Uganda

- Uganda’s GDP is expected to grow by 5.1% in 2018, up from 4.8% the previous year, mainly driven by public infrastructure investments and improved weather conditions.
- The Ugandan economy has been growing less than the 7-10% GDP growth potential that could propel the country into a middle income status by 2020.
- The recovery in oil prices and the launch of key investment projects to support oil production is expected to boost foreign direct investment (FDI).

OVERVIEW

Uganda’s economic performance in the last decade has remained strong despite the recent slowdown it experienced. Real GDP growth is projected to reach 5.1% in 2018, up from 4.8% in 2017 and 2.3% in 2016. The positive growth outlook in 2018 will be driven mainly by public infrastructure investments and recovery in the manufacturing and construction sectors as aggregate demand picks up. Economic growth is also expected to benefit from improvements in the services sector, including banking, trade, transport, and information, communications, and technology (ICT).

The fiscal deficit is projected to increase to 5.3% as a share of GDP in 2018 as public expenditure is expected to remain high or even increase, despite growing pressures and declining revenues. Furthermore, the current account deficit is expected to worsen due to higher private sector imports associated with the expansion of economic activity and rising oil prices. During 2018, the Government’s macroeconomic policy will remain focused on containing inflation, stabilizing the exchange rate, and increasing domestic resource mobilization. The Bank of Uganda reduced the central bank rate by 50 basis points to 9.0%. CPI inflation for 2018 is projected at 5.1%.

The main headwinds expected to affect Uganda’s economic outlook positively in 2018 include increased agricultural production due to better weather conditions; increased FDI flows associated with the recent issuance of oil exploration licenses; and the Government’s decision to invest in oil infrastructure, motivated by the current recovery in oil prices from USD 43 a barrel in 2016 to an average of USD 55 a barrel in the first quarter of 2018.

Major downside risks to Uganda’s economic performance include low commodity prices and declining demand for Ugandan exports in major markets such as Europe and China; the appreciation of the US dollar due to expected monetary tightening by the US Treasury; tightening of global financing conditions, which could discourage FDI and development assistance; adverse spill over shocks from fragile regional neighbours (such as South Sudan, Somalia, and the Democratic Republic of the Congo); and unexpected environmental shocks. Structural risks that should be mentioned include: reduced domestic revenue mobilization and increased public spending on contingencies; weak public financial and investment management systems; and poor institutional capacity. These remain serious constraints on the growth of Uganda’s economy.
RECENT DEVELOPMENTS AND PROSPECTS

Uganda’s near-term growth prospects look favourable. Against a backdrop of sluggish growth of 2.3% in 2016 and negative per capita growth, Uganda’s growth recovered to 4.4% in 2017 – higher than of Sub-Saharan Africa’s median growth of 4.2% – supported by favourable weather, an expansionary fiscal policy with prudent monetary management, and improved public investment management.

Uganda’s economy has attained sustained growth in real GDP over the past decade. Under the first two national development plans, Uganda embarked on a large-scale infrastructure investment programme planned to peak by 2019, enabling the subsequent reprioritisation of the social sectors that have been receiving reduced public investments. The infrastructure investments have been supported by intensive borrowing from external as well as domestic sources. However, significant evidence has now emerged indicating that the public investments have not yielded the expected results in terms of employment, increased growth, and economic competitiveness. Furthermore, due to some institutional and governance weaknesses, unit costs were much higher than in other East Africa Community (EAC) countries. Public investment management has been lacking in capacity, exemplified by the significant large amounts of borrowed funds that remain unused due to weak project management and procurement systems affecting key sectors such as the transport sector. The aggregate effect of such inefficiencies, coupled with weak institutional and human capacities, is to deny Uganda higher GDP growth levels, while debt levels, both domestic and external have piled up, weighing on the country’s annual budgets. Uganda’s debt levels including arrears, have now reached about 40% of GDP.

Structural transformation has been limited. In particular, there has been no large-scale shift of labour from low-productivity traditional activities into sustainable wage employment in high-productivity formal sector firms.

