



PROJECT DOCUMENT
Development Initiative for Northern Uganda (DINU)

Project Impact: Consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

UNDAF Outcomes:

- Outcome 1.3. Institutional Development, Transparency and Accountability: By end 2020, targeted public institutions and Public-Private Partnerships are fully functional at all levels, inclusive, resourced, performance-oriented, innovative and evidence-seeking supported by a strategic evaluation function; and with Uganda’s population enforcing a culture of mutual accountability, transparency and integrity
- Outcome 3.2. Infrastructure, Production & Trade: By end 2020, Uganda’s stock of infrastructure adheres to physical planning policies and standards to support production and trade; production systems (agriculture, industry, mining & tourism) are internal & international market oriented, competitive, climate resilient, environmentally friendly, gender responsive, green technology driven and generating sustainable job opportunities for all, particularly women and youth; trade is formalized, competitive, scalable, ICT-enabled, regionally integrated, promoting MSMEs and corporate governance.

UNCDF Strategic Framework Outcomes:

- Outcome 1: Financing increased for basic services and inclusive growth/local economic development; and
- Outcome 2: Effective financing mechanisms established to increase resilience to economic and environmental shocks in the last mile.

Project Outcome: Reduction in poverty rates in targeted regions by 5-10%.

Project Outputs:

- Output 1. Improved access to finance for SMEs engaged in agricultural value addition.
- Output 2. Improved stock and quality of the district road assets and improved local service delivery for road assets.
- Output 3. Increased local fiscal space and improved local service delivery.

Implementing Partner: UN Capital Development Fund

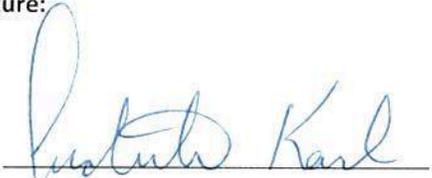
Responsible Parties: Private Sector Foundation of Uganda (PSFU), Uganda Development Bank (UDBL), Ministry of Works and Transport (MoWT), Ministry of Local Government (MoLG), Local Government Finance Commission (LGFC), Uganda Local Government Association (ULGA), Urban Authorities Association of Uganda (UAAU)

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End date: June 2022
Management Arrangements: DIM
PAC Meeting date: 6 July 2017
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Project ID:

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EU	EUR 25,500,000
UNCDF	EUR 352,174

UNCDF

Signature:



Judith Karl
Executive Secretary
UN Capital Development Fund (UNCDF)

Date & Seal: 28 July 2017

National Authorities

For the Government Cooperating Agency

Signature:

Christine Guwatudde Kintu
Permanent Secretary
Office of the Prime Minister

Date & Seal:

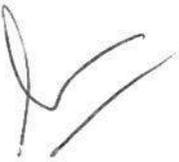


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ACRONYMS

aBI Trust	Agribusiness Initiative Trust
ACF	Agricultural Credit Facility
BFP	Budget Framework Paper
CCO	Certificate of Customary Ownership
CTA	Chief Technical Advisor
CG	Conditional Grants
DDP	District Development Plan
DINU	Development Initiative for Northern Uganda
DLB	District Land Board
DRRF-DINU	District Road Rehabilitation Fund (DINU)
FAO	Food and Agriculture Organisation
IP	Implementing Partner
KPI	Key Performance Indicator
LED	Local Economic Development
LDC	Least Developed Country
LG	Local Government
LGFC	Local Government Finance Commission
LGEF	Local Government Excellence Fund
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MoLHUD	Ministry of Lands, Housing and Urban Development
MoWT	Ministry of Works and Transport
NDPII	Second National Development Plan
NPA	National Planning Authority
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PBB	Programme Based Budgeting
PPDPAA	Public Procurement and Disposal of Public Assets Authority
PPP	Public-Private Partnership
PSFU	Private Sector Foundation of Uganda
RSC	Regional Service Centre (UNDP)
RTA	Regional Technical Advisor
SDGs	Sustainable Development Goals
START	Support to Agricultural Revitalisation and Transformation
SME	Small and Medium Enterprise
TA	Technical Assistance
UAAU	Urban Authorities Association of Uganda
UDBL	Uganda Development Bank Limited
ULGA	Uganda Local Government Association
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework

UNDESA
UNDP
URF

United Nations Department of Economic and Social Affairs
United Nations Development Programme
Uganda Road Fund

EXECUTIVE SUMMARY

The proposed project provides an implementation vehicle for a number of activities of the Development Initiative for Northern Uganda (DINU), the EU flagship programme in Uganda that is part of the 11th European Development Fund (EDF).

As the DINU Programme in general, the project is designed to support the GoU in achieving national targets for SDG 1 "End poverty in all its forms everywhere" and SDG 2 "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture". In addition, the project is aligned with two Strategic Intents of the Uganda UN Development Assistance Framework's (UNDAF): Strategic Intent # 1 Governance and Strategic Intent # 3 Sustainable & Inclusive Economic Development". The project design and approach are further aligned with the Second National Development Plan (NDPII), 2015/16 – 2019/20.

The **general objective** of the project is aligned with the DINU programme objective, i.e. to consolidate stability in Northern Uganda, poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

The **specific objectives** of the project implemented by UNCDF include:

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

The key principles that inform the design of the project include use of national systems for project planning, implementation, monitoring and reporting; focus on social and economic empowerment of women and youth and support to green economy; financial leverage to actively promote co-financing and co-mingling of funds coming from LG revenues, market-based finance or development partners; alignment and synergies with the other components of DINU; additionality; and fiduciary robustness.

The total project budget including the UNCDF contribution is €25,852,174 for five years of operation. In addition to its direct financial contribution to the project, UNCDF will be exploring three other options to increase funding availability for DINU, including (1) co-financing through the UNCDF programmes currently implemented in Uganda (or planned to be launched within the next two years); (2) leveraging UNCDF Last Mile Finance Trust Fund; (3) strategic partnerships with other partners, such as multilaterals and bilaterals, UN organizations and the private sector, that will complement DINU activities (parallel funding), hence contributing to achieving higher impact on target districts.

1. DEVELOPMENT CHALLENGE

1.1 Background

The proposed project provides an implementation vehicle for a number of activities of the Development Initiative for Northern Uganda (DINU), the EU flagship programme in Uganda that is part of the 11th European Development Fund (EDF).

The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region, by supporting a selection of relevant value-chains (taking into account the respective agro-ecological zone types of the sub-regions), addressing notably the identified bottlenecks, and working with local private sector. The programme will also support local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards and downwards accountability mechanisms. This will be complemented by activities aimed at unlocking trade within the region, within the country, and with neighbouring countries through the improvement of transport infrastructures. Furthermore, the programme will address the root causes of irregular migration and instability, contributing to the development of sustainable livelihood of poor communities living in the north, building their resilience to climate change through improved farming techniques and promoting the economic and social integration of current refugee communities living the northern region.¹

The **general objective** of the DINU programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

Under this general objective, there are **three specific interlinked objectives**. These objectives have a broader scope than the objectives of the UNCDF project, which is part of the overall DINU design:

- **Specific objective 1:** to increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment.
- **Specific objective 2:** to increase trade of commodities within the region, within the country, and with neighbouring countries through the improvement of transport and logistic infrastructures.
- **Specific objective 3:** to strengthen capacity, gender-responsive good governance (core mandate and general broad mandate) and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery.

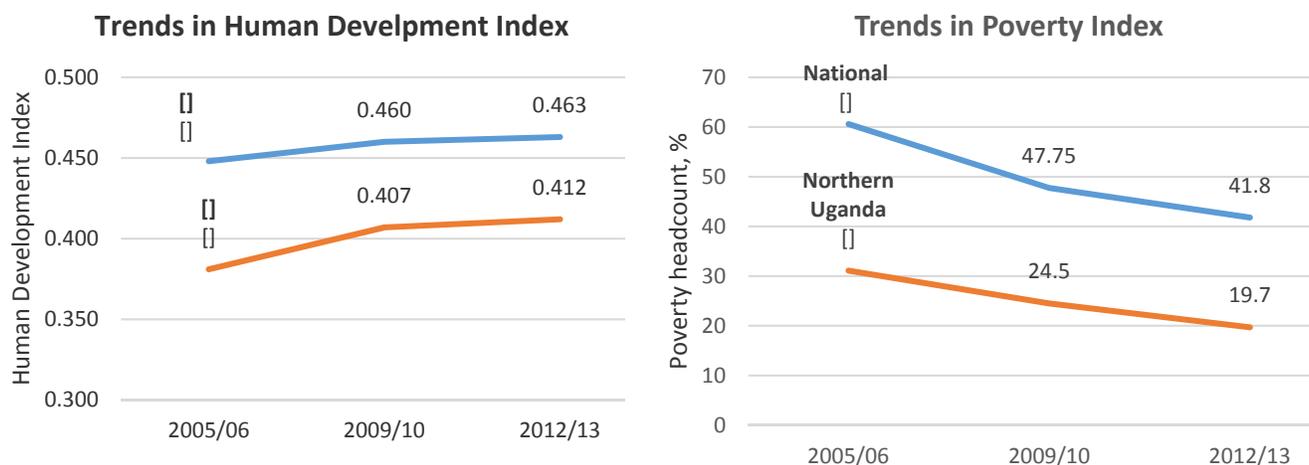
Recognizing UNCDF's expertise and past experiences in implementing local governance and decentralization programmes, food security, climate change adaptation, women's empowerment and local economic development in Uganda and other countries as well as its unique financial mandate within the UN system, the European Union Delegation in Uganda has selected UNCDF as the implementing partner for a number of DINU activities. The proposed UNCDF project is therefore designed to respond to specific challenges

¹ As of end April 2017, Uganda was hosting 920,621 refugees from South Sudan alone, all of them in the Northern Region.

and programmatic actions of the DINU assigned to UNCDF in its capacity as the Implementing Partner. The assigned activities belong to all three specific objectives of the DINU, with a particularly strong focus on governance issues.

