 643 million, of which ADF and ADB funds amounted to UA 528 million. Between the approval of the CSP in June 2017 and June 2019, the Board has approved 6 projects, amounting to UA 374.5 million. Three additional projects are planned for Board approval in the second half of 2019, amounting to UA 179 million, of which UA 31 million is ADF-14 allocation. With the projects to be submitted to the Board in 2019, the planned ADF and ADB funding would be more than achieved for the period 2017 to 2019. The Bank was not able to reach its targets on co-financing from *Africa Growing Together Fund* and *Climate Funds*. However, the Bank has managed to attract parallel funding from the European Union, World Bank, and Agence Française de

Development (AFD) totalling UA 373 million. In addition to the projects, 2 sector studies, amounting to UA 2.9 million, were approved using special funds.

6. **The Country Strategy has achieved the majority of the 19 planned outcomes and 17 planned outputs.** In terms of outcomes 68% have been achieved by midterm, while 32% will be achieved after midterm at project completion. It is worth noting that the water and sanitation sector has achieved access to safe urban drinking water of 77% with 13 town water supply systems constructed or upgraded. In agriculture, farm gate prices have improved by more than 20%, thereby increasing the income of farmers. In the energy sector, access has been increased to 29% of households, while the refinancing of Bujagali has supported a reduction in end user tariffs from 15 to 14 US-cents/kWh. In terms of outputs 53% where achieved by midterm with 41% to be achieved by project completion. Accounting for the remaining 6% are two transmission line projects that have experienced significant delays and will not be able to deliver on all the planned outputs before the project is closed despite several extensions. The reason included delays in land acquisition, procurement complaints, and contractor bankruptcy.

7. **The ongoing sovereign portfolio comprises 11 national operations, 6 multinational and 4 studies with a total net commitment value of UA 1 billion.** Under the private sector window, there are 3 projects amounting to UA 170 million. The disbursement rate for the sovereign portfolio is 26.8%, with an average age of 3.4 years. Infrastructure, which contributes to 68% of the portfolio, represents the largest share (with contributions mainly from transport). The Review shows that the Country Strategy is contributing to the objectives. Performance is satisfactory with development objectives that achieved an average rating of 2.92, while implementation progress achieved 3.17[1]. Despite the good implementation performance, the portfolio faces several challenges that affect project implementation.

8. **Start-up, procurement and disbursement processing delays and capacity constraints in contract management have affected project implementation, leading to longer than planned project implementation periods.** There is need to maintain focus on project readiness to improve the quality at entry and reduce procurement delays. Feasibility studies and project designs should be available prior to proposing projects for inclusion in the Indicative Operational Plan. Land acquisition and compensation of Project Affected People should be advanced or completed before seeking Board approval. Improved long-term planning and securing land rights ahead of a project, will reduce the cost of land acquisition. Long-term planning and the purchase of wider corridors in urban and semi-urban areas will allow reverse sales of land to the private sector at higher values, contributing to improved project feasibility. With limited ADF resources and increasing sovereign debt, the expansion of the Bank portfolio requires increased utilisation of ADB private sector funding over the medium term.

9. **The Country Strategy remains aligned and relevant to Government priorities and the National Development Plan.** Discussions with Government, development partners and the private sector, confirmed that the Country Strategy and focus remains aligned to Government development priorities as outlined in the National Development Plan. The review further confirmed that the implementation of the Strategy is on track to achieve its overall objectives. It was therefore agreed to maintain the CSP's strategic focus on the two current pillars, while focus on the subsectors remains unchanged. Going forward, the Bank will continue to build its relationship with the Government. It will also continue to build relationships with development partners to pursue co-financing and parallel financing with the aim of attracting more concessional funding to Uganda.

[1] Project scores are given from 1 to 4 points with 4 the highest and 3 considered satisfactory.

1 INTRODUCTION

1. **The Bank Group's Country Strategy Paper (CSP) 2017-2021 for Uganda was approved by the Board of Executive Directors in June 2017. This review assesses overall progress made in the implementation of the CSP at mid-term and draws lessons for the remaining strategy period 2019-2021.** The main objective of the CSP is to address Uganda's infrastructure and human capital needs to reduce the binding infrastructure bottlenecks and create a more enabling business climate by scaling up investments to boost industrialisation, employment and business creation. It is articulated around two pillars: Pillar 1 - Infrastructure Development for Industrialization; and Pillar 2 - Skills and Capacity Development. Pillar 1 focuses on four key sectors, water and sanitation, energy, roads and agriculture, while Pillar 2 supports human capital development and entrepreneurship, with a focus on business vocational training institutions and graduates reskilling. The CSP is aligned to Uganda's Vision 2014 and National Development Plan II 2015/16-2019/2020, as well as with the Bank's High-5s, in particular *Integrate Africa, Feed Africa, and Improve the quality of life for the people of Africa.*

2. This CSP mid-term review (MTR) is combined with a review of the performance of the Bank's portfolio in Uganda. The review is based on comprehensive stakeholder consultations with the Government of Uganda, development partners, and the civil society including the private sector from March to May 2019.

3. This MTR report is organized as follows: After the Introduction, Section 2 provides an update on the country context and recent social and economic developments; Section 3 assesses Strategy implementation and achievements; Section 4 analyses portfolio performance; Section 5 provides lessons learned; Section 6 presents Strategy for the remaining period; and Section 7 presents conclusions and recommendations.

2 COUNTRY CONTEXT AND PROSPECTS

2.1 Political Context and Prospects

4. **Benefitting from a stable political environment, Uganda has played a key role in promoting peace and stability in a region that faces fragility challenges.** The region is slowly emerging from various conflicts and internal strife in the Democratic Republic of Congo, South Sudan, and Somalia. However, tensions and fragility remain. The Government has been hailed for its accommodative policy towards the massive inflow of over 1.3 million refugees from South Sudan. The National Resistance Movement has been in power since 1986 winning a majority of 56.6% in the 2016 elections. The country is relatively stable, but as the next national elections in 2021 draw closer there is potential for political tension especially in the main city, Kampala.

5. **Improvement in governance continues at a slow pace, while significant improvement in national security has been a contributing factor to stability, investment and economic growth.** The 2018 Ibrahim Index of African Governance rated Uganda 20 out of 54 countries. Since 2014, Uganda had demonstrated a modest improvement of 0.5 points. The index has improved in *Sustainable Economic Opportunity*, and *Safety & Rule of Law*, while *Participation & Human Rights* and *Human Development* has weakened (Table 1). The top 3 areas that show improvement are national security, public management and infrastructure. At the other end participation, education

Table 1: Governance score for 2017 and trends since 2014

CATEGORY	Sub-category	2017 Score	Change since 2014
SAFETY & RULE OF LAW	National Security	84.5	+5.8
SUSTAINABLE ECONOMIC OPPORTUNITY	Public Management	64.7	+5.6
SUSTAINABLE ECONOMIC OPPORTUNITY	Infrastructure	42.1	+3.8
SAFETY & RULE OF LAW	Transparency & Accountability	72.7	+3.4
SAFETY & RULE OF LAW	Rule of Law	35.7	+2.9
Overall Governance		55.0	+0.5
HUMAN DEVELOPMENT	Welfare	44.2	-1.4
SUSTAINABLE ECONOMIC OPPORTUNITY	Business Environment	56.4	-1.5
SAFETY & RULE OF LAW	Personal Safety	58.7	-2.7
HUMAN DEVELOPMENT	Education	55.9	-2.9
PARTICIPATION & HUMAN RIGHTS	Participation	39.5	-7.3

Note: Top and bottom 5 sub-categories. *Source:* Adapted from Ibrahim Index of Governance (2018).

and personal safety, have deteriorated the most. Perception of corruption in the country remains high. According to Transparency International (2018) Uganda scores 26 out of 100. The 2018 Country Performance and Institutional Assessment has maintained a score of 4.1 to 4.2 over the past five years. In 2019, the Government indicated its intention to apply for membership of the Extractive Industries Transparency Initiative. Full membership is expected by 2021 following application, compliance and setting up of a national EITI secretariat.

2.2 Economic Context and Prospects

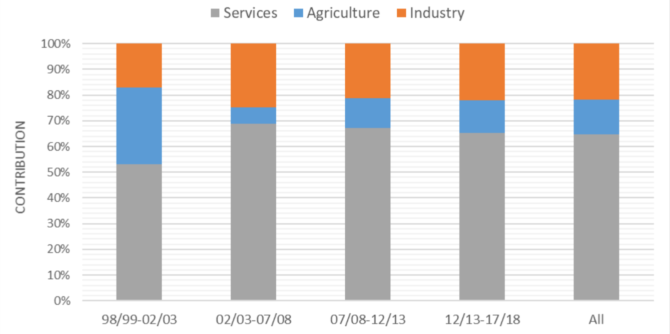
6. **The structure of the economy has changed and demonstrated robust growth over the past two decades driven by expansion in services and industry.** The Ugandan economy grew by an annual average of 6.0% between 1998/1999 and 2017/2018, mainly driven by services (contributing 65% of the growth in the past five years), followed by industry (contributing 22%), and finally agriculture (contributing 13%), (Figure 1-A). During this period the share of agriculture has declined from 38.5 to 21.0% of GDP, while the importance of services to the economy has increased to 52.7% of GDP. Even though country level productivity has improved by 50% since 1998/99 (see Figure 1-B), productivity has not been evenly distributed with industry and services showing strongest improvement, while agriculture productivity has been continuously weakening in the past 15 years. Waning productivity in agriculture, warrants a new strategy to promote agricultural transformation.

7. **Uganda continues to demonstrate strong growth in 2017/2018, growing by 5.9% from 4.8% in 2016/2017.** Economic recovery was driven by strong growth in services (which grew by 7.7%) and industry (6.1%). Agriculture growth was moderate at 3.8%, though above the five-year average of 2.7%. Agriculture is largely rain-fed dependent and at perennial risk of poor rain distribution. In the industrial sectors, mining, utilities and construction have grown rapidly, while manufacturing falls slightly behind. In services, public administration, information and communication, financial services, and real estate show strong performance. Despite the strong growth, per capita growth was moderated by the high population growth of 3.3%. Investor sentiments remain robust, with investments contributing 3.2% of growth in 2017/18. Household consumption contributed 2.8% and external balance 1.4%, while government contribution declined by 1.5%. The growth outlook remains robust and is expected to remain above 6% in the medium term, with mining, construction, communication and public services driving growth. Based on AEO 2019, growth for 2018/2019 is estimated at 6.1%.

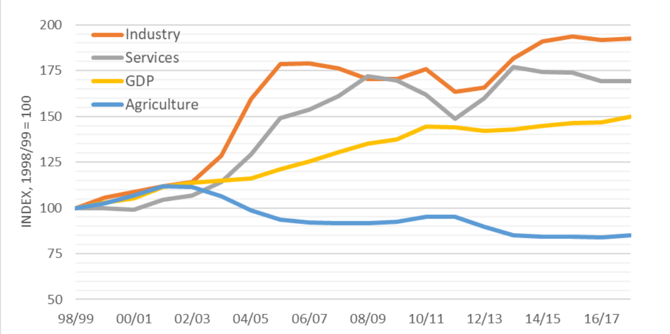
8. **Fiscal Policy. Infrastructure and higher oil sector investments, and debt servicing drive the fiscal imbalance.** The Government is expanding countrywide connectivity and access by investing in roads, power generation, and water and sanitation. The infrastructure expansion has generally led to higher fiscal deficits during the past 5 years. However, the deficit narrowed to 3.9% of GDP in 2017/18 from 4.4% in 2015/2016 but is estimated to widen to 5.8% of GDP in 2018/19 and 8.7% in 2019/20. Deficits are largely financed through external borrowing.

9. **Expenditures have been rising faster than revenues during past five years.** Revenues increased from 13.9% to 15.2% of GDP between 2014/2015 and 2017/2018, largely from income tax, VAT and petroleum duty. Overall expenditures amounted to 19.0% of GDP in 2017/2018, rising 2.5 percentage points during the period. Development expenditures have increased significantly,

Figure 1: A – Contribution to growth by main sector. **B – Implicit productivity by main sector.**



SOURCE: UGANDA BUREAU OF STATISTICS, AUTHOR'S CALCULATION



SOURCE: UGANDA BUREAU OF STATISTICS, AUTHOR'S CALCULATION amounting to 8.6% of GDP from 6.3%, while debt servicing increased from 1.4% of GDP to 2.3% over the same period. According to the Domestic Revenue Mobilisation Strategy, Government aims to increase total revenues to 18% of GDP over the next five years with oil revenues expected to start flowing in from 2023/2024.

10. **Public Debt. The infrastructure drive in the past five years has increased public debt, leading to weakening of indicators.** Total public debt to GDP increased to 41.3% in 2017/2018 from 28.0% in 2013/2014, with external debt accounting for 68%. Despite the rising debt, Uganda is classified as low risk of debt distress with a "strong" debt carrying capacity as the country continues to focus on low interest and long tenure concessional lending. This is confirmed in the 2019 DSA, as all baseline and stress test projections remain under the thresholds. Under the baseline scenario, the present value of PPG external to GDP is projected to peak at 25.9% (threshold 55%), while present value of debt to exports is projected to peak at 134.7% (threshold 240%). While borrowing remains within debt sustainability thresholds, risks have increased as a result of higher costs of infrastructure investments and debt servicing, and uncertainty about future revenue flows from oil.

11. **Monetary Policy. Price stability has been maintained for the past five years.** Since 2012/13 following tightening of the monetary policy rate, the Bank of Uganda has reversed rising price trends. In the past 5 years, average inflation has been kept under 5.6%, driven by lower energy costs and falling food prices. The Bank of Uganda eased monetary policy in tandem with falling prices, from 17% in 2016 to 9% in 2018. Following price pressures in late 2018, the policy rate was increased to 10%. Despite declining domestic lending rates to 20.5% in 2018, real interest rates remain at double digit, making long term domestic investments costly. The Bank of Uganda expects inflation to converge towards the 5% target. In the past three years the Shilling has depreciated by 2.4% annually.

12. **The main downside risks to Uganda's economy include external and domestic factors.** External risks stem from poor rain distribution that affects the rain-fed dependent agriculture, and from low growth in major export markets in Europe, China and South Sudan. Domestic risks include weak domestic revenue mobilization, fiscal expansion in the run-up to the 2021 elections, low domestic/fiscal absorption on investment projects, and weak private sector credit growth.

13. **Economic and Financial Governance. The 2016 Public Expenditure and Financial Accountability Assessment indicates relatively strong public financial management systems in Uganda, driven by the financial management reforms that have been implemented over the past decade.** The results from the 2016 assessment, published in 2018, show overall improvement in the majority of indicators assessed against the 2012 indicators. There were improvements in 21 dimensions, 6 deteriorated and no change in the remaining 44. The 2016 PEFA assessment shows there were 5 A-ratings, 11 B-ratings, 8 C-ratings and 7 D-ratings. Improvements have been observed in terms of budget credibility and revenue forecasting. Stakeholder participation in the budget process has also improved, with improved access to budget execution reports to decision makers. Internal control and audit have shown mediocre improvement, while arrears management has deteriorated despite efforts to clear arrears through prepayments for utilities, a commitment control system embedded in the IFMIS, as well as additional budget provisions to clear the stock of arrears in government. The external audit function has improved, by adopting audit standards to govern its work, however, the public accounts committee is not up to date, thus leaving the accountability cycle incomplete. In conclusion, fiduciary risks and persistent institutional capacity weaknesses are still constraining timely execution of infrastructure projects. Annex 10 provides additional information on the fiduciary developments collected during the midterm review and key findings from the 2016 PEFA Assessment.

14. **Private Sector. The business environment has been traversing along a positive trend for the past five years but still lags behind its comparators.** Uganda ranks 127 on the 2019 World Bank Doing Business Index with the distance-to-the-frontier at 57.1 (of 100) from 55.3 in 2016. Kenya, it's most important regional trading partner, ranks 61 (70.3). Driving the low performance is low access to electricity, resolving insolvency, protecting minority investors and registering property. In terms of competitiveness, Uganda scores 46.8 and ranks 117, a deterioration of 4 positions on the 2018 Global Competitiveness Index. Driving the rating down is low performance in ICT adoption, innovative

capacity, skills, and infrastructure. Foreign firms can establish 100% owned businesses and generally partner with Ugandan firms without any restrictions. The Government offers various incentives for industrial investors including import duty reductions of 75% on factory equipment. Foreign investors are obligated to operate with an investment license that can impose various minimum requirements such as investment size, employment quotas, training of Ugandans, and purchasing of local goods and services. The legal and regulatory framework that guides business operations is broadly consistent with international standards, though bureaucracy and red tape often hamper efficiency.

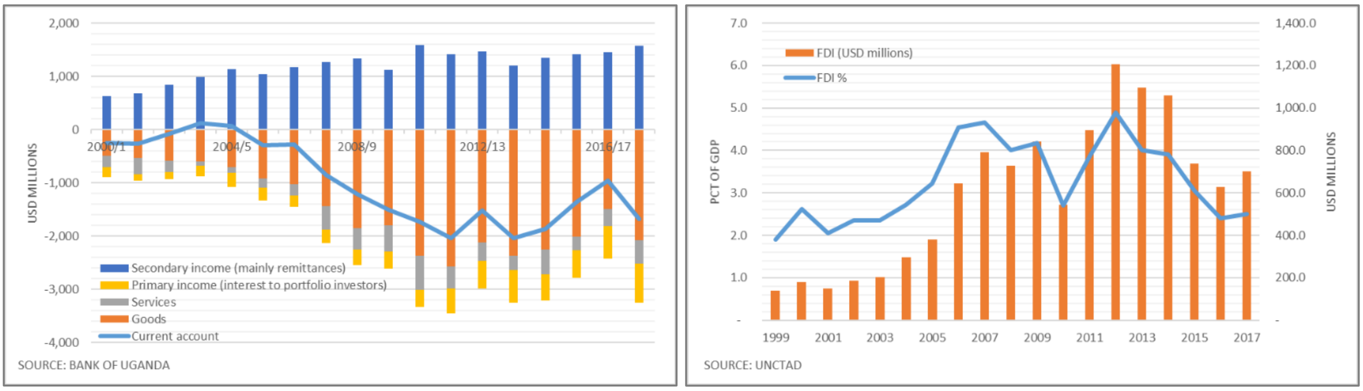
15. **Financial Sector. Financial inclusion is relatively high in Uganda with 78% of the adult population accessing formal or informal financial services.** Ugandans relying on formal financial services has increased to 58% in 2018 from 52% in 2013. Almost six in 10 Ugandans use digital payment systems, with 22.7 million registered mobile money customers. Mobile money continues to expand rapidly with a 39% increase in the value of transactions, reaching USD 19.4 billion in 2017/18 from over 1.3 billion transactions. The Banking System remains sound with commercial banks well capitalized and core capital to risk weighted assets at 21.8% (11.8 percentage points above the minimum). According to the 2018 Bank of Uganda Financial Stabilization Report, liquidity buffers are well above the minimum 20%, with liquid assets to total deposits at 46.6%. Retirement benefits and insurance sectors are both emerging. The retirement sector achieved a real rate of return on investments of 8.2% in 2017. Insurance penetration in Uganda is 0.8% compared to 3.0% on the African continent.