Uganda’s steadfast public investment policy puts top priority on the development of infrastructure, whereas social spending as a share of GDP remains lower than the East African average. There is evidence that this investment policy stance may be gradually reversing some of Uganda’s earlier gains in human capital development. According to a recent report by the Uganda Bureau of Statistics, poverty rates, which had fallen to a record low of 19.7% by 2016, rose to 27.3% in 2017. This is attributed to a prolonged dry spell which affected large parts of the country, but also to reduced public investment in social sectors. The recent growth trend and projections suggest that Uganda may not meet its middle-income target by 2020. To achieve this goal would require the country’s GDP to increase to USD 41.2 billion by 2020 from the current level of USD 25 billion. Such an increase is highly unlikely given the modest growth projections and the country’s high population growth, currently estimated at 3.2% in 2017.

MACROECONOMIC POLICY

Fiscal policy

Uganda’s real GDP growth is projected to improve, mainly due to planned public investments in infrastructure and other services, but also to expansionary monetary policy, favourable weather conditions that are expected to boost the agricultural sector, and an improvement in the global economy which should boost to foreign demand. For example, the Government committed in 2018 to complete projects including the Karuma power project and the Kampala Entebbe expressway, and to kick start oil-related infrastructure. The 2018/19 budget allocates the largest share to public works and transport (21.4%), followed by interest payments (12.3%), the energy sector (11.5%), and education (11%). Other sectors will receive less than 10% of the budget.
Compared with FY 2017/18, the FY 2018/19 budget includes the following nominal increases in sector allocations: water and environment (23%), tourism, trade and Industry (21.8%), legislature (9.5%), science, technology and innovation (7%), energy (6.3%), lands (5.5%), public administration (5.4%), social development (4.9%), works and transport (1.6%), and interest payments (1%). The Government is also expected to prioritize wage increases in some sectors, including education and health. The increased spending on infrastructure is expected to boost economic activity, especially if the Buy Uganda Build Uganda (BUBU) policy is properly implemented. Higher economic growth is also dependent on recovery in the manufacturing and construction sectors as aggregate demand picks up and improvement in the services sector takes effect.

During 2018 the fiscal deficit, that had narrowed to 3.3% of GDP in 2017, is expected to increase to 5.3%. Uganda’s fiscal policy is expected to remain consistent with one of its critical macroeconomic stability objectives: to step up domestic resource mobilization growth by 0.5% of GDP a year to support the country’s growing external as well as domestic debt. The success of efforts to stimulate economic activity through public spending will depend on the Government’s ability to mobilize the required resources. Despite Government efforts, there has been a shortfall in revenue mobilization resulting in recurrent and increasing fiscal deficits, from 3.6% in 2012/13, to 4.1% in 2013/14, 4.6% in 2014/15, and 5% in 2015/16. However, consistent with Uganda’s Charter of Fiscal Responsibility, the deficit is expected to gradually reduce, and a positive balance of 3% of GDP is expected by FY 2020/21. Thanks to the increase in oil prices, Uganda can expect improved inflows of remittances as well as increased inflows of FDI, especially in the oil and gas sector, and higher export earnings.

**Monetary policy**

During 2018, the Government is expected to pursue an expansionary monetary policy to strengthen domestic economic conditions. The Bank of Uganda reduced the central bank rate by 50 bps to 9.0% as part of a cautious easing of monetary policy to further boost private sector credit growth and strengthen the momentum of economic growth.

Inflation remains largely subdued, mainly on account of lower food inflation. Annual CPI inflation is projected to fall to 5.1% in 2018 from 5.6% in 2017. An important downside risk to the economic outlook remains crowding out of private financing and investment as a result of large domestic borrowing by the Government, aggravated by weak structural conditions including low returns to public capital and inefficient execution of public investments.

### TABLE 2. GDP by sector (percentage of GDP)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which fishing</td>
<td>28.1</td>
<td>25.5</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>of which oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Construction</td>
<td>7.8</td>
<td>8.2</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of vehicles; household goods; restaurants and hotels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which restaurants and hotels</td>
<td>18.6</td>
<td>16.9</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Finance, real estate and business services</td>
<td>12.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Public administration and defence, security</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Other services *</td>
<td>9.4</td>
<td>13.8</td>
</tr>
<tr>
<td>Gross domestic product at basic prices / factor cost</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Other services include education, health and social work and other services.