1.2 Overview of the Situation in Northern Uganda

Northern Uganda is recovering from a protracted period of political instability that saw the destruction of the social and economic fibres. The Government sustained interventions through the Peace, Recovery and Development Programme one, two and now three have yielded progressive gains including improving the overall security situation that now allows freedom of movement and the resumption of economic activities. However, the region is still faring poorly against development indicators as it continues to **“Lag behind the rest of the country”** in terms of most human development indicators, with women being disproportionately affected. Poverty indicators are still among the worst on the continent, at 43.7% (twice the national average), while stunting rates of children under five are around 37% in Karamoja.²



Source: UNDP (2015) *Uganda Human Development Report 2015: Unlocking the Development Potential of Northern Uganda*. Kampala, UNDP.

The number of people living in poverty in Northern Uganda is increasing (2.4 m in 1992 to 3.6 m in 2013) amid widening socio-economic gap between the North and the rest of Uganda.³ In relative terms, the human development gap reduced by 4 percentage point whereas the poverty gap has actually increased by 17 percentage points. 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.

As per the outcome analysis of the Government-led Peace, Recovery and Development Programme (PRDP) 1&2, there is still potential for conflict in some parts of Northern Uganda which needs to be addressed. Potential conflict drivers underpinning this situation include the growing youth unemployment,

² Uganda Bureau of Statistics (2015) *Uganda Demographic Health Survey*. Available from: <http://www.ubos.org/onlinefiles/uploads/ubos/UDHS/UDHS2011.pdf>. [Accessed 11 May 2017].

³ Office of the Prime Minister (2014) *Northern Uganda: Economic Recovery Analysis*. OPM, Kampala.

disputes over land and natural resources, and growing levels of domestic violence as well as large numbers of absolute poor and vulnerable people in the region. Other challenges including weak local governance capacity to lead post-conflict transformation, environmental sustainability and the effects of climate change, etc. are also negatively impacting progress in the region. For instance, primary school completion rate in Adjumani stands at 10% and 31% in Yumbe against the National average of 60%; HIV testing of exposed children in Adjumani stands at 10.9% against 45 % national average, latrine coverage in Pader stands at 42% against 68% national average, while the pupil to teacher ratio stands at about 84:1 in Agago etc. The region also experiences high rate of child marriage and teenage pregnancy causing high dropout rate in school up to 30% in some districts.

The region is host to about 900,000 refugees; 82% of Uganda’s 1.1m refugees spread across various settlements and co-habiting with host communities. The current daily caseload has increased as new daily arrivals stands at about 2,000; a situation that however comes with considerable strains on available socio-economic resources and is fraught with conflicts. In some refugee receiving districts, the refugee population is approaching the host population:

District	Residence		Refugee population ⁴	
	Rural	Urban	Total	As a percentage of indigenous population
Adjumani	184,864	40,387	215,312	95.6
Arua	720,131	61,946	93,879	12.0
Moyo	128,432	10,580	77,864	56.0
Yumbe	449,819	35,003	269,561	55.6

Despite the high potential of agriculture in the region, the contribution of the sector to poverty reduction and improved nutrition has been disappointing, notably as a result of poor nutrition knowledge, malfunctioning value chains, poor transport infrastructures (despite its proximity to major export markets in the region, the North only accounts for 4.5% of Uganda’s exports) and lack of capacities of local governments, who are only to a limited extent capable of fulfilling their mandates (both core mandate and broad general mandate), which hampers their ability to respond to local needs and capacity to deliver quality services to its citizens.

The situation analysis for the DINU attributes the challenge of underdevelopment in Northern Uganda to three closely interrelated factors.⁵

1. Stagnating agriculture sector. The agriculture sector in the North has been disappointing over the past.⁶ The shift from subsistence to commercial agriculture that has been experienced at national

⁴ Uganda Refugees and asylum-seekers as of 01 February 2017, UNHCR.

⁵ European Commission (2016) *Annex 1 of the Commission Decision on the Annual Action Programme 2016 for Uganda to be financed from the 11th European Development Fund. Action Document for the Development Initiative for Northern Uganda.*

⁶ During the past five years, the agricultural sector has underperformed both industry and services. In particular, the annual growth of the agricultural sector averaged 2 percent during 2000/1-2013/14 compared to an average of over 8 percent for both the services and industrial sectors (Moyer, J. et al. (2015) *Advancing development in Uganda: evaluating policy choices for 2016-21 and selected impacts to 2040.* University of Denver).

level over the past ten years has been insufficient in the North, notably in Karamoja and did not enable small-scale farming household to break out of the reinforcing circle linking under-nutrition to poverty. The underlying causes for this disappointing performance of the agricultural sector include insufficiently diversified local food production; lack of value addition activities and inadequate access to affordable finance for small and medium agribusinesses, particularly for agriprocessing;⁷ missing market linkages and constrained access to local and regional markets. Yet another aggravating factor is the disadvantaged situation of women preventing them from making a substantive contribution to better food security and higher agricultural productivity.⁸

2. Inadequate transport infrastructures. The importance of transport infrastructure as a key enabler for economic development is universally recognized. Absence of reliable carriage ways connecting rural communities with local/regional markets hampers the transport of commodities in and out of the region, prevent farmers from accessing regional, national and international markets,⁹ and limit all weather accessibility to services and markets for population and commodities.
3. Weak local governance. Required improvements in service provision ultimately depend on the capacity of local governments to carry out their core processes. Despite a steady progress in the quality of local governance through a number of decentralization reforms, such as the budget transparency initiative, a streamlined system of intergovernmental fiscal transfers, performance based budgeting, a new system for LG performance assessment, etc.¹⁰ a number of key challenges persist. These include an unsustainable financial position of local governments, with locally generated revenues making up only 3-5 percent of the local governments' budget;¹¹ low administrative and technical capacity of local governments exacerbated by staffing shortages and high turnover rates;¹² lack of clarity in the division of labour between local government and central government for local service delivery; inadequate upward and downward accountability, transparency, and lack of substantive public participation in local governance.¹³

⁷ Ocaya, R and Kiwuwa, J. (2015) "Trends in Agricultural Lending and Leasing in 2014", in *Agricultural Finance Yearbook 2015*. Kampala, GIZ.

⁸ Women continue to face constraints related to access to, control over and ownership of businesses and productive resources such as land and credit. There is limited employment of women in skill-based industries and this constrains further women's income potential. Women are also marginalized in skills development, access to financial resources, employment in nonagriculture sectors and inheritance rights (Uganda Second National Development Plan (NDPII) 2015/16 – 2019/20 (2015) MoFPED, Kampala).

⁹ Imports for neighbouring countries are on the rise: +70% for South Sudan from 2011-2016; +38% for DRC over the same period (Rwabizambuga, A., Kintu, V., Muhumuza T et al. (2017) *African Economic Outlook: Uganda*. Available from: <http://www.africaneconomicoutlook.org/en/country-notes/>. [Accessed 11 May 2017]).

¹⁰ For a detailed account of Uganda's economic and PFM reforms in 2000-2010, see Kuteesa, F., Timussime-Mutebile E., et al. (2010). *Uganda's Economic Reform: Insider Accounts*. New York, Oxford University Press.

¹¹ Local Government Finance Commission (2012) *Review of Local Government Financing Management and Accountability for Decentralized Service Delivery*. Kampala, LGFC.

¹² In addition, governance at LGs characterized by poor coordination between the technical and political leadership especially in newly created districts is hindering service delivery (Uganda Second National Development Plan (NDPII) 2015/16 – 2019/20 (2015) Kampala, MoFPED).

¹³ Ministry of Local Government (2014) *Decentralization and Local Development in Uganda*. MoLG, Kampala.

