

AFRICAN PEER REVIEW MECHANISM  
APRM SECOND COUNTRY REVIEW REPORT



# REPUBLIC OF UGANDA

KEY HIGHLIGHTS OF THE SECOND COUNTRY REVIEW REPORT  
FOR DISCUSSIONS AT THE 27<sup>TH</sup> SUMMIT OF THE APR FORUM

**ADDIS ABABA, ETHIOPIA: JANUARY 2018**



Prime Minister of Uganda, His Excellency Dr. Ruhakana Rugunda officially welcoming the APRM Country Review Mission and launching the Uganda Second Country Review process led by Bishop Dinis Sengulane, member of the APRM Panel of Eminent Persons and lead panelist for Uganda.



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# 1. INTRODUCTION

- i. Uganda is one of the pioneering countries to accede to the African Peer Review Mechanism (APRM) at its inception in 2003. The APRM was created as a result of the Abuja Declaration (9 March 2003) as an instrument for self -and peer- assessment of policies and practices in the fields of political, economic, corporate governance and socio-economic development.
- ii. This report considers governance of Uganda in the following four areas:
  - Democracy and good political governance
  - Economic governance and management
  - Corporate governance
  - Socio-economic development.

## 2. DEMOCRACY AND POLITICAL GOVERNANCE

- i. The APRM, as a system, is premised on the conviction that the quality of democracy and political governance in a country determines its socio-economic development prospects. Since its 2008 APRM review, Uganda has shown its commitment to international and regional standards of governance as was demonstrated by its ratification and domestication of several of these standards. The country has also made significant progress in institutionalising mechanisms to promote constitutional democracy, protect the political, economic and socio-cultural rights of its people, and especially the vulnerable groups in society. Uganda has also established institutions and enacted legislation to combat corruption. However, a number of standards remain unratified and, in some cases, the domestication of ratified standards also requires a lot more work. What is encouraging is that, as can be seen from the focus on governance in Uganda Vision 2040, the Government remains committed to the cause of good governance for the long haul.
- ii. At the same time, CSAR 2017 as well as our own research and consultations with the Ugandan public on the ground reveal that Uganda still faces a number of important challenges, both old and new, which we have grouped into four broad categories:
  - Fair competition for political power, which includes such related issues as the levelling of the playing field as between the different political parties; respect for the Rule of Law and constitutional supremacy; equitable funding of political parties; and electoral processes and the independence of the Electoral Commission;
  - A dominant executive and weak systems of checks and balances, which includes such related issues as the independence of the judiciary and the legislature (i.e. to what extent these two are empowered administratively and financially to exercise their powers, including to counter or curb possible executive excesses), and independence of democracy-promoting institutions (are they empowered to exercise oversight on all three);
  - Management of diversity, including gender, ethnic groups, refugees, economic immigrants, and integration of foreigners in general; and
  - The state of the public service, including its efficiency, level of decentralisation, responsiveness, accountability, etc. and the challenges facing anti-corruption institutions in the country.
- iii. These four issues are both critical to the state of democracy and political governance in Uganda today but also cut across the objectives of the thematic area as articulated in the APRM Objectives, Standards, Criteria and Indicators document, which remains a useful guide in the preparation of this report.
- iv. Uganda laid down the ground rules for fair competition for political power in its constitution of 1995 and has become a committed player at the continental and global levels by subscribing to standards and codes of a constitutive nature, such as the NEPAD Declaration on Democracy, Political, Economic and Corporate Governance, the African Charter on Human and Peoples' Rights, the African Charter on Democracy,

