



## Project Document: Inception Phase of the Local Economic Development Finance Initiative for Uganda (LFI-U)

**Brief Description:** The LFI-U is an innovative approach being tested by UNCDF in cooperation with the Ministry of Local Government and the Uganda Investment Authority alongside the Third District Development Programme (DDPIII) with the aim of unlocking Uganda's financial system for local economic development ("LED"). The Inception Phase is intended to prepare key national and international stakeholders to support the launch and rollout of a long term phase of LFI and LED promotion in 2013. The project will advance the preparatory work on the six pilot LFI infrastructure projects that have already been initiated, namely Arua IPS Hydroelectric Generation Project, Busia Lorry Park, Nwoya Delight Fresh Juice Project, Kayunga Amfri Farms Fruit Processing Project, Kitgum Olam Warehouse Project and Insingiro UCCCU Milk Processing Project. As a result, procedures and capacities for investing in economic infrastructure, services and amenities will be developed and activated in target local governments. Secondly, the phase of the pilot will advance the mobilisation of key national and international stakeholders, government and non-government alike, around LFI with the view to facilitate the launch of the main phase of LFI in 2013. This will include the launch of LED consultation frameworks and a LFI training programme that improves government and private sector capacity for LED and local business-enabling environments. LFI mobilization will include outreach to development partners for targeted LFI support of the technical studies and credit enhancement needed to secure private finance for LED infrastructure projects, as well as possible direct equity investment. Also, efforts will be made to mobilise commitments from key national and international partners to allow the establishment of a US\$ 20 million credit enhancement facility for the main phase of the programme.

**Programme Duration:** 8 months  
**Start date:** May 2012  
**End date:** December 2012  
**Management Arrangements:** DIM  
**PAC Meeting date:** 11 May 2012  
**Atlas ID:**  
**Project ID:**

### **Total estimated budget\*:**

Total budget	USD 797,000
Sida**	USD 647,000
Total Funded	USD 647,000
Unfunded budget	USD 150,000

\* Total estimated budget includes both programme costs and indirect support costs

\*\* Sida contribution is provided via the LFI Global Programme.

### **UNCDF**

**Signature:**

Christine Roth  
 Ag. Executive Secretary  
 UN Capital Development Fund (UNCDF)

**Date & Seal:**

June 13, 2012

### **National Authorities**

**Signature:**

For the Government Cooperating Agency

Patrick Mutabwire

Ag. Permanent Secretary; Ministry of Local Government

**Date & Seal:**

Tom Buringuriza

Ag. Executive Director; Uganda Investment Authority

**Date & Seal:**

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## ACRONYMS

CBG	Capacity Building Grant
CTA	Chief Technical Advisor
CG	Conditional Grants
DAO	Delivering as One
DDP	District Development Programme
DFI	Development Finance Institution
DIM	Direct Implementation
FIPA	Financial Inclusion Practice Area
FSP	Financial Service Providers
GlobalDF	Global Clearinghouse for Development Finance
GPG	General Purpose Grant
IFI	International Financial Institution
IP	Implementing Partner
IPS	Industrial Promotion Services
IC	Investment Committee
JICA	Japan International Cooperation Agency
LED	Local Economic Development
LEDs	Least Developed Country
LFI	Local Finance Initiative
LFI-U	Local Economic Development Finance Initiative for Uganda
LG	Local Government
MoF	Ministry of Finance
MDG	Millennium Development Goals
NDP	National Development Framework
ODA	Official Development Assistance
PBA	Performance Base Agreement
PEAP	Poverty Eradication Action Plan
PIU	Programme Implementation Unit
PPOP	Programme and Operations Policy and Procedures
RTA	Regional Technical Advisor
SBAA	Standard Basic Assistance Agreement
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Cooperation Agency
MSME	Micro, Small and Medium Enterprise
TA	Technical Assistance
TSP	Technical Service Provider
UAAU	Urban Authorities Association of Uganda
UIA	Uganda Investment Authority
UCCU	Uganda Creameries Cooperative Union
ULGA	Uganda Local Government Association
UNCDF	United Nations Capital Development Fund
UNCMT	UN Country Management Team
UNDP	United Nations Development Programme

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## EXECUTIVE SUMMARY

**The Inception Phase of the Local Economic Development Finance Initiative for Uganda (LFI-U)** is a short-term UNCDF project to be run from May to December 2012 with a limited objective of preparing the launch of the LFI Global Programme in Uganda. The project has two aspects: (1) advancement of preparatory work on six infrastructure projects that have already been identified; and (2) mobilisation of key national and international stakeholders, government and non-government alike, around LFI with the view to facilitate the launch of the main phase of LFI-U in 2013.

This project is linked to two other programmatic interventions: UNCDF's LFI Global Programme, implemented through a Long-Term Agreement with the Global Clearinghouse for Development Finance (GlobalDF) funded initially by the Swiss Agency for Development (SDC), and covers several African countries including Uganda, and DDPIII.<sup>1</sup> The LFI-U Project will advance the Uganda government's development objectives and the achievement of the LFI Global Programme's outcome: 'unblocking' national financial sectors in developing countries to enable greater access to finance for essential small and medium-sized infrastructure projects and improve local business-enabling environments that will be catalytic for LED, private sector development, employment creation, poverty reduction, and improved living standards.

A key component is LFI capacity-building. This means developing approaches and tools that can enable nationwide scaling-up and the activation of the Uganda Government LED objectives as embodied in the forthcoming government LED Policy. It includes facilitating the requisite intragovernmental coordination and outreach to the private sector and development partners, designing and implementing LFI communication and information systems that serve to improve local business environments.<sup>2</sup> This work will be carried out in cooperation with the Uganda Investment Agency. The project will also facilitate the DDPIII objective of reducing poverty in Uganda and contributing to achievement of the Millennium Development Goals (MDGs).

The work on six infrastructure projects is a valuable tool for increasing the awareness of national and international stakeholders at the local and central levels about LFI, by involving them directly in project development, including feasibility studies, economic and financial analyses, identification of potential project sponsors and sources of funding. More importantly, these projects are part of UNCDF's commitment to the government in the framework of DDPIII. The continued work on the six projects will serve as a proof of concept demonstration and will prepare the stakeholders in the six pilot locations as well as the stakeholders at the central level engaged in the development of these projects for the launch of a full-scale LFI intervention in 2013.

The second aspect, mobilisation of key national stakeholders and international partners, based on a proactive outreach and awareness raising, will target a wider range of government and non-government actors, bi-laterals and multi-laterals in a bid to help them identify their role and position within the LFI programme and initiate the process of securing their commitment of possible contributions to this process. The LFI communication and information systems will advance this process as well as government effectiveness in advancing LED and creating business-enabling environments.

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<sup>1</sup> The LFI partnership between UNCDF and GlobalDF was initiated with a funding grant from the Swiss Agency for Cooperation and Development in 2010, with the objective of scaling up prior innovative finance and development approaches and tools developed by GlobalDF as part of UNCDF's LED approach and other Country Programmes. The objective is to test these innovative approaches in one to two developing countries. In addition to Uganda, a second LFI Country Programme is being launched in Tanzania as part of the Tanzania One UN Fund Programme.

<sup>2</sup> The Global LFI Programme supported by SDC includes the adaptation of the Financing for Development Tools developed by GlobalDF for improving official sector capacity to mobilize the private sector for development, thereby implementing key objectives of the UN Monterrey Consensus. These tools will be adapted as needed to provide the foundation for the LFI coordination and information system.

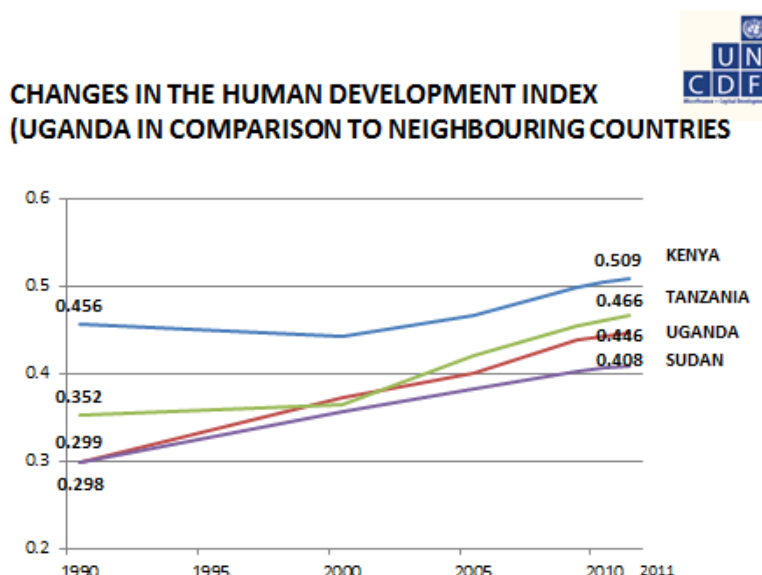
Working in conjunction with one another, these two aspects will allow the creation of a critical mass of LFI champions in the government and non-government sectors, particularly in the private sector, committed to a full-scale LFI process. This will significantly facilitate the launch of the main phase of the project in 2013, minimizing the lag time between the project launch and its first concrete results.

## 1. SITUATION ANALYSIS

### 1.1 Overview of Development Conditions

Whereas Uganda has a good record of sound macroeconomic management, rapid economic growth and effective poverty reduction (down from 44% to 31% between 1997/98 and 2005/06), it is still a poor country with per capita income of about \$460 (2008).<sup>3</sup> The country's per capita income is low compared to other economies in Africa and Asia. While Uganda's economic performance was at par with that of countries such as Kenya, Ghana and Malaysia in the early 1970s, these economies have since significantly improved over Uganda's economy, with the Kenyan per capita income, for example, almost twice as high as that of Uganda.<sup>4</sup>

The household survey data shows that income poverty increased in both rural and urban areas between 2000 and 2003 from 34% to 38% due to, among other factors, decelerating growth and weak agricultural prices. The GDP growth that averaged 7% p.a. for much of the 1990s has reduced to nearly 5% in the last four years principally due to slower productivity growth and declining prices for agricultural exports<sup>5</sup>. Improvements in the Human Development Index also slowed, with 1.65% p.a. during the last decade (2000-2010) as compared to a much more dynamic decade of 1990-2000 when the growth was 1.93% p.a.<sup>6</sup>



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Poverty is particularly marked for households engaged in crop agriculture, an activity in which women predominate and the north remained the worst affected region. Slowing economic growth and rising poverty levels have also been accompanied by growing income inequality, raising fears that the Ugandan economy may be undergoing structural changes that make poverty eradication a more difficult challenge.

### 1.2 National Development Framework for LED

Between 1997 and 2008 the overarching planning framework for the country was the Poverty Eradication Action Plan (PEAP) based on five pillars: (1) macro-economic stability and fiscal probity; (2) increased production and incomes by enhancing the competitiveness of the economy; (3) conflict mitigation and improved security, especially in the north and east of the country; (4) improved governance, notably in terms of human rights and democratization; and (5) human development, including improved education and health and family planning. In

<sup>3</sup> National Development Plan, p. 11.

<sup>4</sup> National Development Plan, p. 13.

