REPORT OF THE BUDGET COMMITTEE ON THE NATIONAL DEVELOPMENT PLAN
(NDP) III (2020/21 – 2024/25)

OFFICE OF THE CLERK
PARLIAMENT OF UGANDA

JANUARY 2020

1.0 INTRODUCTION
On 22nd January 2020, the Minister of State for Finance planning and Economic Development laid on Table of Parliament the National Development Plan III in accordance with Sec 8(6) of the National Planning Authority Act, 2002. The Speaker referred the NDP III to the Budget Committee for review and scrutiny and report back to the House.

Parliament is reviewing the National Budget Framework Paper FY 2020/21 – FY 2024/25 which according to Section 9- of the Public Finance Management Act has to be consistent with the NDP. NDP II is expiring at the end of June 2020.

2.0 METHODOLOGY
In the process of reviewing NDPIII, the Committee held meetings with the Ministry of Finance Planning and Economic Development (MFPED) and the National Planning Authority.

The committee observed that the document required more time to review and to consult key stakeholders. This will be done during the review process of the Plan as provided for in the NPA regulations.

The committee is therefore, presenting this report for purposes of approval of the NDPIII upon which the National Budget Framework Paper FY 2020/21 – FY 2024/25 should be premised. A more detailed assessment and consultations will be undertaken by the Committee during the Plan review process as provided for in the Regulation 10 of NPA-Development Plan Regulations, 2018.

3.0 EVALUATION OF NDP1 AND NDP II
3.1 ACHIEVEMENT
The key findings of the evaluation of NDPI and the Mid Term Review of NDP II indicate that there were a number of achievements made. Several lessons were learnt to inform the formulation of the strategic direction for the next plan. Among the key achievements, the following were noted:

i). Sustainable peace, security and macro-economic stability continued to prevail providing the basic anchor for economic growth and development;

ii). The size of economy doubled from UGX 64 trillion in FY 2010/11 to UGX 128 trillion in FY2018/19 above the NDPII target of UGX 128.3 trillion in considering changing prices;

iii). GDP per capita which is the output produced in each year divided by the total population, remained largely unchanged USD 844 in FY2010/11 to USD 878 in FY 2018/19 (based on rebased GDP, 2016 prices), despite the growth in population, and showed signs of getting closer to the target of US$1,039;
iv). Domestic revenue collection increased from UGX 5.02 Trillion in FY2010/11 to UGX 16.359 trillion in FY2018/19 compared to target UGX 19.2 trillion;

v). Total exports of goods and services grew from USD 3.83 billion in FY2010/11 to USD 5.8 billion in FY2018/19, compared to target of USD 5.6 billion;

vi). Remittances from the rest of the world increased from USD 819 million in FY2010/11 to over USD 1.2 billion in FY2018/19, compared to target of USD 1.3 billion;

vii). The total paved roads network as a percentage of total national roads increased from 3,264.1 km in FY2010/11 to 4,971 km in FY 2018/19, compared to target of 6,000 km;

viii). Electricity generation capacity increased from 601MW in FY2010/11 to 1,254MW in December 2019;

ix). Access to and utilization of education services significantly increased, including increased enrolment for UPE as well as Business, Technical and Vocational Training (BTVET); and

x). Access to and utilization of health services also significantly increased.