Source: Data from domestic authorities.
Economic co-operation, regional integration and trade

At a summit of the African Union in Kigali, Rwanda, Uganda signed the agreement establishing the African Continental Free Trade Area (CFTA). Uganda is a signatory to a number of regional trade agreements including the East African Community (EAC) Common Market Protocol (2012), the Common Market for Eastern and Southern Africa (COMESA) Free Trade Agreement, and the COMESA-EAC-SADC Tripartite Free Trade Area (2015). Thanks to its EAC membership, Uganda has seen significant progress: the value of intra-EAC trade grew from USD 2 billion (2005) to USD 5.5 billion (2013), and Uganda’s exports to the region increased fourfold to USD 667.5 million between 2006 and 2015. Kenya and Rwanda have been the key export destinations for Uganda. The country is also a member of COMESA. Intra-COMESA trade has risen from USD 19.2 billion in 2012 to USD 21 billion in 2014 and is projected to increase to USD 25 billion by 2017.

In the World Bank’s Ease of Doing Business Report in 2018, Uganda was ranked 127 (out of 190 countries) in the category ‘trading across borders’ a slight improvement on 2016 when it was ranked 136. During 2017/18, Uganda reduced the time required for export documentary compliance and border compliance by allowing electronic document submission and processing of certificates of origin and establishing the Malaba one-stop border post, which significantly sped up exports. As a land-locked country, Uganda has heavily invested in regional road and rail transport to facilitate regional trade and reduce trade costs across borders. Similarly, the proposed oil export pipeline to the seaport of Tanga in Tanzania will help to deepen regional integration.

EAC countries remain the main destination for Uganda’s exports, followed by countries of the European Union. Amongst its larger trading partners, Uganda had a trade surplus only with the European Union. Uganda benefits the EU’s generalized scheme of preferences (GSP), through the ‘Everything But Arms’ arrangement which grants duty-free access to imports of all products except weapons and ammunition from least developed countries. No major shift in export destinations is anticipated for 2018.

Debt policy

The most recent IMF and World Bank debt sustainability analysis (DSA) in 2016 indicated that Uganda had moved from low to moderate risk of debt distress. Vulnerabilities increased compared to previous DSA assessments, and the major risks to the outlook are the poor performance of exports as well as an increased rate of debt accumulation, particularly of debt on non-concessional terms. Given Uganda’s infrastructure development needs, and high expenditure requirements in health, education, and other social development priority areas, the Ugandan authorities are scaling up public investments in infrastructure to support high and sustainable growth over the medium and long term. The Government’s deliberate decision to frontload infrastructure spending in the medium term means there will be a higher rate of debt accumulation than in previous years, but this is expected to subside in the long term as these infrastructure projects are completed.

<table>
<thead>
<tr>
<th>TABLE 3. Public finances (percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Total revenue and grants</td>
</tr>
<tr>
<td>Tax revenue</td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>Total expenditure and net lending (a)</td>
</tr>
<tr>
<td>Current expenditure</td>
</tr>
<tr>
<td>Excluding interest</td>
</tr>
<tr>
<td>Wages and salaries</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Capital expenditure</td>
</tr>
<tr>
<td>Total expenditure</td>
</tr>
<tr>
<td>Primary balance</td>
</tr>
<tr>
<td>Overall balance</td>
</tr>
</tbody>
</table>

(a) Only major items are reported.
Source: Data from domestic authorities; estimates (e) and predictions (p) are based on the author’s calculations.
Widening budget and current account deficits have increased Uganda’s debt vulnerability to medium-term shocks, despite the fact that Uganda’s debt is still assessed as low or moderate by the latest IMF World Bank DSA and by the Government of Uganda’s debt sustainability analysis report in December 2017.

In December 2017, external amounted to 25.1 trillion Uganda shillings (UGX) an increase of 12.2% relative to June 2017; domestic debt amounted UGX 1.2 trillion, an increase of 4.2%.

With a planned fiscal deficit in FY 2018/19 of 6% and a debt service rate of less than 1% of GDP, it is expected that the debt-to-GDP ratio will reach over 40% by end of 2018 and 45% of GDP by 2020. At these growth rates, Uganda’s debt burden is growing faster than the Government’s resources, whose revenue-to-GDP ratio is only 13.4%.

