

African Development Bank- COUNTRY PROFILES UGANDA



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT



SECTION 1 – COUNTRY OVERVIEW

Geography and Demography

- **Location:** East Africa. Bordering 5 countries, Uganda is a landlocked country and accesses port services largely through Mombasa, Kenya..
- **Population:** 45.7 million (2020, World Bank Data).
- **Landmass:** 200,520 consisting mostly of a plateau flanked by highland areas in the east and west. The land is largely fertile, save for the generally semi-arid northeast.

Political Governance

Uganda has enjoyed improved political stability and national security since the second half of the 1980s. The National Resistance Movement (NRM) government is credited with stopping the political and economic challenges that had prevailed in the country for a decade before then, returning it to growth. The NRM government has been able to maintain relative peace and stability, underpinned by social and economic development. However, sporadic violence during elections held in 2021 showed that more needs to be done to bolster national cohesion and inclusivity.



Economic and Social Development

Uganda is a low-income country that has made tremendous socio-economic progress and invested heavily in infrastructure during the past three decades. The country has progressed towards macroeconomic stability, consolidated peace and security, and reduced poverty from over 50% in the 1990s to about 20% in 2020. Among important gains are rising life expectancy at birth, declining maternal mortality rates, and improving literacy rates for youth.

The stable environment has led to periods of high growth, shifting the economy towards industry and services, and increasing employment in those sectors. However, more recently, growth trends have slowed to 4.9% (2016-20), down from 5.4% (2011-15). Despite the shift toward industry and services, stagnating agricultural productivity, combined with insufficient value-addition and jobs, has slowed down structural transformation. More than 6 in 10 workers remain stuck in low-income work or subsistence agriculture. Persistent inequality, stagnation of poverty around 20%, and declining agriculture incomes, have pushed some agriculture labour towards other opportunities, especially informal trading.



National development plans have identified key challenges related to low productivity and the need for greater value-addition. Uganda's overarching development challenge is to diversify its economy and make it more competitive and better integrated into regional and global markets. Underlying development challenges, aggravated by Covid-19, include infrastructure bottlenecks, shallow financial markets offering limited access to long-term investment capital, insufficient formal business growth, low-quality skills, and weak institutional capacity.

The challenges notwithstanding, the economy has benefited from expanded regional connectivity, increasing the paved road network, and opening its borders to expand regional and global trade. The country has also enjoyed increased access to electricity and water for production, and a more stable financial sector. These achievements, combined with renewed efforts to strengthen industrialisation in agro-processing, oil and mineral beneficiation, and tourism, could position Uganda to reach the ambitious goal of upper middle-income status by 2040.

Key socio-economic data

Averages over the period	1996-2000	2001-2005	2006-2010	2011-2015	2016-2020
GDP per capita (constant 2015 US\$)	496	572	717	827	873
Growth (%)	6.1	6.7	8.1	5.4	4.9
Size of agriculture sector (% of GDP)	35.9	24.5	26.9	26.1	23.3
Agriculture productivity (value added per worker, constant US\$)	1,145	1,233	1,152	1,033	930
Agriculture labour (% of workforce)	71				64
Poverty	39.1	35.0	24.5	19.7	20.9
Life expectancy at birth (years)	44.9	49.4	55.0	59.8	62.7
Literacy (% of people ages 15-24)		80.8	85.7	83.7	89.4
Maternal mortality (modelled est. per 100,000 live births)	578	522	453	403	378

Source: AfDB, World Bank, and Uganda Bureau of Statistics.

SECTION 2 – AFDB COUNTRY STRATEGY

AfDB in Uganda

The AfDB started its operation in Uganda in 1967, and over the past decades the Bank has made an estimated cumulative commitment of \$4.2 billion in the country (as of December 2021), mainly in transport, power, banking & financial intermediation, and social sectors.

Current Country strategy and focus areas

In 2013, the government launched Vision 2040 as the flagship development framework to transform Uganda from a subsistence-driven agricultural economy into a prosperous nation. Vision 2040 focuses on developing social and economic infrastructure, raising human capacities, eradicating the high cost of doing business that has constrained the private sector, addressing low agricultural productivity, and enhancing the efficiency of state institutions.

Vision 2040 is implemented through six medium-term national development plans and rolling medium-term expenditure frameworks. So far, two successive medium-term strategies (NDP I & II), covering the first years of Vision 2040, have been completed. The current (NDP III) covers 2021-2025.

