



UGANDA

11th European Development Fund (EDF)

NATIONAL INDICATIVE PROGRAMME

## GENERAL CLAUSES

The Government of Uganda and the European Commission hereby agree as follows:

- (1) The Government of Uganda, represented by Hon. Maria Kiwanuka, the minister of Finance, Planning and Economic Development, and the European Commission, represented by H.E. Kristian Schmidt, the Head of Delegation, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020. These orientations which are included in the National Indicative Programme concern the European Union Aid in favour of Uganda and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.

The National Indicative Programme is annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to Uganda for the period 2014-2020, an amount of EUR 578 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises.. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which Uganda benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Uganda within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds decommitted from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10<sup>th</sup> EDF until the entry into force of the 11<sup>th</sup> EDF implementing rules and financial regulation.

- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11<sup>th</sup> EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or *ad hoc* reviews.

Signatures

For the Government of Uganda

Kampala, 17.12.2014

For the Commission

Kampala, 17.12.2014

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## 11<sup>th</sup> EDF NIP for UGANDA - Summary

While President Museveni's government has brought stability and growth to Uganda and significantly reduced poverty, Uganda nevertheless faces serious challenges in becoming a middle income country. The majority of the population is still dependent on subsistence farming, while Uganda has the world's highest percentage of young persons under 30 (78%) and the highest rate of youth unemployment in Africa. Uganda's main economic potential lies in the development of its competitive advantage in agriculture. However, the growth rate of the agricultural sector has been slow in recent years, falling well below targets. Agricultural productivity is low and the value added to agricultural produce is extremely limited. Moreover, food security and nutrition remain a problem in North Uganda and Karamoja, where the poverty rate is 46 %. A further problem not only for the exploitation of agriculture but economic development more generally is the poor quality of the transport infrastructure; the government has identified the development of transport sector infrastructure as a key priority. As a landlocked country, a more efficient transport infrastructure would allow Uganda to turn its geographic position into an asset enabling it to distribute goods throughout the region. So far as "good governance" is concerned, while Uganda is a multi-party democracy with a functioning institutional structure, the government has shown a recent tendency to curtail political freedoms. In February 2014, Uganda adopted an Anti-Homosexuality Act, that substantially extends the criminalisation of homosexual behaviour. Moreover, corruption – already a significant problem – may be hugely exacerbated by the revenues flowing from recent discoveries of oil.

Against this background, the MIP has identified three focal sectors for support:

Transport Infrastructures:	150 - 230 M €	( 40 % of total)
Food Security and Agriculture:	100 - 130 M €	( 22.5 % of total)
Good Governance:	100 - 168 M €	( 29 % of total)
Measures in favour of civil society	25 M €	( 4.25 % of total)
Support to the National Authorizing Officer and Technical Cooperation Facility	25 M €	( 4.25 % of total)
	=====	
Total amount	578 M €	

Each sector has been assigned a tranche in order to encourage good performance; the larger sum available within the tranche can be disbursed as an incentive to reward good implementation. This innovation has been welcomed by the Ugandan Ministry of Finance. Indicators to measure performance have been defined jointly and will be assessed during the mid-term review. The principle of country ownership is underlined as indicators have largely been taken from government policy commitments and national development goals. Specific objectives for each sector are as follows:

**Transport Infrastructure:** (1) To reinforce the sustainability of the national transport system, ensuring the necessary regulatory framework and applying low cost sealing technology to reduce maintenance cost in rural areas (2) to improve the development of an efficient multimodal transport network including waterways, with particular attention to the connection with the neighbouring countries, urban access and optimization of intermodal linkages.

**Food Security and Agriculture:** (1) Promote development and resilience as an incentive for stability in the fragile regions of Northern Uganda and Karamoja (2) Promote inclusive

growth in agriculture through value chain support countrywide, and 3) Green economy through sustainable utilisation of natural resources and increased resilience to climate change. **Good governance:** (1) to strengthen the function of the state, in its financial, democratic and social accountability, with particular emphasis on sound Public Financial Management (2) to support oversight and control functions over the Executive, and (3) to improve access to fair and equitable justice, safeguard human rights and democracy, and strengthen investigative and judicial institutions and processes with regard to public mismanagement and breach of authority.

## **1. The overall lines for the EU response**

### **1.1. Strategic objectives of the EU's relationship with the partner country**

The EU has good relations with Uganda and an intense political dialogue at a number of levels. Last parliamentary and presidential elections took place in February 2011, with President Museveni winning 68% of the votes. Elections were conducted in a largely peaceful way, but organisation was marred by avoidable administrative and logistical failures, and accusations of vote buying. The EU Electoral Observation Mission (EOM) also noted that the 'power of incumbency was exercised to such an extent as to compromise severely the level playing field...'. A priority within the EU-Uganda policy dialogue is the preparation of the next presidential election in 2016, in particular reforms as highlighted by the EU EOM. The EU will continue to support electoral reform initiatives, from both the state and non-state actors, and through both its political dialogue and development cooperation.

In regional terms, Uganda has been contributing to peace efforts in the region, in particular in Somalia and DRC. Internal security has not been a major concern since the last elections; political debate is intense, often taking place between entrenched and antagonistic positions. A worsening regional security risk and political unrest linked to the 2016 elections challenge internal security. Political or civic demonstrations are not commonplace, at least in part due to government restrictions on key opposition figures, and the fact that demonstrations are often met by force by the security services.

Conflict in the north of the country has left its scars, and a number of factors could enflame existing tensions in the future, driven by issues such as oil (revenue sharing, environmental degradation and petro-chemical risks, asset price inflation etc.), land disputes and population growth (high youth unemployment, increasing poverty, vulnerability to political/religious extremism, regional refugee migration etc.) The EU will work to facilitate engagement and reduce tension between different stakeholders, as well as targeting conflict drivers such as accountability and equity in the oil sector, land issues, population pressure and inequality and relative deprivation of particular social/geographical groups.

There are continuing concerns over the maintenance of democratic space and the respect of fundamental human rights. Civil society operates relatively freely, and is warmly welcomed when delivering services, but regularly experiences harassment and intimidation at a local level when acting in an advocacy role, particularly when investigating mismanagement/corruption and social and environmental protection issues. Uganda's NGO Policy (2010) is remarkably progressive, but civil society is increasingly under scrutiny by the authorities, and proposed amendments to existing legislation may further erode their space to operate. The media faces similar constraints when reporting on sensitive political issues, and is subject to intervention and control in these instances.

There are continuing concerns over the protection of fundamental human rights, including integrity of the person, freedom of assembly, freedom of speech and right to privacy. This has impacted upon both the public realm of civic/political rights, and private issues of personal freedom and expression. Recent legislation has further criminalized homosexuality and since passage of the legislation there have been reports of a marked increase in discrimination, including arbitrary arrests, evictions and physical attacks. The EU will be closely following the maintenance of civil and political rights, and in particular protection of the fundamental human rights of Uganda's minorities. Respect for all human rights, and in particular the way the new AHA law is implemented, will remain a priority issue in the EU-Uganda political dialogue. In designing interventions under the current MIP, the EU will ensure that aid contributes to the protection of rights of minorities including LGBT. The EU will keep aid programmes under constant review in light of this requirement and will adjust

them in accordance with developments on the ground.

Gender equality and women's empowerment will remain a central focus of our operations in Uganda. The constitutional and legal framework is largely in place for protection of women's and children's rights, and considerable achievements have been registered in the participation of women in political affairs and public service. However Uganda still scores poorly on a number of international indicators measuring gender inequality and levels of gender based violence in particular are considered to be high. The EU will continue to implement its Gender Action Plan, ensuring that gender issues are mainstreamed into our programming, and that gender sensitive indicators are employed wherever possible.