<sup>5</sup> The Uganda Joint Assistance Strategy (February 2005).

<sup>6</sup> The Human Development Report (2011).

2010, the PEAP was succeeded by the National Development Plan (NDP), a medium-term development strategy for the period 2010/11 to 2014/15. While the PEAP stressed poverty eradication and prioritised social services, the NDP maintains the poverty eradication vision, but with an additional emphasis on economic transformation and wealth creation thereby intertwining sustainable economic growth with poverty eradication.

At the heart of the NDP lies a quasi-market approach, which includes a mix of government investments in strategic areas and private sector market driven actions. The private sector is viewed as the engine of growth and development while government, in addition to undertaking the facilitating role through a provision of a conducive policy, regulatory and institutional framework, is also supposed to actively promote and encourage public-private partnerships.

In this context, the NDP puts special emphasis on LED as a means towards encouraging economic growth through local resources. Promotion of LED has been defined as Objective 6 of the NDP. The NDP envisages a number of interventions in this area, including:<sup>7</sup>

- (i) Increase government presence in mobilisation of people for development,
- (ii) Support formulation and implementation of LED based plans,
- (iii) Develop processes that advance the competitive advantage of localities through reduction of obstacles to business expansion and creation,
- (iv) Develop entrepreneur skills for SMEs,
- (v) Promote micro finance institutions for LED promotion, and
- (vi) Establish local business centres.

LED is also enshrined in the Decentralization Policy Strategic Framework developed in 2006 to create an enabling business environment.

Despite these and other efforts undertaken by the Government of Uganda and other stakeholders to promote LED, a number of challenges persist.

1. *Inadequate legal and regulatory framework for LED.* LED policy aspirations have only partially been reflected in legal and regulatory frameworks. Uganda is still facing the challenge of making national regulatory frameworks conducive to LED by putting in place adequate arrangements for public-private partnerships, encouraging the role of local governments in development, and improving intersectoral collaboration.
2. *Inadequate public funding for LED, particularly at the local level.* Whereas the responsibility for meeting the enormous demand for new and better infrastructure in developing countries has increasingly shifted from national to sub-national governments, local governments in Uganda lack the financial resources to fulfill this responsibility. Local revenues have been declining as a proportion of the total LG revenues in the recent past mainly because of the abolition of graduated tax that constituted over 80% and 30% of local revenues in rural and urban LG respectively.<sup>8</sup> As a result, the share of local revenues in district budgets plummeted from 36.4% in 1997/98 to 6.8% in 2006/07.<sup>9</sup>

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<sup>7</sup> National Development Plan, 2010/11-2014/15

<sup>8</sup> The government did attempt to cushion negative consequences of the abolition of graduated tax through introduction of new taxes at the district levels, which became effective in 2008, such as local services tax and local hotel tax. However, the yield of the new taxes proved to be inadequate to compensate for the loss of graduated tax, resulting in a situation where on the average central grants amount to about 95% of district budgets (Steiner, Susan. 2006. *Decentralisation in Uganda: Exploring the Constraints for Poverty Reduction*. Hamburg: German Institute of Global and Area Studies, p.8).

<sup>9</sup> JICA. 2008. *Local Level Service Delivery, Decentralisation and Governance. Uganda Case Report*.

3. *Lack of LG access to long-term commercial financing.* In Uganda, LGs need long term, local currency financing at a reasonable cost for a number of local infrastructure projects. It is clear that the central government is not adequately able to meet LG financing needs due to fiscal constraints. While some of these needs can be met by development partners and development finance institutions (such as the World Bank and the African Development Bank), these organizations also have limited resources. A more adequate and sustainable source of financing for local infrastructure projects is domestic capital markets. Attaining access to these markets will take time and several barriers need to be overcome for this to be possible.
4. *Domestic capital remains largely unavailable for LED.* Private sector lenders and institutional investors in Uganda tend to steer away from investing in small and medium-sized infrastructure projects because of the high transaction costs, low profit margins in relation to the time required by bank personnel, and the perceived risks and lengthy borrowing periods usually associated with such projects. Moreover, the need for long-term investment in infrastructure projects does not usually match the tendency for commercial banks to lend short term. Yet, the financial scan notes that Uganda commercial banks seem prepared to finance local infrastructure projects, if they can secure appropriate long term funding, good projects, reduce credit risks, and secure protection from regulatory and political risks.

### **1.3 UNCDF Local Development Programmes in Uganda**

Since 1985, UNCDF has been providing support to local development in Uganda through a series of consecutive programmes at the district level. The strategy used has evolved from project-driven infrastructure delivery (for DDPI) to institutional development and policy impact as well as local development model (for DDPII) to LED support (for DDPIII). The latter programme, launched in 2009 and technically still under implementation, was designed to focus on the mobilisation of the strategic role of the LGs as a potentially pivotal actor for stimulating and promoting economic growth at both the local and national levels. The programme intended to build upon the achievements of its predecessors DDPI and II and their contribution towards the development and activation of an effective local government system. DDPIII builds upon these foundations with the objective of activating the role of local governments in the effective promotion of LED. It positions itself in alignment and with the objectives of National Strategies including the PEAP and NDP and aims to contribute to the fulfillment of the MDGs through targeting poverty reduction through enhancing the effectiveness of LGs in the promotion of LED.

In complimenting the DDPIII LED approach and methodologies, a new approach was introduced from 2010 under the name of the Local Finance Initiative (LFI) in cooperation with the Global Clearinghouse for Development Finance (GlobalDF), a non-profit organisation of private sector finance experts dedicated to mobilising private sector capital for development, with funding from the Swiss Agency of Development and Cooperation (SDC). This approach puts emphasis on tapping into existing domestic capital for LED financing. As part of this approach a financial scan of Uganda was conducted to explore funding opportunities. Six larger infrastructure projects in the DDP III districts were identified as part of the District LED Strategies. These projects are being further developed so they can be “bankable” and secure financing from local banks and pension funds. So far, LFI has been implemented in Uganda as a complementary LED approach, using the same management and coordination structures as DDP III (i.e., the PST at the MoLG, LED facilitators and fora in districts). At the same time, LFI is building on the existing capacities and structures to enhance interaction mechanisms and engagement of partners which have not been participating in DDP III or played a minor role only, such as the Ugandan Investment Authority and banks, as well as national and international private companies.

The programme review of DDPIII was completed in December 2011, and recommended that the next phase of UNCDF support for LED in Uganda should be based on the LFI approach, building on LED input and lessons learned. This approach should feature the following characteristics, among others:



- Focus on leveraging local, national and international capital sources from both institutional and private investors, with a view to promote LED.
- Emphasis on and support to the regulatory and coordinating roles of local governments rather than direct public investments.
- Project identification based on private sector-driven national and local scans, with inputs from local governments and communities as required.
- Development of bankable small to medium-sized infrastructure projects that would have significant catalytic effects on one or more districts by qualified technical service providers, identifying project sponsors and sources of finance.
- Where feasible, securing private sector funding through a pooled finance facility or other credit enhancement mechanisms.

The resulting LFI approach is in essence a hybrid LED approach building on the LED requirements for success, working at the local level with stakeholders while leveraging national support from the government and development partners, building on the lessons learned from the ongoing work in DDP III in improving local business environments and enabling the development of bankable LED projects.

As noted in the prior section, the Uganda government is now formulating a new LED Policy to contextualise the LED Objective of the NDP. As detailed below, the LFI Programme is designed to provide essential approaches and tools for its implementation.

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## **2. PROJECT STRATEGY**

### **2.1 Project Rationale and Objectives**

The project is designed to contribute to the achievement of the Uganda United Nations Development Assistance Framework's (UNDAF) Outcome 2: Vulnerable segments of the population increasingly benefit from sustainable livelihoods and, in particular, improved agricultural systems and employment opportunities to cope with population dynamics, increasing economic disparities, economic impact of HIV & AIDS, environmental shocks and recovery challenges by 2014. More specifically, the project will contribute to Output 2.3: Vulnerable communities are now having improved access to socio-economic infrastructure and systems for increased agricultural production and productivity, sustainable household income, and food and nutrition security.

This project is linked to two other programmatic interventions: UNCDF's LFI Global Programme implemented through a Long-Term Agreement with the Global Clearinghouse for Development Finance (GlobalDF) funded initially by the Swiss Agency for Development (SDC) and DDPIII. The Global Programme covers up to five African countries.<sup>10</sup> The LFI-U Project will advance the achievement of the Uganda governments' development objectives, and the LFI Global Programme's outcome: 'unblock' national financial sectors in LDCs, enabling greater access to finance for essential infrastructure projects that will be catalytic for LED, private sector development, employment creation, poverty reduction, and improved living standards. A key component is LFI capacity-building, developing approaches and tools that can enable nationwide scaling-up and the activation of the Uganda Government LED objectives as embodied in the forthcoming government LED Policy, providing cost-effective practical frameworks for facilitating the requisite intragovernment coordination and outreach to the private sector and development partners for LED.

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<sup>10</sup> A second LFI Country Programme is being launched in Tanzania as part of the Tanzania One UN Fund Programme.

The role of the Uganda Investment Agency, given its mandate for investment promotion and improving local business-enabling environments, is critical to this objective, mobilizing its “Team Uganda” and the Presidential Investor Roundtable in the resolution of critical impediments to LED and enabling the full realization of potential LED investment opportunities. At the same time, running concomitantly with the DDPIII, this project will facilitate the DDPIII objective of reducing poverty in Uganda and contributing to achievement of the Millennium Development Goals (MDGs).

One caveat is in order: The project will contribute to the achievement of these development outcomes only after the completion of the main phase of LFI in conjunction with other interventions in support of LED in Uganda. This project therefore has a limited **objective**: prepare the launch of the LFI Programme in Uganda. This inception phase will include two components: (1) advancement of preparatory work on six infrastructure projects leading to the actual launch of those feasible for private financing; and (2) mobilisation of key national and international stakeholders, government and non-government alike, around LFI with the view to facilitate the launch of the main phase of LFI in 2013. It is also critical to recognize that the initial LFI efforts to date have not been adequately funded, resulting in insufficient technical support, inadequate in-country staff available to follow-up issues, and no funds to cover the costs of project development studies. Therefore, the eight months of this project cannot be expected to complete the implementation of the six LED infrastructure projects, given the challenge of securing adequate funding for technical studies and completing them during this short time period. However, the development of all six projects can be significantly advanced during this eight month period, with the targeted deliverable of having two of the projects with committed project sponsors by year-end.<sup>11</sup> Most important, this work will set the foundation and provide lessons learned for the LFI Programme to be launched in 2013.

The rationale behind this project is grounded in the specificity of the LFI approach, which differs from the traditional approach to LED based on public financing. These differences vary from project identification and development approaches to funding modalities and implementation mechanisms and require time for government and non-government stakeholders to assimilate the LFI approach and to adjust their attitudes to be able to constructively contribute to LED through release of additional institutional and private capital into LED.