- Elections and Governance, among others. The country has also established democracy-promoting institutions such as the Uganda Human Rights Commission, IGG, and the Auditor General. The quality of its competitive and regular elections has also been repeatedly declared as free and fair presidential already since 1996.
- v. However, this does not tell the whole story about competition for political power in Uganda; there have also been concerns in several areas, including the formula for political party funding, access to public media, and the over-zealous implementation of the Public Order and Management Act in a way that has diminished the political space in the country, including curtailment of freedom of expression and assembly. After a serious consideration of the facts on the ground, the Panel recommends, among others, that the government reconsider the funding formula for political parties to ensure fairness and equity, with less emphasis on party representation in Parliament and more emphasis on baseline funding.
  - vi. Equally important is the current debate on the removal of the constitutional age limit for election to the presidency of the Republic. Although this issue was nowhere mentioned in Uganda's CSAR 2017, the Country Review Mission (CRM) learnt soon after its arrival in the country that this was in fact the most explosive issue in the country at the time. The matter was triggered by a private members' bill which sought, among others, "to review the eligibility requirements for a person to be elected as President or District Chairperson under articles 102(b) and 183(2) to comply with article 1 which gives the people of Uganda the absolute right to determine how they should be governed and articles 21 and 32 which prohibit any form of discrimination on the basis of age and other factors." Despite the fact that the parliamentary motion was in the nature of a private members' bill, the move was naturally understood as calculated to enable the incumbent, H.E. President Yoweri Museveni, to stand in the next elections in 2021, by which time he would be about 77 years old. Learning from the commendable approach taken by CRR 2008 on the related issue of the constitutional amendment to lift the presidential term limit to a maximum of two terms of five years each, the Panel this time too recommends that Government needs to ensure that the ongoing debate is handled in accordance with the doctrines and spirit of Rule of Law and constitutionalism.
  - vii. Contrary to the well-articulated separation of powers in Uganda's constitution and other laws, there is the perception that the executive remains unduly dominant in the country. The CRM notes that, although Uganda has made separation of powers an integral part of its governance system, the dominance of the executive and the resulting weaknesses in the system of checks and balances has become a matter of concern.
  - viii. Both parliament and the judiciary feel the executive's dominance in several ways, from the latter's use of its budgeting power to weaken the judiciary to the apparent deployment of the military to intimidate members of parliament into acting in a certain fashion. The CRM noted the enormous constraints caused by lack of human and financial resources that democracy-promoting institutions such as the Uganda Human Rights Commission face while delivering on their constitutional mandates. The Panel thus recommends that Government ensure the financial and administrative independence and capacity of the Judiciary, the Legislature and the other democracy-promoting institutions in Uganda and enable them to exercise their powers effectively and efficiently.
  - ix. Uganda has made tremendous effort in managing diversity through Section III(ii) of the Constitution under National Objectives and Directive Principles of State Policy Section, which provides that "every effort shall be made to integrate all the peoples of Uganda while at the same time recognizing the existence of their ethnic, religious, ideological, political and cultural diversity". Uganda has also ratified the African Charter on Human and People's Rights which guarantees cultural, economic, political and social rights to all citizens. However, the CRM finds that there is a sense of marginalization felt by ethnic minority groups in the country such as the Batwa, Banyabutumbi, Basongora, Shana, Tepeth and the Venoma. The CRM notes that this is an area of possible source of conflict in the future if discontent continues and it poses challenges to the inclusive management of diversity in the country. The Panel recommends that the Government consider enhancing the capacity of its institutions mandated to promote and protect the rights of ethnic minorities as a matter of priority.
  - x. Uganda has also made great strides in the protection and promotion of women's rights through the enactment of several pieces of legislation and establishment of institutions. However, the rights of women as articulated in legislation are too often not implemented in practice, and too many cultural and religious

practices are biased against women and continue to inhibit progress towards full gender parity and equality. The Panel thus recommends that the Government consider conducting education and sensitisation campaigns across Uganda, especially in rural areas, on the constitutional and legal rights of women as well as the legal implications of traditional practices that undermine women's legal and human rights. Furthermore, the Government is urged to review and repeal discriminatory clauses against women in legislation, such as the Land Act, the Registration of Titles Act, the Micro-Deposit-Taking Institutions Act, and the Marriage Act.

- xi. Uganda has a young population and a worrying youth unemployment rate of 83%. The government has made significant efforts to tackle youth unemployment through the youth venture schemes and entrepreneurship programmes. However, Uganda is yet to see results as most educated youth fail to get jobs, not least due to a skills mismatch. The Panel recommends that Government consider partnering with the private sector in institutions of higher learning to equip young people with employment-related skills, including through curriculum review programmes and apprenticeship schemes.
- xii. Uganda was applauded in CRR 2008, rightly, for its devolvement of powers and public services to local government, although that also exacerbated the financial challenges of the government. The CRM this time has perceived a possible shift towards recentralisation due to overdependence of local government councils on central government. Highlighted as the major challenge is the lack of revenue generation capacity at local government level, which is compounded by the continuous creation of new districts that has further stretched the already inadequate resources available to local government. This has reduced the ability of local government to effectively and efficiently deliver public services. The Panel thus recommends that the Government consider introducing limitations on the number of districts and revising the funding formula for local government to ensure that level of government remains effective.
- xiii. Corruption was identified as widespread in CRR 2008, a finding that remains as valid today. This is certainly not for lack of effort from the Government; rather, this is an example of a problem that is simply too deep-rooted to remove with the type of measures that have been attempted so far. The Panel thus recommends that the Government shift its focus towards the implementation aspect of the measures and support the effort with systematic, well-orchestrated and sustained campaigns to change societal attitudes and values away from condoning corruption.
- xiv. Generally, Uganda has maintained its commitment to the continuing improvement of its democratic and political governance by enacting the right laws and establishing the right institutions, and cultivating an enabling environment for democracy to prevail. However, implementation remains a challenge, including lack of sufficient human and financial resources necessary for the fullest possible implementation of its policies at this point in its history. For that, Uganda needs the support of all its friends within the APRM and beyond.

### 3. ECONOMIC GOVERNANCE AND MANAGEMENT

- xv. Since CRR 2008, Uganda has recorded impressive overall economic performance, becoming one of the fastest growing economies in the world in the last decade. One of Uganda's most remarkable achievements during this period is the formulation of its Vision 2040, a 30-year development blueprint that is being implemented by a series of six national development plans (NDPs), each lasting five years. Uganda is currently implementing its NDP II, covering the years 2015/16 to 2019/20. It is fair to say that the country's adoption and implementation of well-documented, predictable and transparent economic policies and programmes has clearly paid economic dividends.
- xvi. At the same time, Uganda still suffers high levels of poverty and unemployment, shows little sign of structural transformation and continues to face several challenges in the area of macroeconomic management, which have been addressed in this report under four broad issues as listed below:
  - a. Weak institutional capacity to develop and implement economic policies;
  - b. Weak public finance management and high incidence of corruption;
  - c. Poor domestic resource mobilization and abuse of regulatory incentives to attract particularly foreign investment; and
  - d. Weak state of economic diversification and low value addition.