The strategic objectives for the relationship between Uganda and the EU build on Uganda's long-term development concept "Uganda Vision 2040"<sup>1</sup> and the National Development Plan (NDP) as well as the "Agenda for Change" and other guiding communications for European development policy. Addressing governance issues is crucial, and this approach is underscored by the identification of Human Rights, Democracy and Good Governance as one of the two key priority areas of the EU's Agenda for Change.

After a challenging macro-economic situation in 2011, macro-economic stability improved in 2012 due to a tight monetary and fiscal policy and marginal reductions in food prices. Nevertheless corruption remains very high and is a significant impediment to economic development. This is exacerbated by high population growth and youth unemployment, both of which impede efforts to combat poverty. Moreover, as Uganda will become an oil producer at the end of the decade, promoting transparency and accountability in the use of natural resource revenues will become crucial.

Considering its national development pattern, improving sustainable development, in a context of high demographic growth and competition for access to natural resources, constitutes a crucial issue for Uganda.

Another major challenge is addressing the lack of transport infrastructure. Uganda is a landlocked country dependant on road, rail and waterways infrastructures in order to allow economic development and growth. This is not only highly important for the development of the private sector, but also to ensure better and general access to social infrastructures and to unlock the potential of the agricultural production and their access to markets so crucial for Uganda.

A specific support to the fragile regions of the North and Karamoja is still considered important. Food security and development of agriculture remain a high and specific concern. Although Lord's Resistance Army (LRA) operations in Uganda have ceased, Northern Uganda remains fragile due to the fact that the physical and human capital have not yet recovered after the 20 years of conflict. Karamoja remains the most vulnerable and marginalized part of Uganda, continually evincing the worst performance against humanitarian and development indicators of any region in the country: the nutritional situation is alarming, with an average Global Acute Malnutrition (GAM) rate of 12.5% and a Severe Malnutrition (SAM) rate of 3.0%, both well above the emergency intervention rates. Karamoja also remains the most insecure sub-region of Uganda. Interventions in agriculture are justified by the central role that the Uganda Vision 2040 and the National Development Plan recognises for this sector in terms of reaching the country's poverty eradication goals.

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<sup>1</sup> Uganda Vision 2040, published in April 2013, will guide the formulation of the Ugandan 5-year National Development Plans from 2015 onwards. It envisages "a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years", with the following fundamental priorities: (i) infrastructure for development; (ii) science, technology, engineering and innovation; (iii) land use and management; (iv) urbanization; (v) human resources; and (vi) peace, security and defense. Good governance is described as the backbone for development, and the Vision aims at consolidating constitutional democracy, protection of human rights, rule of law, free and fair political and electoral processes, transparency and accountability, government effectiveness and regulatory quality, effective citizens participation in development processes, and peace and security for the citizens and the country.

## 1.2. Choice of sectors

The focal sectors addressed by the Multiannual Indicative Programme (NIP) have been identified in consistency and complementarity with the support that the country will be able to receive under the Regional Indicative Programme (RIP) for Eastern Africa, Southern Africa and the Indian Ocean (EA- SA-IO). The main objective of this Regional Programme is to support peace and stability, trade and regional economic integration, including infrastructures, and natural resources management, as to address the needs arising from future Economic Partnership Agreement (EPA) implementation in a holistic way. Individual Member States of Regional Organisations may receive direct financing from the RIP for projects with a regional dimension based on the regional policies and strategies of their reference Regional Organisation. The Multiannual Indicative Programme of Uganda will contribute to promote regional cooperation and integration in the EA-SA-IO region. Coherent linkages will be sought between activities benefitting Uganda from the RIP for East Africa and the national MIP. Wherever possible, the implementation of regional activities will be integrated into national programmes. This is particularly relevant for infrastructure, trade and regional economic integration endeavours. The Uganda MIP will complement support to the EPA process at regional level by addressing the challenges the country is facing in the three focal sectors at national level.

In the course of implementation due consideration will be given to the findings of evaluations and lessons learnt, presented in subsequent sections as relevant.

In designing interventions throughout the three focal sectors of the MIP, the Delegation will ensure that aid contributes to gender equality and women's empowerment in the country; the three focal sectors shall be gender-mainstreamed to ensure that both men and women benefit equally and equitably from EU funded programmes and project activities, as well as making it possible to measure progress in those sectors. In the formulation of actions, particular attention will be paid to protecting minorities and combating any kind of discrimination. Particular attention will be paid to the promotion of decent work and core labour standards, as well as support for employment, social protection and social dialogue. The deployment of modern Information and Communication Technologies (ICT) will help in providing or facilitating solutions in all three focal sectors.

The EU response and National Indicative Programme may be complemented by operations financed by the EIB from the Cotonou Investment Facility and/or its Own Resources.

### **Sector 1: Transport Infrastructures**

Over the 8<sup>th</sup>, 9<sup>th</sup> EDF, and 10<sup>th</sup> EDF, the EU has emerged as a major development partner in the sector through funding of rehabilitation, construction, upgrading and maintenance of road infrastructure, as well as a strong supporter of institutional support, the Chair of the Development partner Transport Group and through an intensive policy dialogue with the Government.

Transport development, for a landlocked country as Uganda, is substantially contributing to the achievement of the second pillar of the EU Agenda for Change (inclusive and sustainable growth) and, in particular, to regional integration. Besides, improving access to market and social services and reducing transport costs is also contributing to the achievements of the Millennium Development Goals (MDGs): improving access to social services and connecting production and consuming areas and thus allowing an increased generation of revenues for the rural areas.

However, lack of sufficient road maintenance has reduced the sustainability of road infrastructure investments in Uganda. Currently Uganda has only 4698km of paved roads out of 66,000km (of national, urban and district road network)<sup>2</sup>.

Infrastructure development is the first priority of Uganda National Development Plan (NDP) and of the long-term development vision "Uganda Vision 2040" published in 2013. The

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<sup>2</sup> Works & Transport Sector Performance Report for FY 2012-13. Ministry of Works and Transport; 2012.

Government identifies transport sector infrastructure, namely roads, railway, water and air transport, as the key element, together with access to energy sources, in the strategy to facilitate economic growth and access to Government services. Priority is given not only to roads, but also to rail and ferry transport across the lakes and rivers, in line with PIDA, the Pan-African infrastructure development plan endorsed by the African Union (AU). With specific reference to roads, the overall country strategy is consistent with the guidelines of the Road Management Initiative advocated by the Sub-Saharan Africa Transport Policy Programme, which is supported by the World Bank (WB), the EU, and other development partners.

Mindful of the above and in order also to safeguard the strategic and important investments of the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> EDF, our intervention in Transport will concentrate on the following elements:

- Promotion and consolidation of the transport policy and planning structure to bring them to a more acceptable standard of programming, planning (including a more systematic and accurate use of strategic environmental impact assessment) and prioritisation of operations (including the rate of investments versus maintenance within the public funds allocation);
- Attention for inter-modality with focus on inter-modal exchanges of transport in the regional programme and on sustainable development pathways;
- Identification and concentration on four levels of intervention (international corridors including waterways, national transport networks, connection with international corridors including limited access to particularly important production areas and urban mobility);
- Improvement of sector governance including, but not to be limited to, an institutional framework ensuring promotion of fair and balanced concession agreements and promotion of enhanced trade facilitation (harmonisation of tariffs, custom unions, axle load control, port management, railways concessions, etc.);
- Continuation of the efforts already started during 10<sup>th</sup> EDF to mainstream gender equality and women empowerment to ensure that both men and women benefit equally and equitably from EU funded programmes and project activities in the sector.
- Use of different financing tools for infrastructure development, identifying and implementing concrete possibilities to blend grants with loans to promote private sector participation in project financing.