### ECONOMIC AND POLITICAL GOVERNANCE

**Private sector**

Ugandan business activity is expected to recover in 2018. Investment in public infrastructure development, and recovery in manufacturing and construction are expected to boost aggregate demand, while further improvements in some key services, particularly finance and banking, trade, transport, and ICT services, could improve private business opportunities.

Uganda was ranked 122 (of 190 countries) in 2017, by the World Bank’s Doing Business 2018, a drop of seven places relative to 2016, but can expect private sector growth to accelerate in 2018 thanks in part to growth in private sector credit of 4.8% in FY 2015/16 and 5.8% in FY 2016/17. The country registered improvements in four of the ten assessed indicators, no change in four, and a fall in only two: ‘access to electricity’ (22.5% of Ugandan households have access), and ‘ease of starting a new business’. Uganda enjoys excess electricity supply even at the peak of demand and electricity generation capacity has increased to 929.6 MW from 822 MW in 2016. Maximum demand (including exports) registered by UETCL increased from 557.4 MW to 597.4 MW between October 2016 and 2017. The combination of low access and excess supply illustrates Uganda’s limited distributional network and the slow growth of demand in the last couple of years. Nearly 800 MW of capacity is expected to be commissioned in 2018/19 but total installed capacity will still fall short of the 2020 target of 2 500 MW. The medium term challenge will be to use the idle power generated, which is a cost to the taxpayer. The high frequency indicators of economic activity (Business Tendency Index and Composite Index of Economic activity) remained positive through 2017, reflecting the confidence investors have about doing business in the country and the continued recovery of economic activity.

**Financial sector**

The Bank of Uganda has continued an expansionary monetary policy stance by gradually lowering the central bank rate from 15% in July 2016 to 9.5% in October 2017 to support the recovery of private sector activity. Yields on Government 91-day and 364-day securities declined from an average of 17.53% and 20.06% in FY 2015/16 to an average of 13.21% and 15.06% in FY 2016/17. Despite the reduction in yields on Government securities, lending rates remained relatively high following the reduction in the central bank rate. The weighted average lending rate for loans denominated in Uganda shillings declined gradually to 18.9% in September 2017, from a peak of 25.2% in February 2016.

The high lending rates inhibited private sector credit growth which was just 3% on a year-on-year basis for the year ending November 2017 (compared to 8% for the year ending November 2016) and 4.3% in FY 2016/17 compared with 15.2% in

---

<table>
<thead>
<tr>
<th>TABLE 4. Current account (percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
</tr>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
</tr>
<tr>
<td>Export of goods (f.o.b)</td>
</tr>
<tr>
<td>Import of goods (f.o.b)</td>
</tr>
<tr>
<td><strong>Services</strong></td>
</tr>
<tr>
<td><strong>Factor income</strong></td>
</tr>
<tr>
<td><strong>Current transfers</strong></td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
</tr>
</tbody>
</table>

Source: Data from domestic authorities; estimates (e) and predictions (p) are based on the author’s calculations.

---
FY 2015/16. The decline in credit growth partly reflects banks’ aversion to risk amid a decline in loan quality, and a switch to Government securities which are perceived to be less risky. While asset quality as measured by the ratio of nonperforming loans (NPLs) to total gross loans improved in the first half of 2017 to 6.2%, it had increased again to 7.2% by September 2017.

It is therefore expected that during 2018 the Government will invest decisively in the Uganda Development Bank and in microfinance support centres to provide affordable short-, medium-, and long-term capital to private sector enterprises.

Financial inclusion (the percentage of adults with access to a formal financial institution) also remains low. Mobile money has grown rapidly. Its transactions value reaches over 50% of GDP. However, the cost of mobile money remains prohibitively high. The Bank of Uganda launched a financial inclusion strategy in 2017, and recent amendments to the Financial Institutions Act provide for further financial inclusion modalities, such as agency banking and regulations for agency banking, which could improve access to financial services in 2018 and beyond.

Public sector management, institutions and reforms

Various policies have been implemented to improve property rights and the business climate. Since 2010, legal and regulatory reforms emanating from the computerization of the land registry resulted in the establishment of six new zonal offices in Kampala, Mukono, Jinja, Wakiso, Masaka, and Mbarara. These have brought services closer to the people. Seven additional zonal offices underwent refurbishment and were due to be completed in 2017. Despite the positive impact of land registration on bank credit, computerization had a negative side too because it disrupted surveys and mapping of new land titling.