The work on six infrastructure projects is a valuable tool for increasing the awareness of national and international stakeholders at the local and central levels about LFI by involving them directly in project development, including feasibility studies, economic and financial analyses, identification of potential project sponsors and sources of funding. More importantly, these projects are part of UNCDF’s commitment to the government in the framework of DDPIII and as such should be honoured as much as possible. The continued work on the six projects will serve as a proof of concept demonstration and will prepare the stakeholders in the six pilot locations as well as the stakeholders at the central level engaged in the development of these projects for the launch of a full-scale LFI intervention in 2013.

The mechanics of the LFI-U Programme are carefully designed to attract investors at two levels: private sector project developers and project investors:

The LFI strategy for project sponsors is to provide free financial advisory that enables them to secure attractive bank financing, with targeted support from development partners in both project development and credit enhancements. A critical component is the engagement of the MoLG to work at the district level to create the needed local business environment required for success of the specific project (e.g., ensuring the mobilization of needed inputs such as sesame and fruit, engaging the farmers association, etc).

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<sup>11</sup> It is important to note that one or more of the six projects may not be considered feasible for private sector financing if the project studies indicate that the projected income would not enable them to adequately service the required debt (i.e., they are not “bankable”).

LFI project sponsor support includes enhancing the economic viability and profitability of the projects, making them attractive for investors. The programme will assist potential investors in exploring and securing both international and local markets for their products, including the facilitation of long term agreements for supply of inputs.

A critical component of LFI support includes structuring the management arrangements for the project in a way that ensures sound management of the projects as economically profitable enterprises. The private sector developers will be responsible for managing the projects/investments in this way, including the cases when the government participates in projects through public-private partnership.

(2) The LFI strategy for project investors (banks, institutional investors, equity funds, etc) is to provide them with well-structured bankable projects (as explained above). In addition, the projects will have adequate credit enhancements that address their risk concerns, thereby enabling them to increase their financing of infrastructure projects.<sup>12</sup>

The second aspect, mobilisation of key national stakeholders and international partners, based on a proactive outreach and awareness raising, will target a wider range of government and non-government actors, bi-laterals and multi-laterals in a bid to help them identify their roles and positions in the LFI Programme and commit their possible contributions to this process. The LFI coordination and information systems will advance this process and government effectiveness in advancing LED and creating business-enabling environments.

Taken together, these two aspects will allow the creation of a critical mass of LFI champions in the government and non-government sectors, particularly in the private sector, committed to a full-scale LFI process and will significantly facilitate the launch of the main phase of the LFI Programme in 2013, minimizing the lag time between the project launch and its first concrete results.

## 2.2 Project Outputs and Main Activities

The intended **project outcome** is the improved preparedness of key national and international stakeholders to support the launch and rollout of the LFI main phase in 2013.

More specifically, the project will deliver the following **outputs and activities**:

Output 1: Preparatory work for implementation of six pilot LFI infrastructure projects advanced.

Indicator 1: Number of projects for which project sponsors have been identified and secured.<sup>13</sup>

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<sup>12</sup> For more details, please see the draft Global LFI Programme Document (pages 14-26).

<sup>13</sup> **Project Sponsors**: The entity responsible for the overall project management is commonly referred to as the Project Sponsor. Project Sponsors usually have an equity stake in the project of at least 25% and also contribute to the cost of developing the project with feasibility and other studies. Project Sponsors can be from either the public or private sectors, or a combination of public and private sectors. Private sector Project Sponsors can be large international firms or national medium-sized private sector entities. Public sector Project Sponsors can be local, national, or international entities. To ensure the quality and sustainability of these first demonstration projects, it is important that projects have strong project sponsors that have financial capacity and technical expertise with a track record in such operations. It is important to note that local districts are not required to put cash equity into the projects, given their lack of cash resources. If local districts propose projects in which they expect to participate as project sponsors, they can contribute land as equity. It will be important to ensure all projects meet the standards of bankability, engaging project sponsors or managers that have relevant experience meeting the requirements of ensuring project sustainability and success. All projects will be set up in a “project

This output is focused on advancing preparatory work for implementation of six infrastructure projects:

- 1) Arua Industrial Promotions Services (IPS) Hydroelectric Generation Project
- 2) Busia Lorry Park
- 3) Nyowa Delight Uganda Fresh Juice Project
- 4) Kayunga Amfri Farms Fruit Processing Project
- 5) Kitgum Olam Warehouse Project
- 6) Insingiro Uganda Creameries Co-operative Union (UCCCU) Milk Processing Project

As a result of this output, procedures and capacities for investing effectively in economic infrastructure, services and amenities will be developed and activated in the target LGs. Specific activities for this output will include:

Activity 1.1: Identify and secure project sponsors

- Identify project sponsors in consultation with other relevant partners;
- Advance the commitment of the project sponsors to develop the projects (i.e., involvement in the definition of the projects, its revenues, costs, operations, business plan and models, etc); and
- Advance the commitment of project sponsors to contributing the equity contributions needed for the projects, and if needed, explore additional equity contributions from other private sector entities or development partners.

Activity 1.2: Identify, define, and initiate the required technical studies and other interventions

- Identify the required technical studies, including feasibility studies, input and output studies, economic and financial analyses, gender and environmental impact studies, as well as farmer mobilisation and sensitisation on agronomy practices for agricultural related projects with specifications on the roles of the districts;<sup>14</sup>
- Identify sources of funding from development partners;
- Develop applications for funding and present them to development partners;
- Initiate studies that receive funding, developing TORs and hiring consultants;
- Engage local governments and communities in the process of project development to ensure that community interests and concerns are adequately addressed; and
- Test the existing LED coordination mechanisms (LED fora, District Investment Committees and LED propagation teams) to determine their appropriateness for LFI and specify their roles.

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company” as a separate legal entity to enable the ring-fencing of revenues required to access private sector finance (i.e., nonrecourse financing).

<sup>14</sup> Under DDP III, prefeasibility studies have already been initiated for all six LED Projects by the project team. The next stage of designing, financing, and implementing the feasibility and technical studies is designed to be implemented in four steps:

- (1) Design of feasibility studies in coordination with the project sponsors with input from independent experts;
- (2) Development of TORs for procurement of consultants;
- (1) Application for financing of studies by organizations providing such funding (e.g., Private Sector Foundation, aBi Trust, Uganda Energy Capitalization Corporation, Kiwi, etc) with financial support from project sponsors and UNCDF to the extent possible; and
- (2) Implementation of technical studies through the procurement process by local consultants with proven results in prior studies conducted by USAID, MoLG, etc

The first two steps above have already been initiated by the project team, with one project (Nyowa juice processing project) already having secured funding from the Private Sector Foundation for initial study and training.

Activity 1.3: Identify and initiate the required project definition, organisational and legal formalities

- Shape project definition in consultation with the targeted project sponsor(s), a broad range of government and non-government stakeholders centrally and locally;
- Identify to the extent possible equipment vendors, get quotes, solicit bids from vendors and construction contractors, and negotiate equipment supply and construction contracts;
- Initiate the selection of sites and acquisition processes, identify and start solving property and other issues that affect implementation of the proposed projects; and
- Initiate and scope out the necessary legal documentation to enable the implementation of the projects.

Activity 1.4: Initiate actions for financing selected pilot projects

- Identify the appropriate funding modalities and further develop financial models;
- Identify appropriate public or private equity investors for projects that may require additional equity and present projects to them;
- Present selected projects to development partners for credit enhancements;
- Start preparing selected information memorandum for lenders;
- Start preparing selected project sponsors for making presentations to potential lenders; and
- Start organizing selected project presentations, site visits, and initial due diligence for lenders.

Output 2: A coalition of key national and international stakeholders is identified to support the LFI main phase on either the programme or project level.

Indicator 2: Number of preliminary commitments<sup>15</sup> made by key stakeholders<sup>16</sup> for participation in LFI on either the programme or project level.

Acting in close cooperation with the National LED Propagation Team, the project will design and implement a stakeholder mobilisation plan with the aim to develop national and international consensus over LFI implementation and advance preliminary commitments from key stakeholders and partners about their participation in the LFI Programme. A most important task will be to specify and address the conditions under which individual stakeholders would be ready to contribute to the LFI Programme, particularly by offering project development support, longer-term loans and credit enhancement required for the establishment of a pooled financing facility or other credit enhancement mechanisms, as needed, for financing LED projects.

Specific activities designed for the delivery of this output will include:

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<sup>15</sup> The definition of types of commitment encompasses inputs that are needed to create bankable projects, and therefore cover technical assistance (extension services, training, etc.), credit enhancements (partial credit guarantees, first loss), equity investment, and grants at both a project and programme level.

<sup>16</sup> **Stakeholders:** The targeted stakeholders needed for LFI-U to be successful include national, local, and international actors, inclusive of the public and private sectors. At the national level, the range of targeted stakeholders include national government ministries and agencies, the private sector (associations, leading private companies, banks, pension funds, equity funds), providers of technical services (consultants, development partners, NGOs, universities, etc), and providers of credit enhancement (government services, development partners, DFIs, etc). For projects to be bankable at the local level, they need to have the participation of the local district, depending on the nature of the project. They also require relevant local community service organizations, relevant business entities and associations, technical service providers, business and technical service providers, including banks, etc. Targeted international partners for LFI-U include international companies that can scale up investments and provide technical assistance (accounting, consulting, and engineering firms), international banks and project investors (equity and social responsibility funds) as well as the global programmes of development partners and DFIs that provide technical assistance, credit enhancement, and equity support.

Activity 2.1: Identify key national stakeholders for supporting the LFI Programme

- Design and initiate a national stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities;
- Identify LFI champions among financial institutions and banks, larger businesses, government structures supporting business development, specify their potential and roles in the LFI Programme, and to the extent possible secure preliminary commitments for specific projects or the larger programme; and
- Identify banks for managing the pooled financing facility or providing financing with other credit enhancement mechanisms, including also taking the principal responsibility for credit analysis of prospective projects.<sup>17</sup>

Activity 2.2: Identify key international development partners for supporting the LFI Programme

- Design and initiate an international stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities;
- Identify international development partners with interest in supporting the LFI approach, specify their potential and roles and start developing relationships that can lead to specific preliminary commitments for individual projects or the larger programme; and
- Test the approaches through the development of the six current projects, using them as case studies to learn how to structure the relationships and define “best practices” on the development and financing mechanisms for the LFI in cooperation with key national stakeholders.

Activity 2.3: Improve LFI information and coordination systems in alignment with DDP III and the Government LED Policy

- Map an LFI community of practice and implement a stakeholder mobilization plan engaging with the Uganda Local Government Association (ULGA) and Urban Authorities Association of Uganda (UAAU), private sector, development partners, among others, using “Team Uganda” and the Presidential Investor Roundtable;
- Enhance online LFI management and information systems, adapting them to the Ugandan context, and making them available to LFI stakeholders at the central and local levels, including an expanded Investor Aftercare Program using the “Government-Investor Network” (GIN) to enhance government capacity to improve the business-enabling environment for both large companies and SMEs; and
- Activate the LED Forum Networks in concert with the National LED Propagation Team and UIA Networks.