To respond to Uganda's key development challenges, the African Development Bank has prepared a new Country Strategy 2022-2026, which aims to improve the country's connectivity and industrial competitiveness, to expand non-traditional exports and reduce vulnerability to external shocks.

To achieve this objective, the Country Strategy focuses on a single Priority Area: Develop quality and sustainable infrastructure to support industrialisation and private sector development, which is aimed at strengthening the Bank's position and build on its previous achievements.

The Bank's Country Strategy takes the view that more emphasis should be put on addressing the enablers for industrialisation, aligned with the NDP III. Thus, the new CSP differs from the previous ones by contributing to a more focused approach to help establish the foundations for industrialisation. In addition to being aligned to Uganda's Vision 2040, the National Development Plan III (2020/21-2024/25), and the Climate Change Action Plan, the Country Strategy is also in line with the Bank's Ten-Year Strategy and High 5 strategic priorities.

Priority sectors include **agriculture, transport, energy, and water and sanitation**. Support to infrastructure development places emphasis on bolstering industrialisation, economic diversification, and accelerating structural transformation. The Country Strategy will integrate cross-cutting issues, particularly gender, climate change, skills development, and economic governance into its operations.

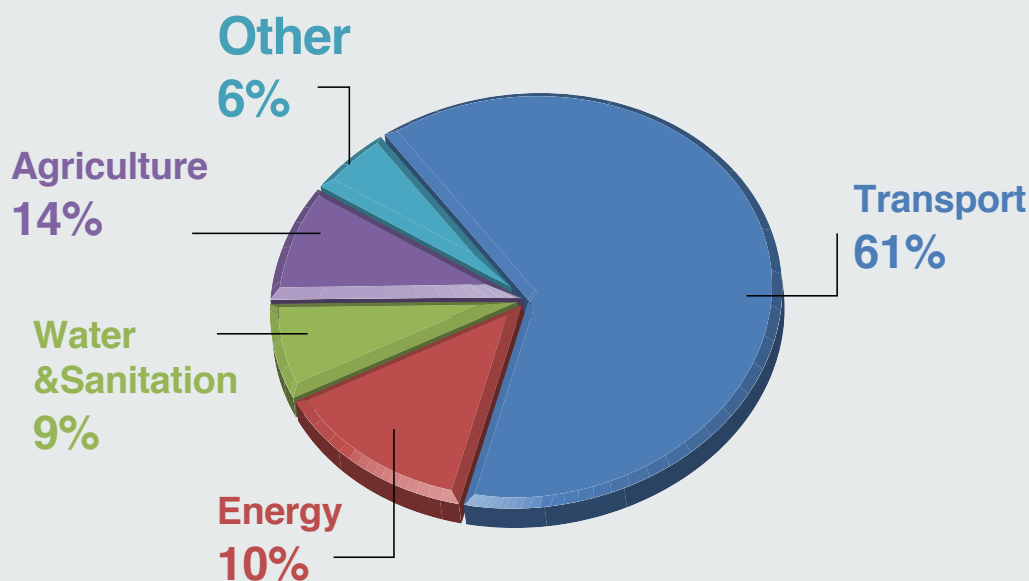
Furthermore, through the Bank's non-sovereign operations window, the Strategy will provide access to long-term finance to boost private sector investment and development. The benefits of the Strategy will be expanded to the rest of the economy through multiple linkages and spill-over effects of the Bank's interventions.



SECTION 3 – COUNTRY PORTFOLIO, FINANCING INSTRUMENTS AND IMPACT

Portfolio

In March 2022, the Bank's portfolio in Uganda comprised 24 operations with a net total commitment of \$1.7 billion. Most of the operations were in the public sector, which accounted for 96% (20 projects) of the ongoing activities, while 21% (4 projects) were private sector-championed operations. The pie-chart below shows the allocations



to the various sectors 61%, energy 11%, water and sanitation 9%, agriculture 14% and other 6%.

The Bank's projects have focused on expansion and rehabilitation of road networks and ICT infrastructure; improving access to clean and safe drinking water; and enhancing agribusiness, productivity, marketing and value addition in the agriculture sector.