16. **The cost of borrowing remains high dampening domestic long-term investment.** Despite non-performing loans reducing to 3.4%, average lending rates exceed 20% in 2019, propelled by high Government domestic borrowing needs. Combined with low inflation, this implies high real interest rates that impact negatively on long-term capital investments. Nonetheless, credit to the private sector has recently been improving, expanding by 13.6% y/y in March 2019, from 8.0% y/y in March 2018. This is attributed to stable prices, and a positive outlook on the overall economy. The Government continues to require high levels of funding for development and infrastructure projects. Absent diversified de-risking instruments, asymmetric information, and as long as high levels of fiscal spending are maintained, we should expect to see real interest rates remain elevated.

17. **Balance of Payments. The current account deficit narrowed from 8.2% to 2.8% of GDP between 2010/2011 and 2016/2017 but slid back in 2017/2018 to 4.3% of GDP.** Driving the recent deterioration was the rising trade deficit (see Figure 2-A). The current account has largely been financed by externally financed projects and foreign direct investment (FDI). Despite previous strong performance led by manufacturing, financial services and agriculture, FDI decreased between 2012 and 2016. In 2012, at its peak, investments reached USD 1.2 billion. In 2017, FDI picked up reaching USD 700 million (see Figure 2-B). FDI is expected to further increase as Government and investors agree on the final terms of investments in the oil sector, which includes roads, a pipeline and a refinery.

18. **The goods and services trade deficit has fluctuated between 7 and 10% of GDP over the past five years.** In 2017/2018 the deficit increased to 9.2% of GDP (USD 2.5 billion), mainly driven by rising imports of mineral products and machinery. Global goods imports (USD 6.1 billion) mainly originate from Asia (41.8%), Africa (24.7%), and the Middle East (19.7%), while exports (USD 3.1

Figure 2: A – Current account and its components **B – Foreign direct investment**



billion), are destined to Africa (51.6%), the Middle East (19.4%), Europe (19.1%), and Asia (8.2%). Key exports are gold, coffee, fish, base metals and maize, while machinery, petroleum and chemical products are the main imports. Over the past five years the value of Ugandan trade on the African continent has increased from USD 2.3 billion to USD 3.1 billion, recording an average annual increase of 5.8%. The main export destinations in the region are Kenya, South Sudan, Rwanda and the Democratic Republic of Congo (DRC). They account for 85% of Uganda's exports to the African Continent. The top four African import origins are Kenya, Tanzania, South Africa, and DRC which account for 84% of Uganda's imported goods. External reserves remain comfortable at USD 3.2 billion, with an import cover of 4.5 months.

19. **As a landlocked and strategic transit country, regional integration is vital for Uganda's economy.** Regional integration has underpinned trade with the East African Community. Trade openness increased from 30% in 2000/2001 to over 50% by 2011/2012, but has slid back below 50%. Uganda's competitiveness largely depends on seamless connectivity to its neighbours and to global markets through efficient regional transport corridors. Uganda has led the way in participating in regional integration arrangements. In 2018, it ratified the Africa Continental Free Trade Area. Uganda remains an effective partner in the East African Community regional integration initiatives and is a signatory to the Common Market for Eastern and Southern Africa Free Trade Area. Despite efforts to strengthen regional integration, agreement on common tariffs is delayed while non-tariff trade barriers continue to hinder the free flow of goods. Non-tariff trade barrier's increased significantly in 2017 to over 190 cases from 63 in 2016. Kenya and Tanzania have experienced similar increases.

2.3 Sector Context

20. **The Government has focused attention on investing in infrastructure to promote economic development and growth, while spending is narrowing the gaps.** Governmnent has invested heavily in roads, energy, and water and sanitation to improve access and connectivity. The national budget has increased the share of funds for development budget during the past 7 years, increasing from 4.4% of GDP in 2011/2012 to 9.0% in 2018/19. Despite the significant increase infrastructure gaps remain in transport, energy, water and ICT. According to the African Infrastructure Index, Uganda lies midfield, with a low index score of 21.2.

21. **The road transport system is undergoing major upgrades and expansion, connecting regions and districts throughout the country.** Investments in roads between 2015/2016 to 2017/2018 have expanded the total paved road network from 3,795 km to 4,680 km. It is estimated that 90% of the roads are maintained in a fair to good condition. Sufficient funds for maintenance remains a challenge. Urban congestion slows movement for commuters and businesses, and bears economic cost of more than USD 800 million per year, according to WB. The Government and Kampala City Council are investing in expressways, urban road rehabilitation and bypasses to improve urban mobility.

22. **Large investments in electricity generation capacity has narrowed the demand supply gap.** The power sector has added 700 MW of generation capacity increasing total capacity to 1.2 GW, which has provided a comfortable margin to peak demand of 550 MW. The Government has shifted focus to investments in distribution and transmission to improve national and regional connectivity, while increasing access to electricity that is currently 29%.

23. **Safe drinking water in urban areas reaches more than three quarters of households, however, rural areas still require major investments.** Despite achieving its MDG national target (72%) for access to improved drinking water, Uganda's water supply remains low as only 19% of households are able to access piped water. About 35% of the population (10 million rural, and 1.7 million urban) are unable to access safe drinking water while only 2% of water supply is used for industrial production. In order to meet demand needs there has been a gradual policy shift from reliance on point sources for rural water supply to large/multi-village piped systems using gravity or solar power.

24. **Agriculture remains an important driver of the economy and a priority under the NDP-II.** The sector employs about two-thirds of the labour force, whose earnings have been the main

driver of the country's poverty reduction. As a result, the Government is focused on reorienting the sector towards commercialisation. Going forward the sector will need to address significant challenges related to low mechanisation/productivity although production is increasing by field expansion; lack of appropriate and functional infrastructure for ensuring reliable input distribution and their access by farmers; and limited compliance to standards for export that continues to limit Uganda's agricultural products on the international market.

Table 2: Human Development Index Score, 2018

Rank 162 /188 countries	*2000*	*2005*	*2010*	*2015*	*2017*
Life expectancy at birth	47.1	52.6	57.2	59.6	60.2
Mean years of schooling	3.9	4.4	5.7	5.7	6.1
GNI per capita (2011 PPP)	1,031	1,187	1,490	1,635	1,658
HDI score	**0.398**	**0.437**	**0.486**	**0.505**	**0.516**

Source: UNDP, hdr.undp.org/en/2018-update.

25. **The oil and gas sector has the possibility of boosting the economy with investments in the order of USD 20-25 billion.** According to estimates Uganda has 1.7 billion barrels of recoverable oil reserves that can support a local petroleum industry for at least 25 years. Once the final investment decision has been reached, it would take 4 to 5 years to see oil related revenues flow. Government estimates revenues in the range 0.5-4.0% of GDP, with all revenues to be deposited in the Petroleum Fund. Major projects include upstream extraction projects (USD 10 billion), an oil pipeline (est. USD 8 billion), and a refinery (USD 3-4 billion) in addition to support infrastructure such as roads.

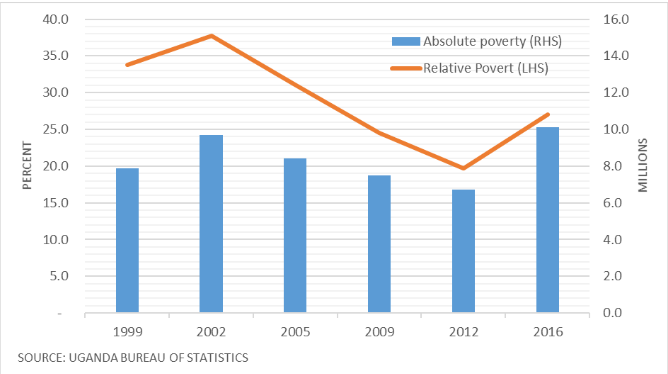
2.4 Social Context and Cross-Cutting Themes

26. **Poverty has reduced during the past two decades reaching 19.7% of the population in 2012/2013 from 37.7% in 2002/2003.** However, an increase in poverty in 2016/17 and rapid population growth implies that 10 million citizens are living in poverty (see Figure 3). Urban poverty has risen by 5.3 percentage points to 14.5%, while rural poverty has risen by 6.3 percentage points to 26.8% in 2016/17. The Gini-coefficient also deteriorated in 2016/17, increasing by 1.8 points to 42.8. The eastern region of Karamoja is the poorest in the country, while the north and northwest are also among the poorest. These regions are receiving more attention with increased investments in access and connectivity. There is need to design targeted policies to increase inclusiveness while stimulating employment.

27. **Human Development has slowly improved following advances in its sub-components.** Improvements in health indicators and strong strides in addressing the HIV/Aids epidemic has increased life expectancy. Improved access to schools and longer education has improved years in school, although the quality of education remains a challenge with insufficient teaching materials, high teacher absenteeism and under-qualification of teachers. Government interventions in 2019 and beyond include improvement in teacher monitoring and instituting minimum standards for materials. Uganda has a low HDI ranking, 162 out of 188 countries (Table 2).

28. **Youth unemployment is 13.3% in the age group 18 to 30.** Four in ten youth are in wage employment, while the remaining are self-employed or contributing family members. Agriculture, which faces productivity challenges, employs 57% of young people with insufficient job creation in industry and services. There are 19.1 million people of working age with 48% employed, i.e. working for pay. There is a need to create 600,000 jobs per year, rising to 1 million in the next decade. Nine in 10 jobs are informal. It is therefore critical to encourage formalization of businesses and increase the tax base to finance future public investments and services.

Figure 3: Relative and absolute poverty in Uganda



29. **The Constitution of Uganda has been applauded for its gender neutrality regarding property and land rights.** The Constitution secures equal rights for men and women during marriage and its dissolution.

However, the supreme law and land legislation, and what is implemented in practice, are disconnected. Because of legal pluralism, there are several interacting and conflicting state, customary and local laws that affect women. Women are thus often disadvantaged when it comes to inheritance of land from deceased husbands.

Figure 4: Progress on SDG

Source: Sachs et al. (2018)

30. **Girls and boys in primary school are at parity, while income imbalances between male and female continues.** Differences remain at secondary and higher education. The 2018 Global Gender Gap Report states that gender parity has been reached in primary school with survival and completion rates from grade 7 slightly higher for girls. Secondary education attendance shows that a small gap remains in favour of boys. In tertiary, the gap is large with disproportionately more male than female attending higher education. The Gender Parity Index indicates 0.88 for secondary and 0.56 for Business Technical Vocational Education and Training. In universities gender parity has remained stable averaging 0.78 over the past five years. Uganda has reduced the distance to gender parity from 0.68 in 2006 to 0.724 in 2018 according to the Report. On income imbalance, women constitute about 63% of the total engaged in agriculture, but only 18.5% are in wage-employment. The Report confirms very little improvement over the past 11 years. Pay for similar work, women fall behind by 23%.

31. **The Sustainable Development Goals face major challenges, requiring significant investments to be achieved.** According to the UN, Uganda scores 52.6% on the Global index score, which is 2.2 percentage points below the regional average. Uganda ranks 140 out of the 162 countries. One goal, climate action, has been achieved, while five goals show progress, and three are unchanged (see Figure 4). Twelve goals indicate major challenges remaining.

32. **Pressure from climate change is expected to pose challenges to agriculture, health, and livelihoods, while insufficient funding for monitoring and enforcing environmental regulation will exacerbate environmental concerns.** The expected impacts of climate change are increased warming, reduced rainfall in most parts of the country, heavy rains in other parts, flooding, landslides, drought, disease outbreaks and epidemics. These changing climatic conditions, increased frequency and severity of extreme events are likely to have significant implications for people's livelihoods by affecting agriculture, food security, and soil and water resources. Subsistence farmers are likely to be more affected with implications for food security. Increased warming is also expected to increase the range of malaria, and thereby worsen the disease burden of the population. See Annex 11 for additional information on climate vulnerability, adaptation and mitigation actions.

33. **Deforestation and the loss of forest cover affects the ability to retain moisture and contributes to climate change.** Deforestation, due in large part to illegal wood extraction for timber and charcoal burning has led to significant loss of Uganda's forest cover over the past 25 years. By 2015 forest cover had declined to 9% of total land area from 24% in 1990. Deforestation is widespread in private forests, which have declined by four fifths of the 1990 level. The major challenges relate to encroachment of central forest reserves with the issuing of land titles in central and local forest reserves. Given the significant deforestation, Uganda's Nationally Determined Contributions prioritize conservation of wetlands and sustainable forest management as strategies for reducing emissions, while contributing to resilience building.

2.5 Country Strategic Framework

34. **The Government's development vision, *Vision 2040*, aims to transform the country from a peasant society to a modern and prosperous middle-income country by 2040.** The *Vision* provides the policy framework for the transition and is being implemented through successive 5-year medium term strategies, the National Development Plans. The Government Plan for the period 2015/2016 to 2019/2020 aims to Strengthen Uganda's Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth. The Plan's main objectives are to: (i) increase sustainable

production, productivity, and value-addition in key economic growth areas; (ii) increase the stock and quality of strategic infrastructure to accelerate the country's competitiveness; (iii) enhance human capital development; and, (iv) strengthen mechanisms for quality, effective, and efficient social services delivery. The National Development Plan II has a strong focus of expanding infrastructure in support of productive industries. Priority sectors include agriculture, industry, tourism, oil and gas, and minerals.

Table 3: Development Aid to Uganda (annual average 2016-2017)

ODA (USD millions)		Bilateral ODA distribution (%)	
United States	590.8	Education	4.1
IDA	223.7	Health and Population	40.2
United Kingdom	165.7	Other social infra. and services	15.1
Global Fund	156.4	Economic infra. and services	7.6
EU	115.1	Production	7.8
ADF	101.7	Multisector	3.3
Japan	65.7	Programme assistance	0.7
Germany	57.4	Humanitarian aid	20.0
Sweden	50.9	Other and unallocated	1.3
Denmark	44.2		100.1
Top 10	1,571.6		
Gross ODA	**1,940.9**	**of which bilateral aid**	**1,228.6**

Source: OECD DAC database.

35. **During the first two years of implementation of the Uganda Country Strategy there has been no change in the priorities of the NDP-II.** The National Planning Authority monitors NDP implementation annually based on compliance to the Budget. The compliance rate increased from 54% in 2016/2017 to 64% in 2017/2018, with the minimum target set at 70%.

2.6 Development Coordination Mechanisms and Bank Position

36. **Uganda's development cooperation landscape comprises various multilateral and bilateral development partners with a well-established structure for coordination and policy dialogue**. The country dialogue structure comprises 33 development partners active in 25 sectors and subsectors (Annex 12). The Bank maintains a comparative advantage in the heavy infrastructure sectors together with the World Bank and European Union. Bilateral and multilateral development partners contributed 20% of the national budget, nearly USD 2 billion in 2016/2017 in grant aid and concessional funding (Table 3). The bilateral development partners contributed nearly 60% to the social sectors, while humanitarian aid amounted to 20%. The share of aid on-budget has fallen from 96% in 2011, 55% in 2015, and 11% in 2018, which is attributed to a shift away from budget support to project finance. The Bank was the 6th largest development partner in 2016/2017 when considering ADF lending. Including ADB funding would put the Bank in the third position. The highest single year of Board approvals was in 2018 with UA 223 million.

37. **The Bank and other development partners continue to implement the Paris Declaration and subsequent aid-effectiveness declarations on the use of country systems**. The Bank and development partners have gradually been moving towards the increased use of country systems. Following a Bank fiduciary risk assessment, it is agreed to increase the use of country procurement procedures. In this context the Bank is supporting the assessment of public procurement systems using the OECD MAPS methodology. The Government is also implementing the PFM Resource Enhancement and Accountability Program, which provides opportunities to further strengthen government, civil society and development partner policy dialogue and coordination.

38. **Since the first project was supported in 1968, the Bank has provided in excess of USD 3.4 billion in loans and grants to more than 120 projects**. Transport followed by agriculture have received just under half of the Bank support. The Bank has managed to grow and extend its position in the country and is often referred to as the "preferred partner agency". This implies that the Bank has a special position in Uganda that can be leveraged. The Bank established an office in Kampala in 2004, strengthening ties with Government and sector agencies, and bringing the Bank closer to local development partners. Local presence has improved the Banks ability to quickly respond to requests and shorten the time in following-up on portfolio issues.

2.7 Strengths and Opportunities, Weaknesses and Challenges

39. **Socio-economic development in Uganda remains constrained by infrastructure bottlenecks, insufficient formal business growth, and low-quality skills, while the oil and gas sector provide an opportunity to boost the overall economy, creating synergies.** During the MTR mission, it was confirmed that the strengths, opportunities, weaknesses and challenges analysis from the original CSP remains largely relevant. Infrastructure gaps remain in a key constraint despite much progress. The expansion of the road sector has improved connectivity throughout the country, while urban congestion is now beginning to take root as urban centers grow. Electricity generation has increased while connectivity remains a challenge. Table 4 provides an overview of key strengths, weaknesses, opportunities and challenges.