Activity 2.4: Improve the capacity of key target stakeholders to create the local enabling environment for catalytic LED infrastructure projects

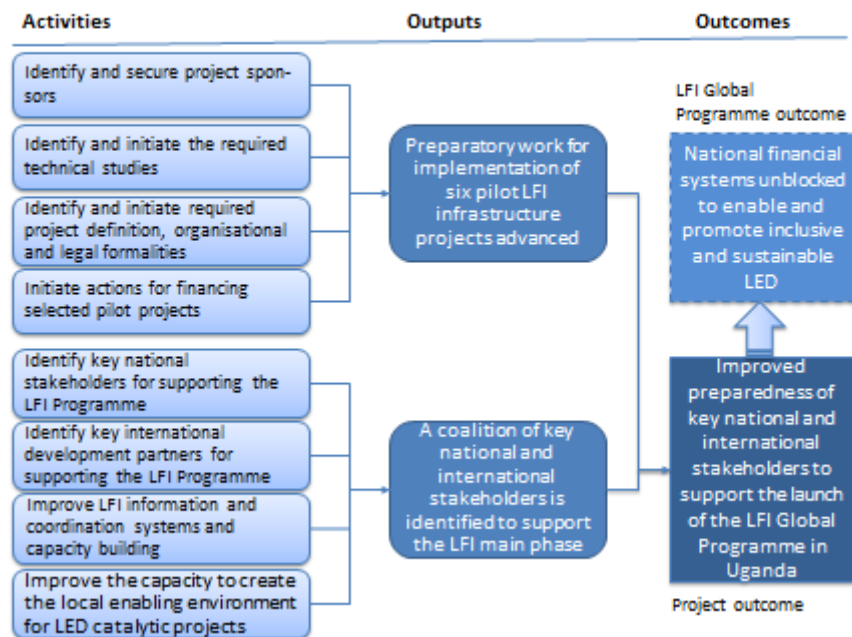
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<sup>17</sup> The eight-month LFI-U Programme does not include the development of the credit enhancement facilities (such as a possible pooled financing facility), and is limited to the identification of the appropriate funding modalities and development of project financial models. The projects need to be successfully developed into “bankable” projects before the specific financing can be designed and arranged, taking into account the specific risks perceived by banks and the type of credit enhancement support secured by development partners. Therefore the development and implementation of credit enhancement schemes (including possibly a pooled finance facility) will be included at the later stages in the main LFI-U Programme after successful projects that have been developed are ready for financing. For more details on possible credit enhancement approaches and leveraging official funds, please see the draft Global LFI Programme Document (pages 20-25) and the report on the Financial Scan for Uganda (2011).

- Develop training materials on the definition of bankable projects and securing project sponsors for small- and medium-scale catalytic LED projects;
- Use these materials to deliver training sessions to the relevant staff of the MoLG and possibly other national agencies identified in the course of stakeholder mapping

The duration of the project is eight months, with both outputs designed to be delivered concurrently.

## PROJECT RESULTS CHAIN: OVERVIEW



## 2.3 Partnerships

The project will aim to establish internal partnerships with other UN programmes as well as external partnerships with a number of key national and international actors to ensure that the launch of the LFI main phase is adequately prepared. Partnerships are aimed at both the programme and project level. Support for individual LED infrastructure projects includes the development of infrastructure projects into bankable projects (for example, technical studies, extension services, and training inputs), the provision of credit enhancement (for example, partial credit guarantees), and equity investments.

### Internal partnerships

It is essential that the project is harmonized and implemented in coordination with the concurrent DDPIII. This partnership is particularly important to ensure the connection and continuity between the two UNCDF projects, which pursue the same objective of LED promotion in Uganda. Communication and outreach activities targeting specific LFI issues should be integrated within the relevant DDPIII activities. The other important partner for the LFI project is the UNDP Strengthening Institutional Framework for Service Delivery project. This project's deliverables include, among others, development of a public-private partnership framework for improved service delivery and LED in LGs. Coordination with the Strengthening Institutional Framework for Service Delivery project is essential for ensuring a coherent approach to LED within the UN system and is a powerful tool for achieving a synergy of action.

## External partnerships

### *A. National stakeholders*

Being closely linked to the DDPIII Programme implemented by the MOLG, the preparation for the LFI-U Programme will establish a close partnership with the Programme Support Team at the MOLG to be able to benefit from the accumulated national expertise and experience in LED. At the same time, the project will enhance its partnership with the country's investment promotion agency, the Uganda Investment Authority (UIA). UIA is accountable for investment promotion at the local level, as well as improving the business-enabling environment, and reporting to the Presidential Investor Roundtable. In June of 2011 UIA announced a partnership with GlobalDF, setting up "Government-Investor Networks" (GIN) to improve the business-enabling environment and investment, the first network intended to focus on advancing agriculture. The other key national partners include the Uganda Local Government Association (ULGA) and Urban Authorities Association of Uganda (UAAU) deemed to be instrumental in identification and mobilisation of national partners and in enhancing LFI information and coordination systems.

Using the National LED Propagation Team as a platform, the project will work on establishing effective relations with the private sector and civil society to engage them in the process of LFI planning and preparation. The project will continue to cooperate closely with local stakeholders, government and non-government, through the existing LED fora and other mechanisms to finalise the foundation-building for launching the 2013 LFI Programme, particularly the training and capacity-building components.

### *B. International development partners*

Support of international development partners is critical for securing adequate project development funding, as well as credit enhancement support for the private funding (e.g., future pooled finance facility or the other credit enhancement mechanisms that are used). Likewise, this support is important for encouraging national structures and institutions for participation in LFI. Mobilisation of key international development partners is in fact one of the tasks of this project. Hence, the project will actively reach out to international development partners present in Uganda and in the region to engage them in the preparations for the LFI launch in 2013.<sup>18</sup>

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<sup>18</sup> Targeted international development partners for LFI-U include the global and regional programmes of development partners and DFIs that provide technical assistance, credit enhancement, and equity support, as well as their national programmes and the individual national programmes that they fund (such as the Private Sector Foundation, aBi Trust, etc).



### 3. RESULTS AND RESOURCES FRAMEWORK

<b>Development Outcome:</b> The national financial sector is unblocked to allow greater access to finance for essential infrastructure projects that will be catalytic for LED, private sector development, employment creation, poverty reduction, and improved living standards				
<b>Intended Outcome:</b> Improved preparedness of key national and international stakeholders to support the launch and rollout of the LFI main phase in 2013				
<b>Project title and ID (ATLAS Award ID):</b> Preparation for the Local Finance Initiative for Uganda				
INTENDED OUTPUTS	OUTPUT TARGETS FOR 2012	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (USD)
<b>Output 1:</b> Preparatory work for implementation of six pilot LFI infrastructure projects advanced.  <b>Baseline:</b> The projects are in various stages of preparation. <sup>19</sup>  <b>Indicators:</b> <ul style="list-style-type: none"> <li>- Number of project sponsors secured</li> <li>- Number of technical studies that have been funded and initiated</li> <li>- Number of projects for which preliminary financing packages and materials have been developed.<sup>20</sup></li> </ul>	i. For at least two infrastructure projects from the following sponsors are identified, technical studies have been funded and initiated and financing packages and materials developed: <ol style="list-style-type: none"> <li>1) Arua Hydroelectric Generation Project</li> <li>2) Busia Lorry Park</li> <li>3) Nyowa Delight Fresh Juice Project</li> <li>4) Kayunga Amfri Fruit Processing Project</li> <li>5) Kitgum Olam Warehouse Project</li> <li>6) Insingiro UCCCU Milk Processing Project</li> </ol>	i. Identify and secure project sponsors for at least two projects  ii. Identify, define, fund, and initiate the required technical studies for selected projects  iii. Identify and initiate the required project definition, organisational and legal formalities for selected projects  iv. Initiate actions for financing the pilot projects for as many projects as possible	MoLG	\$352,611

<sup>19</sup> Project Sponsors are already active in three of the projects (Kitgum Olam Warehouse Project, Insingiro UCCCU Milk Processing Project, Nyowa Delight Fresh Fruit Project), but the challenge is to increase LFI support in developing each project and increase the attractiveness of the projects, so that the project sponsors become more engaged and commit to the next level of project development and do not drop out of the project. In addition, the project needs to advance work so the other three projects can secure viable sponsors.

<sup>20</sup> Final financing materials and packages cannot be developed until all the technical studies have been successfully completed.

<p><b>Output 2:</b> A coalition of key national and international stakeholders is identified to support the LFI main phase on either the programme or project level</p> <p><b>Baseline:</b> No effective coalition exists</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>- Number of key stakeholders identified who might support LFI on a project or programme level</li> <li>-Number of key stakeholders who have expressed interest in LFI on a project or programme level</li> <li>- Number of key stakeholders who have made specific preliminary commitments to participate in LFI on a project or programme level</li> </ul>	<ul style="list-style-type: none"> <li>i. At least 30 key national and international stakeholders identified as targets for LFI</li> <li>ii. At least 5 of the key national and international stakeholders identified have expressed interest to participation in LFI either at a programme or project level</li> <li>iii. At least 2 of the key national and international stakeholders identified have preliminary commitments to participate in LFI either at a programme level or at a project level</li> </ul>	<ul style="list-style-type: none"> <li>I. Identify key national stakeholders for supporting the LFI Programme</li> <li>II. Identify key international development partners for supporting the LFI Programme supporting the LFI Programme</li> <li>III. Improve LFI information and coordination systems in alignment with DDP III and the Government LED Policy</li> <li>IV. Improve the capacity of the target key stakeholders to create the local enabling environment for catalytic LED infrastructure projects</li> </ul>	MoLG	\$183,082
<p>Programme support and management (Assumes <i>one</i> LFI Specialist, <i>one</i> LFI Analyst and Operational Costs, Other Costs, and GMS Fee)</p>	<ul style="list-style-type: none"> <li>i. Local operational costs adequately covered</li> <li>ii. Requisite Other Costs, including misc. expense items covered</li> <li>iii. Effective monitoring and evaluation provided</li> <li>iv. The inception note for the full LFI/LED Programme developed the LFI-U project document formulated</li> </ul>		MoLG	\$261,307
<b>Grand total</b>				<b>\$797,000</b>

## 4. ANNUAL WORK PLAN

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
<b>Output 1:</b> Preparatory work for implementation of six pilot LFI infrastructure projects advanced.  <b>Baseline:</b> The projects are in various stages of preparation  <b>Indicators:</b> <ul style="list-style-type: none"> <li>- Number of project sponsors secured</li> <li>- Number of technical studies that have been funded and initiated</li> <li>- Number of projects for which financing materials and packages have been developed</li> </ul> <b>Targets:</b> <ul style="list-style-type: none"> <li>i. Two project sponsors secured</li> <li>ii. Two technical studies funded and in process</li> <li>iii. Preliminary financing materials and packages for at least two pilot projects have been developed<sup>21</sup></li> </ul>	<b>1.1 Activity Result:</b> Identify and secure project sponsors  <b>- Actions:</b> Identify project sponsors in consultation with other relevant partners; advance the commitment of the project sponsors to develop the projects (i.e., involvement in the definition of the projects, its revenues, costs, operations, business plan and models, etc); and advance the commitment of project sponsors to contributing the equity contributions needed for the projects, and if needed, explore additional equity contributions from other private sector entities or development partners.				MoLG	UNCDF	Contractual services- Companies Contractual Services-Individual	\$50,535 \$11,300  <b>Sub-total for Activity 1.1:</b> <b>\$61,835</b>

<sup>21</sup> Final financing materials and packages cannot be developed until all the technical studies have been successfully completed.