- xvii. The Ugandan economy heavily relies on the agriculture sector for its employment (accounting for 72% of the economically active population), but services and manufacturing contribute the lion's share of Uganda's GDP. The country has moved away from a state-controlled to a liberalized economic model particularly since 1992 when it put the private sector and open market competition at the center of economic policy.
- xviii. The Government of Uganda has made efforts to promote export competitiveness and diversification. The Government has liberalized the exchange rate market to facilitate trade, including the progressive depreciation of the Ugandan Shilling, which ordinarily should support the export sector. However, in Uganda's case, the continuous depreciation of the Shilling has not led to much improvement in exports while domestic borrowers face higher cost of repayment of foreign denominated debts.
- xix. Sound management of public resources is paramount for meaningful development, and the Government of Uganda has made persistent efforts to ensure transparency and accountability in this field. However, these efforts have not yielded expected results, not least because of the widespread scourge of corruption in the country and what many stakeholders perceive to be insufficient political will to address it aggressively. CRM noted a lot of efforts that have been directed towards proper auditing of all public institutions in the country through the Office of Auditor General (OAG), which is doing a commendable job. For instance, as at 31st December 2016, a total of 1,417 audits, including 1,323 financial audits, 83 forensic investigations, eight value-for-money audits, and three specialised audits had been completed and reported on, while 802 financial audits and three value-for-money audits were still in progress. However, the Country Review Mission also found that financial constraints hindered OAG's performance in auditing local Government offices and schools.
- xx. The performance of domestic resource mobilization in Uganda has improved significantly since the establishment of the Uganda Revenue Authority (URA) on 5 September 1991, the oldest integrated revenue authority in sub-Saharan Africa. And the Government has introduced different reforms to increase its tax revenues. However, the tax-to-GDP ratio is stuck between 12% to 14% and Uganda remains one of the largest recipients of official development assistance (ODA) in the world, with aid-to-GDP hovering around 10%. This state of affairs has impacted the government's implementation of many of its policies, including allocation of resources to local government. The CRM also found that the Uganda Revenue Authority needs to build its capacity further in order to be able to detect, tackle and deter tax evasion practices by powerful people in the country as well as multi-national and large companies. The URA might also need to consider developing strategies to bring as much of the informal sector as possible into the tax net.
- xxi. Another challenge relates to the abuse of the regulatory incentives created by government in order to attract particularly foreign investment. It is remarkable that the fiscal balance of the Ugandan economy has shown significant deterioration over the years, from -1.9% of GDP in 2007/8 to -4.0% in 2009/10 to a slight improvement in 2011/12 at -2.5% back to a further decline of -4.9% in 2015/16. The Panel recommends that the Government make every effort possible to expand the tax base, close regulatory loopholes for tax evasion and illicit financial flows, and further enhance its tax collection capacity.
- xxii. Uganda has discovered commercial deposits of oil, currently estimated at about 6.5 billion barrels. Once production commences, this will have a significant impact on Uganda's fiscal balance, but we also know that oil revenues can bring with them undesirable economic ills. To mitigate the potential adverse effects and maximize the benefits, the Government of Uganda has put detailed plans in place to ensure all oil money goes to capital investments rather than recurrent government expenditure. While this is naturally to be commended, the Panel wishes to emphasise that not many countries have managed to avoid the "oil curse" on the basis of advance planning alone; the main challenges lie at the stage of implementation, once the oil money has started flowing into the coffers of the state treasury. The Panel thus recommends that the Government remain vigilant and ensure its policies are informed by the experiences of the few countries that have successfully harnessed oil revenues for sustainable development.
- xxiii. CRM consultations as well as factual evidence suggest that some sectors of Uganda's economy are highly controlled by foreign-owned businesses. While this might not necessarily be a problem for the economy, the CRM was given the impression that many Ugandans see it as a potential problem, so much

so that in the views of some, the foreign owners use their control of the business as a means of bringing people from abroad to work and perpetuate discrimination against locals even in areas where there is ample supply of skilled labour on the domestic market. The Panel thus recommends that Government consider reviewing its policies so that foreign employees would be welcome when they bring skills that are in short supply in the country.

- xxiv. Others also see foreign investors as beneficiaries of a skewed regulatory system that makes all forms of tax holidays and other incentives available exclusively to them and deny domestic investors a level playing field on which to compete and win. The Panel thus recommends that the Government review its incentive structure and consider eliminating all discrimination against domestic investors.
- xxv. Despite its recent successes, the Ugandan economy remains largely dependent on commodities and raw materials. The Government, through its Vision 2040, is determined to change that and transform Uganda from an agrarian nation to a modern industrial state by 2040. The focus on industrialisation is certainly the right one and the Government must be commended for its determined efforts towards this goal. At the same time, the services sector is also growing fast, indeed faster than the manufacturing sector.
- xxvi. One of the major constraints against Uganda's industrialisation drive is the mismatch between available skills in the country and what industry actually needs to achieve this goal. For that, the Panel recommends an all-inclusive review of the country's approach to education with the involvement of representatives of industry as well as those responsible for the design of education policy and for its actual delivery.