Table 4: Summary of Strengths and Opportunities, Weaknesses and Challenges

Strengths	Weaknesses
– Excess energy capacity is available to mining, manufacturing industries, and commerce to power an industrialisation process – Infrastructure expansion in roads and telecoms provide basic access and connectivity, linking rural production areas to urban and regional markets.	– While health has improved and education expanded, quality remains low and deteriorating – Low institutional capacity and absorption, lowers progress and creates delays on infrastructure investments, increasing the cost – Off-budget spending is not always aligned to priorities, with concentration of public funds at central level – Fiduciary risks and corruption affect development pace
Opportunities	**Challenges**
– Minerals extraction and creation of iron and steel industry can spur industrialisation – Oil and gas can strengthen the Hoima region and create synergies to the rest of the economy boosting retail trade, construction and skills development – With the cost of small-scale renewable energy and mini-grids reducing, there is an opportunity to provide affordable electricity to rural and remote areas	– Urban congestion undermines efforts to improve productivity and grow the economy – High population growth undermines economic policy efforts, challenges the delivery of social services, and reduces growth effects of investments – Regional security has been improved, but there are risks related to unsolved regional conflicts that may flame up, affecting the stability of the whole region

3 CSP IMPLEMENTATON AND RESULTS ACHEIVED

3.1 Bank Group Resources

40. **The Country Strategy is funded from resources from ADF-14 and ADF-15, ADB public and private window, and special funds.** In 2017, the indicative ADF-14 allocation was established at UA 173.9 million for 2017 to 2019. Due to weak project implementation the Performance Based Allocation was reduced to UA 150.9 million in 2019. In addition to ADF funds, Uganda has access to ADB as the country is rated low risk of debt distress. At the time of preparing the CSP, planned ADB projects amounted to UA 359 million for the first 3 years. Other resources were planned through the *Africa Growing Together Fund*, the *Africa Water Trust Fund*, and the Special Climate Facility, amounting to UA 115 million. The Bank was able to attract parallel funding from the EU, World Bank, and AFD, totalling UA 373 million and about USD 640 million in private sector financing for the Kampala-Jinja Expressway.

3.2 Implementation of the Strategy

41. **The Country Strategy planned a total of 15 projects (12 under pillar 1 and 3 under pillar 2) in the Indicative Operational Plan 2017-2019 amounting to UA 643 million (UA 589 million, pillar 1; UA 54 million, pillar 2), of which ADF and ADB amounted to UA 528 million (UA 474 million, pillar 1; UA 54 million, pillar 2).** In 2017 and 2018, 12 projects were planned with a budget UA 543 with an additional 3 projects planned in 2019, amounting to UA 100 million. The Board approved 6 projects amounting to UA 374.5 million in 2017 and 2018. Three projects amounting to UA 179 million, of which UA 31 million is from ADF-14, are planned for Board submission in the second half of 2019. Assuming the projects are approved, the total ADF-14 allocation would be utilized according to plan. Furthermore, total ADB funding would exceed the planned amount. In relation to the planned number of projects, 15, of which 11 public and 4 private, only 7 public and 2 private operations would be approved. This was due to Government reprioritizing some projects while the scope of others were expanded (Annex 4). No projects were

Table 5: Bank Approved Operations in 2017 and 2018 (ADF-14, UA millions)

Year	P	Project Title	ADB	ADF	TF	Other	Ex-fin
2017	1	Agriculture Value Chain Development Program	-	57.0	-	-	-
	2	Credit Guarantee for Bujagali	75.4	-	-	-	217.4
	1	Decentralized Renewables Development*	-	-	1.7[b]		-
	1	Supplementary Loan to Kampala Sanitation	-	19.0	-	-	-
		Kapchorwa-Suam-Kitale Road[a]	-	-	-	-	-
2018	1	Feasibility Studies for Faecal Sludge Management*	-	-	1.2[c]	-	-
	1	Kampala Jinja Expressway Project	164.8	-	-	-	148.6
	1	Strategic Towns Water Supply and Sanitation	-	44.0	-	-	-
	2	Uganda Development Bank - Sovereign Guaranty	10.8	-	-	-	7.2
		- Line of Credit	3.6	-	-	-	-
2019	*1*	*Kampala City Roads Rehabilitation*					
	1	*Kabale-Lake Bunyonyi / Kisoro-Mgahinga Roads*					
	2	*Training of Artisans in Oil and Gas Sector*					
Total (Actual)			**254.5**	**120.0**	**2.9**		**373.2**
Original Planned for 2017 and 2018			334.0	159.0	-	50.0†	
Original Planned for 2019			25.0	10.0	-	65.0†	

Note: P = Pillar, TF = Trust Fund, Ex-Fin = External Donor Financing. [a] The project was initially planned for Board approval in December 2016 using ADF-13 allocation, but was postponed to March 2017 following concerns related to environmental and social safeguards that had to be addressed. [b]SCF, Strategic Climate Fund. [c]AWTF, Africa Water Trust Fund; *Study. †UA 50 million from AGTF and UA 65 million from Climate Fund. *Source:* AFDB.

approved using the planned *Africa Growing Together Fund* and the various Climate Funds, except for the two studies amounting to UA 2.9 million.

3.3 Results Achieved

42. Based on the information collected on outcomes and outputs most operations are on track having already delivered by midterm or to deliver by the end of the operation. Sixty-eight percent of outcomes have already been achieved at midterm, while the remaining outcomes are expected to be completed once the projects and programs are completed. In terms of outputs, the analysis shows that 53% of outputs have been delivered at midterm, while 41% will be delivered as the projects are completed. Six percent of outputs related to kilometres of transmission lines and number of substations, will not be delivered as originally planned. Annex 1 provides overall achievements of outcomes and outputs, by sector and cross-cutting areas. Some key highlights on contributions to the High-5 are indicated in Table 6. Annex 2 provides progress on each outcome and output from the original Country Strategy logical framework.

43. **Pillar 1 Objective:** The main objectives are to reduce Uganda's binding infrastructure bottlenecks and create a more enabling business climate by scaling-up selected investments while providing supportive non-lending activities to boost the country's industrialization, employment and business creation activities in priority economic sectors. The interventions focus on four areas: Transport, Energy, Water Supply and Sanitation, and Agriculture. Of the 17 outcomes planned 11 were achieved at midterm, while 6 will be achieved by the end of projects. For outputs, there were 15 planned, with 7 achieved by midterm, 7 to be achieved by the end of projects, and 1 will not achieved.

Table 6: Bank Contribution to the High-5

Feed Africa (15%) Supported the construction of 2906 km of rural feeder roads. Implementing 11 urban markets in project areas Supported the increase of rice production by 14.2%	**Integrate Africa (44%)** Increase in the national road network that has paved roads from 22 to 23% Contributed to a decrease in road fatalities from 25 to 20 per 10,000 vehicles
Industrialise Africa (4%) Supported the Uganda Development Bank to provide affordable loans to small and medium sized businesses	**Light up and Power Africa (20%)** Contributed to the decrease of electricity cost from 15 to 14 US-cents/kWh. Reduced power losses from 40% to 18.1%
Improve the quality of life for the people of Africa (17%) Increased water production from 10,000 to 90,000 m^3/day in Kampala Implemented more than 30 solar mini-water supply schemes in peri-urban areas Maintained access of safe drinking water to urban users at 77%.	

44. **Transport sector:** The objective of this sector was to develop an efficient and effective road transport network for promoting inclusive and green socio-economic development by increasing businesses and household access to markets and basic social services; increase the safety of transport services; and improve the sector's human resource and institutional capacity.

45. The Bank has been able to contribute 437 km of roads, increasing the paved road network to 17% by 2018. Roads have been a key sector given its relative size in the portfolio. The Kampala Jinja Expressway Project was approved in October 2018. Additional planned projects to be submitted to the Board in 2019 include the Kampala City Roads Rehabilitation and Tourism Roads (Lake Bunyonyi). On-going projects approved under the previous Country Strategy include: Busega-Mpigi Road (2016), Kapchorwa-Suam-Kitale Road (2017), Road Sector Support Project 4 (2013), and Road Sector Support Project 5 (2014). It took 9 months to have the Busega-Mpigi project loan approved, but the project has since experienced significant procurement delays due to compliance complaints and whistleblowing. However, following recent positive developments the works contract is expected to be signed by July 2019. Works on the Kapchorwa Project started in the latter part of 2018 with currently 4 km of roads paved. The road sector support projects aim to construct and rehabilitate 258 key roads. These projects were significantly delayed due to i) delays in land acquisition, ii) procurement delays including disputes (16 and 23 months) and iii) contractor facing shortfall in liquidity leading to slow work progress with less than 30% disbursed (6 and 5 years after approval). As of April 2019, the projects have completed 106 km of road. Despite the delays the projects are expected to meet their deliverables by close of projects and to deliver on the sector objective.

46. **Energy Sector:** The country strategy objective is to increase access to electricity services by reducing energy production costs and electricity tariffs (i.e. industrial, business, and retail tariffs); and increase renewable energy supply to promote industrialization, and inclusive economic growth and development.

47. In terms of delivering results, the energy sector has been able to support access to electricity, from 14% (baseline) to 30% by 2020, achieving 29% at midterm with the Bank adding 360,000 consumers to the national grid between 2016 and 2018. Support to power generation has furthermore increased from 780 MW in 2016 to 1,179 MW by midterm. The Bank refinancing to Bujagali Energy has helped reduce the electricity tariffs from 10.7 to 7.8 US-cents/kWh in the second half of 2018, supporting a reduction of end-user tariffs from 15 to 14 US-cents/kWh. Despite the good progress, the sector has also experienced procurement issues and delays to the point that not all outputs and outcomes will be achieved in terms of delivering transmission lines and associated substations.

48. Although the energy sector was included in the CSP, there were no sovereign energy projects planned. In 2018, two grants from the Strategic Climate Fund were signed with the Government to undertake studies under the Scaling-up Renewable Energy Program (SREP), the Decentralised Renewables Development Program (2017) and Wind Resource Map & Pilot Wind Power Development Program (2016). The objective of scaling up renewables was to double the share of renewables in the energy mix and promote modern energy services. The sector also supports several legacy projects that were approved before 2017. These projects include the NELSAP Interconnection Project (2008) with a supplementary loan (2016), Uganda Rural Electricity Access Project (2015), Mbarara-Nkenda and Tororo-Lira Power Transmission Project (2008), Bujagali Debt Restructuring (2017) and the Achwa II Hydropower Project (2016), which is a private sector project. The active legacy projects are facing serious implementation delays with the highest disbursing project at 4% by April 2019, while the ended Mbarara-Nkenda and Tororo-Lira Transmission line project achieved 84% disbursement. Despite several extensions, the Transmission line project was cancelled with partial completion of its outputs. In addition, the disbursement deadline for the Supplementary Loan for NELSAP project expired by the end of June 2019 and will not be able to deliver the completion of the Mirama, Bujagali and Tororo substations and the Bujagali-Tororo Transmission line. To interconnect with Rwanda, a by-pass solution has been implemented, but this is not sustainable in the long term. The project has been affected by weak contract management and institutional capacity, inability and delays in acquiring land, and bankruptcy of both substation contractors and the transmission lines contractor. The project executing agency expects to complete the project with own financing by December 2019. The Rural Access Project has

faced procurement delays (36 months since 1st disbursement) but has now signed all works contracts. The project is expected to deliver planned deliverables by end 2020.

49. **Water and Sanitation Sector:** The Bank funding aims to improve access to clean and safe water and sanitation facilities of agribusiness centres, industrial parks, business centres and underserved households. The Bank supports the Government's goal to ensure availability and sustainable management of water and sanitation for all (Sustainable Development Goal 6).

50. The sector has been successful in reaching many of the planned outcomes at midterm. The midterm target of providing 77% of the urban population with access to safe drinking water has been achieved. Handwashing facilities in urban schools have also surpassed targets reaching 40%. Almost 9 in 10 water points have actively functioning water and sanitation committees, more than the planned 85%. The Bank has been able to increase town water supply systems in 13 towns. The Supplementary Loan to Kampala, an extension of the Kampala Sanitation Project (2008-2018), aims to improve the living conditions for the current 1.4 million people living in Kampala by enhancing access to better sanitation and environment protection. The project has been able to increase water production from 10,000 m^3 per day to 90,000 m^3. The Bank has also provided 30 mini-solar water supply schemes in peri-urban areas. Progress is also being achieved in support to water service boards, the provision of cesspools, access to gender-friendly public sanitation facilities and urban water testing equipment. The table in Annex 2 indicates good progress towards achieving final outcomes by 2021 and delivering on the planned outcomes and outputs.

51. The Bank approved two new projects in 2017 and 2018: the Supplementary Loan to Kampala Sanitation (2017); and the Strategic Water Supply and Sanitation Project II (2018). The Supplementary Loan is on track having disbursed 60% by April 2019. The latter project, a continuation of Strategic Water Supply I (2011-2017), only became effective in March 2019 and is expected to start works later in 2019 following completion of the contracting process. A small project of USD 2.2 million, Strengthening Climate Change Adaptation of Small Towns and Peri-Urban Communities, is expected to be approved during 2019, and target river catchments.

52. **Agriculture Sector:** The objective is to transform the sector to unlock its inclusive and sustainable growth and development potential by enhancing production, productivity, value-addition, and marketing activities in the value-chain; and promote greater inclusivity through increasing sector incomes and employment, with a focus on underserved women and youth.

53. Bank support to the sector has been able to deliver many of the planned outcomes. Farm incomes have been enhanced by increasing farm gate prices by more than 20%, while the production of rice and maize has increased by 14.2 and 13.1% respectively. Marketable products have increased by 5.4% falling slightly below the target of 10% at midterm. The Bank has been able to support the expansion of access roads with 2,900 km. This is more than double the planned. The construction of 11 markets is currently ongoing compared to the planned 5, while 5 irrigation schemes are also being constructed compared to the planned 2. In terms of objectives, the Bank is on track to attain the objectives of enhancing production, value addition and marketable agriculture goods.

54. One new project was approved in 2017, the Agriculture Value Chain Development Program. Five projects were approved prior to 2017: Community Agriculture Infrastructure Improvement III Project (AVCP, 2011), Markets and Agricultural Trade Improvement II (2014), Lake Edward and Albert Integrated Fisheries & Water Resources Management (2015), Farm Income Enhancement and Forestry Conservation Project II (2016) and Preparation for Strategic Plan for Climate Resilience (2016). For active projects, disbursement averages 31%.

55. **Pillar 2 Objective:** The objective is to contribute towards developing a knowledgeable and analytically productive population, across all sectors of society, with relevant job and business skills that lead to increased employability and entrepreneurship, and hence, inclusive and green economic growth. To achieve this objective, Pillar 2 will focus on business and vocational training institutions and graduates re-skilling programs. At the time of drafting the MTR several activities had not yet started under pillar 2, and therefore there is limited data available at midterm. However, of the 2 outcomes planned 2 were achieved at midterm, while the 2 planned outputs were also achieved.

56. **Skills and Entrepreneurship Sector:** The objective is to boost vocational and technical skills for the youth and women to enable them capitalize on emerging formal employment and business opportunities in the priority economic sectors. The development goal is to enhance formal employment and entrepreneurial business opportunities for youth and women.

57. The project to support skills development for craftsmen in the oil and gas industry is expected to be submitted for Board approval in 2019. No activities are expected until the second half of 2020. The sector has several legacy projects that support health and education. These projects include Rehabilitation of the Mulago Hospital and KCC clinics (2011), Support to Higher Education Training Institutions (2012), and finally the East Africa Centre of Excellence for Oncology Skills (2014). The former project comes to completion in 2019 and will have delivered the planned outputs, although both projects will be more than 8 and 7 years, respectively. The latter project, which due to procurement delays has disbursed only 28%, has now completed more than 70% of the construction progress supported by the counterpart funding. The Banks support is mainly specialised equipment that is being installed during the remaining 18 months of the project, which contributes to the low disbursement.

58. **Financial Sector:** The Bank also provides support to the financial sector. In 2018, the Bank provided a line of credit to the Development Bank of Uganda. The project aims to provide affordable long-term financing to SME's for expansion of businesses and to support growth in the economy. The project recently became effective following signature of the loan agreement in May 2019.

59. **The Country Strategy is linked to the Regional Integration Strategy Paper:** The Bank has moved to finance some of the key regional flagship projects approved by the EAC Heads and prioritized in the EA-RISP (2018-22), Annex 5. Notably, the Bank approved the loan to finance part of the cost for construction of the Kampala-Jinja Expressway. This road constitutes a section of the Northern Corridor, connecting Uganda to overseas markets via Mombasa Port. Construction of the expressway will decongest the corridor and enhance its capacity and efficiency, including easing transit traffic destined for neighbouring countries.

60. Uganda will also benefit from preparation studies for the Multinational Masaka-Mutukula-Kyaka/Bugene road connecting Uganda and Tanzania, coordinated by the EAC Secretariat. As part of the Northern Corridor multi-modal transport network and in a boost to regional integration, Uganda indicated in 2019 interest to extend the standard gauge railway between Kampala and Malaba, connecting to the Malaba-Naivasha-Nairobi-Mombasa section in Kenya. Kenya has pledged land for an inland dry port at Naivasha to support regional trade.

61. As part of the management of cross-boundary water resources on Lake Victoria, Uganda has benefited from a preparation study for a sanitation project. The main focus of the study is transboundary faecal sludge management among urban poor in the Lake Victoria Basin.

3.4 Other Results of the Strategy

62. Several results have positive implications in relation to gender and the improvement of the environment. The results at outcome and output level are mainly in relation to agriculture and water and sanitation and indicated in Annex 2. In the sanitation sector, gender segregated and disability friendly public sanitation facilities have constructed 132 blocks of 6 stances. Ten water service boards with a third of the Boards led by a woman. In addition, the agriculture value chain project has activities particularly targeted at women farmers. In relation to the environment the establishment of Bujagali Energy (hydro) has increased renewable energy to 94% and displaced 1.2 million tons of CO_2. In the water sector, the installation of solar-mini water pumps are also contributing to the reduction of CO_2.

3.5 Non-lending Operations

63. An ambitious list of ten economic sector works were identified during the preparation of the Country Strategy, Annex 6. Apart from two studies no funding has been secured. The two studies are funded by KOAFEC, a market entry strategy for Ugandan products into the South Korean Market, and a Regional Physical Development Plan for the Jinja-Kampala-Mpigi Corridor. The COUG has had to prioritise the ESW work program and focus attention on the two studies that were funded. The

market entry strategy is progressing well following first disbursement in November 2018. The physical development plan was significantly delayed as one of the two joint venture partners pulled out of the winning consortium in 2014. The tender was cancelled and lay dormant for several years. As the project remained relevant it was restarted in November 2018, following engagement with Government parties, and the main partner, Ministry of Housing, Lands, and Urban Development. The project is expected to launch requests for proposals by Q3-2019. Going forward, economic sector work will be better prioritised and realistic, with funding secured from trust funds and/or the country budget.

64. In addition to the above, the African Economic Outlook and the Country Risk Survey have been delivered annually, while the Country Performance Institutional Assessment was delivered in 2016 and 2018, and the Fragility Assessment is a novel activity initiated in 2018. The Bank also provides technical assistance to sectors where we have operations. Policy advice and technical assistance to the Electricity Regulatory Authority to conduct the cost of electricity service and affordability of tariffs, has served as reference for several studies in Uganda.