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
	<p><b>1.2 Activity Result:</b> Identify, define, fund and initiate the required technical studies and other interventions</p> <p>- <b>Action:</b> Identify the required technical studies, including feasibility studies, input and output studies, economic and financial analyses, gender and environmental impact studies, as well as farmer mobilisation and sensitisation on agronomy practices for agricultural related projects; identify sources of funding from development partners; develop applications for funding and present them to development partners; initiate studies that receive funding, developing TORs and hiring consultants; engage local governments and communities in the process of project development to ensure that community interests and concerned are adequately addressed; and test the existing LED coordination mechanisms (LED fora, District Investment Committees and LED propagation teams) to determine their appropriateness for LFI and specify their roles.</p>				MoLG	UNCDF	Contractual Services-Companies Contractual Services-Individual International Consultants Studies	\$40,560 \$10,300 \$20,000 \$50,000 <b>Sub-total for Activity 1.2:</b> <b>\$120,860</b>

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
	<p><b>1.3 Activity Result:</b> Identify and initiate the required project definition, organisational and legal formalities</p> <p>- <b>Action:</b> Shape project definition in consultation with targeted project sponsor(s), a broad range of government and non-government stakeholders centrally and locally; identify to the extent possible equipment vendors, get quotes, solicit bids from vendors and construction contractors, and negotiate equipment supply and construction contracts; initiate the selection of sites and acquisition processes, identify and start solving property and other issues that affect implementation of the proposed projects; and initiate and scope out the necessary legal documentation to enable the implementation of the projects.</p>				MoLG	UNCDF	Contractual Services-Companies Contractual Services-Individual International Consultants	\$67,843 \$33,700 \$20,000 <b>Sub-total for Activity 1.3:</b> <b>\$121,543</b>
	<p><b>1.4 Activity Result:</b> Develop preliminary financing materials and packages for at least two projects</p> <p>- <b>Action:</b> Identify the appropriate funding modalities and further develop financial models; for projects that may require addition equity; identify appropriate public or private equity investors and present projects to them; present selected projects to development partners for credit enhancements; start preparing selected information memorandum for lenders; start preparing selected project sponsors for making presentations to potential lenders; and start organizing selected project presentations, site visits, and initial due diligence for lenders</p>				MoLG	UNCDF	Contractual Services-Companies Contractual Services-Individual	\$44,673 \$3,700 <b>Sub-total for Activity 1.4:</b> <b>\$48,373</b>
<b>Sub-total for Output 1</b>								<b>\$352,611</b>

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
<b>Output 2:</b> A coalition of key national and international stakeholders is identified to support the LFI main phase on either the programme or project level.  <b>Baseline:</b> No effective coalition exists  <b>Indicators:</b> - Number of key stakeholders identified who might support LFI on a project or programme level -Number of key stakeholders who have expressed interest in LFI on a project or programme level - Number of key stakeholders who have made specific preliminary commitments to participate in LFI on a project or programme level  <b>Targets:</b> - At least 30 key stakeholders identified as targets for LFI -At least 5 of the key national and international stakeholders identified have expressed interest to	<b>2.1 Activity Result:</b> Identify key national stakeholders for supporting the LFI Programme  - <b>Action:</b> Design and initiate a national stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities; identify LFI champions among financial institutions and banks, larger businesses, government structures supporting business development, specify their potential and roles in the LFI Programme, and to the extent possible secure preliminary commitments for specific projects or the larger programme; and identify banks for managing the pooled financing facility or providing financing with other credit enhancement mechanisms, including also taking the principal responsibility for credit analysis of prospective projects.				MoLG	UNCDF	Contractual Services-Companies Local Consultants Training, Workshops, Conferences	\$21,242 \$12,200 \$1,950  <b>Sub-total for Activity 1.3:</b> <b>\$35,392</b>

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
<p>participate in LFI either at a programme or project level</p> <p>- At least 2 of the key national and international stakeholders identified have preliminary commitments to participate in LFI either at a programme level or at a project level</p> <p>- At least two training sessions on the fundamentals of LFI are conducted with the target key stakeholders</p>	<p><b>2.2 Activity Result:</b> Identify key international development partners for supporting the LFI Programme</p> <p>- <b>Action:</b> Design and initiate an international stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities; identify international development partners with interest in supporting the LFI approach, specify their potential and roles and start developing relationship that can lead to specific preliminary commitments for specific projects or the larger programme; and test the approaches through the development of the current six projects, using them as case studies to learn how to structure the relationships and define “best practices” on the development and financing mechanisms for the LFI in cooperation with key national stakeholders.</p>				MoLG	UNCDF	<p>Contractual Services-Companies \$24,636</p> <p>Local consultants \$11,200</p> <p>Training, Workshops, Conferences \$3,750</p> <p><b>Sub-total for Activity 2.2: \$39,586</b></p>	

EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
	<p><b>2.3 Activity Result:</b> Improve LFI information and coordination systems and capacity building in alignment with DDP III and the Government LED Policy</p> <p>- <b>Action:</b> Map an LFI community of practice and implement a stakeholder mobilization plan engaging with the Uganda Local Government Association (ULGA) and Urban Authorities Association of Uganda (UAAU), private sector, development partners, among others, using "Team Uganda" and the Presidential Investor Roundtable; enhance online LFI management and information system, adapting it to the Ugandan context, and making it available to LFI stakeholders at the central and local levels, an expanded Investor Aftercare Program using the "Government-Investor Network" (GIN) to enhance government capacity to improve the business-enabling environment for both large companies and SMEs; activate the LED Forum Networks in concert with the National LED Propagation Team and UIA Networks; and start developing a LFI training programme based on government priorities.</p>				MoLG	UNCDF	Contractual Services-Companies Local Consultants Training, Workshops, Conferences Comms and Audio-Visual Equipment	\$32,348 \$6,200 \$40,300 \$4,200  <b>Sub-total for Activity 2.3:</b> <b>\$83,048</b>
	<p><b>2.4 Activity Result:</b> Improve the capacity of the target key stakeholders to create the local enabling environment for catalytic LED infrastructure projects</p> <p>- <b>Action:</b> Develop training materials on the definition of bankable projects and securing project sponsors for small- and medium-scale catalytic LED projects; use these materials to deliver training sessions to the relevant staff of the MoLG and possibly other national agencies identified in the course of stakeholder mapping</p>				MoLG		Contractual Services-Companies Local Consultants	\$20,856 \$4,200  <b>Sub-total for Activity 2.4:</b> <b>\$25,056</b>
<b>Sub-total for Output 2</b>								<b>\$183,082</b>

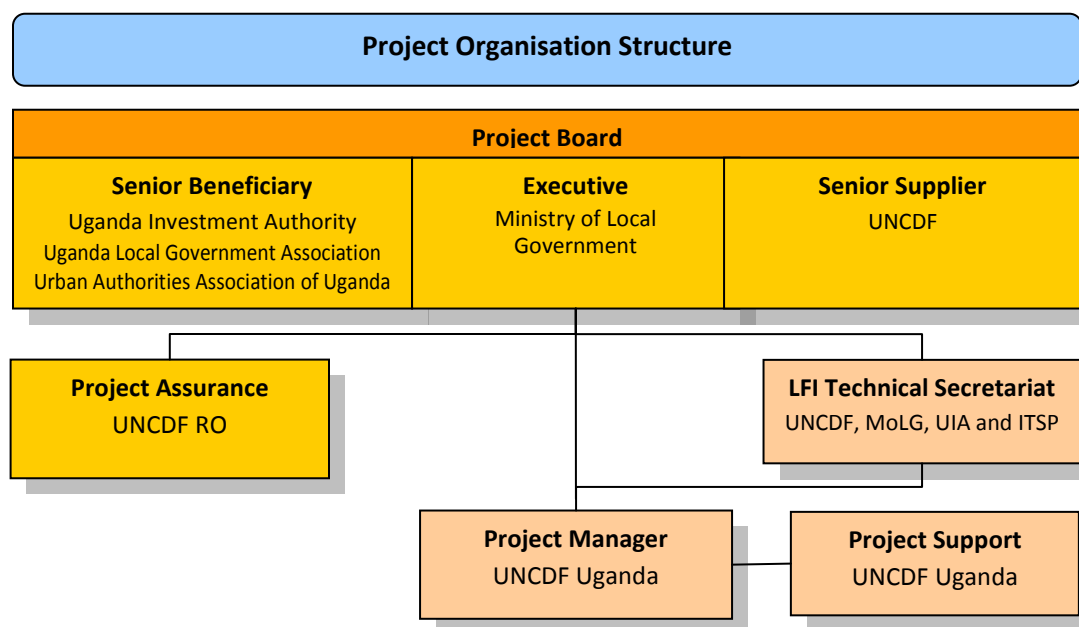


EXPECTED OUTPUTS  <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES  <i>List activity results and associated actions</i>	TIMEFRAME			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q2	Q3	Q4		Funding Source	Budget Description	Amount (USD)
<b>Effective and efficient programme support and management</b>  <i>(Assumes Specialist, Analyst and Operational Costs, Other Costs, and GMS Fee)</i>	Procure required equipment, materials and goods for the project; maintain premises and equipment; requisite other costs including misc. expense items; carry out monitoring activities; produce the inception note for the full LFI/LED Programme and formulate the LFI-U project document.				UNCDF	UNCDF	Office and Operational Costs	\$14,300
							Contractual Services-Individual	\$25,000
							Equipment and furniture	\$20,500
							Travel	\$40,000
							Supplies	
							Other costs	\$21,000
							Facilities and Administration (GMS)	\$60,217
								\$80,290
Sub-total for Programme Support								\$261,307
Total								\$797,000

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## 5. MANAGEMENT ARRANGEMENTS

The management arrangements are summarised in the organisation structure below and described thereafter.



**A Project Board** will be established to act as a mechanism for the oversight of the project. The Project Board will be responsible for making, by consensus, management decisions for a project when guidance is required by the Project Manager, including recommendation for UNCDF approval of project plans and revisions. In order to ensure UNCDF's ultimate accountability, Project Board decisions should be made in accordance to standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. The Project Board will be supported by the LFI-U Secretariat, consisting of UNCDF Technical Team (in-country team from UNCDF, MoLG, and UIA with support from GlobalDF, the International Technical Service Provider) on programme issues and developments.

It is important to note that the membership of the immediate Project Board is more limited than the envisioned one for the main LFI-U Programme, given the short-time frame and limited scope of this project. Given LFI-U Programme objectives, the initial members of the main LFI Programme Board will include ten or more members representing a range of public and private sector institutional stakeholders.

The proposed composition of the immediate LFI Project Board is as follows:

**The Executive** role will be carried out by a designated representative of the Ministry of Local Government. The executive will ensure the overall national ownership of the project, which is designed to contribute to Local Economic Development through a combination of various activities at the national and subnational levels. MoLG, which leads the National LED Propagation Team, is well positioned for this role and has a vested interest in better local governance arrangements promoting socio-economic development. To ensure a smooth interface with other members of the Project Board and stakeholders at the central and local level, MoLG will employ an LFI Specialist to serve, under the technical guidance

of the UNCDF Regional Programme Advisor, as a focal point for other stakeholders to coordinate their activities with MoLG and as a member of the LFI Technical Secretariat. MoLG will also employ at least one LFI Analyst to provide daily backstopping and support to project activities.