1.3 UNCDF Local Development Programmes in Uganda

Since 1985, UNCDF has been providing support to decentralization and 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 a new local development model (for DDPII) to LED support (for DDPIII). The earlier programmes focused on local public financial management, including introduction of a performance-based discretionary grant mechanism to support local development. Once piloted, this mechanism was taken to scale by the Government and other development partners, making the backbone of Uganda's modern intergovernmental transfer system. The latter programme, DDPIII (2009-2012) was designed to focus on the mobilisation of the strategic role of the LGs as a pivotal actor for stimulating and promoting economic growth at both the local and national levels. This programme built upon the achievements of its predecessors, DDP I and II, and their contribution towards the development and activation of an effective local government system to transform local governments into effective promoters and enablers of LED in close partnership with the private sector.

Two more programmes were implemented in 2010-2015 to apply the UNCDF local governance and development approach to the challenge of post-conflict recovery and women's economic empowerment. The joint programme on Building Sustainable Peace in Karamoja supported the positive recovery trends in Northern Uganda to ensure their sustainability through diversified livelihoods, better market access and income generation activities. The joint programme on Gender Equality and Women's Empowerment supported central and local governments to develop strategies, systems and staff capabilities to increase women's access to sustainable livelihoods and gainful employment. These programmes have consolidated UNCDF's partnerships for local level institution building and organizational development and strengthened its programmatic capacity to address local development challenges in Northern Uganda, with a particular focus on gender – factors that bode well for implementation of the DINU components assigned to UNCDF.

A new approach to financing local economic development was introduced in 2010 under the name of the Local Finance Initiative (LFI). This approach puts emphasis on tapping into existing domestic capital for LED financing. Since 2015, LFI has been implemented in Uganda as part of a Global Programme that has the overall objective of increasing the effectiveness of financial resources for local economic development through mobilisation of primarily domestic private capital and financial markets in developing countries to enable and promote inclusive and sustainable local development. LFI supports infrastructural projects that are catalytic for LED through Technical Assistance in project development and last mile financing to make the projects bankable. LFI's pipeline of infrastructure projects in Uganda includes 26 projects for a total of \$155 million, including public sector projects promoted by district LGs. UNCDF will apply SME and PPP financing techniques developed under LFI for implementation of activities designed to facilitate access to finance for SMEs engaged in agricultural value addition as well as for public sector infrastructure investments. Similarly, the DINU project will benefit from the presence of another innovative programme, Mobile Money for the Poor (MM4P) that offers digital solutions to sustainable branchless and mobile financial services. MM4P experiences in digitizing agricultural value chains and establishment of mobile payment platforms will allow the DINU project to apply mobile technologies to improve access to finance for agribusiness SMEs and increase local revenue generation. Yet UNCDF programme, Joint Working Programme on Equitable Economic Growth in Cities will allow UNCDF to incorporate in the DINU implementation process local-level solutions that foster inclusive and equitable economic growth.

2. STRATEGY

2.1 Project Rationale and Approach

As already noted, the project is designed as an implementation vehicle for the EU Development Initiative for Northern Uganda with the primary objective to ensure the achievement of the DINU objectives through a series of interconnected and mutually reinforcing programmatic interventions in the areas of food security and agriculture, transport infrastructure and good governance.

As the DINU Programme in general, the project is designed to support the GoU in achieving national targets for SDG 1 "End poverty in all its forms everywhere" and SDG 2 "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture".

In addition, the project is aligned with two Strategic Intents of the Uganda UN Development Assistance Framework's (UNDAF):

- Strategic Intent # 1 "Governance", particularly Outcome 1.3. Institutional Development, Transparency and Accountability: By end 2020, targeted public institutions and Public-Private Partnerships are fully functional at all levels, inclusive, resourced, performance-oriented, innovative and evidence-seeking supported by a strategic evaluation function; and with Uganda's population enforcing a culture of mutual accountability, transparency and integrity
- Strategic Intent # 3 "Sustainable & Inclusive Economic Development", particularly Outcome 3.2. Infrastructure, Production & Trade: By end 2020, Uganda's stock of infrastructure adheres to physical planning policies and standards to support production and trade; production systems (agriculture, industry, mining & tourism) are internal & international market oriented, competitive, climate resilient, environmentally friendly, gender responsive, green technology driven and generating sustainable job opportunities for all, particularly women and youth; trade is formalized, competitive, scalable, ICT-enabled, regionally integrated, promoting MSMEs and corporate governance.

The project design and approach are further aligned with the Second National Development Plan (NDPII), 2015/16 – 2019/20. Specifically the project will support NDPII in the following areas:

- Agriculture: Objective 1. Increase agricultural production and productivity and Objective 3. Improve agricultural markets and value addition for the 12 prioritised commodities.
- Public Sector Management: Objective 1. Improve coordination, and harmonization of policy, planning, budgeting, and M&E at National and Local Government levels and Objective 3. Improve public service management, operational structures and systems for effective and efficient service delivery.
- Subnational Development: Objective 1. Improve the decentralization system; Objective 2 Improve the functionality of the LGs for effective service delivery; Objective 3. Increase local investments and expand local revenue base, and Objective 6. Increase financing and revenue mobilization of LGs to match the functions of LGs.

The project will contribute to the achievement of two UNCDF Strategic Outcomes:

- Outcome 1: Financing increased for basic services and inclusive growth/local economic development; and
- Outcome 2: Effective financing mechanisms established to increase resilience to economic and environmental shocks in the last mile.

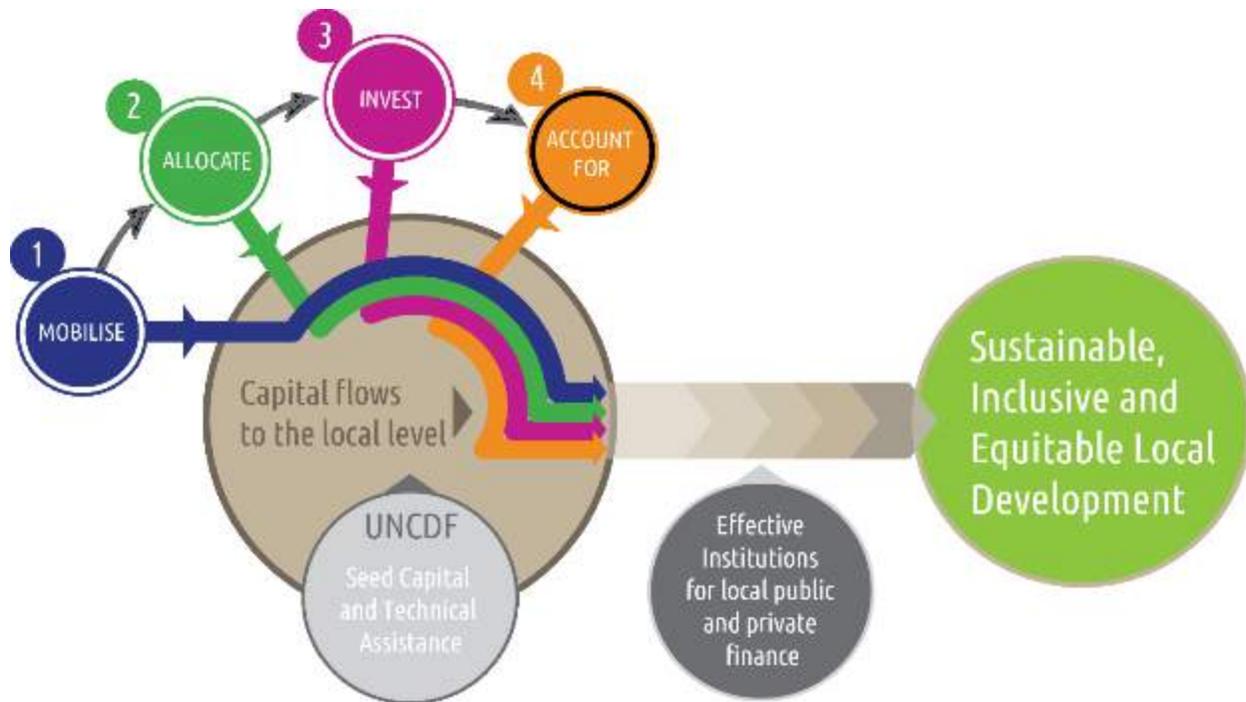
In Outcome 1, the project will contribute to improved performance of sustainable, accountable local governments, and improved performance of revenue generating projects through its work on core PFM functions of local governments. In Outcome 2, the project will endeavour to improve access to and usage of public and private local investments as an effective way to reduce vulnerability and shocks, particularly those related to climate change and natural disaster vulnerabilities.

The project approach is grounded in the general UNCDF approach to local development finance in LDCs. This approach recognises the need to unlock the existing sources of capital for local development and attract new investment capital to the local level. To this end, UNCDF applies its seed capital and technical assistance to develop innovative solutions that leverage or mobilize, allocate, and invest resource flows to the local level for local development, thus meeting the capital funding gap (Figure 1).¹⁴

This means that the key factors are the demonstration effect of the innovation and the additional capital flows unleashed for local development. This requires strengthening the capacity of existing public and private institutions and the procedures they use as well as providing the seed capital itself. The term “capital” is applied in its wider sense, encompassing its multiple definitions as: a factor of production; an accounting term (i.e. not a recurrent cost); a large scale fiscal or financial flow; an income generating resource; and finally a valuable and/or expendable resource. The seed capital provided by UNCDF leverages these flows to the local level, promoting poverty reduction through sustainable, inclusive and equitable local development.