Corruption has remained a problem. Uganda has maintained the same position in international corruption rankings: 151 (out of 180 countries) in both 2017 and 2018, whereas in East Africa Rwanda ranked 48, Tanzania 103, Kenya 143, and Burundi 157. South Sudan and Somalia were rated the two most corrupt countries, being ranked 179 and 180 respectively. Further work on the legislative and regulatory framework is needed to strengthen accountability in the public sector in Uganda.

Despite falling seven places on the World Bank’s 2018 Doing Business ranking, Uganda registered some important improvements. They include the removal of the requirement that a Commissioner of Oaths must sign compliance declarations for starting a business; introduction of an online system to obtain business licenses; and reductions in business incorporation fees. Consequently, the 2018 Doing Business reported, it took 24 days to start a business in 2017, rather than 26 days in 2016 and 32 days in 2015.

The quality of public administration has improved thanks to the efforts of the Office of the Prime Minister, which is responsible for the coordination and implementation of Government policies and service delivery. The Government released public financial management reforms in 2016. The Office of the Prime Minister has continued to harmonize the programming of the legislative agenda. The roll out of the integrated financial management services (IFMIS), treasury single account, results oriented management (ROM), output oriented budgeting (OOB), and output budgeting, will strengthen the links between budget inputs and results and improve the quality of public administration.

Natural resource management and the environment

Uganda lost about 14% of its forest cover between 2010 and 2015, down from a loss of 24% in 1990 (10% in 2015). This amounts to a loss of forest cover of about 1.8% a year, at a cost of about 15% of GDP. The major challenges are to prevent encroachment on central forest reserves, the issue of land titles in central forest reserves and local forest reserves, and illegal timber extraction for charcoal burning. In response to these challenges, in 2015/16 the Government re-enforced the boundaries and demarcation of forest reserves under public protection and embarked on wetland restoration. Various interventions for reforestation were implemented by the forest authority, local Governments, civil society, and the private sector. In an effort to reverse environmental degradation, the Government has stepped up environmental policing over the past three fiscal years. Effective FY 2012/13, the Ministry of Water and Environment established an Environment Protection Police Unit to enforce environmental laws and prevent the degradation of protected areas. The Government has been implementing environment-friendly measures that include water catchment restoration, wetland restoration, and reforestation. Following the release of the 2012-2017 Albertine Graben Monitoring Plan which tracks the impact of oil and gas-related developments on the environment of the Albertine Graben., the National Environmental Management Authority is expected to develop a regulatory framework and oil spill contingency plan.

Political context

Uganda’s political situation is stable. The Government remains active in promoting regional peace initiatives. However, in domestic politics, a motion was recently tabled in the Parliament of Uganda requesting that the presidential age limit be removed from the constitution. There is some disquiet among opposition groups who have expressed their concern that this may hand a life presidency to the incumbent president.
**SOCIAL CONTEXT AND HUMAN DEVELOPMENT**

**Building human resources**
A recent report by the Uganda Bureau of Statistics in November 2017, based on the 2014 national census, found that 23% of the population of 36.4 million were between ages 18 and 30, while 26% of the population were adolescent (between 10 and 19 years); altogether 44% of Ugandans were between 10 and 30 years old. This young population has been increasing at an average of 3% a year and doubled in number between 1991 and 2014.

68.5% of young adults and 77% of adolescents lived in rural areas, implying that many young people move to urban areas as they grow older. Over 75% of Uganda’s youth are engaged in vulnerable work (own work or supporting family), often characterised by inadequate earnings, low productivity, and difficult or dangerous work conditions that breach fundamental rights. Only 4.5% were in paid employment, even though the Uganda national household survey (UNHS) for 2016-2017 reported that youths were more likely than other age groups to be in paid employment (53%). The UNHS 2016/17 median monthly wage was only UGX 168,000 (about USD 47). 4% of working young adults were in professional, technical or associate professional jobs, which may be consistent with the UNHS 2016/17 finding that 8.6% of employed young adults were skilled. Youth employment stood at 13.3% (higher than the national employment average of 9.2%).