#### 4. CORPORATE GOVERNANCE

- xxvii. In the period following the base review of Uganda, the regulatory and business environment has improved markedly. Uganda's ranking as indicated by various indices, such as the World Bank's Doing Business Index, the World Economic Forum's Competitiveness Index, and the Economic Freedom Index show trends of progressive improvement from 2008 to 2017.
- xxviii. Uganda's corporate governance framework comprises both voluntary codes and mandatory legislation found in the Companies Act and corporate governance regulations for financial institutions. Table F of the Companies Act is mandatory for the public sector and has provisions on directors and management, shareholders, records and reporting, but is not fully aligned with international best practice. The voluntary framework for corporate governance was put in place by the Institute of Corporate Governance Uganda and applies to the private sector.
- xxix. Uganda's private sector is dominated by the informal sector whose ability to create jobs and wealth is constrained by various factors. Uganda is found at the top of rankings of entrepreneurial spirit in the world. Notwithstanding this high rank, however, support to the informal sector and small enterprises has been limited and the private sector, comprised largely of Micro, Small and Medium Enterprises (MSMEs) and informal sector businesses, remains weak. The challenge of limited private sector development stifles growth and limits job creation, particularly for the youth, and increases inequality and attendant problems



including insecurity and conflict. To solve this, there is need to adopt comprehensive private sector development programs that include improving access to finance, entrepreneurship development, improving the compliance of Uganda's corporate governance framework with global standards, as well as aligning policy, regulatory and dispute resolution mechanism with international best practice.

- xxx. The Country Review Mission has identified and prioritized key challenges within the Corporate Governance thematic area and categorized them into four broad issue areas as below:
- poor business regulation and red tape;
  - inadequate support to nurture entrepreneurship and the challenge of extreme level of unemployment;
  - inadequate access to finance for emerging businesses; and
  - poor level of accountability and compliance record.
- xxxi. The first challenge relates to business regulation and red tape. For enterprises to take their rightful place as the engines for wealth generation and the creation of employment, the regulatory framework plays a critical role. The state of the public service that administers and enforces this regulatory framework determines the business environment, the efficiency or otherwise of the bureaucracy, the amount of red tape that hobbles entrepreneurship, and the level of coordination among different regulatory institutions. In this respect, the Companies Act (2012) and the anti-corruption laws and institutions are to be welcomed, but their enforcement remains central.
- xxxii. The CRM found that while Uganda was ranked amongst the top ten reformers of the business environment in the 2016 World Bank Doing Business ranking, it has not been able to maintain the same pace of reform and consequently slid to 122<sup>nd</sup> place in the 2017-2018 ranking, from 115 in 2008. Among the factors responsible for this are lack of infrastructure, poor road networks and including inadequate access to electricity. The CRM further noted the challenge that is presented by the proliferation of Authorities and Agencies in government, causing potential dilution of focus, duplication of effort and waste of resources. The Panel thus recommends that Government conduct a review of the institutional architecture and implement reforms aimed at simplification of the institutional framework through possible consolidation of agencies responsible for corporate governance in Uganda.
- xxxiii. The second challenge relates to lack of support to nurture the already commendable entrepreneurial culture in the country and contribute to the need to tackle unemployment. As noted elsewhere, youth unemployment poses a grave threat to Uganda's sustainable development. While Uganda is known as a "land of entrepreneurs", ranked number one by the 2015 Global Entrepreneurship Monitor (GEM) on entrepreneurship out of 73 nations, Uganda also suffers a high business discontinuation rate of 21%. The CRM found that, among the major factors that contribute to this state of affairs are lack of skills and poor product innovation. The Panel thus recommends that Government focus on nurturing the already prevalent culture of entrepreneurship through skills training and a regulatory framework that is supportive to entrepreneurs.
- xxxiv. The third challenge relates to access to finance for emerging businesses. The CRM observed that inadequate access to finance is one of the major weaknesses in the entrepreneurial ecosystem of Uganda. Interest rates are prohibitively high, impeding the creation of small businesses through bank loans. The high interest rate has also led, almost inevitably, to large volumes of non-performing loans that impact on the health of the banking sector in Uganda. The Panel thus recommends a speedy operationalization of the National Financial Inclusion Strategy 2017-2022 with five key focus areas: enhance the rate of financial inclusion through removal of access barriers to financial services; develop the credit infrastructure; build up the digital infrastructure for efficiency; deepen and broaden formal savings, investment, and insurance mechanisms; and empower and protect individuals with enhanced financial capability. The Panel further recommends that Government consider revising reform of its interest rate regulation and explore the possibility of introducing caps on the banks' lending margin above the indicative Central Bank Rate (CBR)
- xxxv. The fourth challenge relates to the need to promote a culture of accountability and compliance with ethical standards, workers' rights, environmental regulations and corporate social responsibility requirements. The broader concern here relates to the culture of compliance with national laws and regulations by the business community, the enforceability of the liability regime for fraudulent transactions and corrupt

practices, the implementation of regulations to protect workers' rights and industry standards, etc. There is also widespread perception especially among members of Uganda's civil society that the dealings between businesses and regulators are shrouded in secrecy, giving rise to suspicion of complicity and unethical behaviour on the part of public servants. The APR Panel thus recommends that Government undertake a comprehensive review of the institutional arrangements, mandates and competences of public agencies mandated to fight corruption and develop and disseminate a strategy by which to engage society in the fight against corruption.