**The Senior Beneficiary** role will be carried out by three institutions. The Uganda Investment Authority, given its government role of investment promotion, facilitation, and improving business-environments using “Team Uganda” and the Presidential Investor Roundtable, will ensure the much needed link between the central and local government institutions and the financial and business sectors of the country. As a semi-autonomous government institution, UIA will also be a responsible party as well as the beneficiary of an improved business-enabling environment at the local level. The other institutions to serve in the Senior Beneficiary role are the Uganda Local Government Association and the Urban Authorities Association of Uganda (UAAU). As a non-government body that brings together district chairpersons, district speakers and Chief Administrative Officers, ULGA plays a unique role of a vast community of practice on issues of local governance and development. The project will benefit from tapping into the existing repositories of knowledge and expertise amassed by ULGA whereas the Association will benefit directly by developing new expertise in LED financing through non-government sources. The Urban Authorities Association of Uganda (UAAU), a national network of municipal authorities, will provide a much needed interface with municipalities to engage them in the LFI process and to fully utilize the potential of urban centres as engines of wider economic development, including in rural areas.

**UNCDF’s** role is to provide management and the extensive financial and technical assistance required for the success of the LFI-U Programme. Being the implementing partner in this project under the direct implementation modality (DIM), UNCDF bears the ultimate responsibility for the delivery of the planned results. This role includes support provided by the UNCDF Technical Team (in-country LFI Team, UNCDF regional office and HQ, and an International Technical Service Provider) on all matters of strategic and operational character related to the Programme, given the innovative finance and capacity building components. The success of the LFI-U Programme is dependent on the transfer of new finance and private sector modalities into ongoing public and private sector processes in Uganda. Given this private sector-orientation, objectives and design of the LFI-U Programme, the programme implementation structure fully integrates the UNCDF Technical Team (in-country UNCDF Team and UNCDF International Technical Service Provider) into programme management to ensure its success.

Given the technical nature of LFI, which requires specialised expertise in private sector development, banking and finance, a **Technical Secretariat** will be established to advise the Project Board on specific aspects of LFI and to assist the UNCDF Project Manager in LFI implementation. The Technical Secretariat will be led by the UNCDF Technical Team and will incorporate relevant specialists from MoLG and UIA.

AS LFI requires extensive technical support given the innovative and private sector nature of the expected outcomes, the UNCDF Technical Advisors have a critical role in all programme management decisions across all LFI-U activities. This is a best practice employed by leading development institutions such as the World Bank and PIDG to implement innovative hard credit market development projects. This best practice engages international finance experts to develop and finance projects as well as develop the requisite capacity building programmes (training and tools).<sup>22</sup>

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<sup>22</sup> See for example, the critical leading role given to senior technical experts essential to developing and financing infrastructure projects in leading development initiatives in leading programs such as the IFC’s Advisory Services and the PIDG programs. See [http://www1.ifc.org/wps/wcm/connect/REGION\\_\\_EXT\\_Content/Regions/Sub-Saharan+Africa/Advisory+Services/](http://www1.ifc.org/wps/wcm/connect/REGION__EXT_Content/Regions/Sub-Saharan+Africa/Advisory+Services/) and <http://www.pidg.org/sitePages.asp?step=4&navID=4&contentID=166>

**UNCDF Regional Office for Africa** will play a role as Project Assurance. Whereas Project Assurance is the responsibility of each Project Board member, this role will be delegated to the UNCDF Regional Office, if so agreed by the Project Board members. The project assurance role will support the Project Board by carrying out objective and independent project oversight and monitoring functions. This role will ensure that appropriate project management milestones are managed and completed. Project Assurance has to be independent of the Project Manager; therefore, the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. A UNCDF Regional Technical Advisor will hold the Project Assurance role.

**UNCDF Uganda** will play a role as an implementing and overall coordinating entity between the parties involved and will support resource mobilisation efforts. UNCDF will also provide in-kind facilities and staff support emanating from existing programmes, such as DDPIII. UNCDF Uganda will appoint a Project Manager (a role to be exercised by the in-country Programme Officer) reporting directly to the Project Board and assisted by the LFI Technical Secretariat.

In sum, UNCDF will:

- Provide direct management and operational support, including procurement support for technical studies, legal support, and other contracts as needed
- Contribute in-kind and technical support (including international technical service provider)
- Coordinate with and mobilize other development partners for additional support at both a project and programme level
- Oversee the production of the business model and business plan to ensure sustainability and the potential for replication nationwide.

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## 6. MONITORING FRAMEWORK AND EVALUATION

### 6.1 Monitoring

Monitoring of the project will be exercised by UNCDF through its Technical Regional Team, with the participation of national stakeholders and implementing partners. UNCDF will make use of the existing monitoring tools as well as the performance tracking tools to be introduced under LFI-U to ensure continuous and efficient monitoring at the country programme level.

The monitoring efforts will be based on the following performance indicators:

- Number of projects with committed project sponsors.
- Number of technical studies that have been defined, number that have been applied for, funded, number of studies that have been contracted, and number of project studies that have been initiated.
- Number of key stakeholders who have been identified, have expressed strong interest, and who have made specific preliminary commitments to participate in LFI on either a project or programme level.

To manage implementation risks and improve the timeliness of corrective action as may be necessary, the project will be monitored against the following milestones:

Project Milestones		
	Output 1	Output 2
<b>May</b>	<ul style="list-style-type: none"> <li>Guidelines provided on ToRs for Technical Studies</li> </ul>	<ul style="list-style-type: none"> <li>Initial agreement achieved on the division of labour for LFI between key GoU stakeholders, including MoLG, MTI, UIA, LGA and UAAC</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>Guidelines provided on Financial Models</li> </ul>	<ul style="list-style-type: none"> <li>Initial design of LFI Consultation and Information Networks completed for feedback from government</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>First MOU signed with the project sponsor</li> <li>First technical study defined</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary national stakeholder scan produced</li> <li>Proposal developed and submitted to at least one potential provider of credit enhancement</li> </ul>
<b>August</b>	<ul style="list-style-type: none"> <li>First business model developed</li> </ul>	<ul style="list-style-type: none"> <li>Training session delivered to the key LFI staff at MoLG and LED facilitators</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>Second business model developed</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary international stakeholder scan produced</li> <li>Design for the LFI coordination networks produced</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>Second technical study defined</li> </ul>	<ul style="list-style-type: none"> <li>Launch of three LFI coordination networks (workshop)</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>Second MOU signed with the project sponsor</li> </ul>	<ul style="list-style-type: none"> <li>One key national or international stakeholder identified has preliminary commitments to participate in LFI either at a programme level or at a project level</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>Both technical studies funded and initiated</li> </ul>	<ul style="list-style-type: none"> <li>Another key national or international stakeholder identified has preliminary commitments to participate in LFI either at a programme level or at a project level</li> </ul>

In accordance with the programming policies and procedures outlined in the UNCDF Operations Manual, the project will be monitored through the following:

Within the annual cycle

- i. On a quarterly basis starting from the second quarter of 2012, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- ii. An issue log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.

- iii. Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- iv. Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- v. A project Lessons-Learned Log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization and to facilitate the preparation of the Lessons-Learned Report at the end of the project.
- vi. A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events.

Due to the short operation period of the project, the project's Annual Progress Report for 2012 will at the same time serve as the Final Progress Report.

## **6.2 Evaluation**

For the same reason as above and because the project is not an independent intervention but preparation for a full-scale launch of the LFI main phase, there will be no independent evaluation of the project. Rather, UNCDF will rely on a programme review, which is a new approach to the assessment of project performance whose objective is to provide decision-makers and programme managers with timely and up-to-date information on ongoing project and programme performance.

This approach is based on best practice principles in results-based management and monitoring, where ongoing project performance is assessed across the whole project intervention logic, starting from the input and activity levels, extending up through the project's results chain to generate positive impact and sustainability. In doing so, the approach very clearly respects the usual evaluation criteria set out in the UN Norms and Standards for Evaluation as well as elsewhere: relevance, efficiency, effectiveness, impact and sustainability. The programme review will assess not only the achievements of the project itself but also to what extent the requisite conditions have been created for a full-scale launch of the LFI. The decision on initiation of the main phase of LFI-U will be taken with due regard to the conclusions and recommendations of the programme review.

## **6.3 Knowledge Management**

As part of the UNCDF's Global Programme, the LFI-U Programme will work on capturing, throughout the project cycle, lessons learned and scale up and replication potential, starting from the programme design, through implementation, monitoring and evaluation. A key component is LFI capacity-building, developing approaches and tools that can enable nationwide scaling-up and the activation of the Uganda Government LED objectives as embodied in the forthcoming LED Policy, providing cost-effective practical frameworks for facilitating the requisite intragovernmental coordination and outreach to the private sector and development partners for LED.

The project will create or use Teamworks' (a UNDP-run internal online collaboration platform) to capture knowledge throughout the lifetime of the project, create a community of practice, engage project staff, project's stakeholders and centres of excellence. UNCDF will provide the necessary training on the use of the platform and provide on-demand support to the project team for the maintenance and popu-

lation of the space with stories from all involved. The project manager will engage with other similar projects across the organization to ensure south-south cooperation and contribute to the creation of local evidence for global policies.

As noted in the prior sections, the LFI-U Programme will enhance the online LFI coordination and information system in line with the Government LED Policy (now being finalized), adapting it to the Ugandan context in alignment with defined government accountabilities and functions, processes, and structures, and making it available to LFI stakeholders at the central and local levels. The LFI coordination and information system will be used, among other things, to build an institutional basis for increasing the capacity of the Uganda government to work in hand with the private sector and development partners to advance specific LED objectives, most importantly the improvement of the local business-enabling environment, and the identification of impediments, possible remedies, and opportunities. This will include capturing, distilling and sharing locally-generated knowledge and best experiences in LFI. It will also activate the LED Forum Networks in concert with the National LED Propagation Team and UIA Networks to use them in community practices for peer-to-peer experience exchange and sharing. The project will closely communicate with a sister project in Tanzania to promote knowledge building and transfer in the framework of South-South cooperation.

At the inception of the project, the project manager will identify specific indicators to assess creation of lessons learned, ensure capture of knowledge from the project's stakeholders and enhance South-South exchange of knowledge.

The project will create the conditions for the LFI-U Programme to: (1) introduce innovative practices throughout programme implementation; (2) provide upstream technical advice; (3) collect evidence for policy formulation and advocacy; (4) continue focus on knowledge generation and communication for behavioural change; and (5) draw on available national, regional and global knowledge hubs and expertise.