See Table below

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<tr>
<th>No.</th>
<th>Indicator</th>
<th>FY 2010/11</th>
<th>FY2017/18</th>
<th>FY2018/19</th>
<th>NDP II target 2020</th>
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<tbody>
<tr>
<td>1</td>
<td>GDP size (Current Prices) Bn Shs</td>
<td>64.2</td>
<td>119.9</td>
<td>128.5</td>
<td>123.3</td>
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<td>2</td>
<td>GDP per Capita (USD) Rebased</td>
<td>844.0</td>
<td>864.0</td>
<td>878.0</td>
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<td>3</td>
<td>Domestic Revenue Collection (Trillion shs)</td>
<td>5.0</td>
<td>14.5</td>
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<td>4</td>
<td>Total Exports of Goods and Services (USD Billions)</td>
<td>3.8</td>
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<td>5.8</td>
<td>5.6</td>
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<td>5</td>
<td>Remittances (USD Billion)</td>
<td>0.8</td>
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<td>6</td>
<td>Paved Roads Network (Km of roads)</td>
<td>3,264.1</td>
<td>4,551.0</td>
<td>4,971.0</td>
<td>6,000.0</td>
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<td>7</td>
<td>Energy generation capacity (MW)</td>
<td>601.0</td>
<td>1,135.2</td>
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<td>Access to Education</td>
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<td>a. Primary School enrolment (%)</td>
<td>95.3</td>
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<td>b. Secondary School Enrolment (%)</td>
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<td>c. Average years of learning (years)</td>
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<td>c. BTVET enrolment (no.)</td>
<td>25,262.0</td>
<td>109,305.0</td>
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<td>Access to Health</td>
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<td>a. Life Expectancy</td>
<td>50.3</td>
<td>63.3</td>
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<td>60.0</td>
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b. Maternal Mortality Rate (/100,000)  
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<th>Years</th>
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<td>2004</td>
<td>435.0</td>
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<tr>
<td>2014</td>
<td>336.0</td>
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<td>2024</td>
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c. Total Fertility Rate (Children per woman)  
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<td>2004</td>
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<td>2014</td>
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<td>2024</td>
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Sources: Draft NDP 3

3.2 CHALLENGES

The evaluation process of the previous NDPs also identified challenges that continue to hinder the realisation of our national development targets and aspirations. These include:

i). A large proportion of households (68.9 percent) still in the subsistence economy;

ii). Insufficient creation of quality and gainful jobs in the economy, especially for the youth with an estimated unemployment rate of 13.3%, yet about 78% of the population is aged 30 years and below;

iii). Whereas cost of electricity has reduced, it remains higher than the targeted 5 cents per unit;

iv). Widening income inequality, particularly between the regions;

v). Limited access to and high cost of capital;

vi). Low capacity in public service and prevalence of corruption;

vii). Severe reduction in the forest cover as well as wetland degradation and encroachment;

viii). Dwindling local revenues insufficient to fund local service delivery; and

ix). Uncoordinated approaches to planning and implementation.

x). The Quality of education remains low characterized by the low levels of literacy and numeracy, coupled with the high rate of school dropout;

xi). Inadequate functionality of health facilities and rising cases of non-communicable diseases; and

xii). Weak implementation of debt financed programs and projects, and inability to timely complete projects and within budget.

The Committee observed that challenges that existed at the beginning of NDP I continue to be the same challenges during NDP II with almost the same indicators being reflected. For example, the number of households in the subsistence economy has stagnated at 68.5%. The committee noted that the National Development Plans should seek fix these challenges during its implementation. **As we launch into the new NDP government should ensure continuous improvement in all the indicators including transformation of the economy from subsistence to commercial as envisaged in the Plan.**
The Committee observed that the reporting periods were mixed up and in many ways not rhyming with the time frames of the NDPs that were being assessed. Each NDP should be assessed independently based on its targets and performance indicators. Secondly, the original targets as set by the NDP are not given making it difficult to draw conclusions about the performance of the NDP.

4.0 KEY HIGHLIGHTS OF THE NDP III
4.1 NDP III STRATEGIC DIRECTION
The goal of the NDP III is "Increased household incomes and improved quality of life". This goal is to be achieved under the overall theme of "Sustainable Industrialization for inclusive growth, employment and sustainable wealth creation". The goal and theme are in line with Uganda Vision 2040, EAC Vision 2050, Africa Agenda 2063 and the Sustainable Development Goals (SDGs).

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

4.3 KEY DEVELOPMENT STRATEGIES
i) Agro-Industrialization;
ii) Fast-Track Oil, Gas and Mineral-Based Industrialization;
iii) Import Replacement/Promotion of Local Manufacturing;
iv) Export Promotion;
v) Harness the Tourism Potential;
vii) Provide a suitable fiscal, monetary and regulatory environment for the private sector to invest;
vii) Increase local content participation; Institutionalize infrastructure maintenance;
viii) Develop intermodal transport infrastructure to enhance interoperability;
ix) Increase access to stable, reliable and affordable energy;
x) Leverage urbanization as a driver for socio-economic transformation;
xii) Improve access and quality of social services; xii) Institutionalize human resource planning for the economy;
xii) Enhance skills and vocational Development;
xii) Promote Science, Technology, Engineering and Innovation as well as ICT;
xiv) Increase access to social protection;
xv) Promote development-oriented mind-set;
xvi) Increase government participation in strategic sectors;
xvii) Increase Resource Mobilization for Implementation of National Development Programs;
xviii) Re-engineer the Public service to promote investment; and
xix) Enhance partnerships with non-state actors for effective service delivery.