## 5. SOCIO-ECONOMIC DEVELOPMENT

- xxxvi. The discussion on this thematic area is premised on the major challenges of Socio-economic Development that Uganda currently faces. Uganda has made significant strides in this thematic area since the previous review, the most notable being: the government's capacity and political initiative to develop and implement innovative national public policy; an effective poverty reduction strategy as evidenced by the fall of the national poverty rate from 56% in 1992 to 19.7% in 2012/13, although this rate has gone back up to 27% according to the Ugandan National Household Survey for 2016/17. Furthermore, significant progress has been made in promoting equality of women and gender empowerment.
- xxxvii. Nevertheless, the Country Self-Assessment Report (CSAR 2017), the four different progress reports and the CRM research suggest that some underlying challenges still persist in the country's quest for fostering human development. These challenges have been identified, prioritized and put into the six broad categories of: (i) infrastructure development; (ii) land tenure and land conflicts; (iii) sustainable environmental and resource management; (iv) rapid population growth; (v) youth unemployment; and (vi) management of diversity.
- xxxviii. One of the key recommendations of CRR 2008 was that the Government of Uganda "enhance public-private partnership (PPP) initiatives in the development of specific infrastructure projects." The Government has acted on this and other relevant recommendations relating to infrastructure to lay a solid foundation for its long-term economic growth and development. It has increased the volume of paved roads from 3,200km in 2009 to 3,795km in 2013/14, expanded the rural electrification programme, improved the information and communication technology (ICT) infrastructure such that the number of mobile phone subscribers has increased to 18 million in 2016, and augmented investment in agriculture through the National Agriculture Advisory Services (NAADS) programme.
- xxxix. However, and despite this show of commitment and determination, it will take a while for Uganda to have the type of infrastructure it requires for its sustainable development. Conditions similar to those in the period prior to the base country review persist in Uganda's socio-economic efforts and are still salient. For example, while the conditions of the pre-2008 period depicted poor and inadequate physical infrastructure due to the brutality of war, the current conditions are premised on "slow accumulation of modern infrastructure", which hampers the drive to lower the cost of doing business and the level of competition for Foreign Direct Investments just as the existence of poor infrastructure contributed to inhibiting the country's then private sector-led economic growth strategy.
- xl. With a rapid population growth rate of about 3 percent per year and over 70 percent of the population being subsistence farmers living in the rural areas, land in Uganda is of critical importance and a burning issue in political and social discourse. Land is not just another commodity or a means of subsistence in Uganda. The social, institutional and political dimensions of land make it an asset different from all others in Uganda. Indeed, land in Uganda has been a major source of conflict and social strife over the years, in no small part due to the country's colonial legacy and how the current mix of land tenure systems of customary tenure, the mailo, the freehold and the leasehold came to take its present form. This form has led to lengthy, costly, and overly centralized land registration procedures and challenges of illegal land grabbing and resulting conflict.
- xli. Similarly, the county is facing sustainable environmental and resource management issues. Uganda is endowed with a weather condition that supports rich biodiversity, fertile soils, rich and untapped mineral and oil and gas resources and great attractions for tourism. But, this "pearl of Africa" is under a serious threat from land degradation and deforestation due to a rapidly expanding population, extreme weather

events such as droughts and floods caused by climate change and other factors. The government has undertaken specific projects, such as the National Environmental Police, that contribute to the protection and improvement of the natural and built environment. Nevertheless, most serious challenges, especially climate change, are caused by forces beyond the control of the Government and people of Uganda.