## **Sector 2: Food Security and Agriculture**

There is a renewed recognition of the fundamental importance of agriculture to the Ugandan economy and of the central role it has to play in the country's development, economic growth and poverty reduction. Beyond the exploitation of the non-renewable "black gold" of oil, agriculture is Uganda's renewable "green gold" for the long-term. Agriculture is central to Uganda's National Development Plan, which recognizes it as a primary growth sector which a major role in the country's objectives of poverty reduction. Agriculture and food security are also at the core of the EU's Agenda for Change.

Uganda faces the remarkable challenge of providing food, jobs and income to a population that could reach 90 million around 2050. The vast majority of Ugandans depend on agriculture for their employment (65%, Uganda Bureau of Statistics (UBOS) 2010), their food security and income. Agriculture exploitations are small and unproductive. Smallholder producers account for 96% of all farms in Uganda (22% of the farms have less than 1 hectare; 58% are between 1 and 5 ha, UBOS Uganda National Household Survey - UNHS - Agricultural Module, 2006). Despite a significant decline, poverty remains high particularly in rural areas (27%, UBOS 2010) compared to urban areas (9.1%). The national average hides profound disparities between regions, with Northern Uganda at 46% poverty rate, and regions like Karamoja at 75.8%.

Investing more in agriculture to achieve higher sector growth rates is the most effective way

of reducing poverty: growth originating in the agricultural sector is two to four times more effective than growth originating in non-agricultural sectors<sup>3</sup>. With a favourable climate, fertile soils and abundant water resources, Uganda has the potential to eradicate food insecurity, to become an agricultural net exporter and to make a substantial contribution to food security in the Horn of Africa. The potential, so far largely untapped, is expected to be better utilised in the next period, due to the new market perspectives opened up by the independence of South Sudan<sup>4</sup> and by the integration process in the East African Community. Most of future growth in agriculture will have to come from productivity gains and increased value addition.

Agriculture accounts for 23.7% of Uganda's Gross Domestic Product (GDP) and 47 % of its export earnings (UBOS 2010), with coffee and fish being its first two exports. Much of the industrial activity in the country is agro based. With an average growth rate of 1.8 % over the last decade, the sector's performance has been disappointing, far below the overall growth of the economy and the 6 % target agreed under the Comprehensive Africa Agriculture Development Programme (CAADP). Productivity is low and value addition to agricultural produce extremely limited. Most farmers practice subsistence farming rather than commercial agriculture as a business, with low level of intensification, of specialization and professionalization that result in low productivity. Women provide 80-90% of labour, in subsistence production and over 70% of labour in cash crop production; however, they experience unequal access and control over important productive resources like land. The socio-economic potential of an increased empowerment of women in agriculture (via improved access to technology, inputs and skill development) will support the sector to capitalize on and integrate a systematic approach to planning and monitoring in a gender-sensitive manner, ensuring that policy statements are adequately operationalized. Rural areas have very poor road conditions and no access to electricity; as a result costs of inputs are high and farm prices are low. This combined with the cost of agricultural finance and the risks related to agricultural production (droughts, floods, pests, output price fluctuations) acts as strong disincentive for smallholder farmers to invest in agriculture, intensify their production, and enter into the formal economy<sup>5</sup>. Investments in the value chain of food security-related commodities and cash commodities, with the involvement of the private sector and the concerned public institutions and complemented with activities targeting directly the smallholder farmers are the way forward. As a result of the process of operationalization of the Ministry of Agriculture, Animal Industry and Fisheries' (MAAIF's) commodity approach, the EU has identified through consultation with the Government and with the other Development Partners two of the priorities commodities for future funding: beef and fish (aquaculture). These two commodities did not benefit from funding from other development partners, and they can both benefit from EU experience in these fields, in Uganda and elsewhere. Acting on the entire value chain of these commodities will increase the sustainability of the agriculture production at smallholder and community/cooperative level, which still is the core productive level in Ugandan agriculture.

Despite an overall significant improvement in these areas, food security and nutrition are still a problem in Northern Uganda<sup>6</sup>, where the poverty rate is still as high as 46%. The gaps between the Northern Uganda and the rest of the country are all the more significant if we compare the 75.8% poverty rate in Karamoja to the 27.2% national average of the poverty rate of the rural areas<sup>7</sup>. Due to years of conflict, insecurity and underinvestment, Northern Uganda lags far behind the rest of the country, on all development indicators. Despite abundant land, a recognized agricultural potential and some agricultural recovery in the last four years, the North also lags behind in terms of agricultural performance. Conflict drivers, such as land rights, youth unemployment and access to grazing land and water are still

<sup>3</sup> World Bank, World Development Report 2008

<sup>4</sup> At least until recent start of internal conflicts

<sup>5</sup> World Bank, Agriculture for Inclusive Growth in Uganda, 2011.

<sup>6</sup> Northern Uganda is the generic name given to the cluster of regions and sub regions concerned by the EU intervention, i.e. the following sub-regions: Karamoja, Lango, Acholi and West Nile. We will also use "Northern

<sup>7</sup> Uganda and Karamoja" as Karamoja is sometimes considered as a specific region.

threatening the consolidation of the post-conflict recovery. The gender structure of land rights varies across the country, but in general it is highly unequal. This inequality with respect to land which is a key productive asset has negative implications for rural women in terms of poverty levels and social status. Without secure rights to land, women's ability and incentives to participate in agriculture and other income-generating activities are reduced. The Government-led Peace Recovery and Development Plan (PRDP) for Northern Uganda and the Karamoja Integrated Development Plan (KIDP) will end in 2015<sup>8</sup> with sector ministries and local authorities still largely unprepared, in terms of policies and capacities, to mainstream affirmative actions in their plans to close the development gap with the rest of the country, implying that a substantial donor support is still necessary in the short to mid-term. One of the ways forward is to target directly smallholder farmers and help local government offer better services to both them and to the most vulnerable people in these regions, still reliant on subsistence agriculture and on weather patterns.

The pressure from a quickly increasing population that heavily depends on agriculture and the exploitation of natural resources leads to the high need of a sustainable use of natural resources and appropriate population policies. The cultivated area is expanding at the expense of natural ecosystems like forests and wetlands. Forest cover has continued to decline due to population pressure, the demand for fuel wood, charcoal and timber. Biomass (mainly wood and charcoal) accounts for around 90% of the energy consumed in Uganda. Land degradation, in the form of soil erosion, overgrazing, and nutrient depletion is also affecting a significant percentage of Uganda's land. Future growth in agriculture production and addressing future biomass demand will have to be achieved through a sustainable intensification of agricultural production that considers upfront environmental protection and conservation; improving the commercial forestry sector and its related value chain promoting more productive; more sustainable and more climate resilient production systems; better access to renewable energy sources; commitment to mainstream cross-cutting issues: capacity building, gender and family promotion and increased investment in forestry for fuel wood and charcoal production in a gender responsive and sustainable manner. Issues related to access to land, land tenure and land grabbing deserve particular attention. At the same time, exploitation and further expansion of the cultivated areas should be strictly controlled in order to preserve Uganda's natural ecosystems and biodiversity. Influencing the present demographic trends can also be part of a comprehensive approach aiming to confer sustainability both to agricultural production and the use of natural resources.

The EU Delegation has been a key partner of Uganda's agriculture and forestry sector and a contributor to Northern Uganda for more than 15 years and has accumulated experience and expertise in this area. The EU currently chairs the Development Partner coordination Environment and Natural Resources and the Capacity building group for Local Government in Northern Uganda, and has chaired in 2012 the Agriculture Development Partner Group. Considering the low budget allocation for the agriculture sector, EU's intervention will focus on areas where Government political commitments are the highest and on activities which could be carried on regardless of the amount of national budget allocation. Our interventions during the 11<sup>th</sup> EDF will concentrate on: food security and nutrition in Northern Uganda and Karamoja, with particular attention to women's proportionate participation, increased productivity and value addition, and sustainable use of natural resources.