4 PORTFOLIO PERFORMANCE REVIEW

4.1 Portfolio Overview

65. From the public funding window, the Bank's current active portfolio in Uganda comprises 11 national operations, 6 multinational and 4 sector studies with a total net commitment value of UA 1.0 billion (Annex 8). Under the private sector window there are 3 projects amounting to UA 170 million. The disbursement rate under the public window is 26.8% with an average age of 3.4 years. Infrastructure heavy sectors represents the largest share with transport (46%), electricity (9%), water and sanitation (13%), agriculture (17%), and social (14%). Projects under the non-sovereign window have disbursed close to 100%.

4.2 Portfolio Performance and Quality

66. Since 2018 the Bank portfolio in Uganda has surpassed UA 1 billion. This is largely due to the increased lending through the ADB window. The number of projects has remained relatively stable between 20 and 23, while the average size of projects has slightly increased to UA 49.2 million by Q2 of 2019 (Table 7).

67. The average age of the portfolio has reduced from 3.8 years to 3.4 at the end of Q2 2019 and is expected to further reduce to 3.1 years taking into account the project exits and entries during 2019. The oldest project will be 6.8 years by the end of 2019.

68. Two key quality at entry indicators are the time between Board approval and loan signature, and Board approval and first disbursement. The former indicator is mainly the time it takes Parliament to ratify a project. The latter indicator is particularly important as it indicates the total amount of time that funds are committed and idle in the Bank before disbursement is effectuated. The whole process takes on average 13.5 months.

69. The portfolio currently contains no project at risk. In addition, there is neither a problematic operation nor a potentially problematic operation in the portfolio. Strong efforts by management and task managers have ensured that all audit reports were received on time in 2018. Based on the Implementation Progress Report platform, most projects are supervised twice during the year.

Table 7: Portfolio Performance Indicators

Indicator	2016	2018	Q2-2019
Portfolio Volume (UA millions)	893.6	1073.7	1032.9
Number of Ongoing Projects	20	23	21
Average Project Size (UA million)	44.7	46.7	49.2
Average Project Age, Years	3.8	3.4	3.4
Oldest project, Years	8.3	10.0	7.7
Approval to Signature (months), *est.	7.8	8.3*	n/a
Signature to 1st Disbursement (months), *est.	5.7	5.2*	n/a
Disbursement Rate (%)	32.0	24.7	26.8
Projects at Risk (%)	0.0	0.0	0.0
Projects task-managed by the COUG/RDGE (%)	58	96	96
Audit reports received (FY xx /xx+1, %)	33	97	-
Average Overall Rating	2.75	3.19	3.05
Implementation Progress (IP)	2.70	3.17	3.17
Development Objective (DO)	2.80	3.20	2.92

70. Composite indicators on Implementation Progress and Development Objectives are updated for sovereign projects during supervision missions. The Implementation Progress indicator consists of 10 indicators, while the Development Objective indicator is based on the level of progress of outcomes and outputs. The rating 3 is considered satisfactory. The project scores, set by task managers, often indicate progress towards the end state and can therefore be over-estimated. Based on data both Implementation Progress and Development Objective are satisfactory at the aggregate level. However, the Development Objective composite has fallen by 28 basis points in the 2019.

71. The Bank's flashlight reports provide an overview of projects that are affected by quality at entry, slow procurement, slow disbursement, etc. An analysis of the past five years indicates that the number of flagged projects has averaged 21% (end of year). The number of flagged projects in July 2019 was 25%, slightly above the expected target of 24%.

72. For sovereign operations, the flashlight report and CPPR data provide an indication of the problematic areas (Table 8). The two main indicators causing red/yellow flags is "slow procurement", which accounts for 25.0% of all projects, which naturally leads to "slow disbursement" (accounting for 30.4%). Operational areas posing challenges for the portfolio include loan signature delays which account for 13.8%, and signed but undisbursed for two years which account for 16.0%.

4.3 Country Portfolio Performance Review

73. The 2019 Country Portfolio Improvement Plan (Annex 9) has been updated with actions agreed during the midterm review and the May 2019 quarterly portfolio meeting. Some of the key portfolio implementation challenges faced at the operational level are provided below.

74. The overall performance of the Bank's Uganda portfolio was satisfactory with a score of 3.05 (on a scale of 1 to 4) (Table 7). The score indicates satisfactory progress and a high likelihood that ongoing operations will achieve their development objectives.

75. During 2017 and 2018 the Country Office adopted a pro-active position in project management which continues into 2019. Ministry of Finance, project coordinators and Bank staff meet quarterly to review the portfolio and discuss project implementation issues. In addition, the Country Office has instituted a more systematic tracking of procurement related issues and use of "open house" which allows project staff to discuss project implementation issues (procurement, financial management, and disbursements) with Bank staff.

76. The 2019 Country Portfolio Performance Review and midterm review identified four areas that affect project implementation:

Start-up Delays: Effectiveness delays are significant and appear to be rising. Delays are mainly caused by extended parliamentary ratification, loan signature, and Attorney General clearance of loan agreements. The Review recommended that Government should come up with mechanisms for early engagement with legislators in order to reduce the ratification process. Delays in implementing Resettlement Action Plans and compensating Project Affected People also contribute to start-up delays. The Review also recommended that Government should provide adequate budget to the affected implementing agencies to pay for compensation on time.

Procurement Delays: Procurement delays are a significant cause of general project delays. These can be caused by several factors including contracting of project staff, detailed design and tender document preparation, procurement complaints and whistle blowing, and excess of small procurements. The executing agencies were advised to closely monitor procurement activities and the level of compliance with targets as set in the procurement plans, and to also regularly update these plans.

Table 8: Problematic flashlight developments

Theme	Indicator	Percent
Start-up Phase	Signature	13.8
	Effectiveness	3.4
	Disbursement Effect.	0.0
Procurement	Slow Procurement	25.0
Disbursement	Signed undisbursed 2Y	16.0
	No Disbursement 2Y	0.0
	Slow Disbursement	30.4
Closure	Disb. Closing Expired	8.0
	Undisb. Threshold	0.0
At risk	Problem Projects	0.0

Note: Sovereign Operations. *Source:* AFDB

Delays in Processing Disbursement Requests: Start-up delays and procurement delays often lead to disbursement delays. However, there are also intrinsic delays caused by administrative and verification processes that are carried out by the internal sector auditor to verify that physical progress has been achieved before payment is executed. This can cause delays of between 4 to 12 weeks depending on auditor availability.

Capacity Constraints in Contract Management: Executing agencies should submit realistic work plans, including disbursement and procurement plans, and closely monitor the performance of the contractors and, whenever necessary, they should impose the mandatory penalties as provided for in the contracts.

5 LESSONS LEARNED

77. Discussions and information collected during the review indicate various factors affecting the implementation of the Country Strategy, mainly on portfolio implementation. The implication is project delays that lead to extensions of closing dates. The four most critical factors relate to effectiveness, design readiness, procurement and land acquisition. These underlying factors lead to slow disbursement and cost overruns. The Bank has taken steps to address these factors. Projects are not admitted to the Indicative Operational Program unless both feasibility and detailed designs are available. Advance procurement is carried out combined with procurement training on Bank rules and procedures. Early sensitization of parliamentarians, furthermore, helps move forward the government approval process. These steps should over time reduce the period to first disbursement, speed up disbursement, and keep projects on their timetable. Land acquisition is broadly a planning matter and the Government is in the process of reforming the legal framework. In relation to development partners the Bank needs to enhance efforts to strengthen co-financing at the country level. Parallel financing has done well in crowding in funding from local development partners.

5.1 Lessons related to the Bank

78. **The Strategic focus of the CSP has supported the transformation of Uganda, contributing to addressing key challenges and weaknesses related to roads, water, and energy.** The immense needs in these areas will remain in the foreseeable future as the country continues to aspire to attain medium income level. The CSP has furthermore remained in line with Government priorities, confirming that the Strategic focus was on the mark.

79. **Greater effort should be made to expand the number and volume of private sector operations in the framework of the High-5.** With limited ADF resources and growing sovereign debt, the expansion of the Bank portfolio requires increased utilisation of ADB private sector funding over the medium term.

80. **The growing portfolio volume requires the need for prioritising larger transformational projects to reduce transaction costs, amount of time for preparation and supervision.** Approvals demonstrate that lending volumes were met, even though the number of projects was less than planned. Selectivity and an intensified focus on large and catalytic operations has the potential to improve development outcomes and to transform the country.

81. **There is need to pay greater attention to project readiness to improve the quality at entry and reduce procurement delays.** Feasibility studies and project designs should be available prior to proposing projects for inclusion in the Indicative Operational Plan. Activities related to land acquisition and compensation of Project Affected People should be completed before submitting appraisal reports to the Board.

82. **Systematic support to executing agencies, through training on the application of Bank rules and procedures improves the quality and speed of implementation.** The Country Office should continue to provide routine training, particularly in project management, procurement and disbursement.

5.2 Lessons related to the Government

83. **Strengthening long term planning and securing land rights well ahead of a project, will reduce the price of acquiring land and the compensation to project affected persons.** Land

acquisition and the establishment of the right of way are often secured during the preparation or even after approval of a project. This leads to implementation delays. Strengthened planning would improve the situation. It could further be considered to acquire wider corridors in urban and semi-urban areas allowing re-sales of land back to the private sector for commercial purposes at a higher value, once infrastructure is in place. This is a method of financing that can improve project feasibility.

84. **Where fiduciary risks are low, quarterly post audits to verify physical progress could be carried out to speed up supplier or contractor payments.** Project Implementation Units have indicated payment delays of 4-12 weeks caused by unavailability of internal auditors.

5.3 Lessons related to development partners

85. **The Bank can do more to utilise internal co-financing funds available from various development partners.** The Bank has been able to forge recent partnerships with development partners on projects in transport and energy. The Bank has not been able to leverage on the internal co-financing funds available, e.g. European Union, France and China. These funds would allow projects to be scaled up, while project procurement can be simplified by having fewer lots.

6 BANK GROUP STRATEGY FOR REMAINING CSP PERIOD

86. The foregoing analysis and the discussions with key stakeholders during the Midterm Review confirm that the strategic thrust of the Country Strategy is aligned with Government priorities. Given the implementation delays, the results-based framework is updated to consider changes to timelines affecting outcomes and outputs.

6.1 Relevance of the Strategy

87. **The Country Strategy remains in line with Uganda’s National Development Plan and Government priorities.** The Bank’s MTR mission met with stakeholders from Government, private sector, and development partners. The discussions confirmed that the strategic focus of the CSP is tailor-made to address Uganda’s most pressing development challenges and that the Bank’s programs support Government’s priorities (Annex 13). It was, therefore, agreed with the authorities that the CSP’s two pillars remain unchanged.

6.2 Strategy Rationale, Objective and Priority Areas

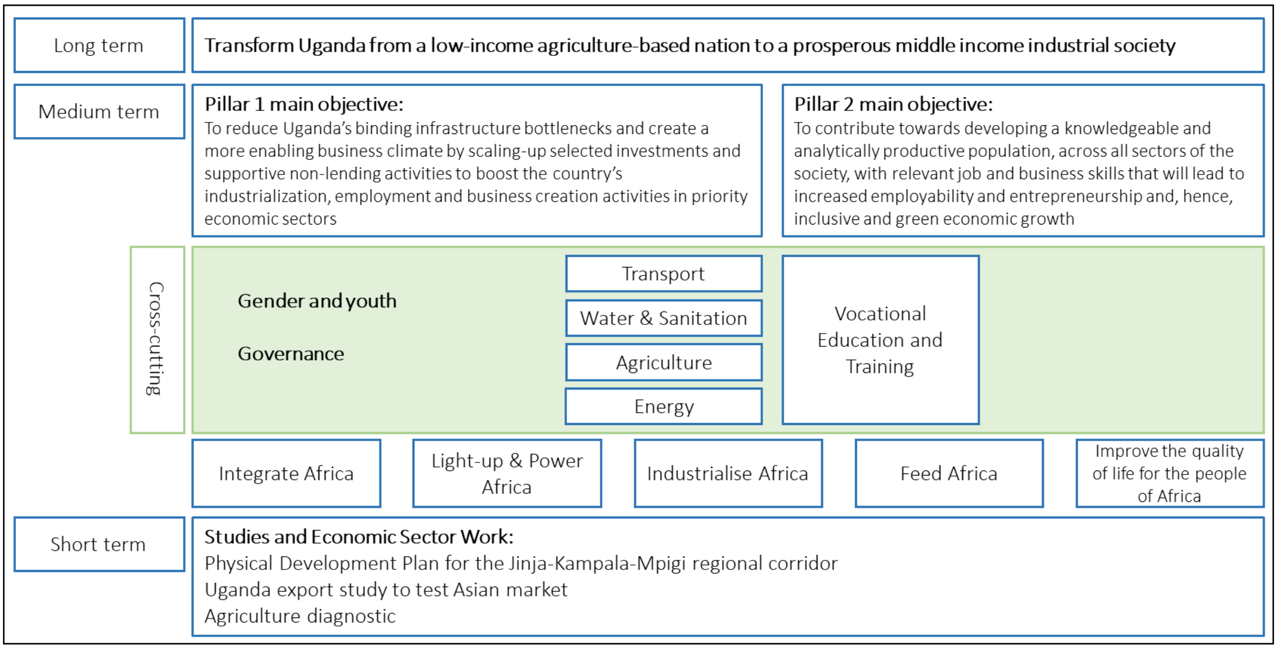
88. Uganda is at its early stages of economic transformation, transitioning from a broadly rural society to a modern urban society. In the wake of ensuring national security, peace and stability, the creation of democratic institutions and key infrastructure are important to further drive social and economic development while institutions take deeper roots in society. During this early period, the Bank has mainly opted to focus on infrastructure using its comparative advantage in connecting the country with the region and increasing people’s access to services.

89. The overarching objective of the CSP continues to be the transformation of Uganda from a low-income agriculture-based nation to a prosperous middle-income industrial society. Vision 2040 and the National Development Plans provides guidance and direction. The Strategy is guided by the 10-year Strategy, the EA-RISP, the operational priorities as elaborated in the High-5, and will focus on addressing Uganda’s infrastructure and human capital development needs, identified as critical enablers for achieving transformation.

6.3 Strategy Outline and Expected Key Results

90. To support Uganda’s overarching development objective, the CSP will maintain the original strategic objective to address Uganda’s infrastructure and human capital needs to reduce the binding

Figure 5: Structure of the Country Strategy.



infrastructure bottlenecks and create a more enabling business climate by scaling up investments to boost industrialisation, employment and business creation. The objective is articulated around Pillar 1: Infrastructure Development for Industrialisation; and Pillar 2: Skills and Capacity Development. Figure 5 provides an overview of the Strategy for the remaining implementation period. The operational focus will remain on the five key areas transport, water, energy, agriculture and skills. The main instruments to be used will be project lending, studies, and the possibility of an institutional support program to improve capacity within the energy sector. Technical assistance will be considered as an integral part of projects to improve project sustainability and build capacity.

91. **Pillar 1:** The main objectives are to reduce the binding infrastructure bottlenecks and create a more enabling business climate by scaling-up selected investments and supportive non-lending activities to boost the country's industrialization, employment and business creation activities in priority economic sectors. The interventions within the pillar will focus on agriculture, transport, water supply and sanitation, and energy.

92. **Transport:** The aim is to develop an efficient and effective road transport network for promoting inclusive and green socio-economic development by increasing businesses and household access to better markets and basic social services; increase the safety of transport services; and improve the human resource and institutional capacity of the sector. Support can include decongestion of urban transport corridors, spatial regional planning, and rural connectivity and access to tourism areas.

93. **Energy:** The aim is to increase access to electricity services by reducing energy production costs and electricity tariffs, to promote industrialization, and inclusive economic growth and development, while increasing renewable energy supply. Areas of relevance include transmission and distribution, institutional development and capacity building. Support to energy supply cooperatives for the expansion of mini-grids could be considered.

94. **Water Supply and Sanitation:** The aim is to improve access to clean and safe water and sanitation facilities of agribusiness centres, industrial parks, business centres and underserved households. The expansion of rural/urban water supply and sanitation remain critical to increase access and reduce health risks associated with unsafe water. Technical assistance to strengthen utility/water kiosk sustainability will be an integral part of support.

95. **Agriculture:** The aim is to transform the sector to unlock its inclusive and sustainable growth and development potential by enhancing production, productivity, value-addition, and marketing activities in the value-chain; and promote greater inclusivity through increasing sector incomes and employment, with a focus on underserved women and youth. The Government expressed the need

to focus on infrastructure for value chain development, which could include rural market access roads, market infrastructure, and climate smart agriculture investments.

96. **Pillar 2**: The objective is to contribute towards developing a knowledgeable and productive population with relevant job and business skills that will lead to increased employability and entrepreneurship, and hence, inclusive and green economic growth. Pillar 2 programs will focus on Vocational Education and Training, namely on business and vocational training institutions and graduates re-skilling programs.

97. **Skills and Entrepreneurship:** The aim is to boost vocational and technical skills for the youth and women to enable them capitalize on emerging formal employment and business opportunities in the priority economic sectors. The development goal is to enhance formal employment and entrepreneurial business opportunities for youth and women. Assistance will be considered for skilling of youth and women to participate in productive sectors of the economy. Consideration will be given to hone in private sector, through business associations, as key players in the creation of jobs. This approach can create strategic partnerships between the private sector and the skills colleges and technical schools.

98. **Financial and Private Sector:** The Bank will continue to support the financial sector where it adds value and can create additionality. Lines of credit is an instrument to that can expand finance to provide affordable long-term financing for SME's for the expansion of businesses, production and to support growth in the economy.

99. The updated Results Framework is provided in Annex 3, and the Country Strategy Performance Matrix, according to the new Bank annotated format, is provided in Annex 13. Both the Strategic Alignment Matrix and the Performance Matrix have been developed to be used for the remainder of the Country Strategy. The Performance Matrix has been updated to reflect outcome and output changes, information collected during the review, and time adjustments taking into account implementation delays and adjusted project timelines.

100. To underpin operations the Strategy will support studies, policy analysis, economic sector work, and project preparation. During the remaining CSP period, non-lending activities will focus on the implementation of the Uganda Export Promotion Board Project and the Physical Development Plan for the Jinja Kampala Mpigi regional corridor. The latter is expected to be completed during 2020 and will be able to inform the Bank about possible infrastructure projects along the corridor. During 2020 the Bank will carry out an Agriculture Diagnostic that will help formulate the strategic focus for the next Country Strategy. In addition to the economic and sector work, inputs will be provided to the annual reporting, the African Economic Outlook, the Country Credit Risk Survey, the Country Performance Institutional Assessment, and the Fragility Assessment.