Figure 1: UNCDF approach to local development finance

¹⁴ The exact mix of seed capital and technical assistance will differ for various projects and their components. For example, for the DINU Transport Infrastructure component, UNCDF support will focus on the provision of technical assistance. At the same time, UNCDF will provide seed capital in the form of discretionary grants to participating LGs which will allow them to invest in the improvement of their road infrastructure, among other things.



Although UNCDF has been assigned activities across all three components (Food Security and Agriculture, Transport Infrastructure and Good Governance), the design of the project interventions is based on the above approach. This design, grounded in new institutional economics, puts effective public and private institutions in the centre of the proposed interventions, either as direct beneficiaries or responsible parties engaged in implementation of project activities. Institutions, defined as “rules of the game”, exist to reduce the uncertainties involved in human interaction. These uncertainties arise as a consequence of both the complexity of the problems to be solved and the problem-solving software possessed by the individual.¹⁵

In particular, the project theory of change assumes that functioning of public and private institutions is not costless but involves transaction costs (i.e., market transaction costs and managerial transaction costs including the costs of supplying public goods by collective action as well as political transaction costs).¹⁶ It takes resources to transform inputs of land, labour, and capital into the output of goods and services and that transformation is a function not only of the technology employed, but of institutions as well. Therefore, institutions play a key role in the costs of production. The costs of transacting arise because information is costly and asymmetrically held by the parties to exchange and also because any way that the actors develop institutions to structure human interaction results in some degree of imperfection of the markets.

These costs, particularly those related to asymmetric information and contract enforcement (public and private) raise the cost of external finance and therefore discourage investment. If under a costless market and symmetric information, investments occur if the expected investment output exceeds a given

¹⁵ North, D. (1990) *Institutions, Institutional Change and Economic Performance (Political Economy of Institutions and Decisions)*. Cambridge, Cambridge University Press.

¹⁶ Furubotn, E. (2005) *Institutions and Economic Theory: The Contribution of the New Institutional Economics (Economics, Cognition, and Society)*. Michigan, University of Michigan Press.

riskless rate of interest, in the presence of transaction costs the investment occurs only if the expected output increases the sum of the riskless rate of interest and the transaction (information and monitoring) costs. Not only is there generally less investment, there is also less efficient investment due to the two well-known implications of information asymmetry, moral hazard and adverse selection.¹⁷ As a result, the first-best outcome becomes unattainable. The inability of societies to develop effective, low-cost search and information systems and enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the developing world.¹⁸

In financial markets, information asymmetries and enforcement costs result in “credit rationing”, when banks will not raise interest rates to market clearing levels, but instead will ‘ration credit’, when faced with excess demand for loans, which is an expressed problem in the banking sector in developing countries.¹⁹ Owing to the non-existence or the large asymmetries of information, financial agents rely to a large extent on the ‘information’ provided by the actions of other market agents, leading to interdependence in their behaviour, that is to say, contagion and herding.²⁰

Hence, the economic development of a country can be significantly stimulated through legislative and regulatory developments that reduce transaction costs and increase total productivity despite the existence of unchanged technical knowledge. The rejuvenation of a stagnating economy does not always require the use of new engineering or technical advances or exogenous factors, such as international aid in the case of developing countries. Institutional policy, in the sense of creating or recreating a more efficient market economy, so as to reduce transaction costs, or in the sense of diminishing institutional obstacles to the demand for labour or the use of capital, may in many circumstances be more effective and cheaper than quantitative economic policy. Reduced transaction costs and unlocked factors of production allow market actors to improve coordination and to move an economy towards a higher Pareto-ranked equilibrium, that is a situation in which one or more persons may be made better off without making anyone worse off, along the privately rational decision function.²¹ Ineffective institutions can render useless even the best designed policy. It is recognized that effective land governance institutions are critical to Uganda’s economic development to promote a virtuous cycle of more secure land rights, higher levels of land-related investments, more productivity-enhancing land transfers, and greater overall productivity.²² The impact of Ugandan institutions, positive and negative, on implementation of economic reforms in 2000-2010 is well documented.²³

¹⁷ The mathematical explanation of this model can be found in: Romer, D. (2012) *Advanced Macroeconomics*. New York, McGraw Hill.

¹⁸ North, D. (1990) *Institutions, Institutional Change and Economic Performance (Political Economy of Institutions and Decisions)*. Cambridge, Cambridge University Press.

¹⁹ Stiglitz, J. and Weiss, A. (1981) ‘Credit Rationing in Markets with Imperfect Competition’, *American Economic Review*, 71, 3: 393–410.

²⁰ United Nations (2005) *World Economic and Social Survey 2005: Financing for Development*, New York, United Nations Publications.

²¹ Todaro, P. and Smith, S. (2015) *Economic Development*. Harlow, Pearson.

²² Deininger, K. and Castagnini, R. (2004). *Incidence and Impact of Land Conflict in Uganda*. Washington, DC, World Bank.

²³ See, for example, Tim Williamson’s account of the negative impact that politicization of local revenues has had on fiscal decentralization (Kuteesa, F., Timussime-Mutebile E., et al. (2010). *Uganda’s Economic Reform: Insider Accounts*. New York, Oxford University Press).

In this respect, local governance institutions, public and private, formal and informal, have a very special role due to their potential to significantly reduce transaction costs at the local level and make improvements in two areas:

- (1) allocative efficiency through reduced information asymmetries about local preferences and better alignment of public and private investments to such preferences; and
- (2) productive efficiency through reduced agency costs as well as supervision and monitoring costs due to increased accountability of local governance structures, fewer levels of bureaucracy, and better knowledge of local costs.

The project's theory of change (Figure 2) assumes that a reduction in transaction costs is critical to improving the effectiveness and efficiency of local investments for service delivery and economic activities, which is a key condition for equitable, balanced and sustainable local development required for the attainment of the overall DINU objective to promote stable, sustainable and inclusive socio-economic development in Northern Uganda in line with Uganda national priorities as identified in NDPII. To achieve this objective, UNCDF will work to introduce improvement at the institutional level in three areas:

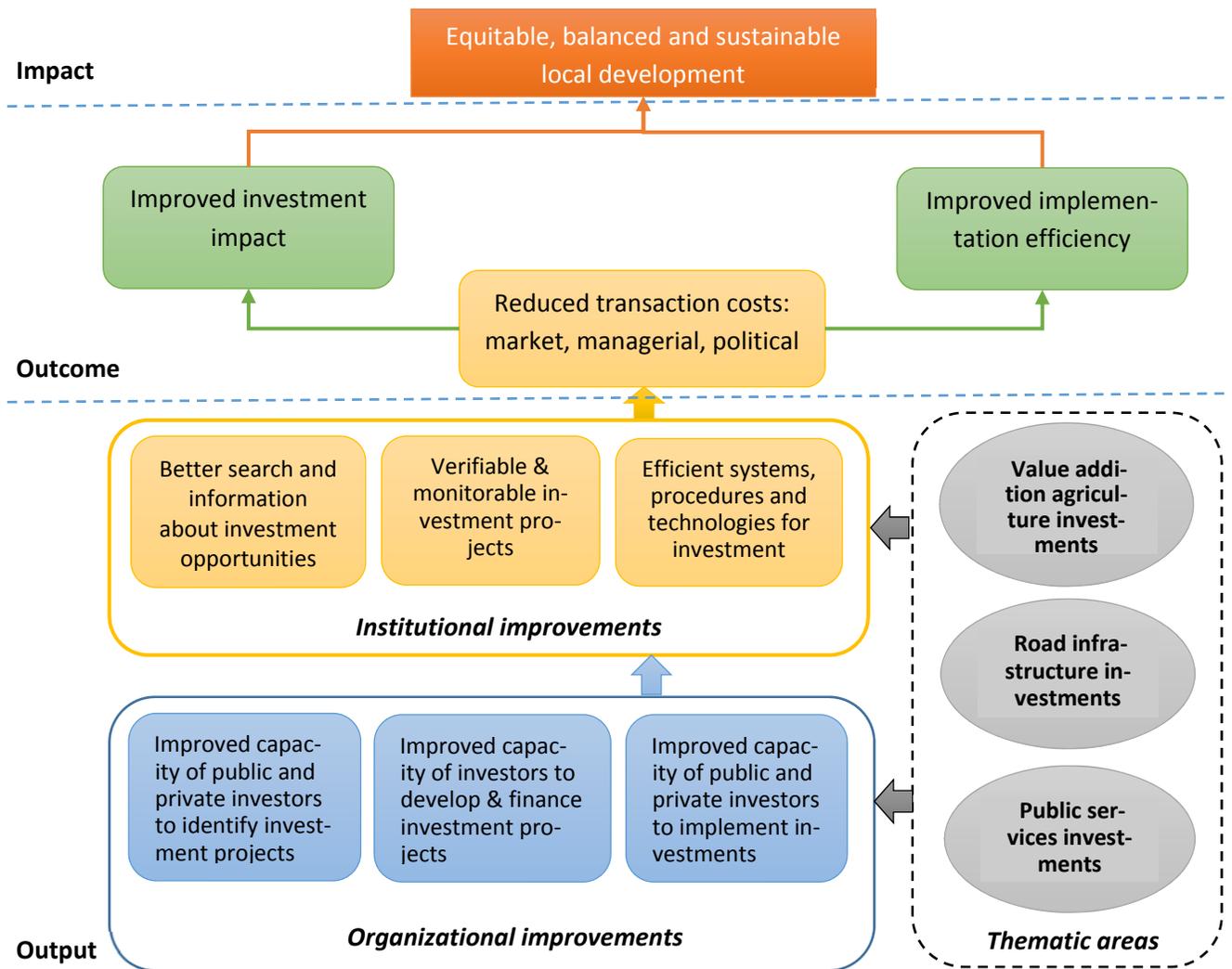
- Creation of a business-enabling environment to reduce search and information costs and improve access to information about investment opportunities for private and public investors.
- Improved investment proposals, verifiable and monitorable, that would allow potential investors to reduce costs for appraisal, bargaining and decisions.
- More efficient systems, procedures and technologies for investment that reduce information asymmetries and enforcement costs by applying advanced techniques for planning, budgeting, financing, implementation and monitoring of investment projects.