### **Sector 3: Good Governance**

The NDP sectors in Uganda pertaining to the MIP focal area Good Governance comprise a relatively solid institutional and regulatory framework as regards political stability, democracy, human rights, rule of law, access to justice, and space for civil society and an independent media.

Nevertheless, there is a significant implementation gap and the practical realities in some areas are far from satisfactory. A reform agenda for public finance management and

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<sup>8</sup>The Government of Uganda is in process of developing a 3<sup>rd</sup> phase of the PRDP, considering that there is still need of strong affirmative action in Northern Uganda.

improved financial accountability has been pursued over the last years with some significant results, but is still far from being completed. Oversight over the Executive by Parliament and the Auditor General is limited by lack of capacity, and follow-up to parliamentary scrutiny and audit findings by executive bodies is often slow and partial.

Civil society faces major challenges in safeguarding its space to operate, and often faces harassment and intimidation when pursuing an advocacy or oversight role. The media operates relatively freely but has come under pressure when investigating or reporting on issues which are deemed 'out of bounds' by vested interests, including central government. The justice system has very limited capacity, and is subject to political interference at all stages, leading to very limited results in terms of bringing justice to both victim and perpetrator. This 'accountability chain' needs to be strong throughout if Uganda's development prospects are to be freed from a debilitating level of corruption, patronage and clientelism.

Underlying corruption trends in Uganda have been worsening over recent years, starting from a high level. Since 1996, Uganda has been rated as "highly corrupt" by Transparency International. The 2012 East Africa Bribery Index reported a slump in the performance of Ugandan institutions, with the highest bribery levels in the region. The report also warns that in the absence of effective remedies, high levels of corruption may affect Foreign Direct Investment (FDI) and trade flows negatively. While detection mechanisms have demonstrated a degree of effectiveness, administrative sanctions and criminal prosecution are marked by delays, lack of consistency and an absence of clear political commitment.

The high levels of corruption and low levels of social provision are inhibiting the country's potential to make economic growth inclusive and investments sustainable, jeopardize the attainment of national and international development goals, and erode the social contract between government and citizens. Corruption impacts disproportionately on the poor and vulnerable, directly undermining development assistance and the aims of the Cotonou Agreement. The prospect of oil revenues makes the need to address these issues all the more pressing, particularly given its potential to exacerbate inequality, drive corruption, and engender unrest or conflict.

The principal conclusion of the "Agenda for Change" is that objectives of development, democracy, human rights, good governance and security are intertwined. In this light, the choice of Good Governance as third focal area provides an important complementary function for the other two focal sectors of EU support under the 11<sup>th</sup> EDF and the political relations between the EU and Uganda. The **overall objective** for the focal area of Good Governance is to improve public accountability of state functions so that all Ugandans know, understand and are able to claim the rights and services to which they are entitled. A three-pronged approach will address the entire accountability chain, aiming (i) to strengthen the function of the state, with particular emphasis on sound public financial management, (ii) to support oversight and control functions over the executive, and (iii) to improve access to fair and equitable justice, and strengthen investigative and judicial institutions and processes with regard to public mismanagement and breach of authority.

EU support will help create a mutually reinforcing process of improved governance, encompassing a wide range of stakeholders and providing the backbone for the achievement of national and international development goals across different sectors. The strength and resilience of Uganda's democratic system will be an underlying and important consideration. The EU will continue to support electoral reform initiatives from both the state and non-state actors through both its political dialogue and development cooperation. Civil society including the media will remain an important focus, as an independent and constructive partner of government in addressing good governance issues.

This approach will provide explicit support to the Government's avowed 'Zero tolerance' of corruption, supporting accountability, the rule of law and human rights in the process. An underlying theme will be to facilitate engagement and transparency between state and non-state actors. With the latter the EU in Uganda enjoys a good structured dialogue since 2011. Under the NDP 2010-15, the Government has clearly defined accountability as an enabling

sector, with a sector investment plan, an annual sector budget framework, a sector steering committee and secretariat. Justice, law and order form another enabling government sector under the NDP which recognises it as an instrument for realizing growth and socio-economic development.

Institutional and legislative aspects of the state's financial management, accountability, investigative and prosecutorial role would all be considered for support. Support to JLOS related institutions would be focussed on anti-corruption and accountability activities, and structured to ensure access to justice and the protection of fundamental human rights, including rights of minorities. When considering support to JLOS related institutions, the EU will take into account their record in the area of protection of rights of minorities. Programmes would also provide support for capacity building and targeted technical assistance for non-executive oversight bodies and non-state actors, at both a national and local level. Support to non-state systems including civil society and media is particularly important in strengthening a resilient and effective system of external oversight, which can engage effectively and independently with Government.

Gender equality and women's empowerment will be mainstreamed into the different aspects of the programme, with gender sensitive indicators applied wherever possible. Women are not only disproportionately poorer in economic terms, but are particularly vulnerable in terms of access to justice and protection of fundamental rights. Their representation, participation and leadership at all levels and in all spheres will be promoted and measured.

## 2. Financial overview (indicative amounts)

<b>Transport Infrastructures:</b>	<b>150 - 230 M €</b>	<b>(40% of total)</b>
<b>Food Security and Agriculture:</b>	<b>100 - 130 M €</b>	<b>(22.5% of total)</b>
<b>Good Governance:</b>	<b>100 - 168 M €</b>	<b>(29% of total)</b>
<b>Measures in favour of civil society:</b>	<b>25 M €</b>	<b>(4.25% of total)</b>
<b>Support to the National Authorizing Officer and Technical Cooperation Facility:</b>	<b>25 M €</b>	<b>(4.25% of total)</b>
	—————	
<b>Total amount</b>	<b>578 M €</b>	

In accordance with the EU "Agenda for Change", the objective of the 11<sup>th</sup> EDF NIP is to target the resources where they are needed most to address poverty reduction and where they can have the greatest impact. The EU development assistance will be allocated according to the needs, capacities, commitments and performance of Uganda and in line with the nationally defined development goals in the NDP. The principle of country ownership is underlined insofar indicators and goals are taken from government policy commitments and national development goals.

Allocations to the three focal sectors are agreed as indicative ranges. The amount representing the higher range for each sector will only be made available after the completion of a review. A limited number of sector performance indicators (see attachment 3) will be used to confirm the final allocations. The Government of Uganda and the EU Delegation will agree during the first year of implementation of this NIP on a baseline and concrete targets for these sector indicators, and a procedure for the assessment and joint review of progress. The outcome of the review of the sector indicators will be the confirmation of the tranche(s) or the reprogramming of the resources. This approach reflects the EU Foreign Affairs Council conclusions of May 2014 which promotes the use

of strengthened results-based frameworks at country level as a means to improve mutual accountability, peer learning and transparency, in line with the Busan aid effectiveness principles. The assessment point will be situated in the transition period between the current and the next NDP.

Agreed with the Government of Uganda, the performance based allocation mechanism builds on an ex-ante definition of the procedure and specific indicators and targets for each sector. This approach will enhance transparency and predictability of funding decisions for each sector and strengthen the coherence between the sector policies. Furthermore, assessment of the performance will be in line with the evaluation of the current NDP and will allow for possible changes and alignment of the NIP and its resources with the next NDP. The process will equally support the joint programming initiative of the EU and its Member States, aiming a governance-led and harmonized approach across their programmes while aligning them to the development strategies of Uganda and while synchronizing as well their programming cycles with Uganda's planning cycle.