6.4 Policy Dialogue

101. The Bank will continue dialogue in economic and fiscal developments and the Governments operational priorities. Debt sustainability will be critical, as a reclassification to moderate risk of debt distress will have implications for future Bank lending. Given developments in global interest rates, dialogue on borrowing currency will be conducted. Discussions of blending and co-financing will also be important to maintain as projects are prepared. The Bank will continue to work with other development partners on focusing dialogue on priorities of the next National Development Plan, strengthening involvement in the national budget process, improving oversight and support from working groups, and discussion of strengthening the partnership policy for development cooperation. The Bank will maintain regular discussions on portfolio performance, with a view to address start-up and procurement delays, and fiduciary risk and transparency.

6.5 Financing the Strategy and Indicative Assistance Program

102. Financing for the remaining period of the Strategy will continue to be anchored on ADF. ADF-15 allocations are not available at the time of drafting, but basing on ADF-14, the annual allocation is estimated to UA 50-60 million. Access to the ADF regional envelope will also be considered to leverage on regional projects. As long as Uganda is classified as low risk of debt distress, it will have access to the ADB window for Sovereign Operations. Other resources to be utilised during the

remaining period are co-financing funds such as the *Africa Growing Together Funds*, special funds and trust funds. Parallel funding from development partners and the private sector will remain a funding option.

103. For the final two years of the Strategy, it was agreed to focus efforts on transport, skills and agriculture. Six projects have been identified amounting to UA 266 million. For 2019, three projects are planned for Board submission amounting to UA 179 million. It was further agreed that future project planning should be done based on a rolling pipeline. Going forward the pipeline will be adjusted and agreed annually with the Ministry of Finance, Planning and Economic Development to ensure that Government priorities are fully reflected in the Bank's lending program. The plan will be a 3-year rolling plan. The indicative operational program for the remainder of the Country Strategy is provided in Annex 7.

6.6 Monitoring and Evaluation Mechanisms

104. While the updated Results Based Framework will be the main instrument to monitor the implementation of the Country Strategy, the overall monitoring of the Strategy is anchored on national monitoring and evaluation systems. Furthermore, monitoring of the Strategy and project progress and achievements will be done in cooperation with the Ministry of Finance during quarterly progress meetings and supervision missions. From the CPPR, it was concluded that supervision missions need to focus more on progress in outcomes and impacts. Furthermore, baseline data remains to be established in some Bank-assisted projects. At project completion, overall achievements will be documented and assessed in the project completion reports and in IDEV evaluations, when selected.

6.7 Operational Risks and Mitigation Measures

105. **Fiduciary risk:** Accountability mechanisms remain weak, but are slowly improving as indicated in fiduciary risk assessments and other financial management diagnostics. Operations under the Country Strategy incorporates fiduciary safeguards. Support to capacity building will help mitigate risks.

106. **Institutional risk to deliver services:** Limited funding may lead to poor service delivery affecting living standards, especially for the vulnerable. Protecting social services expenditure will ensure continued provision of social transfers, health, education and water and sanitation. Government monitors social spending as part of its national monitoring.

107. **Implementation capacity risk:** Capacity constraints could cause delays in reform implementation. Cooperating Partners and the Bank have committed to providing capacity building in many areas where weaknesses have been identified. Institution wide capacity building and training is an integrated part of the Banks operations in Uganda.

108. **Transition and fragility risks:** The risk of violence and social breakdown is considered low in Uganda as the country has a relatively high capacity for social and political institutions to manage challenges within a legitimate framework. However, transition risks are associated with: i) poor service delivery, especially in rural areas; ii) political intolerance and exclusion of the media and civil society in political processes and during elections; and iii) relatively high urban youth unemployment. These risks must be addressed over the longer term to reduce the risk of social and political instability. The Bank support aims to diversify the economy and create both rural and urban jobs.

7 RECOMMENDATIONS AND CONCLUSIONS

109. The midterm review confirms that the Country Strategy remains in line with Governments priorities. The Strategy is on track to deliver the planned outputs and the outcomes with the exception of the energy sector that has faced implementation challenges. The analysis shows that the ADF allocation was fully utilised, while the ADB allocation achieved more than planned. The Bank did not manage to utilise internal co-financing funds. However, in terms of parallel funding, the Bank was successful in crowding-in external partners on joint projects.

110. Following the conclusions from the review, the Committee on Operations and Development Effectiveness is invited to consider and approve the Uganda CSP 2017-2021 midterm review.

Annex 1: Summary of Country Strategy and Portfolio Performance Achievements

Dimension and Indicator	Overall	By CSP Area of Intervention	Data source
Effectiveness			
Output			
Output targets achieved at midterm	53%	Transport 100% Agriculture 33% Energy 75% Water 44%	RBLF
Output targets on track to be achieved after midterm	41%	Agriculture 67% Water 56%	RBLF
Output targets off track	6%	Energy 25%	RBLF
Outcome			
Outcome targets achieved at midterm	68%	Transport 100% Agriculture 75% Energy 71% Water 50%	RBLF
Outcome targets on track to be achieved after midterm date	32%	Transport NA Agriculture 25% Energy 29% Water 50%	RBLF
Outcome targets off track	0%	-	RBLF
Cross cutting achievements			
Achievement of gender related outputs and outcomes	100%	Water and Sanitation	RBLF
Achievement of Civil Society Engagement related outputs and outcomes	NA	NA	RBLF
Achievement of environment and climate change related outputs and outcomes	100%	Energy	RBLF
Achievement of non-financing objectives			
Studies, ESW, TA, etc. funded from trust funds	4	Energy, Water, Trade, Planning	SAP, RBLF
Success in generating co-financing from internally managed funds (no. of projects)	0		ODD
Success in generating parallel financing (no. of projects)	3	Transport UA 149m Finance UA 7.2 m Energy UA 217 m	ODD
IPR			
Average IPR IP rating (SO)	3.18	Transport 3.0 Agriculture 3.5 Energy 3.3 Water 3.5 Social 3.0	SAP
Average IPR DO rating (SO)	3.00	Transport 3.0 Agriculture 3.0 Energy 3.5 Water 3.0 Social 2.8	SAP
Efficiency in Portfolio Implementation			
Time and process efficiency			
Flagged portfolio at strategy entry	18%	June 2017	ODD
Flagged portfolio at strategy exit	26%	June 2019	ODD
Average approval to signature time (in months)	7.7	All projects	ODD
Average approval to first disbursement time (in months)	7.2	All projects	ODD
Overall disbursement ratio	26.8%	June 2019	SAP
Fulfilment of reporting requirements			
PCR delivery	100%		ODD
IPR delivery	100%		IPR
Project Supervision (2 times a year)	100%		IPR
CPPR midterm	100%		CPO
CPIP implementation rate	80%		CPO

Annex 2: Analysis of Outcomes and Outputs at Midterm

The table below is an extract from the original Uganda CSP 2017-21 Results Framework, demonstrating the target with the most recent achievements.

Outcome		Outputs	
Target	**Most recent**	**Planned**	**Achieved at project level**
Transport			
50% of road network in Kampala in fair to good condition;	No data	50 km of Kampala City roads constructed.	No data
22% of national road network paved, estimated road density of 70km/1,000sq.km	23%	Construct 50 km of national roads	82.5 km of roads constructed
Reduction in road traffic injuries/ fatalities; 25 fatalities per 10,000 vehicles on national road network	20 (mid-2019)	Training of 50 nationals, comprising 50% women, in transport related areas	No data
National roads service level (minutes/km) on 1.1	No data		
Agriculture			
10% increase in marketable agricultural produce	5.37%	1,500 km of access roads constructed	2,906 km
5% increase in farm gate prices	20.5%	5 Urban Markets constructed	11 markets construction work ongoing
10% increase in rice production	14.20%	2 large scale irrigation schemes constructed	5 irrigation schemes construction works ongoing
10% increase in maize production	13.08%	Number of farmers (50% women) accessing improved farm inputs	No data
A reliable input delivery system established and functional	No data	Number of farmers and value chain operators (50% women) accessing agriculture loans	No data
15% increase in commercial funds available for agricultural lending	No data	Number of businesses in the agriculture value chain	No data
10% increase in businesses in the agriculture value chain	No Data		
Energy			
Total electricity access increases from 14% (2016) to 30% (2020)	29% of dwellings have access to electricity (Uganda DHS 2016)	Restructuring of the Bujagali Energy Ltd debt	Achieved
Increase power generation to 780-820 MW (2016) from 280-330 MW (2011)	1,179 MW as of Q1 of 2019	A 516 km double circuit transmission lines; and associated substations	226 km completed (66 km of Mbarara-Mirama and 160 km Mbarara-Nkenda Line
Reduce power losses from 40% (2005) to 16% (2024)	18.1% (15% distribution & 3.1% Transmission losses) as of 2018.	220,000 new consumers connected to the national grid	360,000 connected from 2016 to 2018
Bring down average Bujagali tariff from (current estimate) 10.7 to 8.2 US-cents/kWh	Bujagali's average tariff reduced to 7.79 US-cents/kWh in the last 6-months of 2018	Provide up to USD 250 million in 15-year debt or provide a partial credit guarantee that will support BEL raise up to USD 250 mn of the new long-term debt from institutional investors.	USD 105 million senior loan provided. USD 300 million raised from other investors
The overall end user tariff from 15 to 13.5 US-cents/kWh.	Overall end user tariff reduced from 15 to 14 US cents/kWh		
Increased the share of renewable energy in Uganda to 90%	Renewable energy increased to 94% of total energy		
Doubled efficient use of water from Lake Victoria and offset 880,000 tons of CO_2 per year.	Based on production of 1667 GWh this displaces 1,178,821 tons of displaced CO_2		

Outcome		Outputs	
Base Year	**Most recent**	**Base Year**	**Most recent**
Water and Sanitation			
Urban population with access to safe drinking water (77%)	77% (2018 Sector Review)	No. of town water supply schemes constructed/rehabilitated (+10)	13 towns implemented
Urban people with access to improved sanitation (household) (88%)	87%, using the SDG definition, which focusses on safely managed and not shared facilities, the indicator is 36%	No. of solar mini-water supply schemes constructed for peri-urban community (+10)	30 schemes implemented
Urban people with access to (and using) hand washing facilities (households) (40%)	37% (2018 Sector Review)	Total water production capacity (10,000m3/day)	Add. funds – 90,000 m^3
Students in urban areas with access to (and using) hand washing facilities (schools) (37%)	40%	No. of regional faecal sludge treatment facilities constructed (2)	Kayunga FSP 100%. On-going at Nakasongola (45%) and Kiboga (75%)
Functionality rate of urban water supplies systems (95%)	93% (2018 Sector Review)	No. of cesspool emptiers / vacutags procured for faecal sludge haulage (+4)	3 cesspools delivered
Water points with actively functioning water and sanitation committees (85%)	89%	No. of gender-segregated & disabled-friendly public sanitation facilities constructed including schools / institutions (+15)	Add. funds - 132 blocks of 6 stances each. WSSP II, 16 blocks of 6 stances
		No. of Water Service Boards (with at least 33% of woman at the executive level)/ assisted to procure Private Water Operators (+3)	WSSP II – 10 boards
		No. of mobile urban water testing equipment procured (+7)	1 mobile unit capable of testing over 15 parameters
		No. of motorcycles procurement for schemes to support O&M activities (+12)	25 motor cycles
Skills and Entrepreneurship			
Craftsmen and artisans qualified to work in oil and gas, increase from 800 to 22,500	No data	3 Public Vocational Training Institutions upgraded and accredited internationally	No data
		Craftsmen and artisan skills upgraded and certified internationally: - 2,500 level 1 qualification - 5,000 level 2 qualification - 1,000 machine operators trained and certified	No data
		- 100 trainers internationally certified (35% female trainers and assessors) - 60 assessors and verifiers trained and internationally certified (20% female)	No data

Note: Green indicates achieved, Yellow to be achieved by end of project, and red will not be achieved. No data, grey, indicates that data is unavailable as the project or program has not yet been initiated.

Annex 3 Updated 2017-2021 Country Strategy Results Framework

Country Development Goals	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Bank Group Interventions during CSP Period (on-going and proposed)
		Outcomes	Outputs	
PILLAR 1: INFRASTRUCTURE DEVELOPMENT FOR INDUSTRIALISATION				
TRANSPORT				
Develop adequate, reliable and efficient multi modal transport network Increase safety of transport services Improve the human resource and institutional capacity of the sector	Low proportion of paved road network; and Low proportion of network in good condition.	- 50% of Kampala City road network in fair to good condition. - 25% of national road network paved; - 95% national paved road network in fair to good condition - 10% reduction in congestion in Kampala (current average is 38 min from home to work)	- 130 km of national paved roads constructed from 2019; - 121 km of Kampala City roads rehabilitated (by 2023)	**Ongoing:** - RSSP IV - RSSP V - Kapchorwha-Suam Road - Busega-Mpigi Expressway - Kampala-Jinja Expressway **Planned**: - Kampala City Road Rehabilitation - Kabale-Lake Bunyonyi & Kisoro-Mgahinga Road Upgrade Project
	Poor road safety record	- Reduction in road accident fatalities per 10,000 vehicles to 20	- Establishment of road safety unit - Road Act amended	
	Inadequate skills and weak legal and regulatory framework to ensure compliance to standards		- Training of 150 nationals, comprising 50% women, in transport sector related areas	
AGRICULTURE				
Enhance Agricultural Productivity, Value Addition, and Marketing	Connectivity Problems between high production areas and final markets	- 20% increase in marketable agricultural produce - 10% increase in farm gate prices	- 3,000Km of access roads constructed - 11 urban markets constructed	**Ongoing:** - Markets and Agricultural Trade Improvement Programme (MATIP-2); - Farm Income Enhancement and Forest Conservation Programme (FIEFOC-2); - Agricultural Value Chains Development Programme 1&2; **Planned:** - Climate Change Smart Agricultural Project - CAIIP-4
	Dependency on Rain Fed Agriculture	- 20% increase in rice and Maize production	- 5 large scale irrigation schemes constructed	
	Limited availability of improved farm inputs.	- Increase the percentage of farmers accessing input, and ultimately increasing yield	- No. of farmers (50% Women) accessing improved farm inputs (seed and fertiliser)	
	Limited Access to Agricultural Finance	- 30% increase in commercial funds available for Agric lending	- No. of farmers and value chain operators (50% women) accessing agricultural loans	
	Limited Value Addition, lack of storage facilities, and weak regulatory services.	- 20% increase in businesses in the agricultural value chain.	- No. of Businesses in the agricultural value chain.	
WATER AND SANITATION				
Improving access to water and sanitation in rural and urban areas	Insufficient funding to accelerate water supply and sanitation coverage in the water stressed areas due to high investment requirements;	- % urban population with access to safe drinking water (90%) - % of urban people with access to improved sanitation (household) (95%)	- No. of town water supply schemes constructed/rehabilitated (+30) -No. of solar mini-water supply schemes constructed for peri-urban community (+40) -Total water production capacity (50,000m3/day) - No. of regional faecal sludge treatment facilities constructed (7) - No. of cesspool emptiers/vacutags procured for faecal sludge haulage (+12)	**Ongoing:** - Kampala Sanitation Project, supplementary loan SP, Additional funds to WSSP I - Strategic Towns Water Supply and Sanitation Project 2 **Planned:** - WSSP 2 - Proposed STWSSP

Country Development Goals	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Bank Group Interventions during CSP Period (on-going and proposed)
		Outcomes	Outputs	
			- No. of gender-segregated & disabled-friendly public sanitation facilities constructed including schools / institutions (+60)	
	Unplanned settlement patterns	- % of urban people with access to (and using) hand washing facilities (households) (50%) - % of students in urban areas with access to (and using) hand washing facilities (schools) (50%)	- No. of Water Service Boards (with at least 33% of woman at the executive level)/ assisted to procure Private Water Operators (+10)	
	- aging water supply systems that are due for overhaul	- Functionality rate of urban water supplies systems (95%) - % of Water points with actively functioning water and sanitation committees (CSI) (95%).	- No. of mobile urban water testing equipment procured (+16) - No. of motorcycles procurement for schemes to support O&M activities (+32)	
ENERGY				
Improve electricity access and enhance its affordability and accessibility	- Low electricity coverage in rural areas - High connection charges - High losses in distribution and transmission lines	- 30% of population with access to electricity at the national level - 26% of rural population with access to electricity - Improved financial performance of distribution and transmission companies	- 1,147 km of medium-voltage lines constructed - 808 km of low-voltage lines constructed - 164,077 new customers connected to the grid in both rural and urban areas - Power losses through transmission, distribution and collection decreased from 18.1% to 16.3%.	**On-going:** - Rural Electricity Access Project - Decentralised Renewables Development Program - Wind Resource Map & Pilot Wind Power Development Program
		Support low-carbon development pathway, reduce energy poverty and increasing energy security. Electricity output from renewables 125 GWh per year (2020 target); Avoided GHG emissions (tons CO_2 per GWh) from SREP interventions. 163 tons per year (2020), (0 in 2016).	Increase supply of renewable energy electricity output in 2020: Solar – 0.95 GWh, Wind – 43.8 GWh (0 in 2016). Draft Wind Resource Map including Investment Strategy Draft Net Metering Policy	
PILLAR II: SKILLS AND CAPACITY DEVELOPMENT				
Develop an economically productive and knowledgeable population, with relevant skills and entrepreneurship capacity which will lead to employability and economic growth across all sectors of society.	- Low level of funding to vocational education - Capacity constraints in the vocational training institutions and low level of staffing in terms of technical trainers - Inadequate technical teachers to enhance skills training - Poor facilities for advanced research in science and technology affecting high tech-research and innovation - Secondary education curriculum absent technical and business subjects	Craftsmen and artisans qualified to work in oil and gas, increase from 800 to 22,500	3 Public Vocational Training Institutions upgraded and accredited internationally Craftsmen and artisan skills upgraded and certified internationally: - 2,500 level 1 qualification - 5,000 level 2 qualification - 1,000 machine operators trained and certified - 100 trainers internationally certified (35% female trainers and assessors) - 60 assessors and verifiers trained and internationally certified (20% female)	**Ongoing:** Legacy Projects **Planned Operations:** Skills in craftsman for the Oil and Gas Industry