UNCDF will work with national and local organizations to develop their capacity to become a conduit for such institutional changes. Specifically, UNCDF will work with relevant MDAs, local governments, private sector entities and non-government organizations to improve their capacities to identify, develop, finance and implement local investment projects using public and private finance. In the specific context of DINU, these capacities will focus on:

- Preparation and financing of small and medium value addition projects in agriculture and operation of a blended funding and TA facility to that purpose.
- Planning and budgeting for road assets development and maintenance as well as in designing, contracting and implementing road rehabilitation projects.
- Mobilization, effective allocation, investment and accounting for public investments at the local level with support and monitoring of the relevant MDAs and public participation.

UNCDF will apply technical assistance, training, seed capital and specialized investment vehicles in combination with robust monitoring and stringent fiduciary arrangements to enable concerned public and private partners to effectively build their capacities and implement relevant activities in the three programmatic areas of the DINU. UNCDF is convinced that engagement of relevant public and private entities, both at the central and local level, not only as project beneficiaries but also as project implementers will greatly facilitate a learning-by-doing process and will ensure the eventual sustainability of the project interventions.

Figure 2. Project theory of change



2.2 Project Design Principles

The key principles that inform the design of the project are as follows.

- **Use of national systems**, including disbursement procedures, grant utilization, accounting and implementation procedures, and performance assessment procedures to strengthen the capacity of the participating central and local governments in public financial management and operationalize relevant government systems and procedures through a learning-by-doing process. The use of national systems also implies reliance on national partners, public and private, as the implementing partners for the project.
- **Focus on social and economic empowerment of women and youth and support to green economy**. The project design takes into account the challenges of the youth bulge, disadvantaged position of women and of environmental risks and ecological scarcities in the North. These aspects are mainstreamed in the project funding mechanisms and other facilities making special financial and technical provisions.
- **Financial leverage**. The project is designed in a way to actively promote co-financing and mingling of funds coming from LG revenues, market-based finance or development partners. To this end, the funding mechanisms as well as PFM systems incorporate technical guidelines for resource mobilization and co-financing. The project is aiming at leveraging at between two to five times of its budget envelope depending on the mechanism used.
- **Alignment and synergies with the other components of DINU**. The project design is aligned with the other components of DINU to achieve greater synergies and economies of scale as appropriate. Achievement of the project outputs will heavily depend on its ability to coordinate with, and benefit from, activities implemented under the other strategic components of DINU. Key linkages are expected across all three strategic components (Food Security and Agriculture, Transport Infrastructure, Good Governance).
- **Additionality**. The project design takes into account other programmatic interventions implemented by GoU and development partners in Northern Uganda to prevent duplication and overlaps and establish useful linkages. The project is meant to augment rather than replace ongoing activities. Local governments and private partners are strongly urged to collaborate closely with the respective line ministries and other stakeholders in their areas to ensure that there is no duplication.
- **Fiduciary robustness**. The fiduciary soundness of the design is achieved by applying (i) IFMS that allows real-time monitoring of financial transactions; (ii) special project accounts for each implementing partner to allow tracking of financial flows; (iii) linkage between financial and physical progress reporting to verify financial transaction against the physical progress; (iv) releases in tranches that minimize possible loss and allow prompt corrective action if necessary; (v) third party technical support for tendering and contract management; (vi) regular monitoring visits and on-spot checks as well as VfM audits and annual audits.

3. PROJECT RESULTS

3.1 Project Goal and Objectives

The **general objective** of the project is aligned with the DINU programme objective, i.e. to consolidate stability in Northern Uganda, poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

The **specific objectives** of the project are determined by the type of DINU Activities assigned to UNCDF. These Activities are as follows.

DINU component	DINU Activity
Food Security and Agriculture	<ul style="list-style-type: none">Activity 1.2.2 - Providing seed capital to incubation projects: design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects.
Transport Infrastructure	<ul style="list-style-type: none">Activity 2.1.2 - Rehabilitation and upgrading of priority district and community access roads within 4 priority districts (Amudat, Adjumani, Abim, Moyo).
Good Governance	<ul style="list-style-type: none">Activity 3.1.1 - Strengthen capacities of Local Governments in public financial management.Activity 3.1.2 – Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources.Activity 3.1.3 - Structured partnership with Associations of Local Authorities and key relevant institutions for research and advocacy on institutional and policy reforms relating to core mandates of local governments.Activity 3.2.1 - Support and strengthen local governments' accountability institutions in their interaction with line ministries and national accountability institutions.Activity 3.2.2 – Support the reform and pilot implementation of Government of Uganda's own annual performance assessment framework for local governments on key indicators such as stakeholders participation in planning and budgeting, local revenue mobilisation and compliance with PFM related rules and regulation.Activity 3.2.3 - Incentivise performance of local governments and to stimulate community involvement through provision of top-up grants based on a reformed performance assessment and aligned to the intergovernmental transfer and grants system.

- Activity 3.4.3 - Support districts and communities in road maintenance.
- Activity 3.4.5 - Improve land governance and facilitate the registration of Certificate of Customary Ownership.

Accordingly, the **specific objectives** of the project include:

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

3.2 Project Outcomes, Outputs and Main Activities

The project has three outcomes based on the three specific objectives implemented through the relevant outputs:

Outcome	Related outputs
Outcome 1. Improved access to finance for SMEs engaged in agricultural value addition.	Output 1.1. Providing seed capital to incubation projects
Outcome 2. Improved stock and quality of the district road assets and improve local service delivery for road assets.	Output 2.1. Rehabilitation and upgrading of priority districts and community access roads within 4 priority districts (Amudat, Adjumani, Abim, Moyo).
	Output 2.2. Support districts and communities in road maintenance
Outcome 3. Increased local fiscal space and improved local service delivery.	Output 3.1. Strengthen capacities of Local Governments in public financial management.
	Output 3.2. Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources.
	Output 3.3. Structured partnership with Associations of Local Authorities and key relevant institutions.
	Output 3.4. Support and strengthen local governments' upward accountability.
	Output 3.5. Support the reform and pilot implementation of Government of Uganda's own annual performance assessment framework for local governments.

Output 3.6. Incentivise performance of local governments and to stimulate community involvement.

Output 3.7. Improve land governance and facilitate the registration of Certificate of Customary Ownership.

Output 1.1. Providing seed capital to incubation projects

The main vehicle for providing seed capital to incubation projects is a Funding Facility for Small and Medium Agribusinesses in Northern Uganda known as Support to Agricultural Revitalization and Transformation (START). The START funding facility is designed to support the implementation of DINU food security and nutrition component, in particular Activity 1.2.2, which aims at providing seed capital to incubation projects along agricultural value chain as part of its overall objective to increase local production of diversified food. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of Business Development Services and seed capital in the form of loans, grants and reimbursable grants (Annex 1).

The medium to long-term development objective will be to stimulate pro-poor economic growth in northern Uganda, better retain the economic benefits of agriculture in the North, and improve local food systems and food security. The secondary medium-term objective will be to transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses in Northern Uganda with the further intention to scale up its operation and coverage nationally.

START additional objectives include:

- Complement other agricultural/SME finance facilities by addressing the identified gaps in financial and technical assistance services to capital-intensive value adding agricultural projects in storage and processing.
- Improve access to finance for projects promoted by women and youth and contribute to their economic empowerment as well as for projects that aim at reducing environmental risks and ecological scarcities along the identified value chains.
- Leverage DINU activities in the other programmatic components to improve opportunities for agricultural investments through a better alignment between public sector interventions (institutional support, roads and other enabling infrastructure) and private sector economic activities.
- Leverage domestic capital for investments in agriculture by attracting farmers' savings, concessional and regular finance and guarantees from financial institutions and private firms.
- Strengthen the role of the Uganda Development Bank as the key national development finance institution.