### **3. EU support per sector**

#### **3.1 Transport Infrastructures**

**3.1.1** The following overall and **specific objectives** will be pursued

The overall objective of the first focal area of transport infrastructures is to contribute to an enabling environment for inclusive and sustainable economic development by improving transport efficiency and sustainability, while at the same time being implemented considering environmental protection and conservation. The two specific objectives are (1) to reinforce the sustainability of the national transport system, ensuring the necessary regulatory framework and financial means and applying low cost sealing technology to reduce maintenance cost in rural areas, (2) to develop an efficient multimodal transport network including waterways, with particular attention to the connection with the neighbouring countries, urban access and optimization of intermodal linkages.

**3.1.2.** For each of the specific objectives the main expected **results** are

(1) Sustainability and regulatory framework of the national transport system reinforced: (a) Primary networks properly maintained (Road Maintenance Funds should cover current and periodic maintenance minimal needs, Road Agency should properly execute budgets and contractors should be asked to proactively intervene in the maintenance efforts); (b) Road regulations applied (axle load limits, road code, rain barriers) and Regulatory authorities created and operational; (c) Reduced maintenance costs for rural roads by applying innovative and low cost maintenance techniques; d) Use of credit enhancement mechanisms facilitated (including grant/loan blending, tailored to the national situation and coordinated with the available regional (East African Community (EAC) and AU) instruments and with the European Investment Bank (EIB) whenever possible).

(2) Multimodal transport networks improved: (a) Multimodal Corridors improved in accordance with continental or sub-regional strategies; missing links financed and constructed while using blending arrangements (b) Traffic facilitated on these corridors (border checking facilitated, illegal practices avoided, transport observatories put in place) as well as an economically viable transit from one mode to the other.

**3.1.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 4.**

#### **3.1.4. Donor coordination and policy dialogue**

Donor coordination includes development partners' (DPs') monthly meetings attended by all the main traditional DPs in the sector: WB, African Development Bank (AfDB), Japan

International Cooperation Agency (JICA) and the EU (Chair). China plays an increasingly important role in the sector but does not participate in coordination activities.

Policy dialogue covers *inter alia* the reinforcement of the axle load control, capacity development, transport policy and planning and last but not least the maintenance of the existing network. Policy dialogue is formalised through bilateral and sector working group meetings as well as a Joint Annual Transport Sector Review (JTSR) process, which covers all transport modes and allows to jointly assessing agreed annual Action Plans.

DP collaboration in programme development has proven possible in many ways; examples of good practice are the *Crossroads* cooperation between EU and UK Department For International Development (DFID) in support of the local construction industry, the close cooperation with WB in introducing outputs-based type of contractual arrangements and the loan-grant blending projects on the Eastern African Northern Corridor between EU and EIB. The blending instrument is expected to increase joint programming and financing efforts, reinforcing policy dialogue and to attract the participation of the private sector and the commercial banking system.

### 3.1.5. The Government's **financial and policy commitments**

Financial commitments: In recent years the government has substantially increased the financial budget for the transport sector: in 2013/14 fiscal year the budget amounts to UGX 2.3 trillion (ca. EUR 677 million), displaying an increase by over 35% with regard to the 2012/13 budget and by over 350% in the last decade.

Policy commitments: The strategy for the road sub-sector is embodied in the Ten Year Road Sector Development Programme (RSDP), based on the principles of commercialisation of service delivery, with the State playing the role of regulator and monitor. The RSDP and its road investment plan are formulated with a mid-term horizon and have received considerable support from DPs.

Clear commitments have been taken by the government in the direction of separating functions, creating specialised authorities responsible for the implementation of the policy and concentrating the action of the Ministry of Public Works and Transport on the function of designing, steering and monitoring the transport policy. In particular the DPs are asking the government to proactively engage to keep the commitments in the area of road maintenance. A more comprehensive commitment through an integrated Transport Sector Development Programme is expected to be endorsed by the Government within the first years of the 11<sup>th</sup> EDF and to become part of the new National Development Plan 2016-2020.

### 3.1.6. Appropriate type of **environmental assessment**

Specific and strategic environmental risk and environmental impact assessments will be carried out during identification and formulation of new activities in the focal area. When needed, the appropriate type of environmental assessment (Strategic Environmental Assessment of Environmental Impact Assessment) for the focal sectors will be carried out. The measures mitigating and reversing environmental impacts will be implemented as part of the activities.

### 3.1.7. The overall **risk assessment** of the sector intervention

RISKS IDENTIFIED	MITIGATING MEASURES
1. Lack of political will to pursue sector reforms	Work in tight contact with government; continue the policy dialogue and closely coordinating with other DPs. Link the increase of the investment efforts with the achievement of milestones in sector reform.

2. Difficulties in achieving blending arrangement with other financial institutions	Pro-active dialogue with the largest number of DFIs and private banks. Joint programming with the DFI, <i>inter alia</i> with EIB.
3. No interest from the private sector to participate into Private Public Partnerships (PPPs) or other private sector oriented activities within the planned programmes and from the private sector banks to invest in financing PPPs or in other investment schemes in the transport sector in Uganda.	Identify and contribute to the creation of a credit enhancement mechanism(s), offering the necessary collateral to interested investors. Reduce the perceived country risk through the development of a regional mechanism.  To provide advisory services to the government and other public bodies to assist them in structuring projects at a very early stage in order to be able (i) to attract the private sector at the appropriate level and (ii) to make such projects bankable
4. Lack of agreement or possible conflict within the region in terms of a common multi-modal strategy and transport standards.	Policy dialogue and focused programming by all the DPs active in the sector and cooperation with the competent regional organisations to reach a regional regulatory framework with clear benefits for inclusive socio-economic growth of the region. Close synergy with the 11 <sup>th</sup> EDF Regional Programme.

### 3.2 Food Security and Agriculture

**3.2.1** The following overall and specific **objectives** will be pursued

The EU support will aim at the **overall objective** of increasing incomes, employment and food and nutrition security of the Ugandan population, in line with the objectives of NDP, of the Agriculture Development Strategy and Investment Plan (DISP) and of the EU's Agenda for Change.

The 11<sup>th</sup> EDF support to the sector will aim at achieving the following **specific objectives**: 1) Promote development and resilience as an incentive for stability in the fragile regions of Northern Uganda and Karamoja, 2) Promote inclusive growth in agriculture through value chain support (countrywide) and 3) Green economy through sustainable utilisation and protection of natural resources and increased resilience to climate change.

In addition to the specific objectives, a number of crosscutting elements will be duly observed for each programme (e.g. gender and HIV/AIDS). The EU support will also aim to institutional and policy capacity development for the involved public institutions, to the mainstreaming of Climate Change mitigation and adaptation measures to the extent possible, to carefully take into account the gender issues in all programme proposed.

**3.2.2.** For each of the specific objectives the main expected **results** are:

Objective 1: Promote development and resilience as an incentive for stability in the fragile regions of Northern Uganda and Karamoja. Results: a) adequate capacity of local government to deliver effective and sustainable services in the livelihoods sector in particular to smallholder farmers, pastoralists and the most vulnerable segment of the population; b) enhanced mother and child nutrition; and c) increased food production and accessibility.

In order to attain the results above, the programmes under the 11<sup>th</sup> EDF in Northern Uganda and Karamoja will focus on the four pillars of the Food Security, through agriculture and livestock support in terms of availing inputs, infrastructure, and improving animal health service delivery, promoting marketing activities and supporting incipient agribusiness at local level. Nutrition will be tackled from the agriculture/food security point of view, with an accent on diversification, fortification and promoting sustainable

access to quality water. Other elements that will be closely observed due to the geographic specificities of the regions will be water and land management, soil erosion control, natural resources preservation and other Climate Change adaptation measures and demography. Also, building capacity at the level of the local Government in terms of improving legislation and its implementation, management, planning, organisation, implementation, monitoring and evaluation capabilities, will be a strong guarantee for the sustainability of the results. The smallholder farmers, pastoralists and the most vulnerable segment of the population in the regions will be the core beneficiaries of this programme. Particular attention will be given to women and children-headed households, which will be targeted in priority as beneficiaries.