However, the UNHS 2016/17 found that 5 million subsistence workers were not included in the labour force. This group is arguably dominated by youths. Further, the UNHS found that only 50% of Ugandans of working age were employed, which implies that many young adults are not meaningfully engaged in economic activity. Of young adults who have ever been married (married/cohabited, widowed, divorced, separated), 65% were female and 44% male, which may explain Uganda’s persistently high fertility levels (5.4 children per woman). According to the 2016 UDHS, fertility is also exacerbated by high levels of teen-age pregnancy. Overall, 56% of young adults (ages 18-30) had been or were married. The literacy rate was 78% for adolescents and 81% for youth. Male youth have higher literacy rates than female. Against this backdrop, it is essential that youth policy and associated budgetary actions focus on addressing the problems of the youth population bulge and the associated gender imbalance. Education remains a critical tool to transform the population.

The Government has identified the following key initiatives to leverage the bulging youth demographic to help achieve the country’s Vision 2040 development agenda: it will increase investments in health, family planning, and education, including universal secondary education and business and technical vocational skills to facilitate industrialization; promote good governance, accountability, and efficiency in the use of public resources; and tackle barriers to youth unemployment through infrastructure development, investment in youth livelihood programs and promotion to youth of labour-intensive sectors such as agriculture, construction, manufacturing, and tourism and hospitality. These programmes are incorporated in the second national development plan (NDP II) and the national budget.

**Poverty reduction, social protection and labour**
Uganda’s high economic growth rates and efforts to reduce poverty have not been inclusive: inequality has recently increased across all dimensions. According to an estimation by USAID of overall and per capita GDP in 116 districts at the end of June 2017, 14 of those districts accounted for 75% of the 116 districts’ total GDP. The country’s Gini index of income inequality rose from 0.36 in 1993 to 0.44 in 2013 (UNDP, Human Development Report, 2013) and in 2017 stood at 0.45. Furthermore, inequalities have increased across regions, gender, and age groups. The main causes of inequality in Uganda are high gender and youth unemployment, low access to basic social services such as education and healthcare and infrastructure, jobs-skills mismatches, low savings, declining productivity, and cultural biases.

The country was among the few Sub-Saharan African countries to have halved levels of extreme poverty, from 56.4% in 1992/93 to 24.5% and 19.7% in 2009/10 and 2013/14 respectively, in line with its 2015 MDG target. However, according to the 2016/17 UNHS, more Ugandans are now slipping into poverty: the number of poor people increased from 6.6 million in 2012/13 to 10 million in 2016/17, a rise from 19.7% of the population to 27%. Uganda is on course to achieving universal access to primary education and reducing gender inequalities in education, but progress on the other SDGs has been slow.

**Gender equality**
Uganda has made commendable strides in reducing gender inequalities. There was near parity at primary (100%), secondary (90%), and tertiary (80%) education levels in 2015. The primary school pass rate in 2015 was 86% for girls compared with 90% for boys, as in the previous year, implying an almost equal chance of passing. 34% of Parliamentarians are women, above the global average (23%) and Sub-Saharan African average (24%). This is attributed to the constitutional quota system for female district members of parliament. However, women are not able to participate and compete in political activities as easily as men, who occupy more parliamentary positions.
In only 26.6% of firms do women have or share ownership. The median wage for females in paid employment has remained about half that of males since 2005/06. In agriculture, the gender gap costs Uganda an estimated USD 67 million annually. Closing this gap would lift 119 000 people out of poverty. Eliminating these disparities requires interventions that would allow women to have more access to productive resources but also engage men by challenging their social, economic, and cultural gender biases. The Government has ratified various international commitments, including the Convention on the Elimination of All Forms of Discrimination against Women and the Beijing Platform of Action, and has fully subscribed to the fifth Sustainable Development Goal of gender equality and women’s empowerment. However, important gender inequalities persist and further efforts are needed to reinforce the legal and institutional frameworks put in place to support gender equality.

**THEMATIC ANALYSIS: INFRASTRUCTURE FINANCING**

**Introduction**

Despite large allocations of public investment to infrastructure development in the last decade, the quantity and quality of Uganda’s transport, water and sanitation, energy, and agriculture infrastructure remain inadequate to meet the Government’s economic transformation and development objectives. Uganda’s NDP II sets out to achieve lower-middle-income status through substantial investment in infrastructure sectors while consolidating progress made in realization of the MDGs. In the current budget proposal for FY 2018/19, infrastructure continues to dominate public investments, funded from domestic (16%) and external sources (84%).