START provides a customized mix of Business Development Services, project development and structuring services, and financial products. Accordingly, the START has three lines of business and three activities managed by the three participating institutions respectively, the Private Sector Foundation of Uganda (PSFU), UNCDF and Uganda Development Bank Limited (UDBL).

Activity 1.1.1: Business Development Services. This activity is designed to deliver a broad range of BDS to the beneficiary SMEs to allow them design and submit bankable projects. It will be delivered by the PSFU and includes the following services:

- Provision of awareness and information about START, application requirements, etc.
- Support in development of grant/loan applications; Initial screening of applications.
- Provision of general business development services.
- Legal support.
- Technical and management training.
- Preparation of feasibility studies.
- Administration of the BDS grants.

Activity 1.1.2: Project preparation and development. This activity implemented by UNCDF is designed to deliver specialized project development and financial services to bring projects to financial closure. It includes the following services:

- Business case analysis & screening;
- Verification of business opportunities;
- Review of feasibility studies;
- Review of contracts and costs, permits/licenses;
- Update of the Business plan and develop the financial model;
- Financial structuring /syndication;
- Credit Enhancements/Guarantees;
- Administration of the capital grant facility;
- Preparation of the Bank Info Memo and negotiations.

Activity 1.1.3: Financial services. This activity delivered by the UDBL includes financing of eligible projects with reimbursable grants or loans and covers the following services:

- Credit analysis and evaluation;
- Due diligence;
- Verification of probable social economic impacts;
- Preparation of the term sheet & loan agreement;
- Security perfection;
- Pricing and Issuance of a reimbursable grant or a loan;
- Administration of the loan/grant facility;
- Monitoring and management of loan/grant servicing and repayment;
- Identification of loan payment issues and their referral to UNCDF or PSFU.

Activity 1.1.4: START Facility Management. UNCDF is in charge of this activity which includes the following:

- Strategic management of the Facility to ensure its continued alignment with the national and programmatic objectives in terms of the policies and approach;
- Management of the Facility's operations to ensure coherence between the partners (PSFU and UDB) and delivery towards the stated common objectives;

- Development and timely issuance of the memoranda of understanding and letters of agreement with the partners to enable their engagement and implementation of the activities for which they are responsible;
- Decisions on the issuance of calls for proposals and the criteria applied for project selection, the size and timing of financial tranches to the lines of business;
- Consolidated quarterly and annual financial reporting to the EU Delegation and the Management Board;
- Public reporting on the activities and progress of the START Facility to ensure transparency;
- Quality assurance, including development and implementation of KPIs, a monitoring plan, regular quality assessments and maintenance of a risk log;
- Support to the design and implementation of regular independent audits of the Facility;
- Coordination of resource mobilization activities to ensure continuity of the Facility and upscale its operations.

Output 2.1. Rehabilitation and upgrading of priority districts and community access roads

This Output is designed to address the key challenges in the road subsector, especially DUCAR network, such as the inadequate human resource capacity at the district level, particularly for the engineering category which is affecting the efficient and effective delivery of road works; weak local construction industry that lacks the financial and managerial capacity to participate in road rehabilitation; and a restricted fiscal space at the local level for implementation of road rehabilitation projects. This Output will thus provide additional technical assistance and finance in the form of conditional (earmarked) grants to the participating districts for rehabilitation of district and community access roads, aimed at ensuring all weather accessibility to services and markets for population and commodities within the targeted districts. A selection of the districts for the intervention was conducted during the identification phase, with four districts selected: Abim, Adjumani, Amudat, and Moyo with the support of the European Union (outside the scope of this DINU UNCDF component). Also, the identification and selection of the priority roads to be rehabilitated within the selected districts, as well the feasibility and preliminary designs were carried out at that stage.

Activity 2.1.1. Provision of technical assistance for implementation of district road rehabilitation and improvement programmes. This activity to be implemented by UNCDF will deliver dedicated technical assistance for district road rehabilitation and improvement programmes starting from final formulation of district multiannual rehabilitation programmes, detailed engineering designs and ending with mid-term and ex-post evaluation of the projects. It will cover the following services:

- Final formulation of district multiannual road rehabilitation programmes and their inclusion in the planning and budgeting process;
- Preparation of detailed engineering designs, scope/prioritisation, cost estimates and implementation timeframe of the rehabilitation works;
- Support to tender preparation and assistance and contracting;
- Due diligence, supervision and management of works contracts on behalf of the Contracting Authority;
- Mid-term and ex-post evaluation of the projects.

Activity 2.1.2. Implementation of district road rehabilitation and improvement programmes in four target districts (District Road Rehabilitation Fund). This activity will put in place a conditional grant transfer mechanism in line with the Works and Transport sector grant to allow LGs to put in practice their capacities and demonstrate their ability to contribute to road assets development and rehabilitation (Annex 1). This activity will contribute to the learning-by-doing process by LGs and will allow the piloting of PFM mechanisms for road rehabilitation in the four target districts. This activity will be implemented by UNCDF as following:

- Management of the Fund’s operations to ensure coherence between the partners (MoWT and participating LGs) and delivery towards the stated common objectives;
- Development and timely issuance of the memoranda of understanding and letters of agreement with the partners to enable their engagement and implementation of the activities for which they are responsible;
- Public reporting on the activities and progress of the DRRF to ensure transparency;
- Quality assurance, including development and implementation of KPIs, a monitoring plan, regular quality assessments and maintenance of a risk log;
- Support to the design and implementation of regular independent audits of the Fund;
- Providing technical support and advisory services for co-financing arrangements.

Output 2.2. Support districts and communities in road assets maintenance

As part of the sustainability plan, it is important that the DLG staff responsible for road development and management have capacity to maintain the infrastructure once it has been constructed in order to realize the economic benefits from the investment. Funds for road maintenance are not always sufficient to meet all the maintenance demands. Accordingly, it is very important to plan for the available funds in a manner to maximize benefits while at the same time preserving the infrastructure from premature deterioration.

Activity 2.2.1. Training programme in road maintenance. The training programme covering up to 16 core districts identified for the Good Governance component will be designed and delivered by the Mt. Elgon Labour Based Training Centre (MELTC) based on the existing courses and adjusted/tailored by MoWT/MELTC to the needs of the participating LGs. This activity may include the following:

- Labour based Road Rehabilitation of unpaved roads for District Engineers/ Technical Managers and Supervisors;
- Low Cost Sealing for low volume roads for district engineers and supervisors;
- Rehabilitation and Maintenance Planning System (RAMPS);
- Road maintenance;
- Community Access Support (CAS) and Planning;
- Environmental and Social Safeguards issues for non-engineering staff.

Activity 2.2.2. Integration of the road rehabilitation and maintenance component in the LG annual and mid-term planning, budgeting and implementation frameworks. This activity to be implemented by MoLG with the support of MoWT and MELTC is designed to ensure the continuity and practical application of the new skills and expertise acquired through the MELTC training to annual and medium-term planning. The result should be a realistic planning and budgeting of local road rehabilitation and maintenance programs at the district level that complements the central-level efforts in this area. This activity will cover 16 core districts identified for the Good Governance component and will include the following:

- Technical assistance to target LGs in the design of road works programs in the context of overall mid-term local development planning and capital investment programming, including the annual PEM cycle;
- Technical assistance to target LGs in environmental and socio-economic impact assessment (including the gender aspects) and prioritization of road works in connection with the LGEF grant;
- Technical assistance to participating LGs in the review of their current procurement approaches and strategies and implementation procedures to achieve best value for money and improved effectiveness and efficiency by maximizing the role of LGs as well as non-government partners in road works programmes.

Output 3.1. Strengthen capacities of Local Governments in public financial management.

This component is designed to support and strengthen the ongoing government reforms to improve Public Financial Management (PFM) to shape the administration and management of public resources. These reforms majorly focus on increasing efficiency in allocation, use and availability of resources, elimination of corruption, intensifying accountability and strengthening of Public Financial Management (PFM) systems. These reforms include institutionalization of the Integrated Financial Management System (IFMS), Output Oriented Budgeting, Performance Based Budgeting, and the adoption of a long-term expenditure framework for enhanced revenue and expenditure forecasting. The output will be implemented by MoLG with the support and engagement of MoFPED, LGFC, ULGA and UNCDF.

Activity 3.1.1. Adequate capacity and compliance with the National Rules and Regulations on PFM. This activity to be implemented by MoLG with the support of LGFC, MoFPED and UNCDF will include the following:

- Diagnostic for PFM Compliance and Performance in the target LGs using a customized PEFA methodology;
- Financial and technical support to the LGs to implement CB interventions in the areas of LG PFM Compliance and Performance - Adapt LGs to the PFM Act (2015), PPDA Regulations, Planning and Budgeting process, NDP II & SDGs;
- Technical support to the LGs in application of the IFMS and ICT systems at the local level focusing on strengthening capacities of LGs to analyze and make cash flow forecasts, budget performance analysis, carry out integrated planning and budgeting processes, implement modern procurement systems, integrated accounting, revenue and expenditure management systems, create strong oversight bodies and mechanisms, improve public service delivery and management;
- Update and dissemination of the LG Financial Accounting Regulations and Manuals.