Objective 2: Promote inclusive growth in agriculture through value chain support (countrywide). Results: a) Exports increased for the products targeted; b) Role of MAAIF in creating a good agribusiness environment increased.

This specific objective aims to improve the value chain for two major priority commodities in Uganda, beef and fish - aquaculture. This will be done on the one hand through empowering the MAAIF to improve the agribusiness environment countrywide and to ensure the standards and the quality control needed for exports. On the other hand, the activities under this specific objective will also target the private sector in general, through PPP, in order to develop the food processing at local level. The specific programmes will also aim to increase production both in terms of quality and quantity, to a higher involvement of individual smallholders in the process through contract farming and improved access to markets, to employment generation, to increased competitiveness at the level of micro, small and medium agribusiness and to increased investments in commodities value chains. Women entrepreneurship will be highly encouraged, and women will be promoted at all levels of the value chain.

Objective 3: Green economy through sustainable utilisation of natural resources and increased resilience to climate change. Results: a) Sector performance measurement and assessment improved; b) Natural resources preserved and protected.

The third specific objective aims to continue the successful activities of the EU in Uganda in terms of sustainable commercial forestry, with a higher focus during this phase on timber and charcoal value addition. It also aims to support biodiversity protection and conservation, and also land and soil protection and conservation through addressing specific land tenure issues and best practices implementation. Support to the newly adopted Climate Change Policy and its costed strategy can be envisaged, either directly or as crosscutting issue in the programmes.

**3.2.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 4.**

#### **3.2.4. Donor coordination and policy dialogue**

Donor coordination and policy dialogue on Northern Uganda and Karamoja: Currently, there exists a very good coordination of DPs within the Northern Uganda Group (NUG, formerly NURD), presently chaired by US Agency for International Development (USAID) and United Nations Development Programme (UNDP), and the two subgroups Karamoja Working Group (Chairmanship under discussion) and Capacity Building for Local Government Working Group (Chaired by the EU). There are many donors present in Northern Uganda and Karamoja: International Fund for Agricultural Development (IFAD) and Food and Agriculture Organization (FAO) have programmes on agriculture, World Food Programme (WFP) focuses on conditional food distribution, DFID and USAID focus on governance and livelihoods, Ireland on education, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) focuses on rural finance and rural energy, Danida focusses on livelihood, transport and labour intensive works, etc. EU envisages a livelihoods approach. If possible, joint programming will be taken into account as next step to increase donor coordination. At government level, the Office of the Prime Minister is the lead institution

dealing with these regions, and a decision will be soon taken on the continuation of the PRDP with a 3<sup>rd</sup> phase in which progressively affirmative action will be combined with development activities, through the increasing involvement of the line ministries. The PRDP and KIDP Technical Working Groups are the fora for discussion between the Government and the DPs.

Donor coordination and policy dialogue on agriculture: There is a good coordination of the Development Partners within the monthly Agriculture Development Partner Working Group, currently chaired by Danida.. Around 14 development partners are involved in Agriculture issues, among which 4 EU Member States (DK, NL, FR, DE). Coordination with the World Bank is often challenging, in relation with its high volume aid. The policy dialogue has considerably improved with the MAAIF but the Development Partners are worried about the announced relocation of the Ministry from Kampala to Entebbe, which is likely to hamper the communication. The Sector Working Group takes place 8 times a year, and a third Joint Sector Review was organised in October 2013. Direct support to the Ministry is needed (to be noted that the EU has not had any activity with the MAAIF during the 10<sup>th</sup> EDF, which has not helped improving the policy dialogue).

Upon request of the Government, the DPs have decided to support the MAAIF with a commodity approach defined according to the Government's priorities. The coordination in this context is very good. Another important and recurrent point for the DP-led policy dialogue with the Government of Uganda is the very low allocation to the MAAIF, despite its importance in the country's overall economy.

Donor coordination and policy dialogue on Environment and Climate Change: Good donor coordination in this field takes place, within the Environment and monthly Natural Resources Development Working Group presently chaired by EU and co-chaired by UNDP, and also within the quarterly Technical Group on Climate Change, chaired by USAID. While the EU is involved in commercial forestry together with the Norwegian Embassy, biodiversity becomes more and more a priority for a number of donors, among which Agence française de développement (AFD) and USAID. All donors including EU are engaged in a fruitful policy dialogue on both Environment and Climate Change with the Ministry of Water and Environment, which is cooperative and active as an institution.

### 3.2.5. The Government's **financial and policy commitments**

Financial commitments: The part allocated from the National Budget to MAAIF is 3.3 %, which is very low taking into account the contribution of the sector to the GDP (23.7%), to the export earnings (47%), as well as the pledges made in Maputo (10%). Equally, the allocation to Environment and Natural Resources is 1% of the total budget (26.6% of the MoWE budget percentage of 3.1%). For Northern Uganda and Karamoja, the Government's financial commitment of UGX 120 billion (EUR 36.4 million) for the Financial Year 2012-2013 (representing less than 10% of the total PRDP budget) was translated into the contribution to PRDP, whose second phase was supposed to end in 2015. Since the Office of the Prime Minister (OPM) scandal, all the donors have stepped out of direct support to OPM under PRDP.

Policy commitments: *Agriculture for Food and Income Strategy: Agriculture Sector Development Strategy and Investment plan 2010/2011 - 2014/2015:* an operation plan has been defined in 2012, including the prioritization of Commodities interventions. There is a strong commitment towards value chain improvement.

*National Fisheries Policy (2004) and the Uganda National Aquaculture Development Strategy (2008) constitute a good framework for investment in the aquaculture sector.*

*Peace, Recovery and Development Plan 2 (PRDP2).* Very probably there will be a 3<sup>rd</sup> phase of PRDP, starting in 2015. This is still to be formalised by the Government.

*The National Nutrition Policy and the Uganda Nutrition Action Plan 2012-2016.*

*Local Government Capacity Building Policy,* reviewed in 2012 with support by UNDP. The OPM is also elaborating a parallel strategy for Capacity Building of LG.

The Environment Policy dates back from 1994, and a review process has started under the leadership of the MoWE, together with UNDP. The revision of the policy will also help mainstreaming of Environment cross-cutting issue.

*Climate Change Policy* - Approved in December 2013 this includes also a costed strategy. Mainstreaming of Climate Change adaptation and mitigation measures is taken into account.

### 3.2.6. Appropriate type of **environmental assessment**

The National State of Environment of Uganda notes there is a significant environmental degradation at both local and national level. To halt environmental degradation and to define, approve and implement policies and legislation to protect the environment should be a priority. Development policies in Uganda should be tied to green growth and environmental protection. The key environmental problems include soil erosion and declining soil fertility, deforestation, pollution of land, water and air, loss of biodiversity and over-harvesting of forests, fisheries and water resources. Since Uganda is highly dependent on agriculture and natural resources, further degradation of natural capital will have a negative impact on long-term economic progress and will aggravate poverty (population is rapidly increasing).

The NDP of Uganda mentions the need for the efficient use of environment and natural resources and increasing access to water in the key priorities for the future vision. It outlines objectives and measures related to environment (water, land management, natural resources) and climate change.

In order to support the above policy objectives, specific environmental and climate change risk assessments will be carried out during identification and formulation of all new activities in the focal area, as necessary, including the assessment of measures addressing mitigation and prevention of environmental impacts. When needed, the appropriate type of environmental assessment (Strategic Environmental Assessment or Environmental Impact Assessment) for the focal sectors will be carried out.