Annex 4: Project Status and Changes

Year	Planned Project in Country Strategy Pipeline	Status and changes
PILLAR I: INFRASTRUCTURE DEVELOPMENT		
1.1 TRANSPORT		
2017	Kampala - Jinja Expressway	Approved 30 October 2018
2018	Kampala City Road Rehabilitation	To be submitted to Board in 2019
2019	Upgrading of Ikumba - Kanungu - Buhoma Road	Replaced with Kabale-Lake Bunyonyi & Kisoro-Mgahinga Road Upgrade Project
2020	Upgrading of Kikorongo - Katurugu - Ishasha Road	Replaced with Namaguba-Budadiri-Nalugugu Road Project
2020	Muko Katuna Road Project	Added in 2019
2021	Laropi Moyo Sudan Road Project	Added in 2019
1.2 AGRICULTURE		
2017	Agricultural Value Chains Development Programme (Phase I)	Approved 12 November 2017
2018	Infrastructure for Agricultural Value Chains Development Project	Replaced with CAIP IV to be approved in 2020
2019	ENABLE Youth Program	Abandoned due to limited ADF allocation
2019	PPCR Drought Resilient Agriculture Development Project - Climate Change Smart Project	To be submitted in 2020
2020	Agricultural Value Chains Development Programme (Including Irrigation) – Project 2	To be submitted in 2022
2011L	Community Agriculture Infrastructure Improvement Project III	Completed in 2017
1.3 WATER AND SANITATION		
2018	Strategic towns water supply and sanitation project	Approved 12 December, 2018
2018	Angololo irrigation Development and water shed management project	Abandoned, project replaced with Supplementary Funds to Kampala Sanitation Project, approved 12 December 2017
2011L	Water Supply and Sanitation Program	Completed in 2017
2013L	Kawempe Urban Poor Sanitation Improvement Project	Completed in 2017
1.4 POWER		
2008L	Mbarara-Nkenda & Tororo-Lira Transmission Lines Project	Completed in 2018
PILLAR II: SKILLS AND CAPACITY DEVELOPMENT		
2.1 VOCATIONAL TRAINING		
2018	Support to Technology and Vocational Training Project.	Project Replaced with Skills Development in the Oil and Gas Industry to be submitted to the Board in 2019
2020	Support to youths' skills training for employability, and enhancement of technology in secondary education. Programme	Abandoned
2.2 PRIVATE SECTOR		
2017	Bujagali Energy Limited (loan refinancing)	Approved 17 November 2017
2018	LOC to the Uganda Development Bank	Approved 20 July 2018
2018	UPF Accommodation PPP Project, potential participation of PTA Bank, GOU, Ahadi Consortium	Abandoned
2.3 MULTINATIONAL		
2017	Kapchorwa-Suam-Kitale and Eldoret Bypass Road Project	Approved in March 2017 using ADF-13 allocation
2018	Atiak-Lalopi Road	Abandoned
2018	8th Line of Credit (LOC) to the East African Development Bank – USD40M	Abandoned
2020	Uganda/South Sudan: Karuma-Olwiyo-Nimula-Juba Interconnection Project	Energy transmission not a priority for the remainder of the CSP

Note: L = legacy projects

Annex 5: Regional indicative assistance plan – 2018-2022

The table below is an excerpt from the Regional Integration Strategy Paper 2018-2022, providing a list of identified projects that affect Uganda.

Sector	Project	Amount, UA mn	Source	Co-financing	Potential co-financier	Status
Transport	Multinational Masaka – Mutukula road in Uganda (89 km) and the Mutukula – Kyaka (30km) / Bugene – Kasulo road in Tanzania (124 km)	243.0	ADF			Feasibility Study funded through NEPAD IPPF on-going. Further action dependent on outcome
Transport	Construction of Kampala Jinja Expressway	252.1	ADF	590.0	AGTF, PPP (500), AFD (90)	Approved, awaiting Parliamentary Ratification
Energy	Masaka (Uganda)-Muwanza (Tanzania) Transmission line -(220kV)	93.0	ADF	22.0	EU-project in RIP	No funding from the Bank
Energy	Uganda - South Sudan 400 kV interconnection project	TBD	TBD			Not yet funded
Energy	Uganda-Tanzania-oil-pipeline-products study	1.2	IPPF			Not yet funded
ICT	Interconnect government owned optical fibre backbone networks (Burundi, Kenya, South Sudan, and Uganda)	11.0	ADF, ADB			Not yet funded
ICT	Construct cross-border backbone ICT interconnection stations at 8 EAC common borders (Kobero, Akanyaru, Gatuna, Mutukula, Malaba, Nimule, Nadapal, Namanga)	2.0	ADF			Not yet funded
Water	Feasibility study for the transboundary faecal sludge management among urban poor populations around Lake Victoria	1	AFW			On-going, study only covers Uganda
Water	Water supply & sustainable sanitation in towns around Lake Victoria (Uganda, Kenya, Tanzania, Rwanda, Burundi)	TBD	TBD			Not yet approved. To be informed by outcome of feasibility study above.
Water	Angololo (Uganda/Kenya) and Akanyaru (Burundi/Rwanda) multipurpose water resources development projects-NELSAP	1.5	Trust Funds			Not yet funded
	Nutrition support project in pastoralist areas (PANP) – IGAD: Ethiopia, Djibouti, Kenya, Sudan, S. Sudan, Somalia, & Uganda	TBD	TSF			No information received

Source: Regional Integration Strategy Paper 2018-2022.

Annex 6: Plan for Economic and Sector Work

Adjusted Plan for remainder of Country Strategy

Analytic Work Title	Sectoral scope	Alignment to Bank Corporate Strategies ("Flagships", "Enablers", etc.)	Requesting Ministry/ Agency	To be undertaken by COUG	Finance required
2018-19: Uganda Export Promotion Board	Cross-cutting			COUG	Fully funded
2019-20: Regional Physical Development Strategy and Plan for the Jinja-Kampala-Entebbe Corridor	Cross-cutting	*Integrating Africa* The Jinja-Kampala-Entebbe regional development corridor is one of the most economic active regions within the country. The region has no coherent physical development strategy and plan to guide and attract future development and investments to the region. The objective of the Strategy and Plan is to achieve orderly physical development by providing information on the development potential of the region through deep analysis of the potential for economic activities in the region, various thematic background papers on relevant sectors, areas of physical development in terms of industry, commercial, residential, recreational, environmental, etc. , providing detailed maps of the various areas. The work will be established in line with the Uganda Vision 2040 that already mentions Kampala and Jinja as key priority urban agglomerations.	Ministry of Lands, Housing and Urban Development	COUG	Fully funded
2020: Agriculture Diagnostic	Cross-cutting			COUG	USD 100,000 Financing to be sourced through corporate budget

Original Plan

Analytic Work Title	Sectoral scope	Alignment to Bank Corporate Strategies ("Flagships", "Enablers", etc.)	Requesting Ministry/ Agency	To be undertaken by COUG	Finance required
		ECONOMIC			
Studies					
1. Macroeconomic and Inclusive Green Growth Planning in Uganda	Cross cutting	Feed Africa, Light up and Power Africa; Improve the livelihood of African People The general objective of this study is to enhance the capacity of planners in Uganda which is highlighted as a key impediment to the development and implementation of inclusive green growth strategies. It will also enable policy makers to study the effects of different environmental shocks on the economy and the implied benefits of adopting specific adaptation measures. The study will be used to enhance assess the opportunity costs of adopting various policy reforms to enhance inclusive green growth strategies. Since all economic sector policies will be scrutinized, the study is aligned with several corporate strategies highlighted above.	National Planning Authority	COUG	USD 20,000
2. Economic cost of project implementation delays in Uganda, focusing on Infrastructure Sector	Cross cutting	*Integrating Africa and improve the quality of* life Over the last five years, Uganda has experienced delays in project execution of public infrastructure projects in roads and energy construction. The IMF 7th PSI review estimates an under execution of expenditure in hydro-power projects to the tune of 2.4% of GDP in FY 2016/17. This paper will assess the magnitude and cost of project implementation delays	The study is programmed in the CSP 2017 - 2021	ECMR/RDGE /COUG Consultant	USD 200,000
3. An assessment EAC's Economic Free Zone competitiveness, and development of the Uganda's Free Zone Strategy	Cross cutting	*Industrialise Africa and improving the quality of life* Uganda has set out to promote the development of 10 (2 public and 8 private) Economic Free Zones and license at least 100 Operators; facilitate the growth in actual investment to the tune of US$1 billion; increase export earnings by US$ 1billion. Free zones are expected to create 2,500 new direct jobs and 500,000 indirect jobs. Pre-feasibility and feasibility studies to inform the Authority on the economic, social, environmental and financial viability of the Zone will be required. Similarly, a Free Zone strategy document; and a Study on EAC's Economic Free Zone Competitiveness, will be undertaken to recommend options for Uganda.	The Uganda Free Zones Authority	ECMR/RDGE / Consultant	USD 500,000 Applied for funding from the Korea Technical Cooperation Fund (KOAFEC), however the request was not approved by the Korean Government

Analytic Work Title	Sectoral scope	Alignment to Bank Corporate Strategies ("Flagships", "Enablers", etc.)	Requesting Ministry/ Agency	To be undertaken by COUG	Finance required
4. Study on Agricultural export potential to DRC market	Cross cutting	*Feed Africa and Integrating Africa* Uganda is harnessing its exports potential to spur growth. Owing to the conflict in S. Sudan which has been Uganda's key export destination, this has affected export volumes. This study will explore strategic agricultural export potentials to new export destinations like DRC to improve the balance of payment.	MAAIF/ Ministry of East African Affairs	ECMR/RDGE /Consultant or Economist	USD 99,500
Policy Advice					
5. Policy instruments effectiveness in promoting private investment and value addition in the Agriculture sector Medium term borrowing options for Uganda	Cross cutting	*Feed Africa, and Industrialise Africa* Uganda's exports largely comprises of primary commodities. The NDP2 has identified industrialization and export oriented growth through value addition and agro processing as a strategy for achieving middle income country status. This study will explore policy options for promoting investments in value additions for sustainable development.	MAAIF The study is envisaged in the CSP 2017 - 2021	ECMR/RDGE /COUG	Finance required. TBD
SECTORAL					
Studies					
6. Undertake a value chain analysis of Job creation	Cross cutting	*Jobs for Youth Strategy* One of the structural challenges facing the country is the skills mismatch between the education sector and the skills required by employers largely in the private sector. This study will look at the cost of skills produced by the Education sector, and assess which types of skills facilitate the transition from tertiary (BTVET, University) to the labour market.	National Planning Authority	ECMR/RDGE /Consultant	Financing required. TBD
7. Study on what it will take to have Iron and Steel Industry in Uganda	Mining	*Industrialise Africa* Uganda intends to industrialise by exploiting its steel and Iron minerals discovered in south western district of Kabale. Evidence based analysis on cost of infrastructure, and production financing will be necessary to establish the cost.	National Planning Authority	ECMR/RDGE /Consultant	Financing required. TBD
8. Roads Infrastructure in Flagship Study	Transport /Roads	*Improving the quality of life and Integrating Africa* Study will look at how to improve the internal rate of returns on roads for Uganda's economic transformation	Ministry of Transport, UNRA	ECMR/RDGE /Consultant	Financing required. TBD
9. Analytical work towards supporting the roll out of the implementation of the National Health Insurance Plan	Health	*Improving the quality of life* The Uganda health financing strategy proposes mandatory health insurance, as the main mechanisms for providing financial risk protection. Under the proposed health financing architecture, formal sector workers will be covered through social health insurance (SHI), while informal sector workers will be covered through community based health insurance schemes (CBHIs) and private health insurance. It is envisaged that the SHI and CBHIs will merge into a national health insurance in the medium to long-term, where all health insurance contributions and tax funding will be pooled. As the governments prepares to roll out these reforms over the coming years, there is need to generate sound evidence from analytical work to help the government to make the right strategic decisions (the exact piece(s) of work still being determined by a working group	Ministry of Health	ECMR/RDGE /Consultant	Financing required. TBD

Annex 7: Indicative operational program 2020-2022

Year	Project Name	Sector	Financing Source (Million UA)				
			ADB Public	AGTF	ADF	Climate Funds	Total
PILLAR I: INFRASTRUCTURE DEVELOPMENT							
1.1 TRANSPORT							
2019	Kabale-Lake Bunyonyi & Kisoro-Mgahinga Road Upgrade Project	Transport			30.9		30.90
2019	Kampala City Road Rehabilitation	Transport	197.8			1.4	199.2
2020	Namaguba-Budadiri-Nalugugu Road Project	Transport	30.0				30.0
2021	Muko Katuna Road Project	Transport	60.0				60.0
2021	Laropi Moyo Sudan Road Project	Transport	30.0				30.0
2022	Kikorongo-Katungu-Ishaha Road	Transport	60.0				60.0
1.2 AGRICULTURE							
2020	PPCR Drought Resilient Agriculture Development Project - Climate Change Smart Project	Agriculture				40.0	40.0
2020	Agriculture Infrastructure Improvement Program (CAIIP-4)	Agriculture			60.0		60.0
2022	Agricultural Value Chains Development Programme (Including Irrigation) – Project 2	Agriculture	60.0		30.0		90.0
1.3 WATER AND SANITATION							
2020	Water and Sanitation Program Phase III	Water			65.0		65.0
2021	Lake Victoria Water and Sanitation Project Phase III	Water			21.2		21.2
PILLAR II: SKILLS AND CAPACITY DEVELOPMENT							
2.1 VOCATIONAL TRAINING							
2019	Training of Artisans in Oil and Gas Sector Project	Skills & Capacity Development			14.0		14.0
	Total		**437.8**		**221.1**	**41.4**	**700.3**

Annex 8: On-going Uganda portfolio

No.	Project Description	Approval	Signature	Effect.	First Disb.	Approval to sign (m)	to First Disb. (m)	Approved Amount UA mn				Net Comm. (UA mn)	Disb. (UA mn)	Disb. (%)	Age (m)	IP	DO	Last Disb.	Project Task Manager	Status
								ADB	ADF	Other	EU									
A. AGRICULTURE																				
1	Markets and Agricultural Trade Improvement II (MATIIPII)	10/12/2014	28/07/2015	02/10/2015	16/11/2015	7.7	3.7	57.79				57.79	19.25	33.3%	55.4			30/06/2020	Niwagira Asaph	ongoing
2	Lake Edward Integrated Fisheries & Water Resources Mgt Project	20/05/2015	27/01/2016	11/05/2016	26/07/2016	8.4	6.0		5.00			5.00	3.08	61.6%	50.1			30/06/2021	Makonnen	ongoing
3	Preparation for Strategic Plan for Climate Resilience	17/03/2016	14/07/2016	19/09/2016	17/10/2016	4.0	3.2			1.11		1.11	0.73	65.8%	40.0	3.50	3.00	28/04/2020	Siham Muhamed	extended
4	Farm Income Enhancement and Forestry Conservation Project II	20/01/2016	17/02/2016	12/04/2016	31/05/2016	0.9	3.5	54.41				54.41	19.78	36.4%	41.9			30/06/2021	Makonnen	ongoing
5	Agriculture Value Chain Development Program	11/12/2017	25/10/2018	07/12/2018	01/03/2019	10.6	4.2		57.00			57.00	0.16	0.3%	19.8			30/09/2023	Nuwagira Asaph	ongoing
Agriculture - Sub Total												**175.31**	**43.00**	**24.5%**						
B. TRANSPORT																				
6	Road Sector Project IV (Kigumbba Masindi Rd) 135 KM	13/03/2013	11/12/2013	08/08/2014	21/10/2015	9.1	22.6		72.94			72.94	21.42	29.4%	76.7			30/06/2021	Katala Jumbe	ongoing
7	Multinational Uganda/Rwanda-Busega -Mpigi Express Highway	22/06/2016	29/12/2016	06/03/2017	21/03/2017	6.3	2.7	64.44	42.50			106.94	0.32	0.3%	36.8			31/12/2021	Katala Jumbe	ongoing
8	Kapchorwa-Suam-Eldoret Bypass	29/03/2017	19/01/2018	24/10/2018	13/11/2018	9.9	9.9	27.35	41.46			68.81	7.97	11.6%	27.4	3.00	3.00	31/12/2022	Katala Jumbe	ongoing
9	Road Sector Project V	28/05/2014	03/02/2015	26/08/2015	19/05/2016	8.4	15.7		70.00			70.00	17.98	25.7%	62.0			31/12/2020	Katala Jumbe	ongoing
10	Kampala Jinja Expressway	31/10/2018	30/08/2019			10.1		164.40				164.40			8.1					
Transport - Sub Total												**483.09**	**47.69**	**9.9%**						
C. WATER																				
11	Kampala Sanitation Project Supplementary Loan	15/12/2017	19/04/2018	08/06/2018	10/07/2018	4.2	2.7		19.00			19.00	12.90	67.9%	18.7			30/04/2020	Mbiro Andrew	ongoing
12	Water Supply and sanitation program Phase 2	03/02/2016	03/03/2016	11/05/2016	19/07/2016	1.0	4.6		65.80			65.80	51.07	77.6%	41.4			30/06/2021	Mbiro Andrew	ongoing
13	Additional Funds to Water Supply and Sanitation Program	03/04/2015	30/04/2015	18/09/2015	18/10/2015	0.9	5.7				5.84			100.0%	51.6	3.50	3.00	30/06/2019	Mbiro Andrew	closed
14	Strategic Water Supply & Sanitation Project	20/06/2018	04/02/2019	13/05/2019	10/07/2019	7.6	5.2		44.00			44.00	-	0.0%	12.5				Mbiro Andrew	ongoing
15	Study on Sludge Management in Unsewered Urban Centres		14/05/2019												1.6				Ntege Maureen	ongoing
Water and Sanitation - Sub total												**128.80**	**63.97**	**49.7%**						
D. SOCIAL																				
16	Rehabilitation of Mulago and KCC Clinics	06/07/2011	11/01/2012	02/07/2012	28/08/2012	6.3	7.7		46.00	10.00		56.00	54.13	96.7%	97.2			31/12/2019	Ogwang Peter	ongoing
17	East Africa's Centre of Excellence for Skills	03/10/2014	06/10/2015	01/02/2016	16/02/2016	12.3	4.4		22.50			22.50	7.39	32.8%	57.7	3.00	2.75	31/12/2019	Ogwang Peter	extended
18	Education V Project (HEST)	21/11/2012	05/07/2013	18/11/2013	19/02/2014	7.5	7.6		67.00			67.00	54.70	81.6%	80.4			31/12/2019	Ogwang Peter	ongoing
Social - Sub Total												**145.50**	**116.22**	**79.9%**						
E. ENERGY																				
19	Rural Electricity Access	16/09/2015	04/11/2015	12/02/2016	25/05/2016	1.6	6.8	70.92			10.19	81.11	4.35	5.4%	46.1			31/12/2020	Alemayehu Wubushet	ongoing
20	Supplementary Loan to NELSAP Interconnection Project	15/11/2016	27/07/2017	16/10/2017	30/08/2018	8.5	13.3	5.84				5.84	0.49	8.4%	31.9			30/06/2019	Alemayehu Wubushet	closed
21	Decentralized Renewable Development Program	30/03/2017	19/03/2018			11.8				1.64		1.64	-	0.0%	27.4	3.50	3.26	21/12/2020	Andrew Muguwa	ongoing
22	Project Preparation Grant wind Resource MAP and PILOT	03/09/2016	19/03/2018			18.7				1.36		1.36	-	0.0%	34.3			21/12/2020	Andrew Muguwa	ongoing
Energy - Sub total												**89.95**	**4.84**	**5.4%**						
F. ICT																				
23	Lake Victoria Maritime Project	24/10/2016	19/01/2018	20/04/2018	22/08/2018	15.1	7.2	10.21				10.21	0.82	8.0%	32.6			04/03/2021	Enock Yonazi	ongoing
ICT Projects- Subtotal												**10.21**	**0.82**	**8.0%**						
GRAND TOTAL FOR PUBLIC SECTOR OPERATIONS												**1,032.86**	**276.54**	**26.77**				**Last updated: 30 June 2019**		