Activity 3.1.2. LGs Development Plans and Budgets are gender sensitive and responsive to the climate change challenge and local economy conditions

- Preparation and introduction of guidelines for capital investment planning in LGs;
- ToT on Gender-sensitive Local Economy Assessment (LEA) and conduct of a LEA in the selected LGs;
- ToT on Climate Vulnerability and Risk Assessments (CVRA) and conduct of CVRA using participatory methods at community level, and expert inputs reflecting science-based predicted climate change trends;

- Technical and financial support to the selected LGs to develop Local Economy Development (LED) Strategies, which are in line with the NDP II, SDGs and are gender- and climate change-responsive;
- Technical and financial support to target LGs to develop project proposals for infrastructure investments;
- Technical support to target LGs in the design, finance and implementation of catalytic economic projects to empower women and youth and improve local climate change adaptation, mitigation and resilience with due regard to empowerment of refugee and host communities (ReHoPE) where appropriate.

Output 3.2. Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources

Activity 3.2.1. Updated local revenue database on the revenue sources in the target LGs. This activity implemented by LGFC with the support and participation of MoLG and UNCDF will include:

- Mapping and evaluation of Local Revenue Sources, Management and Administration systems in the pilot local governments;
- Establishment and Update Local Revenue Databases in the pilot local governments;
- Hands on Support and follow-up in the establishment and implementation of Local Revenue Databases;
- Provide the support to upgrade the Local Revenue Database software to provide linkages with other financial management systems;
- Support to analysis of asset management and to development and implementation of customized asset management strategies and frameworks, including asset management action plans to improve the effectiveness and efficiency of LG assets;
- Development of local Revenue Enhancement Plans for the pilot local governments as part of a participatory and inclusive Local Revenue Mobilization Initiative (LRMI) that involves the development of a Revenue Mobilization Action Plan (R-MAP) specifying actions customized for improving revenues from certain sources against related improvements in the delivery of local services. Integrated into the annual planning and budgeting process, R-MAP is part of a social compact whereby the population commits to higher local revenue generation in exchange for better services provided by the LG. The R-MAP is approved by the LG Council and benefits from the validation, feedback and support by local communities;
- Technical and financial support to the local governments in the collection of Property Rates and Land Related Revenues;
- Development, piloting and rollout of a mobile tax registration and payment system using mobile money platforms. Mobile Money provides an opportunity to improve efficiency and convenience throughout the revenue collection process, using Mobile Money instead of cash for Person to Government (P2G) and Business to Government (B2G) payments also has the potential to reduce fraud and increase transparency for authorities. The ability for a government official to demand a payment and to dictate that such a transaction takes place in cash opens a space for corruption and decreases the likelihood of the official being identified or prosecuted. The mobile tax registration and payment system will serve to enhance efficiency, transparency and convenience for revenue collection by the local governments.

Activity 3.2.2. Increase in realization of the budgeted LR in the LGs. This activity will be led by LGFC with the technical support of MoLG and UNCDF. It will include the establishment of a revenue enhancement fund designed to incentivize revenue enhancement and facilitate priority measures that could bring immediate results and create a positive momentum. The fund will disburse matching grants to LGs to support implementation of their Revenue Mobilization Action Plans. The coverage of the activity includes:

- Capacity needs assessment for local revenue units in the local governments;
- Training for Revenue officers in areas of revenue mobilizations, financial disputes, public relations and local economic development;
- Retooling revenue mobilization units in the local governments;
- Support the Operation of Local Revenue Enhancement Coordinating Committee;
- Revision and dissemination of the Local Revenue Handbook;
- Review, re-structuring and update of the functions of Revenue mobilization units in local governments;
- Update and dissemination of the Inventory of Best Practices in Local Revenue Mobilization and Generation;
- Provision of a Local Revenue Enhancement Grant to support implementation of Local Revenue Mobilization Action Plans;
- Knowledge management and peer-to-peer exchanges to share best practices, experiences and lessons learnt on local revenue mobilization and generation.

Output 3.3. Structured partnership with Associations of Local Authorities and key relevant institutions

This output is aimed at strengthening the capacity of associations of local authorities through structured partnerships with relevant MDAs²⁴ and is designed to support research and advocacy on policy and institution reforms with the view to strengthen decentralisation by protecting and promoting local government financing, enhancing orderliness and control in the management of intergovernment fiscal relations and increasing discretion in local government decision making. This output will be implemented by ULGA and UAAU keeping in mind the basic division of labour between the two associations as well as the complementarities that need to be leveraged to ensure a consistent common approach to the key challenges of local governance by urban and rural local governments.

Activity 3.3.1: Improved capacity of Local Governments to identify and formulate key policy issues for advocacy. This activity will cover the following:

- Conduct a Training of Trainers on Policy Analysis and Policy development approaches for LG leaders ;
- Train District and Municipal Executive Committees on policy analysis and development process;
- Train District and Municipal Technical Planning Committees on policy analysis and development process;

²⁴ Such as the Ministry of Finance, Planning and Economic Development, Ministry of Local Government, the Local Government Finance Commission, Ministry of Land, Housing and Urban Development.

- Train and equip District Chairpersons and Mayors with advocacy and public speaking/representation skills;
- Support Forum for District Chairpersons and Mayors;
- Support Regional Policy Forums for District and Municipal Speakers.

Activity 3.3.2. Evidence-based research to improve understanding of the key local government challenges and advocacy for decentralized governance and devolution of powers. This activity will include the following:

- Review and identify emerging concerns arising from the PFMA reforms for advocacy and develop key policy briefs arising from the emerging issues affecting the fiscal reforms and related policy and legal framework on LG discretion;
- Conduct a baseline survey on the existing local partnerships and development networks at LG level, support District and Municipal Councils to develop local partnership policies and guidelines and hold a Local Government Partnership Engagement and Stock Taking Conference;
- Track, research and assess progress of the Review of the Fiscal Decentralization policy to ensure increased LG discretion, including its role and contribution to the refugee response and ReHoPE implementation, develop a key policy brief arising from the emerging issues from the Grants system affecting LG discretion and implement relevant advocacy actions;
- Identify and develop a policy brief on key issues presenting challenges to LG Priority planning and implementation processes, review District Development Plans and identify discrepancies between annual priority actions and implement actions for advocacy and support LGA engagement with NPA and MoFPED on the LG Planning processes;
- Conduct a study on the status and key challenges faced by LGs in implementing the SDGs, improve awareness among District and Lower LGs Councils on the SDGs, track LG progress in achieving the SDGs by Sector and hold a LG Conference on the status of SDG implementation and key milestones;
- Support LGA Annual reviews and analyses of National Budget Strategies, perform a critical analysis of the Performance of LG budgets and implications on service delivery;
- Develop justification for the allocation of the minimum of 38% allocation of the National Budget to LGs;
- Support the dissemination and publication of key issues and National Budget Constraints for advocacy and policy review.

Activity 3.3.3. Strengthened capacity of Associations for quality assurance and review of the LG key implementation issues and support to LG participation in periodic government reviews.

- Support LGAs to conduct bi-annual monitoring of implementation of Government programmes at LG level;
- Support LGAs review and input in the Government Half Year and Annual Government Performance Reviews;
- Support an LG Forum for Accounting Officers;
- Review District and Municipal status of implementation of previous JARD Resolutions;
- Conduct Regional Review Forums to confirm findings and generate recommendations for JARD;

- Support LGA Executive Committee representation and participation in JARD;
- Facilitate LGAs engagement with MoLG to review and improve JARD methodology and approach to strengthen decentralization;
- Support to Annual and Special General Meetings, meetings of the Executive Committee and support to Secretariat operations and activities.

Output 3.4. Support and strengthen local governments' upward accountability.

This output will support adherence by relevant units of local government to national procurement and accountability standards and requirements as well as local government accountability structures. Particular emphasis will be placed on timely and full implementation of recommendations of Office of Auditor General, Public Procurement and Disposal of Public Assets Authority, Local Governments Account Committees or other accountability institutions, and the capacity of local governments to enforce sanctions and recovery of funds in cases of breaches of the applicable regulations and standards.

Activity 3.4.1. Improved LG compliance with the national accountability and procurement standards.

This activity led by MoLG with the support of LGFC and ULGA and technical assistance of UNCDF and in coordination with OAG and PDPAA will include the following:

- Facilitate the implementation of the Good Governance and Accountability Strategy;
- Establish a Co-ordination mechanism for Oversight and Accountability agencies to improve LG reporting and feedback;
- Sensitise LG Chairpersons, Chairpersons of Standing Committees, District and Executive Committee members on their role in accountability;
- Build LG skills capacity and provide logistical support in the IFMS system use, PBB reporting, contract management, procurement, internal audit, and assets management to improve upward accountability;
- Technical support to the target LGs to implement proper Asset Management and Disposal systems;
- Technical support to the target LGs to implement recommendations of external audits in a timely manner.