- xlii. Added to these challenges is rapid population growth due to high fertility rate. The typical Ugandan woman gives birth to an average of nearly seven children in her life time. At one point, Uganda had a population growth rate of 3.2 per cent per year, which gave it the third highest population growth rate in the world. About 58.5 per cent of the population today is below 19 years of age, making Uganda one of the youngest countries in the world. A concerning feature of the population growth rate is that, at this rate, the population is projected to reach 130 million by 2050.
- xliii. The Government is taking steps to address the negative effects of the high population growth rate. However, not only does this take time to show any meaningful result, there is also a north-south aspect to it, with poverty overly concentrated in the north compared to the south. The Panel thus recommends that Government continue to enhance its efforts to bridge the north-south divide systematically and persistently.
- xliv. Considering that well over half of the population in Uganda is below the age of 19, it is hardly surprising that youth unemployment is a serious challenge in the country. This problem was identified by CRR 2008 as a key socioeconomic development issue and the Government of Uganda was urged to consider it as a matter of priority. It was therefore recommended that a specific National Youth Policy be designed and implemented to promote employment for the youth. While the Progress Reports as well as the CSAR 2017 have indicated relevant policies and programmes adopted by the Government to combat this menace, youth unemployment is on the rise, with the formal youth unemployment rate standing at 83%, which is a major socioeconomic challenge for Uganda.
- xlv. Demographic change and educational preferences which have contributed to growing mismatch between labour supply and labour demand, slowdown of the private sector in recent years and limited employment opportunities in the public-sector due to the privatisation of most state-owned enterprises and a prohibitive government wage bill have all combined to perpetuate the high level of youth unemployment.
- xlvi. When it comes to management of diversity, Uganda has made noticeable progress since the last country review in addressing gender inequality. The major achievements include affirmative action with respect to women representation in Parliament and admission into tertiary training institutions. Yet, many existing laws, particularly those concerning inheritance, are still discriminatory towards women; violence against women and girls continues largely unchecked; etc. The Panel recommends revision of laws when they contain discriminatory provisions and close monitoring of their actual implementation to ensure women's human and legal rights are not undermined by cultural and biases and misconceptions against women.
- xlvii. Uganda has also demonstrated a long tradition of welcoming and resettling refugees, which has won it international acclaim. Significant efforts have also been made by the Government of Uganda and development partners towards promoting employment for persons with disability (PWDs). Nevertheless, the situation and conditions of marginalised people (ethnic minorities) are steadily deteriorating with increasing competition for natural resources in their areas, the effects of climate change (such as drought) and growing impoverishment. They live in small communities, have limited political representation, lack access to basic services, remain poorer than the average population, and face the risk of extinction. The Panel thus recommends that the Government develop, as a matter of priority, appropriate policies to avert this danger from materialising.

## 6. COMMENDABLE PRACTICES, CROSS-CUTTING ISSUES & CONCLUSION

### Commendable Practices

- xlviii. The Country Review Mission (CRM) noted several commendable governance policies and practices in Uganda that have been selected for their perceived potential to be of use to other APRM countries facing similar challenges.
  - Medico-Legal Services for Victims of Gender-Based Violence: this is a Ugandan programme that provides access to legal services, justice and redress for victims of gender-based violence

(GBV). It combines the essential medical and legal services that victims of these crimes need in one place so they can deal with the situation comprehensively, sustainably and holistically. It is designed with the objective of bringing as one package all the key services to support victims of GBV, including medical treatment, legal advice and psychosocial support.

- Youth Representation in National Parliament: Article 78, section 2 of the 1995 Constitution of Uganda provides for special interest representation of women, youth, workers, army and persons with disabilities. The current 10th parliament of Uganda includes of 5 representations of youth. Youth representation provides an opportunity for youth to articulate their interests to the national legislative body
- The Uganda Investment Authority's One Stop Centre (OSC): this is a service designed to expedite the investment process by bringing under one roof all aspects of the business licensing and establishment process as well as all accompanying issues of regulatory compliance, including taxation, registration, immigration and work permits, land acquisition and verification, as well as environmental certification and approval requirements. This mechanism has made clear improvements to the business environment and improved Uganda's ranking on the doing business index.
- Uganda's Approach to Management of its Oil Resources: Uganda discovered commercial reserves of crude oil as early as 2006, but it has yet to start actual production. In an attempt to avert the all too frequent case of oil production destroying the rest of the economy, the Government of Uganda took some steps that put it apart from most other resource-rich countries. To mention a few examples, the Government decided (i) to build a refinery so as to add value to the crude rather than export it in its "raw" form; (ii) to delay oil production until the refinery was built; and (iii) to use oil revenues only for financing development projects to the exclusion of recurrent expenditure. As the recent conclusion of an agreement with a consortium of companies to build the refinery shows, this policy is already paying dividends. Other African countries have a lot to learn from this practice.
- The AskYourGov.org web site helps members of the public get the information they want from Uganda public authorities. The facilities provided by this website are backed up by the Access to Information Act that was issued in 2005, which according to CSAR 2017 makes Uganda the first African country to do so.
- Refugee Integration. Refugees based in rural areas in Uganda do not live in camps. Instead, they live in settlements and are provided with plots of land for agricultural use so they can sustain themselves and integrate better in the host country. This policy extends to all refugees, regardless of ethnicity or country of origin. As such, it is hardly surprising that Uganda is widely cited as a model at the global level when it comes to the treatment of refugees.

### **Cross-cutting Issues & general conclusion**

xlix. Despite commendable progress achieved in dealing with governance and socio-economic development challenges since the first APRM review in 2008, the CRM noted that Uganda faces some challenges that are of a persistent and recurring nature, often relevant to all four APRM thematic areas and therefore potentially posing threats to Uganda's socio-economic and sustainable development that require a holistic approach. The cross-cutting issues underlined by the CRM as particularly important for Uganda are (i) Management of Diversity, (ii) Gender; (iii) the State of the Public Service, (iv) Land, and (v) Youth Unemployment.