**3.2.7. The overall risk assessment of the sector intervention**

<b>RISKS IDENTIFIED</b>	<b>MITIGATING MEASURES</b>
1. Sensitive environment: politically, economically, legally, administratively and tax wise	Continued policy dialogue in joint DP settings and through Article 8 dialogue.
2. Deterioration of the Security situation in Northern Uganda and Karamoja	The programme will aim to increase the capacity of the local and national authorities to maintain the present security levels; the on-going programmes Karamoja Livelihoods Programme (KALIP) and Agricultural Livelihoods Recovery Programme (ALREP) are implementing mitigating measures (police reinforcements, etc.).
3. Deterioration of the policy dialogue with the line ministries (e.g. possible transfer of MAAIF to Entebbe)	The programmes will include components of support to the national institutions concerned, in agreement with the cross-cutting objective of institutional and policy strengthening.
4. Climate change/weather related events may affect the agriculture related activities	The programmes will take into account environmental protection and climate change adaptation measures within the project's activities.
5. No interest from the private sector to participate into the PPP or other private sector oriented activities within the planned programmes	A private sector capacity analysis will be carried out, when needed, in addition to and to complement the yearly survey of the WB ("How to do business in Uganda") looking as well at possibilities to provide incentives.
6. The start of the oil exploitation will affect the agriculture and environment sectors in the areas concerned; possible decrease of interest from the policy makers	Policy dialogue and concrete programme support by all the DPs present in the sectors, with particular attention to due diligence obligations by oil exploiting companies.
7. Continuing the low budgetary allocation to both agriculture and environment and water sectors	Policy dialogue and coordinated request of increase allocation of all the Development Partners through the DP Groups.

**3.3 Good Governance**

**3.3.1** The following overall and specific **objectives** will be pursued

The overall objective of the third focal area of Good Governance is to improve public accountability of state functions, so that all Ugandans know, understand and are able to claim the rights and services to which they are entitled. The three specific objectives are (1) to strengthen the function of the state, in its financial, democratic and social accountability, with particular emphasis on sound Public Financial Management (PFM), (2) to support oversight and control functions over the executive, and (3) to improve access to fair and equitable justice, safeguard human rights and democracy, and strengthen investigative and judicial institutions and processes with regard to public mismanagement and breach of authority.

**3.3.2.** For each of the specific objectives the main expected **results** are

1. Strengthen the function of the state in its financial, democratic and social accountability, with particular emphasis on sound PFM: a) Increased domestic resource mobilisation, as well as efficiency and transparency in relation to PFM and government service delivery; b) Enhanced budget credibility, transparency and comprehensiveness with predictability and control in execution;

and c) Improved PFM compliance, procurement, audit and public sector management.

2. Support oversight and control functions over the executive: a) Improved cooperation, independence, efficiency, transparency and capacities of the key oversight mechanisms and institutions, both at central and local level (including Parliament, the Office of the Auditor General, Inspectorate of Government; b) Strengthened capacity of Civil Society and Media, at local and national level, while supporting initiatives to maintain and protect human rights, facilitate electoral reforms, enhance democratic space and rule of law.

3. Improve access to fair and equitable justice, safeguard human rights and democracy, and strengthen investigative and judicial institutions and processes with regard to public mismanagement and breach of authority: a) Improved cooperation, independence, efficiency, transparency and capacity of key Justice Law and Order Sector (JLOS) institutions<sup>9</sup>; b) Strengthened institutional and legislative basis for anti-corruption actions, protection of human rights and access to justice.

### **3.3.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 4.**

### **3.3.4. Donor coordination and policy dialogue**

The topics and specific objectives to be covered under the focal sector Good Governance are coordinated by several Sector Working Groups (SWGs) linked to the Local Development Partners Group (LDPG). The policy dialogue on governance issues is cross-sectional and comprises several layers. There has historically been a close linkage with the joint budget support dialogue. Most prominently figures the regular political dialogue between EU and the Government on basis of Article 8 of the Cotonou Agreement. Speaking points are generated from dialogue in the different sector working groups, including democracy and human rights, rule of law, sound public finance management, accountability and the fight against corruption. Responses and commitments made by Government are fed back into the dialogue at SWG level.

- Despite no direct interface with Government the Partners for Democracy and Governance (PDG) group is instrumental in finding a coordinated approach for bilateral meetings with the Government representatives on significant political issues, in providing guidance for the Democratic and Human Rights Working Group (DHRWG) and the Accountability Working Group (AWG), and in reviewing the annual assessments of the underlying principles.
- The DHRWG brings together the key DPs in Uganda in monthly and ad hoc meetings to discuss issues of relevance. It reports to the PDG with a written report and orally, and operates with a rotating chair. The EU chaired in 2012 and is a very active member. The AWG is a forum for DPs working on accountability issues, meeting monthly and reporting to the PDG, using a 'Rolling Core Script' (RCS) to highlight key issues and suggest follow up. It is currently orchestrating a harmonised approach to accountability sector interventions, focusing on anti-corruption activities, in which the EU is a leading actor. Future activities can build on the government's Accountability Sector Strategic Investment Plan (ASSIP), as well as the Government's sector working group and the Inter-Agency Forum (IAF), which brings together key accountability institutions.
- The EU Human Rights Defenders (HRDs) Working Group is composed of EU Member States, EU Delegation and Norway, since 2012.
- The PFM Working Group coordinates DP Dialogue with Government on public finance management and financial accountability issues. An interface with the Government is institutionalised in the Public Expenditure Management Committee (PEMCOM), a high-level forum to discuss policy reforms, the implementation of the Financial Management and Accountability Programme (FINMAP), and linkages with other sector working groups.
- The Democratic Governance Facility (DGF) is a pool fund of eight DPs, including the EU and six Member States (AT, DK, IE, NL, SE, UK) and Norway, mainly to support activities of state and non-state actors in the areas of democratic governance, justice, peace, human rights and

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<sup>9</sup> Including both formal JLOS institutions and other bodies involved in the sector as it relates to accountability, such as the Inspectorate of Government (IG).

social accountability.

- Between 2008 and 2014, the Joint Budget Support Framework (JBSF) has been coordinating policy dialogue between DPs and the Government on sectors covered by individual budget support operations, and the joint assessment of underlying principles and preconditions for the provision of budget support. High level dialogue takes place in Policy Coordination Committee (PCC) meetings, chaired by the Prime Minister. Annual assessments are based on the Government Annual Performance Report (GAPR), feeding into a Joint Assessment Framework (JAF) used to trigger disbursements. In 2014, a dialogue started among development partners with the aim of shaping a revised framework for the policy dialogue with the Government of Uganda, departing from the JBSF in light of lessons learned and changing aid modality preferences.
- The JLOS coordinates a joint programme in support of reforms and capacity building for the JLOS institutions.
- The Donor Economists Group (DEG) co-ordinates macro-economic and aid effectiveness/donor reporting issues and regularly invites Government officials and research institutions to topical meetings. The DEG provides analysis of Government budgetary planning and regular assessments of macro-economic conditions.
- The National Monitoring & Evaluation Technical Working Group (NMETWG) implements the National Integrated Monitoring & Evaluation Strategy (NIMES) including the institutional framework, mechanisms and policy evaluations.

### 3.3.5. The Government's financial and policy commitments

The overall share of accountability and transparency measures in the budget is around 5%, and this share is expected to remain stable until 2018 according to Medium Term Expenditure Framework (MTEF) figures. This indicates that the Ugandan Government wants to at least maintain the present level of Good Governance expenditure.

Reforms and policy commitments in support of good governance may have little budgetary implications but profound practical repercussions. There is an often stated policy of "zero tolerance for corruption", but its credibility has been undermined by incomplete follow-up measures to corruption scandals in all sectors<sup>10</sup>, leading to declining trust in government institutions and a public perception of indifference and impunity reflected in corruption perception indices<sup>11</sup>.