## 6.4 Quality Management for Project Activity Results

OUTPUT 1: Preparatory work for implementation of six pilot LFI infrastructure projects advanced		
<b>Activity Result 1 (Atlas Activity ID)</b>	Project sponsors are secured for at least two LFI projects and identified for as many as possible	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To secure project sponsors for further development of the projects and enabling their finance and operation	
<b>Description</b>	Identify project sponsors in consultation with other relevant partners; advance the commitment of the project sponsors to develop the projects (i.e., involvement in the definition of the projects, its revenues, costs, operations, business plan and models, etc); advance the commitment of project sponsors to contributing the equity contributions needed for the projects, and if needed, explore additional equity contributions from other private sector entities or development partners.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Number of project sponsors identified and secured	Review of the project quarterly report	December 2012

<b>OUTPUT 1: Preparatory work for implementation of six pilot LFI infrastructure projects advanced</b>		
<b>Activity Result 2 (Atlas Activity ID)</b>	Technical studies have been identified, defined, funded and initiated for at least two projects	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To secure funding, identify and define TORs, secure consultants, and initiate the required technical studies to be able to develop the projects, determine whether the projects are bankable, and present to the banks and development partners	
<b>Description</b>	Identify the required technical studies, including feasibility studies, input and output studies, economic and financial analyses, gender and environmental impact studies, as well as farmer mobilisation and sensitisation on agronomy practices for agricultural related projects; identify sources of funding from development partners; develop applications for funding and present them to development partners; initiate studies that receive funding, developing TORs and hiring consultants; engage local governments and communities in the process of project development to ensure that community interests and concerns are adequately addressed; test the existing LED coordination mechanisms (LED fora, District Investment Committees and LED propagation teams) to determine their appropriateness for LFI and specify their roles.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Amount of project funding applied for and secured	Review of the project quarterly and final reports	September and December 2012
Number of technical studies defined and contracted	Review of TORs for the studies	September and December 2012
Number of technical studies completed, disaggregated for gender impact studies	Review of the project quarterly and final reports	December 2012

<b>OUTPUT 1: Preparatory work for implementation of six pilot LFI infrastructure projects advanced</b>		
<b>Activity Result 3 (Atlas Activity ID)</b>	The required project definition, organisational and legal formalities have been identified and initiated for at least two projects	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To advance the projects for submission for funding, including the required projects definition, organisational and legal formalities	
<b>Description</b>	Shape project definition in consultation with targeted project sponsors(s), a broad range of government and non-government stakeholders centrally and locally; identify to the extent possible equipment vendors, get quotes, solicit bids from vendors and construction contractors, and negotiate equipment supply and construction contracts; initiate the selection of sites and acquisition processes, identify and start solving property and other issues that affect implementation of the proposed projects; and initiate and scope out the necessary legal documentation to enable the implementation of the projects.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>



The extent to which for each project the required project definition, organisational and legal formalities have been identified and advanced	Review of the project documents and quarterly report; interviews with local authorities, local communities and project sponsors	December 2012
Number of projects whose definition, organisational and legal formalities are gender-sensitive and promote women participation and empowerment	Review of the completed project documentation; interviews with local authorities, local authorities and project sponsors	December 2012

<b>OUTPUT 1: Preparatory work for implementation of six pilot LFI infrastructure projects advanced</b>		
<b>Activity Result 4 (Atlas Activity ID)</b>	Preliminary financing materials and package for at least two pilot projects have been developed	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To advance the development of the financing materials for the pilot projects, so that in the main programme LFI can secure commitments for at least two projects	
<b>Description</b>	Identify the appropriate funding modalities and further develop financial models; for projects that may require addition equity identify appropriate public or private equity investors and present projects to them; present selected projects to development partners for credit enhancements; start preparing information memorandum for lenders; start preparing project sponsors for making presentations to potential lenders; and start organizing selected project presentations, site visits, and initial due diligence for lenders.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Number of projects for which preliminary financing preparations have been advanced (i.e., number of preliminary financial models that have been developed, number of presentations to development partners, etc)	Review of all documentation in process, status of project sponsor equity commitments and bank lending commitments; review of the project quarterly and final progress report	December 2012

<b>OUTPUT 2: A coalition of key national and international stakeholders is formed to support the LFI main phase</b>		
<b>Activity Result 1 (Atlas Activity ID)</b>	At least 30 key national stakeholders and partners have been identified for supporting the LFI Programme	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To create a critical mass of key national stakeholders supporting the LFI at both a project and programme level	

<b>Description</b>	Design and initiate a national stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities; identify LFI champions among financial institutions and banks, larger businesses, government structures supporting business development, specify their potential and roles in the LFI Programme, and to the extent possible secure preliminary commitments for specific projects or the larger programme; and identify potential banks for managing the pooled financing facility or providing financing with other credit enhancement mechanisms, including also taking the principal responsibility for credit analysis of prospective projects.		
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>	
Number of possible stakeholders identified	Review of the project quarterly and final progress report; review of the list of targeted stakeholders and report on exchanges	September 2012	
Number of key national stakeholders who have expressed strong interest for participation in LFI	Review of a communication plan and correspondence regarding possible means of cooperation; interviews with key stakeholders	December 2012	
Number of key national stakeholders who have made specific preliminary commitments for participation in LFI	Review of any statements regarding preliminary commitments; interviews with key stakeholders	December 2012	

<b>OUTPUT 2: A coalition of key national and international stakeholders is identified to support the LFI main phase</b>		
<b>Activity Result 2 (Atlas Activity ID)</b>	Key international development partners are identified for supporting the LFI Programme at a global, regional, or national level directly or through in-country vehicles they support	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To create a critical mass of key international development partners supporting the LFI	
<b>Description</b>	Design and initiate an international stakeholder mobilisation plan, including stakeholder and partner mapping as well as outreach and communication activities; identify international development partners with interest in supporting the LFI approach, specify their potential and roles and start developing relationship that can lead to specific commitments for specific projects or the larger programme; and test the approaches through the development of the current six projects, using them as case studies to learn how to structure the relationships and define “best practices” on the development and financing mechanisms for the LFI in cooperation with key national stakeholders.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Number of possible key international development partners who have been identified	Review of the project quarterly and final progress reports; review of the list of targeted stake-	September 2012

	holders and report on exchanges	
Number of partners who have made specific preliminary commitments for participation in LFI, including project development, technical support, extension services, credit enhancement support, or direct equity investments	Review of a communication plan and correspondence regarding possible means of cooperation; any statements regarding preliminary commitments; interviews with key development partners	December 2012

<b>OUTPUT 2: A coalition of key national and international stakeholders is identified to support the LFI main phase</b>		
<b>Activity Result 3 (Atlas Activity ID)</b>	LFI information and coordination systems and capacity building are improved in alignment with DDP III and the Government LED Policy (in development)	<b>Start Date:</b> May 2012 <b>End Date:</b> December 2012
<b>Purpose</b>	To increase effectiveness of LFI information and coordination systems by adapting them to the Ugandan context and improving their content and accessibility	
<b>Description</b>	Map an LFI community of practice and implement a stakeholder mobilization plan engaging with the Uganda Local Government Association (ULGA) and Urban Authorities Association of Uganda (UAAU), private sector, development partners, among others, using "Team Uganda" and the Presidential Investor Roundtable; enhance online LFI management and information system, adapting it to the Ugandan context, and making it available to LFI stakeholders at the central and local levels, an expanded Investor Aftercare Program using the "Government-Investor Network" (GIN) to enhance government capacity to improve the business-enabling environment for both large companies and SMEs; activate the LED Forum Networks in concert with the National LED Propagation Team and UIA Networks; and start developing a LFI training programme based on government priorities.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Degree to which the online systems are developed, adapted contextually and formally to the Ugandan context, integrated into existing processes, integrate critical LFI and LED stakeholders, and their accessibility	Review of the LFI online systems; interviews with main intended users of the online systems	December 2012
Effectiveness of the LFI networks and communities of practice	Review of project quarterly and final progress reports; review of network launch actions and on-line activity, interviews with key stakeholders	December 2012

<b>OUTPUT 2: A coalition of key national and international stakeholders is identified to support the LFI main phase</b>		
<b>Activity Result 4</b>	Improve the capacity of the target key stakeholders	<b>Start Date:</b> May 2012

<b>(Atlas Activity ID)</b>	to create the local enabling environment for catalytic LED infrastructure projects	<b>End Date:</b> December 2012
<b>Purpose</b>	To improve the understanding of the key stakeholders (primarily MoLG and the LED Team) of the fundamentals of the LFI approach	
<b>Description</b>	Develop training materials on the definition of bankable projects and securing project sponsors for small and medium-sized catalytic LED projects; use these materials to deliver training sessions to the relevant staff of the MoLG and possibly other national agencies identified in the course of stakeholder mapping.	
<b>Quality Criteria</b>	<b>Quality Method</b>	<b>Date of Assessment</b>
Availability of training materials	Review of the training materials	July 2012

## 7. LEGAL CONTEXT

This document together with the UNDAF signed by the Government and UNCDF which is incorporated by reference constitute together a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA). Government of Uganda and UNCDF SBAA signed on 5<sup>th</sup> February 1982 defines the basic conditions under which UNCDF and its executing agencies shall provide assistance to the government in carrying out its projects and under which the programme shall be undertaken.

The Programme Document shall be the instrument referred to as such in article I of the Standard Basic Assistance Agreement between GOU and UNCDF. The implementing agency shall refer to the Government Cooperating Agencies described in the agreement – which are the Ministry of Local Government and the Uganda Investment Authority. The following revisions may be made to this programme document under signature of the two major stakeholders i.e. the Government and UNCDF provided assurance is given that other signatories of the Programme Document have no objection to the proposed changes. Revisions in, or addition of, any of the annexes of the Programme Document and mandatory annual revisions that rephrase the delivery of agreed programme inputs or increased expert or other costs due to inflation or taking into account agency expenditure flexibility.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNCDF's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNCDF reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNCDF funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNCDF hereunder do not

appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

## ANNEX 1: OFFLINE RISK LOG

<b>Project Title: Preparation for the Local Economic Development Finance Initiative for Uganda (LFI-U)</b>	<b>Award ID:</b>	<b>Date:</b>
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#	Description of Identified Current Risks of Achieving Specified Project Targets	Date Identified	Type	Probability (P) & Impact (I) (given countermeasures)	Countermeasures / Management responses being implemented	Owner	Submitted, updated by	Last Up-date	Status
1	Insufficient funding to initiate project studies, and delays due to required procurement processes	April 2011	Financial	P=3 I=5	Include in LFI budget as funding gap; advance efforts to secure grant funding from development partners; explore access to core UNCDF funds; negotiate with project sponsors to the degree possible to cover as much of the cost as possible; include targets of completing project studies in main LFI Programme; secure two 100% committed in-country LFI staff and deeper GlobalDF support to advance efforts to secure project funding	UNCDF	UNCDF	April 2012	On-going
2	The extensive complexities of all 6 projects create delays and/or uncover problems that render all projects unfeasible	April 2011	Operational	P=2 I=5	To work on all the selected 6 projects to provide enough diversification to ensure at least 2 projects are fully developed; secure two 100% committed LFI staff to work daily in advancing identification of issues, coordination with Senior Financial Experts, and the implementation of measures needed for resolution; widen GlobalDF support with additional support staff to increase the scope and depth of project development activities	UNCDF	UNCDF	April 2012	On-going
3	Inability to secure two committed project sponsors (loss of current project sponsors) given the costs and complexities of project	April 2011	Operational	P=1 I=5	Project Sponsors are already active in three of the projects (OLAM, UCCCU, Delight); need to maintain and increase our support in developing these 3 projects so their interest and commitment is main-	UNCDF	UNCDF	April 2012	On-going