4.4 NDP III OVERALL OUTCOMES/EXPECTED RESULTS
The committee noted that the NDP III implementation will result in the following outcomes at the end of the five-year period:
i). Reduced Poverty rates; from 21.4 percent to 14.2 percent;
ii). Reduced Income Inequality (Gini coefficient); from 0.41 to 0.38;
iii). Increased contribution of industry to GDP; from 18.6 percent to 25 percent;
iv). Rate of growth of the industrial sector from 6.1 percent to 8.1 percent;
v). Rate of growth of the agricultural sector from 3.8 percent to 5.1 percent;
vi). Reduced Youth unemployment; from 13.3 percent to 6.6 percent;

vii). Increased value of manufactured exports in total exports; from 12.3 percent to 20 percent;
viii). Increase in the ratio of Exports to GDP from 12.7 percent to 20 percent;
ix). Increase in the share of intermediate goods (inputs for manufacturing) in total import bill from 18.6 percent to 25.5 percent;
x). Reduction in the percentage of households dependent on subsistence agriculture as a main source of livelihood from 68.9 percent to 55 percent;
xii). Increased electricity consumption per capita from 100kwh to 578kwh;
xiiii). Increased forest cover; from 9.5 percent to 18 percent;
iv). Reduction in the cost of electricity to USD 5 cents for all processing and manufacturing enterprises;
xviiii). Increased population with access to electricity; from 21 percent to 60 percent;
xvii). Increased coverage of the national broadband infrastructure to 45% of total number of households and 70% of the total number of schools.

4.5 NDP III PROGRAMMES
We noted that the plan has identified 18 programmes that will deliver the expected results. These are:
i) Agro-industrialisation programme
ii) Mineral Development Programme
iii) Sustainable Development of Petroleum resources
iv) Tourism Development Programme
v) Climate Change, Natural Resources, Environment, and Water Management
vi) Private Sector Development Programme
vii) Manufacturing Programme
viii) Integrated Transport Infrastructure and Services Programme
ix) Energy development Programme
xii) Digital Transformation Programme
xiiii) Sustainable Urbanisation and Housing Programme
xiiiiii) Human Capital Development Programme
Innovation, technology development and Transfer Programme
Community Mobilisation and Mindset Programme
Governance and Security Programme
Public Sector Transformation Programme
Regional Development Programme
Development Plan Implementation Programme

5:0 KEY DIFFERENCES BETWEEN NDPII AND NDPIII

The Committee observed that the main difference between NDPII and NDPIII as highlighted in the NDPIII are:

i) NDPIII fast tracks realization of results in a more programmatic approach to planning. This approach to delivery will change in NDPIII to focus on achievement of results through a programmatic approach to planning and budgeting. NDPIII will therefore focus on resource-led industrialization through Value addition in agriculture, minerals, petroleum and manufacturing.

ii) The increased role of the state. Whereas in the previous NDPs the private sector was assumed to drive growth, under NDPIII the role of the state in guiding and facilitating development will be strengthened in order to fully exploit the quasi market and PPP approaches in development. In this case, Government will invest either wholly or jointly with the private sector and the communities in strategic enterprises to crowd in the private sector in order to spur growth in a balanced manner across the country.

iii) Increased investment in fundamentals (Human Capital Development, Transport, Energy and ICT) that will bridge the gaps between what is needed to exploit our development opportunities and what is currently available.

iv) Introduction of a program approach to planning complimented by area-based commodity and spatial planning to:

a) Focus implementation on delivery of common results, including SDGs, East African Community targets and Africa Agenda 2063 targets. Achievement of results specified in these development frameworks does not neatly fall within any particular sector.

b) Strengthen alignment and eliminate the ‘silo’ approach to service delivery and enhance synergies across sectors and other actors

c) Provide a framework for the already existing programme-based budgeting

d) Address area specific priorities and inequities in growth and household incomes
v) NDPIII clear and interlinked results and targets at the Goal, Objective, Program and Project level that are directly linked to budget formulation and budget implementation processes. NDPIII will be based on national programs and projects with clear results and targets. These programs and targets will be the basis for the formulation of the national budget in order to strengthen the link between planning, budgeting and budget implementation as well as between NDP targeted results and national budget expenditure.

