European Commission

UNCDF
Impact Capital for Development

EVALUATION BRIEF

Mid-Term Evaluation of the UNCDF Component of the Development Initiative for Northern Uganda (DINU)

Lobe Market/UNCDF

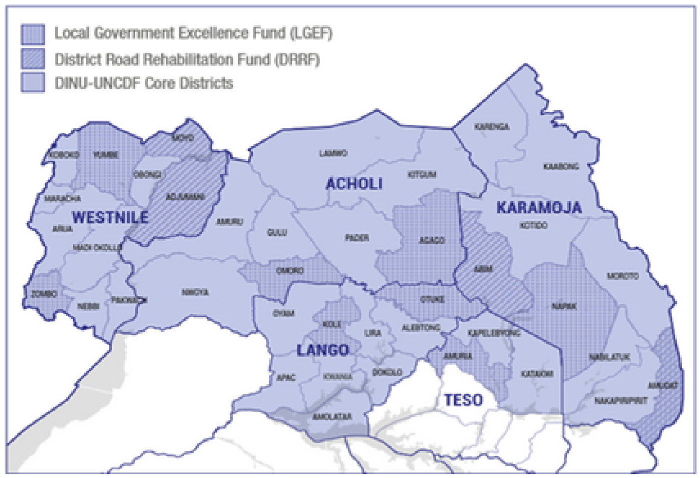
1. The DINU Programme

The objective of the Development Initiative for Northern Uganda (DINU) programme is to consolidate stability in Northern Uganda, eradicate poverty and undernutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

Donors: European Union (EU)
Implementing Partner: UNCDF
Responsible Partners: Office of the Prime Minister (OPM), Ministry of Local Government, District Local Governments (DLGs), Local Government Finance Commission, Ministry of Work and Transport, Ministry of Lands Housing and Urban Development, Uganda Development Bank Limited, Private Sector Foundation of Uganda, Uganda Local Government Association and Urban Authorities Association of Uganda
Programme Duration: December 2017-December 2022
District Coverage: 40 districts

Specific Objectives:
1) Improve access to finance for SMEs engaged in agricultural value addition through a dedicated facility for business development services and blended finance.
2) Improve the stock and quality of the district road assets through a district road rehabilitation fund and dedicated technical assistance and improve local service delivery for road assets.
3) Increase local fiscal space and improve local service delivery through a discretionary grant mechanism and technical assistance to core government functions, including customary land tenure systems.

DINU-UNCDF Footprint in Northern Uganda



2. Objective of the Evaluation

The key objective of the Mid-Term Evaluation of the DINU programme was to allow UNCDF and the EU to meet their accountability and learning objectives in informing their future interventions. The evaluation covers the period between early 2018–June 2022. It covers the UNCDF designated component of the broad DINU with a budget of EUR 26 million (plus indirect contributions from other projects and beneficiaries).

The targeted recipients of this evaluation include UNCDF, the EU, DINU partners, Uganda Government Institutions including the Office of the Prime Minister, civil society organisations, other UN organisations, private sector organisations, Small and Medium-sized Enterprises (SMEs), researchers, and academics.

Lobe Market/UNCDF

3. Key Findings

The following findings were drawn from the evaluation, based on the evaluation criteria questions used including relevance, coherence, efficiency, effectiveness, the programme's likely impact and sustainability.

Segregated sanitary facilities at the new Lobe Market/UNCDF

Relevance

The DINU UNCDF programme is highly relevant and well aligned with the Government of Uganda's priorities, the Uganda Vision 2040, the National Development Plan (NDP) and the Peace Recovery Development Plan and the National Development Programme II targeting SDGs 1 and 2.

The programme plays a key role in financing SMEs, upgrading roads and ensuring a better district public finance management and governance that are benefiting ministries involved in the implementation and design of actions. Gender, youth and climate change are well mainstreamed into the programme formulation.

Climate change is mainstreamed into the programme through the establishment of specific conditions for access to finance for SMEs and district investments.

Coherence

The UNCDF component is coherent with its design fitting well into the overall DINU programme and other development initiatives in the North of Uganda and the UN and UNDP programmes working with the One UN Approach.

UNCDF's added value is clear as demonstrated by the pipeline of SME proposals for financing and management of Local Government investments, which UNCDF has helped bring to life. During its implementation, cooperation and synergies with other interventions within the overall DINU and other UN agencies could have been stronger, for example working with the localization of SDGs with UNDP.

Efficiency

The SME Finance implementation was relatively slow as a result of adjusting and refining START facility procedures and processes during set-up and the struggle by most SMEs to meet the approval requirements by Uganda Development Bank Limited. The implementation of the Road Upgrading took a long time to start due to the long but relatively efficient procurement process.