I. Management of Diversity remains an important cross-cutting issue, first identified in CRR 2008. The type of diversity considered here covers a range of identity-related matters including ethnic minorities, refugees, religious groups and the like. Indeed, typically issues of gender are also considered under management of diversity, but in this report, we have chosen to deal with gender on its own in recognition of its gravity and persistence in Uganda and the depth of its roots in the culture and traditions of a large part of Ugandan society. Two key message that emerges from the analysis are (i) that diversity per se has never been a problem, not in Uganda, nor anywhere else; it is misguided politicians who often convert it into a problem by attempting to use it for political ends; and (ii) these concerns, unless they are addressed

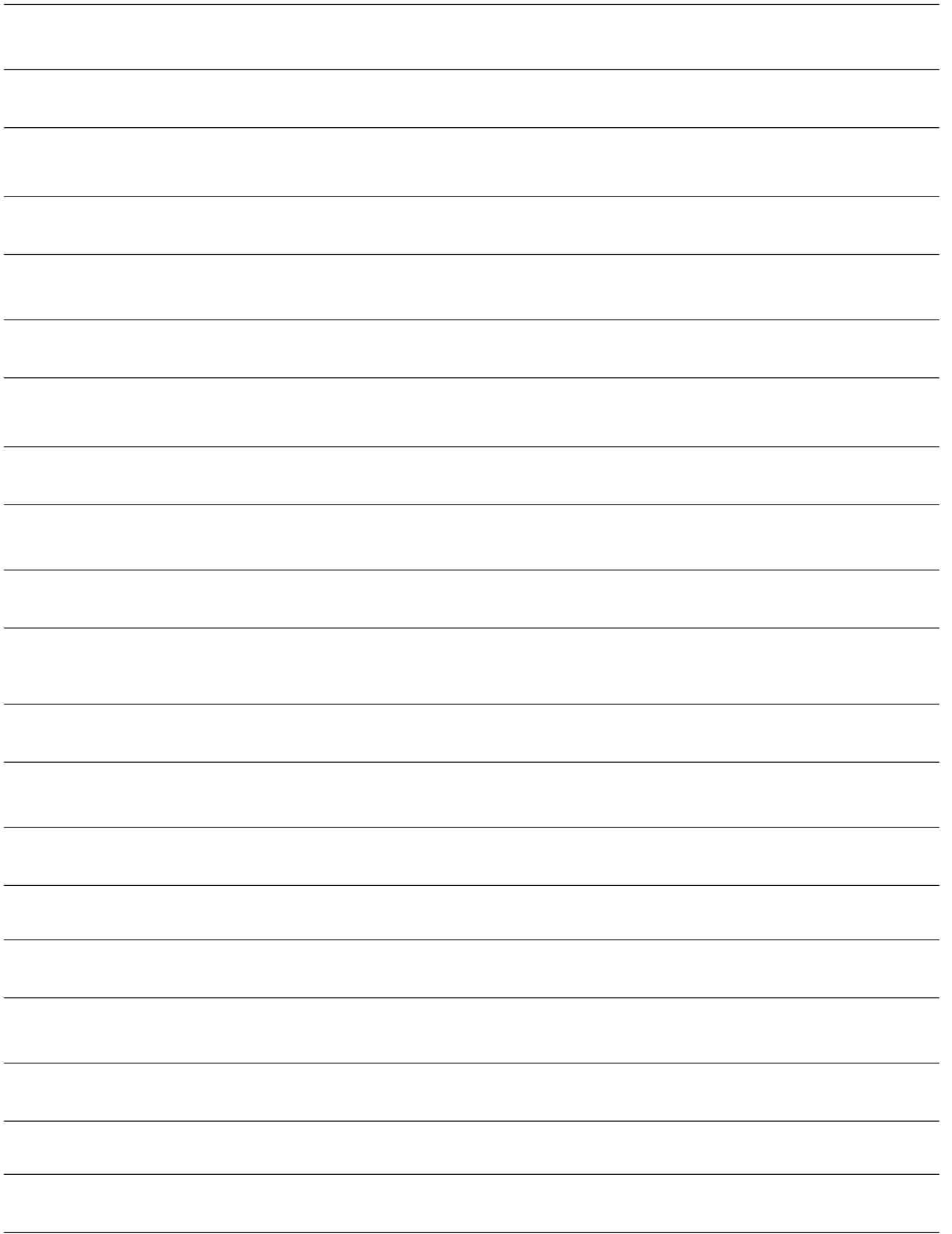
expeditiously, will sooner or later turn into a source of conflict and pose challenges to the country's democratic policies.