Annex 9: 2019 Country Portfolio Implementation Plan

Issue	Required Actions	Implementing Authority	Monitoring Indicator	Baseline (2018)	Time frame	Target	Status
1. Start-up delays							
1.1 Adoption of the readiness filter to reduce project start up delays	1. Project implementation plans should be ready – improve budgeting/disbursement plan 2. Counterpart funds for 1st year should be available 3. Designate key staff during project appraisal (i.e. project manager, procurement specialist, financial management specialist and M&E specialist) 4. Compliance with environmental, social, financial management & procurement regulation 5. Bidding documents should be ready before Board – advance contracting 6. Projects should be designed with appropriate indicators for tracking results	GoU	All newly approved projects to adopt the readiness filter	0	2018/19	4	ongoing
1.2 Delays in loan ratifications	All loans to be ratified within 3 months after approval	MoFPED	No. of projects effective within three months after approval	13 months	Continuous	3 months	No new loans approved in Q1 and Q2 2019
1.3 Slow implementation of Resettlement Action Plan (RAP)	1. GoU to provide adequate budget to the relevant implementing agencies pay for compensation on time. 2. Implementing agencies should explore the use of easement letters to secure RoW where there are disputes/challenges to the ownership of land. 3. Follow the agreed monitoring and evaluation system to supervise and assess progress of implementation of the RAP and update the monitoring system where relevant.	GoU EA	Effective implementation of the RAP as soon as the Reports are cleared by the Bank.	0	Continuous	All newly approved projects	Ongoing
2. Procurement Delays							
2.1 Delays in contract implementation resulting to cost overruns	Closer monitoring of the procurement activities and level of compliance with targets set in the procurement plans and regular update of those plans.	EA	% of activities completed on schedule	0	Continuous	All ongoing projects	Ongoing
2.2 Lengthy whistle blowing process	Amended procurement law to address the issue of whistleblowing	GoU	No of projects with incidences of whistle blowing reduced	4	2018/19	0	
2.3 Delays in getting 'No Objections' from the Bank on the Bid Evaluation Reports	Bank to issue timely 'No objections' to fast-track implementation	Bank	Reduce the time between receipt of complete documentation and communicating the Bank's decision to a maximum of 15 working days.	15	2018/19	8 days (Av. 5 days)	The average turnaround response time has been 5 days with projects submitting full documentation

Issue	Required Actions	Implementing Authority	Monitoring Indicator	Baseline (2018)	Time frame	Target	Status
2.4 Delays in submitting Bid Evaluations from the EA's	EA to reduce the turnaround in processing the BER to fast track implementation	EA	Reduce the time between bid opening and submission of bid evaluation report to AfDB to a maximum of 21 calendar days.	90	2018/19	21 days (Av. 40 days)	The average time taken from bid opening to submission of BER is 40 working days.
3. Delays in processing disbursement applications							
3.1 Long hold-up of disbursement applications with the EA's	EA's speed up the processing of invoices to avoid delays	EA's	Reduce the time between receipt of invoices and submitting disbursement request to the Bank to maximum of 21 working days	0	Immediate and continuous	21	On average, submission of invoices to the Bank took 3 months.
3.2 Delays in replenishment of special account and processing direct payment	Bank to accelerate processing of the disbursement requests for both Direct Payments and Special Accounts	Bank	Reduce the time between receipt of disbursement requests with complete documentation and processing payment to a maximum of 15 working days for direct payment; and Maximum of 21 working days for replenishment of special account.	0	Immediate and continuous	15 days for Direct payment and 21 days for special accounts	For Direct payment the Bank took an average of 15 working days to process payment and 30 working days for replenishment of special account.
3.3 Delays in justification of the advances made on the Special Account	Statement of expenditure to be sent to the Bank periodically and should not exceed 6 months even if the expenditure is 0.	EA	No. of projects with justified special accounts	5	6 months	5	Ongoing
3.4 Delays in the submission of audit reports and implementation of the audit recommendations	All projects to submit audit report by 31 December and implementation status of audit recommendations to be reported in QPRs, updated every quarter and during supervision missions.	EA	No of projects with timely audit reports % of project implementing the audit recommendations	2	31 December 2018	14	All projects have submitted the audit reports timely.
4. Weak Project Management							
4.1 Weak capacity of the EA to closely monitor the performance of contractors	EA's to monitor the performance of the contractors more closely and exercise the penalties provided for in the contracts if required Submission of realistic work plans including disbursement and procurement plans	EA EA	No. of projects reporting contractual delays reduced to below 15% No. of submission of quality work plans	6 19	Continuous Yearly	2 23	On-going 15 projects submitted annual disbursement and procurement plans
4.2 Weak Capacity of the EA'a in submitting quality procurement and disbursement documents to the Bank leading to implementation delays	Provision of regular training to the EA on the Bank procurement and disbursement rules and procedures	Bank	Bank to conduct at least one major fiduciary clinic per year	0	2018/19	1	Training will be held in Q3
4.3 Hold Quarterly Portfolio Review Meetings with the Executing Agency	Quarterly Portfolio Review Meetings held	Bank/EA/MoFPED	4 meetings held by the year with the EA's and Ministry of Finance	4	2019	4	Q1 portfolio review meeting held

Annex 10: Fiduciary Developments and PEFA

The Mission noted several laws and institutions that govern the fight against corruption had been established since the approval of the Country Strategy. Key legal and regulatory frameworks approved include the Anti-Corruption Act (2019) and its amendment, Whistle Blowers Act (2012) and the Public Financial Management Act (2015). In terms of institutions the Inspectorate General of Government, the Directorate for Public Prosecutions, Anti-corruption Division of the High Court, and Criminal Investigations Department are important agencies in the Government's fight against corruption and misuse of public funds. In order to ensure coordination amongst the various institutions, a coordination body called the Inter Agency Anti-Corruption Forum has been established, and chaired by the Minister of Ethics and Integrity. Recent reforms include the establishment of a policy on zero tolerance to corruption and the 10 national ethical values voice. Government roll-out of the Integrated Financial Management Information System, the integrated system for government payroll, plans to implement an electronic system for procurement, and the electronic system for the payment of Government services were noted to reduce fiduciary risks.

Cabinet recently approved amendments to the Procurement Law, i.e. Procurement and Disposal of Public Assets Bill (2018) in order to remove some levels of bureaucracy in the procurement process. Several layers of approval have contributed to cause delays in concluding procurement processes. The focus of the amendment has been on reducing procurement lead-time and the number of administrative reviews. The expectation is that a procurement process can proceed more efficiently, reducing delays. The amendment has also introduced new initiatives including collaborative procurement for entities willing to cooperate; e-government procurement (e-GP); sustainable procurement; promotion of local content; and application of the same law at the central and local government levels. The Mission noted what is now required are enabling regulations and guidelines to operationalize the new initiatives introduced by the law. As part of the procurement reforms, government will pilot e-GP in ten MDAs in the next financial year. The aim is to promote both transparency and efficiency in public procurement and disposal transactions. Adoption of e-GP is one of the most significant reforms in public procurement that will transform government operations and consequently improve efficiency in procurement.

There has been important progress in the Country's PFM systems as a result of wide ranging Public Financial Management reforms including the enactment of the Public Financial Management Act (2015). A PFM reform action plan has been operationalized although there remains weaknesses in risk management and sector strategies linked to multi-year budgeting. Several initiatives are already in use, while others are still being planned. The Treasury Single Account for the central and local governments now covers over 80% of public expenditure. The TSA has improved accountability, in particular in districts as accounting documents are required before cash is advanced. The programme based budgeting system now interfaces with IFMIS, while the debt management system was upgraded in 2018.

E-registration for payments and collaboration with the Bank of Uganda ensures manual payment instructions are eliminated. Cash management has improved with payments now taking two days from the previous thirty days. Salaries, wages and pensions have been decentralized with payments done promptly every month eliminating backlogs and arrears.

The modified cash basis of accounting is still being used in preparing financial statements. As there are capacity challenges, in particular at the local government level, migration to accrual basis of accounting is hindered. Further creation of devolved units creates further capacity gaps, which takes time to address. The Accountant's Generals office requested the Bank to reduce the use of Project Implementation Units to avoid the creation of parallel layers of decision making within the MDAs. The Mission indicated that these project staff are considered to be ministry staff and are appointed in the Units to ensure there are dedicated staff to manage the projects. These staff should adhere to all government procedures and ensure they report to the parent ministries. The Accountant General's office reiterated the importance of the Bank in automating its disbursement process indicating that the Bank is the only Development Partner remaining using a manual process of disbursement. The Mission indicated that the Bank is addressing IT system improvements, which will eventually make payment systems more efficient. However, at this stage the Bank is not able to give firm timelines on when these improvements will be implemented.

Although the Internal Audit function still faces capacity challenges, due to the creation of more local governments and districts, the audit office's roles, and its findings and recommendations are increasingly being accepted within the government system. Officers are following up on recommendations with a success rate of over 80%. The Mission noted staff attrition remains a challenge.

External audit has improved over the years with the Office of the Auditor General carrying out financial and compliance audits. 92% of the 1,919 audits conducted in FY 2017/2018 had unqualified opinions further demonstrating the improvements, which have been experienced in the PFM systems although mismatch in expenditure and wasteful spending still account for the most of the qualified audit reports. External audit scrutiny by the Public Accounts Committee is not up to date despite the improvement by the Government in submission of financial statements within the deadlines set by the PFM Act.

Key Results from the 2016 Public Expenditure and Financial Accountability Assessment

The results from the 2016 assessment, published in 2018, show overall improvement in the majority of indicators assessed against the 2012 indicators. Using the 2011 methodology there were improvements in 21 dimensions, 6 deteriorated and no change in the remaining 44. Overall, the results indicate relatively strong public financial management systems in Uganda, driven by the financial management reforms that have been implemented over the past 15 years. The 2016 PEFA assessment shows there were 5 A-ratings, 11 B-ratings, 8 C-ratings and 7 D-ratings.

Budget credibility has strengthened with improved aggregate revenue forecasting in line with estimates. Multi-year forecasting and functional allocation have also improved since 2012 but remain relatively weak. Participation in the budget process has improved, while progress in the fiscal framework have been observed. Budget execution reports are regularly made available to decision makers. Furthermore, the Ministry of Finance has set up a dedicated budget website where all current and past year's budget documents and their derivatives are available for download.

Arrears management has deteriorated, despite Government efforts to clear expenditure arrears, such as the use of prepayments for utilities, a commitment control system now embedded in the IFMIS, as well as additional budget provisions to clear the stock of arrears in government. Despite these efforts, arrears continue to grow and are relatively high in relation to expenditures.

Internal Control and internal audit have shown mediocre improvement, with a need to improve risk management. On the other hand, the Auditor General actively carries out financial and compliance audits, adopting auditing standards to govern its work and audit planning. However, the Public Accounts Committee is not up to date, thus leaving the accountability cycle incomplete.

Other areas that have shown improvement include debt recording, payroll, and elements of procurement.

In terms of State Owned Enterprises, a performance management framework has still not been developed and would be essential in driving internal efficiency and supporting accountability.

Annex 11 Climate Change Vulnerability, Adaptation and Mitigation Actions

Uganda has witnessed drastic changes in its weather and climate patterns over the last four decades. Since the 1960s, mean annual temperatures have risen by 1.3ºC; while rainfall has decreased at a rate of about 3.5% per decade, with greatest reductions occurring during the long wet season between March and May. Further, climate projections show that climate and weather patterns in Uganda will continue to change over the coming decades. Near-surface temperature is projected to increase by 1ºC by 2030, by 2ºC by 2050 years, and by 2.5ºC by 2080. Rainfall, on the other hand, is projected to reduce across most parts of the country, except the West and North-Western regions, which are projected to have wetter conditions. Rainfall over the Lake Victoria region is expected to reduce by as much as 20%. Uganda has also experienced increase in the frequency and intensity of extreme events, especially droughts and floods.

The changing weather and climatic patterns have had significant negative impacts on Uganda. Agriculture, health, water resources, wetlands and forests are some of the sectors most vulnerable to climate change. Increased warming and decreased rainfall have and are expected to negatively affect crop and livestock production. Since the majority of Ugandans rely on agriculture and natural resources for their livelihoods, and most of the agriculture is rain-fed, increased warming and reduced rainfall will have adverse impacts on food production and security. Increased warming is also expected to increase the range of malaria, and thereby worsen the disease burden on the population. Decreased water supply also threatens the country hydropower power production, a major source of electricity. The economic cost of these climate change impacts are quite huge. In the 2007-2008, for example, damages from climate change was equivalent to 4.4% of the national budget, which was above the annual budget allocated to the Environment and Natural Resource sector.

Uganda is cognizant of threats posed by the changing climate and has developed several policies to address the same. These include Uganda's National Climate Change Policy, Uganda's Nationally Determined Contribution (NDC), National Adaptation Program of Action, and National Policy for Disaster Preparedness and Management, among others. Uganda's NDC identify three sectors for reducing emissions: energy, forestry and wetlands. In the energy sector, Uganda aims to develop an enabling infrastructure for electricity sector development, including power lines, substations and transmission facilities. The country aims to achieve 3,200 MW of renewable electricity generation by 2030, compared to 729 MW in 2013. In forestry, Uganda aims to reverse deforestation and increase forest cover to 21% by 2030, up from 14% in 2013. This is to be achieved through forest protection, afforestation, sustainable biomass production, and institutional strengthening. In wetlands, Uganda aims to increase wetland coverage to 12% by 2030, from about 10.9% in 2014. This is to be achieved through demarcation, gazetting and restoration of degraded wetlands. The CSP has contributed to implementing some of these climate change mitigation measures, especially those in the energy sector.

On adaptation, Uganda has proposed a number of measures to build resilience in agriculture and livestock, forestry, infrastructure (human settlements, social infrastructure and transport), water, energy and health, with disaster risk management as a crosscutting issue. On-going Bank funded programs in the water and sanitation, and agriculture sector are already contributing to building resilience in these sectors. Going forward, there is need for detailed assessment of climate vulnerability of the different sectors, and determination of the progress in implementing Uganda's NDC as a basis for developing technical assistance for NDC implementation.

Annex 12: Division of labour

Note: The members of the LDPG do not guarantee the accuracy and completeness of the information included in this document. The information is for internal use and should not be referenced in official documents or statements.