Financing Instruments

Twenty two operations have been funded through the ADB/ADF loan facility, and two via trust funds. The ongoing project activities, which were started in the previous Country Strategy, targeted infrastructure development and human capital and skills development.

The Bank also provided a line of credit to support the country's Covid-19 relief effort, and to the Uganda Development Bank for long-term financing to small and micro enterprises expansion programmes.

The Bank's financing instruments for ongoing projects were derived mostly from the African Development Bank, the Bank Group's non-concessional arm, which constituted 55% of funded activities. The African Development Fund (ADF), the Bank Group's concessional arm, supported 34% of the projects. The African Development Fund Regional Operations (ADF-RO) financed 10% of the activities, while Trust Funds supported 1% of the portfolio.

The Trust Funds utilised include the African Water Facility Trust Fund, the Strategic Climate Fund, the Sustainable Energy Fund for Africa, and the Global Environment Facility. The European Union, the World Bank and the French Development Agency have also provided co-financing to various projects.

The total resources mobilised to finance the previous Country Strategy 2017-2021 amounted to \$939 million, sourced from ADF (\$325 million); ADB (\$609 million), and trust funds (\$5.6 million). It is the ambition of the new Country Strategy 2022-2026 to raise \$1.3 billion to finance sovereign projects.

Impact

One of the Bank's key investment objectives in the country was to develop an efficient road transport network to promote inclusive and green socio-economic development and increase access to markets and household income.

During the CSP 2017-2021 a total of 428km of national road network have been paved, 300km of new rural access roads constructed, and 12km of the 112km Kampala City road rehabilitated.

A total of 70 mini solar water schemes in peri-urban communities have been constructed, exceeding the target of 40.

A 59,000m³/day sewerage system was constructed in 3 regions of Kampala and 7 regional faecal sludge treatment facilities countrywide. In the energy sector, 1,620,509 connections were achieved through the construction of 385km medium-voltage and 262 low-voltage lines.

In agriculture, five large irrigation schemes were constructed, plus 11 urban markets for value addition.

The outcomes enabled by the Bank's investments in infrastructure and human capacity development have benefited many Ugandans. Some of the key outcomes include:

- Students in urban areas with access to (and using) hand washing facilities increased from 40% in 2017 to 58% in 2020.
- Urban households with access to (and using) hand washing facilities increased from 37% in 2017 to 61.1% in 2020.
- End-user average electricity tariffs were reduced from 14 to 13 US cents/kWh, with commercial tariffs at 12.7 US cents/kWh (Q2-2021). The refinancing of the Bujagali hydropower facility cut generation tariffs from over 10 US cents/kWh (before July 2018) to 8.3-8.5 US cents/kWh in 2020.
- National electricity access rose from 27% in 2017 to 41% in 2019.

- In rural areas, electricity access improved from 18% in 2017 to 32% at the end of 2019.

- Marketable agricultural produce increased by 14.4%.

In addition to the above, the 2017-2021 Country Strategy, supported the transformation of agriculture to unlock inclusive and sustainable growth and development potential for Ugandans. The Strategy's success relied on enhancing production, climate resilience, productivity, value addition, and marketing activities in the value chain. The Strategy also promoted greater economic inclusivity by increasing sector incomes and employment for women and the youth. The outcomes included:

- Farm gate prices rose by 10%.
- Maize production increased 33%.
- The number of farmers who accessed inputs increased by 28%.
- Marketable agricultural produce increased by 14.4%.



SECTION 4 – COUNTRY OFFICE STAFF LIST (AS AT JUNE 2022)

NGAFUAN	Augustine Kpehe	Country Manager
RASMUSSEN	Peter Engbo	Country Economist
CHESIRE	Milly Chelagat	Country Programme Officer
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MBIRO	Andrew	Water and Sanitation Specialist
BYARUHANGA	Juliet	Private Sector Officer
ASAYE ADAL	Fasil	Procurement Officer
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KAGORO	Gilbert	Disbursement Assistant
KISEMBO	Esther	Operation Assistant
KATO	Robert	IT Officer
LUWAGGA	Moses Travac S	Administrative and Finance Assistant
WAMALA	Florence	Executive Assistant
IRUMBA	Eunice Ocailap	Secretary/Receptionist
SSEMYALO	Addrissa	Driver
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SECTION 5 – ADDRESS AND CONTACT INFORMATION OF COUNTRY OFFICE

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