- li. Gender, as noted earlier, is a major issue that cuts across all thematic areas and brings entrenched cultural prejudices and damaging stereotypes face to face with progressive gender equality policies and laws. In Uganda, discriminatory socio-cultural practices are such that they at times seem to override the clear statement of the law of the land, causing damage to the agenda of protection and promotion of women's rights. In many cases, these cultural prejudices ensure no progressive laws are enacted in the first place, an extraordinary example being the Marriage and Divorce Bill that has been pending before Parliament for many years. Resolution of the stalemate requires consensus building among stakeholders on the need to ensure that the dignity and property rights of women are respected and protected.
- lii. The State of the Public Sector remains a challenge in Uganda, as was highlighted in the 2008 review report. While the challenge applies to public services generally, its impact is particularly severe at local government level. Local government lacks legal power to raise its own revenues, making it dependent on the centre for all its resources. To a significant degree, therefore, the poor state of the public service at all levels appears to be directly related to the amount of resources available to the sector. Indeed, this centralisation of power to raise and allocate resources is undermining Uganda's laudable policy of decentralised public service delivery.
- liii. Land is a critical and emotional subject in Uganda, central to its socio-economic development. Getting land policy right is an important factor in Uganda's efforts to address poverty and inequality, attract investment, tackle unemployment and enforce managed and sustainable urbanization. Land currently accounts for a substantial proportion of all conflicts and court cases in Uganda. By addressing the land issue well, Uganda will be able to advance peace and social stability.
- liv. Youth unemployment is a critical challenge facing Uganda. With most graduates not finding jobs in their fields of training and the official youth unemployment rate standing at 83%, it is imperative that Government and society at large devise a means of addressing this daunting challenge. To a certain extent, the unemployment is exacerbated by a mismatch between skills acquired at institutions of higher and further education, on the one hand, and skills in demand by the job market, on the other. For this, education reform to ensure education institutions respond to the demand on the market may be an area of immediate intervention. Skills development for youth and employment creation is at the core of the programme to transform Uganda from a poor agrarian economy to a modern, prosperous and skilled society under Uganda Vision 2040. This is not an issue that Government alone can resolve; the involvement of the private sector and civil society organisations is just as important. But, ultimately, this alone is unlikely to solve the problem and Uganda might need to consider more radical steps.
- lv. Finally, in conducting this review and preparing this report, the Panel has paid special attention to the paper on the "bottlenecks facing Africa" presented by H.E. President Yoweri Museveni to two meetings of the APR Forum held in Johannesburg in June 2015 and in Nairobi in August 2016. Most of these bottlenecks are of a cross-cutting nature and have been discussed in this report as follows:
  1. Ideological disorientation, discussed under "Management of Diversity" in Chapters 2, 5 and 6;
  2. Interference with the private sector, discussed under "the state of the public service: business environment" in Chapter 4;
  3. Under-developed infrastructure, discussed under "Infrastructure" in Chapter 5;
  4. Weak states, especially weak institutions such as the Army, Police, etc, discussed under "The state of the public service" in Chapter 2;
  5. Fragmented markets, market access and expansion, discussed under the same sub-heading in Chapter 3 and on "the state of the public service: business environment" in Chapter 4;
  6. Lack of industrialisation and low value addition, discussed with reference to industrial policy under "Fragmented Markets, Market Access and Expansion" in Chapter 3;
  7. The Under-development of Human Resources, discussed with reference to education for employment under "Youth Unemployment" in Chapter 4;
  8. The Under-development of Agriculture, discussed with reference to value addition and export diversification under "Fragmented Markets, Market Access and Expansion" in Chapter 3;
  9. The Under-development of the services sector, discussed with reference to value addition and

- export diversification under “Fragmented Markets, Market Access and Expansion” in Chapter 3
10. Attacks on democracy and governance, discussed under “Fair competition for political power” and “dominant executive” in Chapter 2;
  11. A non-responsive civil service, discussed under “The state of the public service” in Chapter 2;
  12. Domestic Resource Mobilisation, discussed under “Domestic Resource Mobilisation” in Chapter 3; and
  13. Structural inequalities in access to opportunities, discussed under “Management of Diversity” in Chapters 2, 5 and 6.
- lvi. The Panel is encouraged by the efforts and progress made by the Government of Uganda in developing and implementing Vision 2040, which provides the country's development blueprint and framework to ensure Uganda's transformation from a predominantly low-income country to a competitive upper middle-income country by 2040. Vision 2040 focuses on the need to develop the fundamentals of the Ugandan economy, many of which are identified as bottlenecks to development, and recognises the opportunities that Uganda is blessed with including development of its oil and gas resources, tourism services, minerals, an abundant labour force, geographical location and enhanced opportunities for trade, water resources, industrialisation, and agriculture.
- lvii. Uganda is already leading the conversation on how to remove the development bottlenecks once and for all in Africa; now, Uganda will need to build on its strengths and lead the actual removal of these bottlenecks within itself and lead by the power of its example. This calls for determined, unyielding and enlightened transformative leadership at all levels of society. Such leadership exists in Uganda, and the Panel is confident that the country will employ this leadership effectively and in the right proportions as it aims for building a peaceful and prosperous society.



**APRM Secretariat Country Review Team**



# **REPUBLIC OF UGANDA**

KEY HIGHLIGHTS OF THE SECOND COUNTRY REVIEW REPORT  
FOR DISCUSSIONS AT THE 27<sup>TH</sup> SUMMIT OF THE APR FORUM

**ADDIS ABABA, ETHIOPIA: JANUARY 2018**

AFRICAN PEER REVIEW MECHANISM  
APRM SECOND COUNTRY REVIEW REPORT