Active in sector during FY19-FY20
Planning new engagement during FY19-FY20
Leaving sector during FY19-FY20
Following sector, but not actively supporting

#	Sectors (Budget/MTEF)	Sectors (NDPII)	DPs planning new engagement (FY19-FY20)	DPs leaving sector (FY19-FY20)	Following sector, but not actively supporting	DPs active in sector (FY19-FY20)	DP active/planning engagement in FY08 (MTEF	Change from FY08-FY18 (active and planned)
1	Agriculture		2	-	2	17	13	+6
2	Lands, Housing & Urban Development	Lands & Housing	2	-	2	4	4	+10
		Physical Planning & Urban Development	2	-	1	4		
		Greater Kampala Metropolitan Area	3	-	1	6		
3	Energy & Mineral Developme	Energy	-	-	2	15	9	+6
		Minerals, Oil & Gas	-	-	6	4		
4	Works & Transport		1	1	1	8	8	+1
5	Information & Communication Technology		-	-	-	3	4	-1
6	Tourism, Trade & Industry	Tourism	1	-	3	4	12	+1
		Trade, Industry & Cooperatives	3	-	4	8		
7	Education and Sports	Education & Sports	-	-	1	16	12	+12
		Skills Development	2	-	1	15		
		Science, Technology, Engineering & Innovation	-	-	7	5		
8	Health (incl. HIV/AIDS)		-	-	2	20	22	-2
9	Water & Environment	Environment & Natural Resources	-	-	3	16	16	+6
		Water & Sanitation	-	1	1	15		
		Water for Production	2	-	2	8		
10	Social Development (incl. Employment and Gender)		-	-	3	19	15	+4
11	Defence & Security		2	-	1	3	3	+2
12	Justice, Law & Order		1	-	1	11	12	0
13	Public Sector Management		1	1	2	5	8	-2
14	Legislature	Legislature	1	1	3	7	6	+2
15	& Accountability	Anti-Corruption	1	-	1	10	13	+3
		Economic and Financial Management Services	-	-	4	13		
16	Public Administration		-	-	2	1	2	-1

Development Partner	TOTAL FY19-20 (MTEF sectors)	Total FY09 (MTEF sectors)	Change from FY09-FY19 (active and planned engagements)
African Development Bank	8	8	0
Austria	2	2	0
Belgium	3	3	0
Denmark	6	6	0
European Union	12	8	+4
Food and Agriculture Organization (FAO)	8	5	+3
France	9	4	+5
Germany	6	3	+3
Iceland	2	4	-2
International Monetary Fund (IMF)	1	1	0
International Fund for Agricultural Developmen	5	3	+2
International Organization for Migration (IOM)	8	-	+8
Ireland	4	6	-2
Italy	1	7	-6
Japan	9	7	+2
Korea	6	-	+6
Netherlands	11	2	+9
Norway	3	6	-3
Office of the United Nations High Commissione	4	5	-1
Sweden	7	7	0
United Nations Industrial Development Organiz	2	6	-4
United Nations Programme on HIV/AIDS (UNAID	1	1	0
United Nations Development Programme (UND	11	11	0
United Nations Environment Programme (UNEP	2	1	+1
United Nations Population Fund (UNFPA)	5	5	0
United Nations High Commissioner for Refugee	6	5	+1
United Nations Children's Fund (UNICEF)	6	5	+1
UN Women	8	1	+7
United Kingdom	10	8	+2
Unied States of America	13	9	+4
World Bank	12	12	0
World Food Programme (WFP)	5	5	0
World Helath Organization (WHO)	10	2	+8

Annex 13: CSP Performance Matrix

Strategic Alignment Matrix

GOVERNMENT SECTOR OBJECTIVES	CONSTRAINTS	BANK OBJECTIVES AND PRIORITIES	COUNTRY STRATEGY
TRANSPORT Develop adequate, reliable and efficient multi modal transport network Increase safety of transport services Improve the human resource and institutional capacity of the sector	Low proportion of paved road network; and Low proportion of network in good condition. Poor road safety record Inadequate skills and weak legal and regulatory framework to ensure compliance to standards	TYS: Infrastructure Development & Regional Economic Integration H5: Integrate Africa	**Pillar 1:** Infrastructure Development for Industrialisation
AGRICULTURE Enhance Agricultural Productivity, Value Addition, and Marketing	Connectivity Problems between high production areas and final markets Dependency on Rain Fed Agriculture Limited availability of improved farm inputs. Limited Access to Agricultural Finance Limited Value Addition, lack of storage facilities, and weak regulatory services.	TYS: Agriculture and Food Security H5: Feed Africa Strategy	
WATER AND SANITATION Improving access to water and sanitation in rural and urban areas	Insufficient funding to accelerate water supply and sanitation coverage in the water stressed areas due to high investment requirements; Unplanned settlement patterns Aging water supply systems that are due for overhaul	TYS: Infrastructure Development H5: Improve the Quality of Life for the People of Africa	
ENERGY Improve electricity access and enhance its affordability and accessibility	Low electricity coverage in rural areas High connection charges High losses in distribution and transmission lines	TYS: Infrastructure Development H5: Light-up and Power Africa	
SKILLS Develop an economically productive and knowledgeable population, with relevant skills and entrepreneurship capacity which will lead to employability and economic growth across all sectors of society.	Low level of funding to vocational training institutions, resulting in poor institutional infrastructure, teaching equipment, etc. Poor facilities for advanced research in science and technology affecting high tech-research and innovation Capacity constraints in the vocational training institutions and insufficient numbers of technical trainers The skill level of technical teachers to enhance skills training is inadequate Secondary education curriculum absent technical and business subjects Poor curriculum leading to mismatch of skills required in commerce, industry, agriculture, etc.	TYS: Skills and Technology H5: Improve the Quality of Life for the People of Africa	**Pillar 2:** Skills and Capacity Development
PRIVATE SECTOR Aims to strengthen Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth. Increase sustainable production, productivity, and value-addition in key economic sectors	High cost of finance Bureaucratic business environment	TYS: Private Sector Development H5: Industrialise Africa	**Support to the private and financial sectors**

Note: TYS: Ten Year Strategy; H5: High-5

Performance Matrix

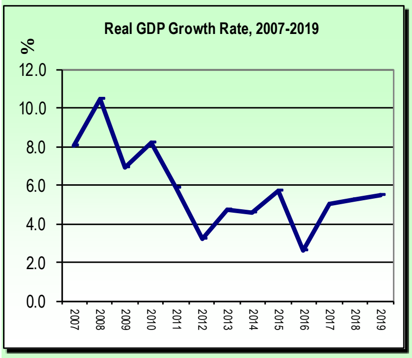
Performance Area	Monitoring Indicators	Baseline (year)	Target (year)	Data Source
1. Operational results from projects				
Outcomes				
	Kampala City road network in fair to good condition (%)	40 (2018)	50 (2023)	KCCA
	National paved road network in fair to good condition (%)	93 (2018)	95 (2021)	UNRA, VCI
	National paved road network (%), [total network 20,856 km in 2018]	23 (2018)	25 (2021)	UNRA
	Traffic safety, reduction in traffic fatalities (fatalities/10,000 vehicles)	20 (mid-2019)	20 (2022)	UNRA
	Reduction in congestion in Kampala (%), [current average travel home to work is 38 minutes]	0	10 (2021)	KCCA
	Increase in marketable agricultural produce (%)	5.4 (2018)	20 (2021)	MoA
	Increase in farm gate prices (%)	20.5 (2018)	10 (2021)	MoA
	Increase in rice production (%)	14.2 (2018)	20 (2021)	MoA
	Increase in maize production (%)	13.1 (2018)	20 (2021)	MoA
	Increase in farmers accessing inputs (%)	- (2018)	(2021)	MoA
	Increase in commercial funds available for agricultural lending	- (2018)	30 (2021)	MoA
	Increase in businesses in the agriculture value chain	- (2018)	20 (2021)	MoA
	Electricity access, national level (%)	29 (2018)	30 (2021)	DHS
	Electricity access, rural level (%)		26 (2021)	DHS
	Reduce power losses (%)	18.1 (2018)	16.3 (2021)	UETCL
	Reduce end user tariff (US-cents/kWh)	14 (2018)	13 (2021)	ERB
	Urban population with access to safe drinking water (%)	77 (2018)	90 (2021)	MoW
	Urban people with access to improved sanitation (household) (%)	87/36 (2018)	95/- (2021)	MoW/SDG definition
	Urban people with access to (and using) hand washing facilities (households) (%)	37 (2018)	50 (2021)	MoW
	Students in urban areas with access to (and using) hand washing facilities (schools) (%)	40 (2018)	50 (2021)	MoW
	Urban water supplies systems functional (%)	93 (2018)	95 (2021)	Sector Review
	Water points with actively functioning water and sanitation committees (%)	89 (2018)	95 (2021)	MoW
	Craftsmen and artisans qualified to work in oil and gas (persons)	800 (2018)	22,500 (2023)	MoE
Outputs				
	Kampala City roads rehabilitated and paved (km)	630 (2016)	751 (2023)	KCCA
	Contribution to national paved roads constructed (km)	83 (2018)	213 (2021)	UNRA
	Training of nationals in transport sector related areas (persons)	-	150 (2021)	MoT
	Establishment of Road Safety Unit	-	1 (2021)	MoT
	Road Act amended	-	1 (2021)	MoT
	Rural access roads constructed (km)	2,906 (2018)	3000 (2021)	MoA
	Urban Markets constructed (units)	-	11 (2021)	MoLG
	Large scale irrigation schemes constructed (units)	-	5 (2021)	MoLG/MoA
	Businesses in the agriculture value chain (firms)	()	(2021)	MoLG/MoA
	Medium-voltage lines constructed (km)		1147 (2021)	MoE
	Low-voltage lines constructed (km)		808 (2021)	MoE
	New customers connected to the grid, rural and urban, annually (households)	120,000 (2018)	164,100 (2021)	MoE
	Draft net metering policy	-	(2021)	MoW
	Water supply schemes constructed/rehabilitated (towns)	13 (2018)	30 (2021)	MoW
	Solar mini-water supply schemes constructed for peri-urban community (units)	30 (2018)	40 (2021)	MoW
	Water production capacity (m3/day)	90,000 (2018)	50,000 (2021)	MoW
	Regional faecal sludge treatment facilities constructed (units)	1 (2018)	7 (2021)	MoW

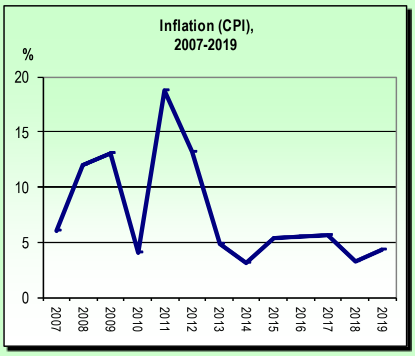
	Cesspool emptiers / vacutags procured for faecal sludge haulage (units)	3 (2018)	12 (2021)	MoW
	Mobile urban water testing equipment procured (units)	1 (2018)	16 (2021)	MoW
	Motorcycles for schemes to support O&M activities (units)	25 (2018)	32 (2021)	MoW
	Public Vocational Training Institutions upgraded and accredited internationally (institutions)	-	3 (2021)	MoE
	Craftsmen and artisan skills upgraded and certified internationally: Level 1 qualification (persons) Level 2 qualification (persons) Machine operators trained and certified (persons) Trainers internationally certified (persons) Assessors and verifiers trained and internationally certified (persons)	 - - - - -	 2500 (2021) 5000 (2021) 1000 (2021) 100 (2021) 60 (2021)	MoE
Cross-cutting				
	Increased the share of renewable energy, wind (GWh)	- (2018)	43.8 (2021)	MoEnergy
	Increased the share of renewable energy, solar (GWh)	- (2018)	0.95 (2021)	MoEnergy
	Offset carbon dioxide from efficient use of water from Lake Victoria (tons of CO_2 per year)	880,000 ()	1,177,821 ()	Based on 1667 GWh
	Draft wind resource map and investment strategy (completed)	-	(2021)	MoEnergy
	Training of nationals in transport sector related areas (% women)	()	50 (2021)	MoT
	Female farmers accessing improved farm inputs (%)	()	50 (2021)	MoA
	Female farmers and value chain operators accessing agriculture loans (%)	()	50 (2021)	MoA
	Gender-segregated & disability friendly public sanitation facilities constructed, including schools/institutions (units)	16 (2018)	60 (2021)	WSSP II
	Water Service Boards, with at least 33% woman at the executive level, assisted to procure Private Water Operators (units)	10 (2018)	10 (2021)	WSSP II
	Craftsmen and artisan skills upgraded and certified internationally: Trainers internationally certified (% female) Assessors and verifiers trained and internationally certified (% female)	 - -	 35 (2021) 20 (2021)	MoE
2. Policy advice and knowledge				
	Output: Participation in policy dialogue events (high-level, speeches, panel discussions, bank events)	8 (2017)	12 (2021)	CPO
3. Financial leveraging				
	Accumulated amount of co-financing from 2020-2021 (UA mn) Accumulated amount of parallel financing form 2020-2021 (UA mn) Accumulated amount of syndication from 2020-2021 (UA mn) Accumulated amount of special funds from 2020-2021 (UA mn) PPP transactions (transactions completed)	0 (17/18) 373 (17/18) 0 2.9 (17/8) 0 (2017)	75 100 0 40 1 (2021)	DO DO DO DO
4. Portfolio Performance				
	Average Gender Marker rating (score) Average QaE rating (score) Average IPR rating (score) Timely completed PCRs (%) Disbursement ratio (%)	- 3.1 (2018) 25.7	2-3 (2021) 3-3.5 100 20-25	Projects IPR CPO Dashboard
5. Development coordination and harmonisation				
	Participation in sector groups (units) Use of procurement country systems (accumulated no. projects)	4 (2018) 2	4 (2021) 5 (2021)	CPO P.O.

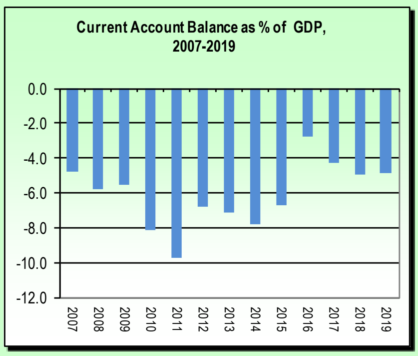
Note: co-financing is funding from AFDB managed funds, such as Africa Growing Together Fund, Pagoda, AFD, etc. PO = Procurement Officer, DO = Disbursement Officer.

Annex 14: Selected macroeconomic indicators

Indicators	Unit	2010	2014	2015	2016	2017	2018 (e)	2019 (p)
National Accounts								
GNI at Current Prices	Million US $	17,901	24,937	26,152	25,403	24,992	...	...
GNI per Capita	US$	528	642	651	612	583	...	...
GDP at Current Prices	Million US $	19,683	27,829	25,066	25,423	27,699	29,092	31,435
GDP at 2000 Constant prices	Million US $	12,958	15,505	16,387	16,810	17,651	18,578	19,599
Real GDP Growth Rate	%	8.2	4.5	5.7	2.6	5.0	5.3	5.5
Real per Capita GDP Growth Rate	%	4.5	1.1	2.2	-0.7	1.6	1.9	2.2
Gross Domestic Investment	% GDP	25.5	25.9	24.9	24.5	24.5	26.0	26.8
Public Investment	% GDP	4.9	4.7	4.5	4.5	2.9	3.3	3.3
Private Investment	% GDP	20.6	21.1	20.3	20.0	21.6	22.7	23.5
Gross National Savings	% GDP	18.8	18.8	19.4	21.7	20.2	20.6	21.1
Prices and Money								
Inflation (CPI)	%	4.0	3.1	5.4	5.5	5.6	3.2	4.3
Exchange Rate (Annual Average)	local currency/US$	2,177.6	2,599.8	3,240.7	3,420.1	3,611.2	3,730.9	3,821.5
Monetary Growth (M2)	%	42.2	15.3	11.8	10.3	13.9	...	...
Money and Quasi Money as % of GDP	%	30.3	29.6	29.5	30.4	30.1	...	...
Government Finance								
Total Revenue and Grants	% GDP	11.9	13.9	14.4	15.2	15.2	15.4	15.3
Total Expenditure and Net Lending	% GDP	10.3	16.5	18.8	20.2	19.0	20.1	19.8
Overall Deficit (-) / Surplus (+)	% GDP	1.6	-2.6	-4.4	-4.9	-3.9	-4.7	-4.4
External Sector								
Exports Volume Growth (Goods)	%	-12.2	-5.1	6.2	10.5	6.8	6.1	9.6
Imports Volume Growth (Goods)	%	-10.5	9.0	12.9	2.6	-0.3	8.3	11.8
Terms of Trade Growth	%	-16.8	7.9	7.1	13.9	-8.6	-5.6	-2.2
Current Account Balance	Million US $	-1,610	-2,166	-1,677	-710	-1,184	-1,431	-1,529
Current Account Balance	% GDP	-8.2	-7.8	-6.7	-2.8	-4.3	-4.9	-4.9
External Reserves	months of imports	4.7	5.0	4.7	5.7	5.5	5.0	...
Debt and Financial Flows								
Debt Service	% exports	4.6	6.8	8.9	12.0	15.1	17.1	17.0
External Debt	% GDP	25.3	31.2	39.0	39.7	42.7	45.0	46.3
Net Total Financial Flows	Million US $	1,858	3,984	2,983	2,170	2,120	...	...
Net Official Development Assistance	Million US $	1,690	1,634	1,628	1,757	2,008	...	...
Net Foreign Direct Investment	Million US $	544	1,059	1,057	541	...	...	...





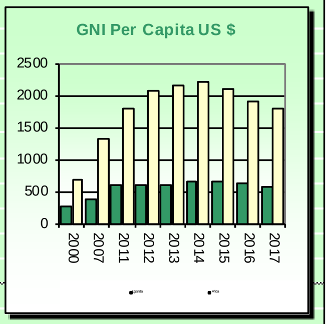


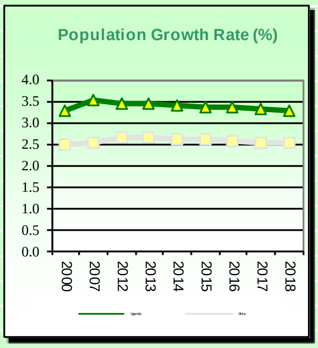
Source : AfDB Statistics Department: African; IMF: World Economic Outlook,October 2018 and International Financial Statistics, October 2018;
AfDB Statistics Department: Development Data Portal Database, October 2018. United Nations: OECD, Reporting System Division.

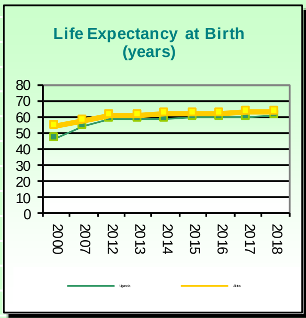
Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: March 2019

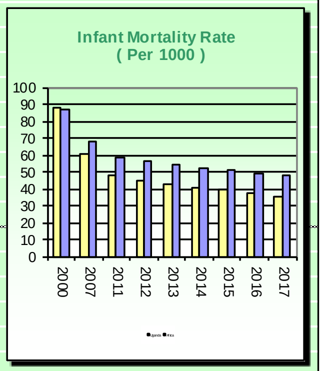
Annex 15: Comparative socio-economic indicators

	Year	Uganda	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)	2018	242	30,067	92,017	40,008
Total Population (millions)	2018	44.3	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	23.8	42.5	50.4	81.5
Population Density (per Km²)	2018	215.3	43.8	71.9	31.6
GNI per Capita (US $)	2017	600	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	85.1	65.9	62.1	60.1
Labor Force Participation **- Female (%)	2018	82.6	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	99.0	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	162	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-2017	41.6	...	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	3.3	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	5.9	3.6	2.3	0.7
Population < 15 years (%)	2018	47.4	40.6	27.5	16.5
Population 15-24 years (%)	2018	20.6	19.2	16.3	11.7
Population >= 65 years (%)	2018	2.2	3.5	7.2	18.0
Dependency Ratio (%)	2018	99.0	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	22.9	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	60.5	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	62.7	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	41.2	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	8.4	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	35.4	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	49.0	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	5.4	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	343.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	37.9	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	9.3	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	64.8	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	74.2	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	79.0	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	19.1	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	5.9	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	201.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	89.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	80.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	10.5	17.5	15.0	0.9
Prevalence of stunding	2010-2016	28.9	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	41.4	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	1.8	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	99.0	99.5	102.8	102.6
Primary School - Female	2010-2017	100.3	97.4	102.0	102.5
Secondary School - Total	2010-2017	...	51.9	59.5	108.5
Secondary School - Female	2010-2017	...	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	42.7	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	70.2	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	79.1	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	62.0	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	2.3	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	34.4	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	71.9	38.2	37.8	36.5
Forest (As % of Land Area)	2016	9.7	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	0.1	1.1	3.5	11.0









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; *last update :* *Febuary 2019*

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*

*** Labor force participation rate, female (% of female population ages 15+)*

Annex 16: Documents consulted

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