**Transport sector**

Uganda’s transport infrastructure is dominated by the road sector. Uganda has 144 785 km of roads, of which 4% are paved and the rest gravel or earth. In the proportion of paved roads, Uganda trails its East African neighbours, Kenya (6.95%), Tanzania (6.20%), and Rwanda (19%). Various public institutions belonging to different tiers of Government Various maintain, develop, and manage categories of road. Local authorities are responsible for community access roads, districts for district roads, urban authorities for urban roads, and the Uganda National Roads Authority for national roads. Uganda suffers from a poor transit and transport infrastructure, which has increased the cost of doing business. As a landlocked country, it has links to the East Africa Community and Great Lakes region countries, but underdeveloped inland water, railway, and air infrastructures. The roads are the main transportation mode, carrying 90% of all land traffic. Overloading and insufficient road maintenance have accelerated road deterioration. The roads in underserved regions are also insufficient and of poor quality, resulting in weak connectivity with markets and basic social services. The consequence has been high transportation and logistics costs for both intra- and inter-regional trade, constraining investment and business development.

In the transport sector, interventions include prioritizing the standard gauge railway and extending strategic national roads from 3 795 km to 5 295 km. The aim is to link productive areas, support exploitation of minerals, oil and gas, and tourism, and reduce traffic congestion in the cities. The Bank has invested significantly in the Ugandan road sector, mainly national roads, and has had a close relationship with Uganda’s National Roads Authority.

**Energy sector**

The electricity sector in Uganda underwent a series of systemic reforms to improve their economic performance and expand access. There is now a renewed focus on energy production, efficiency, and rural electrification. Total installed electricity generation capacity increased from 595 MW in 2010/11 to 850 MW in 2014. Total grid electricity supply increased by 7.1%, from 2 738 GWh in 2012 to 3 203 GWh in 2014, raising per capita income to USD 420. The growth in overall installed capacity in recent years has largely been due to the addition of capacity at Bujagali (250 MW) in 2012 and other mini-hydro projects. The growth includes 100 MW of thermal power on standby. Hydropower accounts for about 84% of the country’s total electricity capacity of 550 MW. According to the NDP, peak power demand is rising by about 22.7% a year. Government investments are focusing on exploiting the country’s abundant renewable energy sources, including hydropower and geothermal, to increase power generation; expanding the national electricity power grid network; and promoting energy efficiency and use of alternative sources of energy.

Despite the Government’s efforts, Uganda has made slow progress in ensuring that a majority of households have access to electricity. Data from the Doing Business report for 2018 indicate that access to all forms of electricity increased from 7.8% in 2002 to 20.4% in 2014, and 22.5% in 2018. However, only 10.3% of rural households have access to any form of electricity, and 5.1% have a connection to the national grid. As a result, Uganda’s electricity consumption per capita (estimated at 215 kWh in 2018) remains significantly lower than Africa’s average (535 kWh per capita) and the world average (2 472 kWh).
Growth in industrial and domestic energy demand is expected to outstrip the current supply capacity if extra power generation, transmission, and distribution capacity is not installed. Despite the increased energy supply capacity, electricity tariffs have remained high while power outages and load shedding have persisted, increasing the costs of doing business and undermining Uganda’s economic and business competitiveness. The Bank has approved a project to refinance the Bujagali hydro-electric plant, the largest in the country.

**Water and sanitation**

The Government will invest in water for production infrastructure to boost commercial agriculture and industrial activities. The emphasis is on the construction of large- and small-scale water schemes for irrigation, livestock, and rural industries and on increasing cumulative storage. On the whole, Uganda achieved its MDG national target, to provide 72% of the population with access to improved drinking water by 2016. However, the country’s water supply remains low. Only 19% of households are able to access piped water. About 35% of the population are unable to access safe drinking water and only 2% of the water supply is used for industrial production. The low piped water supply is due to inadequate and uneven distribution of water supply infrastructures across districts. Industrial and domestic water supply and access challenges are expected to intensify, due to droughts and high population growth. Uganda has yet to achieve its MDG national target, to provide access to sanitation for 70% of the population. Only 35% of Ugandans have access to improved and safe sanitation facilities.