The District Public Financial Management (PFM), Service Delivery and Governance started quickly due to the relatively efficient procurement process. The efficiency of the programme can be illustrated by the programme budget execution at 64% by the end of 2021, 11% of the programme left with most delays occurring for (SME Finance), 34% execution, while the road upgrading will be finished before the programme closure. The programme governance is good with an active DINU Board.

Grain processing plant at Kana Grain Millers in Omoro District /UNCDF

Effectiveness

Outputs for SME Finance and District PFM and governance are emerging or re-emerging after the COVID-19 lockdowns in 2020 and 2021. In general, capacities are higher in the district administrations and SMEs, and this is reflected in the achievement of results. For Road Upgrading the roads are almost completed, so the stock of quality roads is increasing in the 5 districts, with a solid contribution from the programme.

The upgraded roads cover 14% of the estimated total district and community access road network in the 5 districts. With 13 SMEs financed and 14 almost approved for finance, leveraged funds and a well-functioning START Facility, it can also be expected that SME Finance will contribute to increased access to finance for SMEs. For the District PFM, Service Delivery and Governance, the potential exists for the creation of increased local fiscal space, and the Local Government Excellence Fund (LGEF) is indeed contributing to some improved local service delivery and Local Economic Development. Some capacity for gender equality and inclusiveness has been created in the Programme and women amount to about 40 % of beneficiaries.

Likely Impact

It is still early to assess the likelihood of a broader level impact of the DINU-UNCDF component as the targeted organisations (DLGs, SMEs and PFMs) have not yet begun fully operating with their new capacities. There is a potential for the emerging results under the DINU-UNCDF component that will contribute to the three overall objectives described above.

Women heading to the new Lobe Market/UNCDF

Honey Pride Arua/UNCDF

Objective 1: There is a potential to improve the economic fabric and increase food security if more financial institutions are willing to provide SME financing for the pipeline, the START facility continues and the upgraded roads are maintained in good shape for transportation.

Objective 2: Some trading is starting to emerge with neighboring countries as a result of the upgrading of roads and establishment of some markets under Public Financial Management.

Objective 3: The support provided to increase participation, better accountability, service delivery and better governance under the District PFM and Governance may contribute to gender-responsive good governance, and rule of law and empower communities to participate in improved local service delivery if appropriate follow-up of activities to the expected seven outputs under PFM.

Sustainability

DINU UNCDF has inbuilt sustainability with support provided to national partners who implement the programme activities as a part of their mandates and normal roles.

These roles will continue without UNCDF's support at a lower intensity as grants from the programme will cease to arrive. Capacities created are fragile, so continued capacity development support to the districts is needed in all areas, including supporting SMEs to develop their business proposals to be financed.

There is a need to build capacities in the district administrations and the SMEs provided with pre- and post-investment training. Funding is critical for the upgraded road network in the five District Local Governments for maintenance, training, asset management and the Rehabilitation and Maintenance Planning System which are yet to be completed.

Lobe Market/UNCDF

4. Lessons Learned

1

It is possible to enhance access to finance through grants and TA and linkages with Financial Service Providers. SME access to finance can be enhanced through a holistic approach that combines business development support and adequate financial services.

2

An SME financing facility can contribute to improving access to finance if accompanied by adequate SME support. The START facility can make a contribution to improving access to finance if adequately combined with support services to SMEs over the long term. Efforts should also be made to partner with other financial institutions to complement the financing needs of targeted SMEs.

3

A revolving emergency fund for SMEs can work.

4

It is possible to change the culture of SMEs from receiving grants to concessional loans.

5

Sustainability measures for road upgrading projects cannot be reached without a clear design for future funding for maintenance.

6

Contracts with road contractors should take into account their actual capacity constraints and be seen as a means to enhance their capacity.

7

Reconstruction of rural roads can be improved by proper testing of materials such as gravel, sand, stone aggregates, concrete and culvert pipes.

8

Drainage shall be completed before the road surface construction work is implemented.

9

The resistance to payment and collection of local government revenues in Uganda is enormous.

Contacts:

UNCDF – Dr. Jenifer Bukokhe Wakhungu, Jenifer.bukokhe@uncdf.org
EU – Mr. Paul Otim Okello, Paul.OTIM-OKELLO@eeas.europa.eu
OPM - Mr. Mayanja Gonzaga, mayanja_gonzaga@yahoo.com

The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries(LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

www.uncdf.org twitter.com/uncdf | linkedin.com/company/uncdf | instagram.com/uncdf | facebook.com/uncdf | youtube.com/uncdf

UN Capital Development Fund
Two UN Plaza, 26th Floor, New York, NY 10017

www.uncdf.org

@uncdf