Corruption cases in 2012 led to the temporary suspension of budget support by nine DPs under the JBSF over a period of ten months. In response, the Government established a so-called High Level Action Matrix (HLAM) with a series of measures to restore DPs' confidence in government systems. Improvements to financial management systems have progressed well, although lack of progress on administrative and criminal sanctions has raised concerns regarding political commitment. An interim assessment mid-2013 unblocked on-going programmes and the Government committed itself to the continuation of a joint assessment framework based on previous JAF processes and continued implementation of the HLAM.

Further significant policy commitments of the Ugandan Government for the sector with intermediate perspective are:

- Continuation of regular Public Expenditure and Financial Accountability (PEFA) assessments and the implementation of its recommendations.<sup>12</sup>

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<sup>9</sup> Uganda is reported to have one of the biggest implementation gaps between institutional and legal frameworks and effectiveness of implementation - see 3rd Annual Report on Corruption Trends in Uganda (Data Tracking Mechanism). - Global Integrity Report 2011.

<sup>10</sup> In its Global Corruption Barometer 2013, Transparency International ranked Uganda the 2nd most corrupt country in East Africa, with political parties, judiciary and police singled out. 55% say levels of corruption have increased a lot in the last two years.

<sup>12</sup> The 2012 CG PEFA was published by the PEFA International Secretariat on 13 September 2012. In short, four indicators appear to have deteriorated (PI-1, 2, 3 and 22). 22 indicators remained unchanged, although in some of these there have been significant reforms, though not sufficient to change their ratings. Five indicators (PI-4, 13, 15, 17, 26, 28) improved. Both the 2012 PEFA report and the FINMAP II Mid-Term Review conclude that while the PFM Strategy remains relevant overall, weaknesses still exist particularly with regard to budget credibility, control and compliance. The review concluded that the current PFM reform strategy remains adequate to address most of the weaknesses identified in the 2012 PEFA report, although slight revisions are expected for the next three year phase, FINMAP III, starting FY

- Commitment to apply for Extractive Industries Transparency Initiative (EITI) membership.<sup>13</sup>
- Development of a new National Debt Strategy following the expiry of the 2007 Debt Strategy.

### 3.3.6. Appropriate type of **environmental assessment**

Specific environmental risk assessments will be carried out during identification and formulation of new activities in the focal area. Overall, the assumption is that the accountability and transparency measures envisaged under this strategy will also have a positive environmental impact, insofar they will support the application of rules and regulations including environmental standards, policies, definition of legislation and its implementation with due diligence and strengthen public monitoring of the executive. Particularly support to Uganda in joining the EITI is expected to have a positive environmental impact. An environmental impact assessment on the petroleum sector is foreseen, irrespective of whether the EU supports this sector directly or as a cross-cutting issue.

### 3.3.7. The overall **risk assessment** of the sector intervention

<b>RISKS IDENTIFIED</b>	<b>MITIGATING MEASURES</b>
(1) Political instability.	Continued policy dialogue in joint DP settings and through Article 8 dialogue. Support to the development of democratic pluralism and inter-party dialogue. Continued support to electoral reform process and EU Election Observation Mission (EOM) recommendations. Support for EU EOM at 2016 elections.
(2) Limited space for civil society; tight controls on nongovernmental organizations.	Continuation of structured dialogue with civil society and use of EU Road Map for engagement with civil society as monitoring tool; advocacy vis-à-vis government through Art. 8 dialogue. EU support under the focal sector to strengthen capacity for cooperation and fostering of government-Civil Society Organisation (CSO) dialogue. Linkage to Performance system.
(3) Inadequate Rule of Law and dominance by Executive	Continued policy dialogue. Support to non-Executive bodies such as Parliament as well as JLOS institutions (e.g. police, Judiciary, etc) to build capacity and independence. Monitoring of Government of Uganda commitments, preferably in joint framework with other DPs. Support to civil society and development of democratic pluralism. Linkage to Performance system.

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<sup>13</sup> Authorities have expressed public interest, including Energy Minister Muloni at the 6th EITI global conference 23-24 May 2013; however concrete commitment to apply for EITI membership remains uncertain. Ministry of Finance argues accountability to Ugandan citizens through the enactment of the revised Public Finance Management Bill needs to be provided first, before any international commitments are to be made.

(4) Unequal access to justice; human rights violations.	Specific support activities for capacity building and HR awareness for justice or human rights institutions e.g. police, Uganda Human Rights Commission (UHRC), Judiciary etc. Support to civil society active in these areas, and advocacy on initiatives which may affect their democratic space. Monitoring of adherence to fundamental values, human rights and related international commitments (including Universal Periodic Review). Linkage to Performance system. Continued monitoring of political risks including universal values, fundamental rights, insecurity and conflict.
(5) Externally induced macroeconomic shocks.	EU participation in macro-economic policy dialogue. Continued assessment of standard macro-economic indicators. Continuation of support to public finance management including improved revenue management and increased spending efficiency.
(6) Growing economic inequality; unbalanced growth. (7) Poor government effectiveness; low quality of services.	Economic monitoring and linkage with Art. 8 policy dialogue. Continuation of support to public finance management for increased spending efficiency and better service delivery particularly for poor and disadvantaged segments of the population.
(8) Low control standards; high degree of public corruption and fraud.	Specific support to oversight and control functions over the executive, if possible in joint approach with other development partners. Support to Civil society in their watchdog role over public service. Performance monitoring of anti-corruption policies and measures, and linkage including administrative and criminal sanctioning of offenders. Linkage with Art. 8 political dialogue and performance system.

#### 4. Measures in favour of civil society

The policy dialogue of the EU with government is complemented by regular exchange with CSO as part of the structured dialogue the EU Delegation maintains with non-state actors in Uganda. One of the aims of EU development support under this MIP is therefore to foster CSO support to the government's development priorities and to strengthen the accountability functions civil society can provide for the public service.

In line with the Cotonou Agreement and its Annex IV, an indicative amount of EUR 25 million will be set aside for capacity strengthening of civil society organisations and improved cooperation between government and civil society. As an example, this allocation may be used to develop capacity in both the Government's Non-Governmental Organisation (NGO) Board and the national NGO Forum to facilitate better understanding and cooperation around each other's role and as well between CSOs and Local Authorities (LAs). Private sector institutions and representative bodies will be part of the structured dialogue.

This allocation is additional to cooperation with civil society organisations envisaged within the focal areas. Within the Focal Sector 1 "Transport Infrastructure", particular importance will be the interaction with civil society organisation active in the field of Road Safety, capacity building of the local Construction Industry and Kampala Citizenship and Awareness. Within Focal sector 2 "Agriculture and Food Security" the programming for Northern Uganda foresees measures to foster partnerships between Local Government Authorities and CSOs. Within Focal Sector 3 "Good Governance", particular emphasis will

be given to civil society organisations as advocates of good governance and accountability of the public administration to its citizens at all levels of government.

## **5. B-allocation**

A B-allocation may be included in the MIP for unforeseen needs (specifically relevant for fragility situations). This allocation is at EUR 0 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can always be taken notwithstanding the status of the indicative B-allocation mentioned in the MIP.

## **6. Support measures**

### **6.1. Measures to support or accompany the programming, preparation or implementation of actions**

A support facility (i.e. the Technical Cooperation Facility - TCF) which aims to support future programming, the identification and formulation of project and programme activities and the implementation of ongoing activities through specific studies and short-term technical assistance is foreseen with an indicative allocation of EUR 15 million. It will also support further mainstreaming of gender including the identification of actions and gender disaggregated indicators.

### **6.2. Support to the National Authorising Officer**

An indicative amount of maximum EUR 10 million is foreseen for support to the National Authorising Officer.

## **Attachments**

1. Country at a glance
2. EU donor matrix
3. Development Partner sector mapping
4. Sector intervention framework and performance indicators
5. Indicative timetable for commitment of funds
6. List of abbreviations