#	Description of Identified Current Risks of Achieving Specified Project Targets	Date Identified	Type	Probability (P) & Impact (I) (given countermeasures)	Countermeasures / Management responses being implemented	Owner	Submitted, updated by	Last Up-date	Status
	development, their views on bank lending attractiveness, need for equity investment, etc				tained, and advance work so the other 3 project sponsors can be secured; need to refine banking lending package so all project sponsors find the debt servicing cost acceptable; special focus on identifying equity investors for projects that require this for bankability (currently only project is Delight)				
4	Delays in project development due to lack of information from project sponsors, delays in procurement processes	April 2011	Operational and Financial	P=5 I=1	The programme schedule and targets build in the certain delays in obtaining information from project sponsors and complexities of operationalizing needed procurement processes	UNCDF	UNCDF	April 2012	On-going
5	Lack of legal support in Uganda with project finance expertise to advise counsel for each project sponsor impedes the process of securing appropriate construction and equipment supply contracts	July 2011	Operational and Financial	P=2 I=4	Engage law firm in Uganda to provide advice to the counsel for each project sponsor regarding the contractual structure necessary to secure project financing; funding for this activity is not in the budget and is being addressed through the measures noted in item 1 above	UNCDF	UNCDF	April 2012	On-going
6	Complicated internal decision-making processes of National and International Stakeholders (including development partners) delay and/or inhibit participation in LFI on a programme or project level	April 2011	Operational	P=5 I=2	The programme schedule and targets build in the certain difficulty of obtaining specific commitments to LFI; design is designed to enable stakeholders and development partners to participate based on their objectives and current operating frameworks by being flexible and enabling inputs at a project programme level; also the definition of commitment in the targets is widely defined around a diverse range of inputs (e.g., technical support, grass-roots participation in a project's implementation, funding, advisory, coordinated programmes; etc)	UNCDF	UNCDF	April 2012	On-going

#	Description of Identified Current Risks of Achieving Specified Project Targets	Date Identified	Type	Probability (P) & Impact (I) (given countermeasures)	Countermeasures / Management responses being implemented	Owner	Submitted, updated by	Last Up-date	Status
7	Difficulty of identifying LFI stakeholders, selling them on new proposed systems, obtaining capacity-building information, and securing effective network managers delay the implementation of LFI information and coordination systems	April 2011	Operational and Strategic	P=3 I=2	Programme design addresses these inevitable issues by working with MoLG (DDP III, NPAT, LED Forums, UIA, Team Uganda, Government LED Concept Paper, etc) to leverage existing processes and become integrated; networks will need to have accountable network managers to facilitate use of networks and integrate with other processes (NPAT, LED Forums, UIA investor aftercare, etc) to ensure use and effectiveness in identifying issues, and engaging accountable government officials and others to solve them				
8	Difficulty of developing a methodology for LFI training materials that can be appropriately designed and delivered so it enhances the capacity of local government officials to advance LED	January 2011	Operational and Strategic	P=3 I=3	Programme design addresses these issues by asking the MoLG to provide information on selected officials who will participate in the programme, developing a clear linkage between the training programme and the LFI Programme so that participating officials can immediately use their new skills in identifying possible LED projects for private sector finance				



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## ANNEX 2: TERMS OF REFERENCE FOR LFI SPECIALIST

### TERMS OF REFERENCE Local Finance Initiative (LFI) Specialist

#### I. Organisational context

The LFI Specialist shall function under the supervision of the Project Support Team Manager at the Ministry of Local Government (MoLG) and under technical guidance of the UNCDF Regional Programme Advisor (Local Development Finance) in close daily coordination with the UNCDF LFI Technical Team (LFI Project Manager and GlobalDF, the International Technical Service Provider). He/she shall be dedicated on a fulltime basis to ensuring the effective implementation of the LFI Project as described in the attached Programme Document, covering both output one of advancing the six selected LED projects, as well as output two, developing the coalition of key national and international stakeholders to support the LFI main phase on either the programme or project level, including the development of the LFI communication and information systems

The support of the LFI Programme and its success will require extensive effective collaboration, liaising between MoLG on the one hand and other project stakeholders on the other hand, including the project sponsors, Local Governments, Uganda Investment Authority (UIA), Urban Authorities Association of Uganda (UAAU), and Uganda Local Government Association (ULGA) as well as other state and non-state actors participating in the LFI. The Specialist shall be the main point of contact for stakeholders to coordinate their activities with MoLG. The Specialist will work in close cooperation with the UNCDF Technical Team to make sure that his/her activities ensure the achievement of all the targets and deliverables of the LFI Programme.

#### II. Functions/key expected results:

The LFI Specialist will provide the daily support for the achievement of the LFI Programme's two outputs in the following areas:

- Effective support to development of LFI projects in selected districts
- Implementation of the key stakeholder mobilization plan through the LED National Propagation Team (NPT)
- Improved LFI information and coordination systems

1. Ensures effective **support to the development of LFI projects in selected districts**, focusing on the achievement of the following results:

- a. Preparation and facilitation of technical missions for development of LFI projects
- b. Facilitation of the required technical studies by engaging the project sponsors, consultants, local authorities and communities as appropriate, including the development of TORs and procurement processes
- c. Active engagement of local governments and communities in the process of project development to ensure that community interests and concerns are adequately addressed
- d. Support and advice to the existing LED coordination mechanisms (LED fora, District Investment Committees and LED propagation teams) to ensure their effective functioning

- e. Regular exchange of information between MoLG and other stakeholders involved in project development at the district level
  - f. Regular reporting on the progress of LFI projects, including challenges, bottlenecks and proposed solutions
2. Ensures **implementation of the key stakeholder mobilization plan** through the LED National Propagation Team (NPT), focusing on the achievement of the following results:
- a. Completion of the key stakeholder mapping and development of a detailed stakeholder mobilization plan for national and international partners
  - b. Preparation and facilitation of the NPT meetings and events focusing on LFI
  - c. Preparation and facilitation of workshops, training sessions and other LFI-related activities for stakeholder mobilization
  - d. Elaboration and implementation of an LFI communication plan and development of media content and other relevant materials for public awareness raising on LFI
3. Develops the **improved LFI information and coordination systems**, focusing on the achievement of the following results:
- a. Design and development of an LFI community of practice to facilitate knowledge building and exchange among LED and LFI practitioners in cooperation with ULGA and UAAU, private sector, development partners, among others;
  - b. Design and development of the online LFI management and information system and its contents to adapt it to the Ugandan context and make available to LFI stakeholders at the central and local levels.

### III. Qualifications:

Education:	Master's degree in development, public administration, economics or other relevant social sciences or a combination of a bachelor's degree with relevant experience
Experience:	At least 5 years of relevant experience (7 for a bachelor's degree holder) at the national or international level in local development or public administration. Substantive experience in private sector development, local economic development, project finance, development practices; skills in using on-line systems for communication and knowledge management
Language requirements:	Fluency in English

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## ANNEX 3: TERMS OF REFERENCE FOR LFI ANALYST

### TERMS OF REFERENCE

#### Local Finance Initiative (LFI) Analyst (Number of the positions to be decided)

##### I. Organisational context

The LFI Analyst shall function under the supervision of the LFI Specialist at the Ministry of Local Government (MoLG) under technical guidance of the UNCDF Regional Programme Advisor (Local Development Finance) in close daily coordination with the UNCDF LFI Technical Team (LFI Project Manager and GlobalDF, the International Technical Service Provider). He/she shall be dedicated on a fulltime basis to ensuring the effective implementation of the LFI Project as described in the attached Programme Document, covering both output one of advancing the six selected LED projects, as well as output two, developing the coalition of key national and international stakeholders to support the LFI main phase on either the programme or project level, including the development of the LFI communication and information systems.

The support of the LFI Programme and its success will require extensive effective collaboration, liaising between MoLG on the one hand and other project stakeholders on the other hand, including the project sponsors, Local Governments, Uganda Investment Authority (UIA), Urban Authorities Association of Uganda (UAAU), and Uganda Local Government Association (ULGA) as well as other state and non-state actors participating in the LFI. The LFI Analyst shall support this process as directed by the LFI Specialist, who will be the main point of contact for stakeholders to coordinate their activities with MoLG. The LFI Analyst will work in close cooperation with the UNCDF Technical Team to make sure that his/her activities ensure the achievement of all the targets and deliverables of the LFI Programme.

##### II. Functions/key expected results:

The LFI Analyst will provide daily backstopping support for the achievement of the LFI Programme's two outputs for the LFI Specialist in the following areas:

- Effective support to development of LFI projects in selected districts
  - Implementation of the key stakeholder mobilisation plan through the LED National Propagation Team (NPT)
  - Improved LFI information and coordination systems
1. Contributes to effective **support to the development of LFI projects in selected districts**, focusing on the achievement of the following results:
    - a. Necessary administrative and logistical arrangements for technical missions for development of LFI projects
    - b. Regular contacts and communication with the project sponsors, consultants, local authorities and communities as appropriate to facilitate the required technical studies
    - c. Quality check of TORs for technical studies and preparation of recruitment and procurement notices for publication
    - d. Provision of timely information and adequate conditions to engage local governments and communities in the process of project development to ensure that community interests and concerns are adequately addressed

- e. Production and dissemination of regular progress reports and other information materials on LFI projects, including challenges, bottlenecks and proposed solutions
- 2. Contributes to **implementation of the key stakeholder mobilization plan** through the LED National Propagation Team (NPT), focusing on the achievement of the following results:
  - a. Research for the LFI coalition-building and communication and information systems on possible stakeholders, with a proposed recruitment strategy with background information on existing programmes, possible linkages, proposed next steps, and contact information
  - a. Administrative and logistical support to the NPT meetings and events focusing on LFI
  - b. Administrative and logistical support to workshops, training sessions and other LFI-related activities for stakeholder mobilization
  - c. Implementation of an LFI communication plan and development of media content and other relevant materials for public awareness raising on LFI
- 3. Development of the **improved LFI communication and information systems**, focusing on the achievement of the following results:
  - a. Research on critical information that needs to be included in the LFI communication and information systems
  - b. Provision of administrative and logistical support to an LFI community of practice to facilitate knowledge building and exchange among LED and LFI practitioners in cooperation with ULGA and UAAU, private sector, development partners, among others; and
  - c. Regular inputs to the contents of the online LFI communication and information system to adapt it to the Ugandan context and to update it with the latest information, posting the information, and making suggestions on its design and focus.

#### IV. Qualifications:

Education:	Master's degree in development, public administration, economics or other relevant social sciences or a combination of a bachelor's degree with relevant experience
Experience:	At least 3 year of relevant experience (4 for a bachelor's degree holder) at the national or international level in local development or public administration. Substantive experience in private sector development, local economic development, project finance, development practices; skills in using on-line systems for communication and knowledge management
Computer skills	Word, Powerpoint, and Excel; computer graphics a plus
Language requirements:	Fluency in English