6.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

a) NDPII Core Projects transition and integration to NDPIII: Time Frame for completion.

The core projects of the NDPII are at different stages of implementation and most will not be completed in the remaining period of the plan implementation. Some of the projects are still at levels of preparation and will be considered in subsequent budgets. These include; Farm Income Enhancement and Forest Conservation II, Hoima Oil Refinery, East Africa Crude Oil Pipeline (EACOP), Albertine Region Airport (Kabaale international airport-Hoima), Solar Powered Mini-Piped Water schemes Project, Kampala Business Industrial Park – Namanve, Standard - Gauge Railway, Kampala-Jinja Express Highway, Busega - Mpigi Expressway, Kampala Flyover Construction and Road Upgrading Project, Kibuye - Busega Express Highway, Rwenkunye - Apac – Lira, Bukasa Inland Port, Kabaale-Mirama Transmission Line, and Masaka -Mbarara Transmission lines.

The committee observed that these NDPII unfinished projects without a clear time frame and cost/financing arrangement for their completion may affect the implementation of the NDPIII. Parliament should ensure that all planned projects under NDPII are completed before embarking on new NDPIII projects.

The committee recommends that all NDPII projects should be given timeframe for their completion and those to be integrated in the NDPIII should be costed and annualised so that they can be integrated in the Medium-Term Budget Framework. Some of these projects should be reviewed to establish their feasibility.

b) Costing of the Plan

The committee noted the overall cost of financing NDPIII over the 5-year period is UGX 342,607 Billion of which UGX 213,913 billion is public while UGX 128,694 Billion is private sector contribution representing 62.4 % and 38.6 % respectively. The committee observed that there is no breakdown or annualised costing of the plan that is aligned to the BFP for FY2020/21. The absence of the annualised costing for each sector will make it very difficult for Parliament to ascertain consistence of the Plan and the Budgets and to monitor performance of the plan. Each sector costing should be
clearly spelt out in the plan to enable parliament to assess and monitor progress of the NDP implementation.

**The committee recommends that a detailed annualised costed plan with ensuing result framework should be submitted for scrutiny before the commencement of the NDPIII in July 2020.**

c) **Manpower planning**

The committee noted that the NDPIII implementation should address itself to the manpower challenges facing the country as highlighted in the Human development programme in the NDPIII. This is because the high human resource gap in all sectors is a key challenge to the realization of growth targets. Government through the NDPIII should come up with a deliberate programme for re-skilling of the unemployed youths to turn them into innovators and job creators, especially in the light industry and service sectors of the economy.

There is also a mindset problem which has eroded the quality of human resources across all sectors. A deliberate effort by Government in the NDPIII is critical to instil ethical values in the public service and to restore the confidence of the citizenry. The rampant unethical conducts of the human resources as well as the absence of requisite skills in both the public and private sectors are partly responsible for poor service delivery and slow growth of the economy.

**The Committee recommends that Government should address quality and appropriateness of the education system to be able to deliver job makers and not job seekers. The skilling programme needs more strengthening to produce the human resources needed for industrialization. This will rhyme with the theme, of this NDP III, ‘Sustainable Industrialization for inclusive growth, employment and sustainable wealth creation’**

**Conclusion**

Right Hon Speaker, in view of the above, the Committee looked at the interventions and is convinced if they are followed to the dot, the Plan will transform this Country. **We recommend that the House approves the NDPIII 2020/21-2024/25**

I beg to Move
MEMBERS OF THE BUDGET COMMITTEE WHO SIGNED THIS REPORT ON THE NATIONAL DEVELOPMENT PLAN (NDP) III (2020/21 - 2024/25)

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<td>1</td>
<td>Hon. Lugoloobi Amos (Chairperson)</td>
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<td>2</td>
<td>Hon. Opolot Isiagi Patrick (Vice Chairperson)</td>
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