Output 3.5. Support the reform and pilot implementation of Government of Uganda's own annual performance assessment framework for local governments

As of 2017/18, the GoU launched a new LG annual performance assessment system that has three dimensions/elements which are mutually reinforcing:

- a) Dimension 1 is strengthening **accountability and the linkage of expenditure to national and local priorities** for service delivery by signing of Performance Contracts to adherence to core **budget and accountability** requirements;
- b) Dimension 2 is strengthening the **management of service delivery and development projects** at the local level. This will be by subjecting the allocation of a share of the discretionary and sectoral development grants to the results of LG performance assessment of cross cutting and sectoral **institutional processes and systems**; and

- c) Dimension 3 is incentivizing the provision of **service delivery results and processes** in individual service delivery units (schools, health facilities), by linking the size of operational transfers to these units to the actual performance of these service delivery units.

This output led by MoLG will strengthen and complement this system in two ways:

1. Support implementation of LG annual performance assessment on the ground.
2. Introducing additional systems linking LG performance to SDGs.

Activity 3.5.1. Government performance assessment framework strengthened. This activity will be implemented by MoLG in coordination with MoFPED and will cover the following:

- Support the implementation of the GoU LG National Assessment Tool in the target LGs;
- Sensitise LGs on the procedures and criteria for annual performance assessments, including support in the organization of mock assessments;
- Technical support to the target LGs to address the shortcomings identified through annual performance assessment and prepare improvement action plans;
- Provide training and technical support for LGs on Performance Based Budgeting (targeting & budgeting) using the MoFPED guidelines on PBB.

Activity 3.5.2. SDG Localization Diagnostic Tracking Tool. The tool is designed to adapt and adopt SDGs at the local level by linking LG medium- term and annual planning and budgeting frameworks to specific localized SDG targets and providing a tool for baselining and tracking LG’s progress against the set targets. This activity led by MoLG in coordination with NPA and with technical assistance of UNCDF and UNDP will have the following coverage:

- Design of the SDG Localization Tool, including application of mobile data to baseline and track progress towards SDG implementation at the local level;
- Technical support for LGs to link their medium-term and annual planning (DDP and PBF) to the localized SDG targets;
- Piloting the tool in two better-performing LGs;
- Technical support to the design and production of the Tool Manual;
- Rollout of the tool once piloted and finalized in all target districts.

Output 3.6. Incentivise performance of local governments and to stimulate community involvement

Activity 3.6.1. Improved community capacity to participate in the LG planning & budgeting process. This activity will reinforce complementary actions under DINU supporting barazas/LG budget transparency (to be implemented MoFPED/OPM) and downward accountability to citizenry (to be implemented by CSOs). Implemented by MoLG, this activity will have the following coverage:

- Train Village and Parish Development Committees on the LG Planning and Budgeting Process;
- Provide technical support to LGs to generate and implement Community Development Action Plans with due regard to ReHoPE issues where appropriate;

- Convene Community Dialogues to discuss Village and Parish Development issues with the participation of refugees when appropriate;
- Increase citizen awareness and access to public services by sensitizing councilors and members of the community, including CSOs and media, to act as a strong voice for their constituencies and monitor/hold accountable LGs in cases of staff absenteeism or poor performance, etc.
- Train LG Planning Committees on Community Driven Development, & Participatory Appraisal Tools;
- Update the training module on Participatory Planning and Community Driven Development

Activity 3.6.2. Local Government Excellence Fund. The Local Government Excellence Fund (LGEF) is designed to operationalize Activity 3.2.3 by introducing a transfer mechanism for discretionary grants linked to the performance of five beneficiary local governments: Omoro, Amudat, Otuke, Amuria, and Yumbe (see Annex 4). By putting in place strong financial incentives and operationalizing an effective learning-by-doing process, such a mechanism will support and strengthen the LG performance assessment system being introduced by the Government of Uganda as well as performance-based intergovernmental fiscal transfer mechanisms, such as the Discretionary Development Equalisation Grant (DDEG).

The specific objectives incorporated in the LGEF include:

- Improve the capacity of district local governments to plan and manage discretionary funds through a learning by doing process and bringing to scale best practices in application of public resources for local investments and thus enhance the national systems for decentralized governance and services delivery at the district level and support advocacy for further devolution of functions to local governments, including for an effective refugee response.
- Improve the responsibility and accountability of district local governments for their performance by directly linking fund allocations to their performance.
- Strengthen the new national performance assessment system by incorporating the results of annual performance assessments in the grant allocation decisions.
- Increase the availability of discretionary development funds for the most disadvantaged districts by complementing other discretionary fund flows, such as the Peace Recovery and Development Plan (PRDP) grant and the discretionary development equalization grant (DDEG).
- Improve local governments’ planning for, and contribution to, two thematic areas of particular importance for Northern Uganda by extending additional funding for catalytic economic projects with a tangible impact on: (a) social and economic empowerment of young people and women and (2) climate change adaptation, mitigation and improved resilience with due regard to empowerment of refugee and host communities where appropriate.

This activity implemented through participating LGs by MoLG with the support of MoFPED and sector line ministries includes:

- Design of the Fund, preparation of the guidelines and manuals;
- Technical assistance for participating LGs to apply and correctly utilize LGEF grants through integration into annual PFM processes;
- Timely disbursement of LGEF funds;
- Monitoring and review of the implementation progress and achievement of the LGEF results;

- Monitoring changes in risks to the LGEF and compliance with legal agreements and, as needed, the DINU Programme Document.

Output 3.7. Improve land governance and facilitate the registration of Certificate of Customary Ownership

CCOs have been identified as the potential answer to long-standing issues of tenure insecurity and land conflict in Northern Uganda. In fact:

- CCOs allow communities to affirm their rights and request Government protection, without forcing them to change their tenure patterns.
- The acquisition of a CCO is a highly inclusive process that fosters boundaries disputes resolution, allows minimizing relapse into conflict and can help build bridges between customary and statutory authorities.
- CCOs are affordable and within reach of marginalized communities.
- CCOs increase the level of tenure security for the right holder thus allowing planning for longer-term development of the land and have the potential to turn land from liability to asset for development.
- An efficient land information system, including information on customary tenure rights, provides a strong foundation for planning and service delivery.

Government and development partners alike see in the CCOs a viable option to address the challenges related to tenure insecurity, development and investment in the land. The demand for support from other districts is rapidly increasing, but response is challenged by constraints in human and financial capacities.

This output will enable districts to set-up a system for securing customary tenure rights through registration (CCOs), and develop and pilot a customized local level model of implementation for the existing land policy provisions on disputes resolution. Through the establishment of the CCOs system, local government capacity in the area of tenure governance will increase. Land disputes will be addressed in a sustainable and durable way at the district level, while a legally binding and policy compliant model for disputes resolution will be developed and tested.

The five districts of Moyo, Pader, Kole, Otuke and Abim have been selected for the implementation of the land component to be aligned with the other activities under the Governance component from among the sixteen districts targeted under the initiative. CCOs have never been implemented at scale in Northern Uganda and it was critical to identify districts that would provide different sets of land related challenges. Should this experience demonstrate that securing customary tenure rights is a trigger for inclusive development, enough information will have been collected to implement CCOs in all districts of Northern Uganda.

Activity 3.7.1. System established and operational in five districts to protect and manage customary rights in accordance with the law thus increasing tenure security. This activity will be implemented by FAO in cooperation with MoLHUD and will include the following:

- Customary tenure systems assessment and local customization of the software;
- Community server set-up for each district;

- Capacity development on CCOs for district staff and local authorities;
- Civil society stakeholders mapping and capacity development;
- Citizens’ awareness raising on tenure governance and securing tenure rights;
- Awareness raising activities targeting vulnerable groups;
- Train volunteers from the sub counties for on-going capacity development of Area land Committees;
- Provide ongoing support to District Land Offices, Area Land Committees and District Land Boards for the initial period of CCOs operations;
- Evaluate performance and quality of service, data and process.

Activity 3.7.2. Mechanism for land disputes resolution designed in accordance with the law and piloted.

The activity to be implemented by FAO in cooperation with MoLHUD covers the following:

- Assessment and profiling of land disputes in five districts;
- Consultations on local land disputes resolution mechanism requirements;
- Mechanism designed to ensure full compliance with the law and validated at the local level;
- Mechanism piloted in 1 district and validated;
- Mechanism established in 5 districts and support provided for initial period of operations;
- Evaluation meetings held in each district, needs for further capacity development assessed and implemented, quality of data and process reviewed;
- Database in created linked to or within CCOs database to ensure legal value of local mechanism decisions.

Activity 3.7.3. High quality M&E system in place in five districts to monitor implementation of CCOs, evaluate impact of increased tenure security and draw lessons for replication. This activity will be implemented by FAO in close cooperation with MoLHUD to include the following:

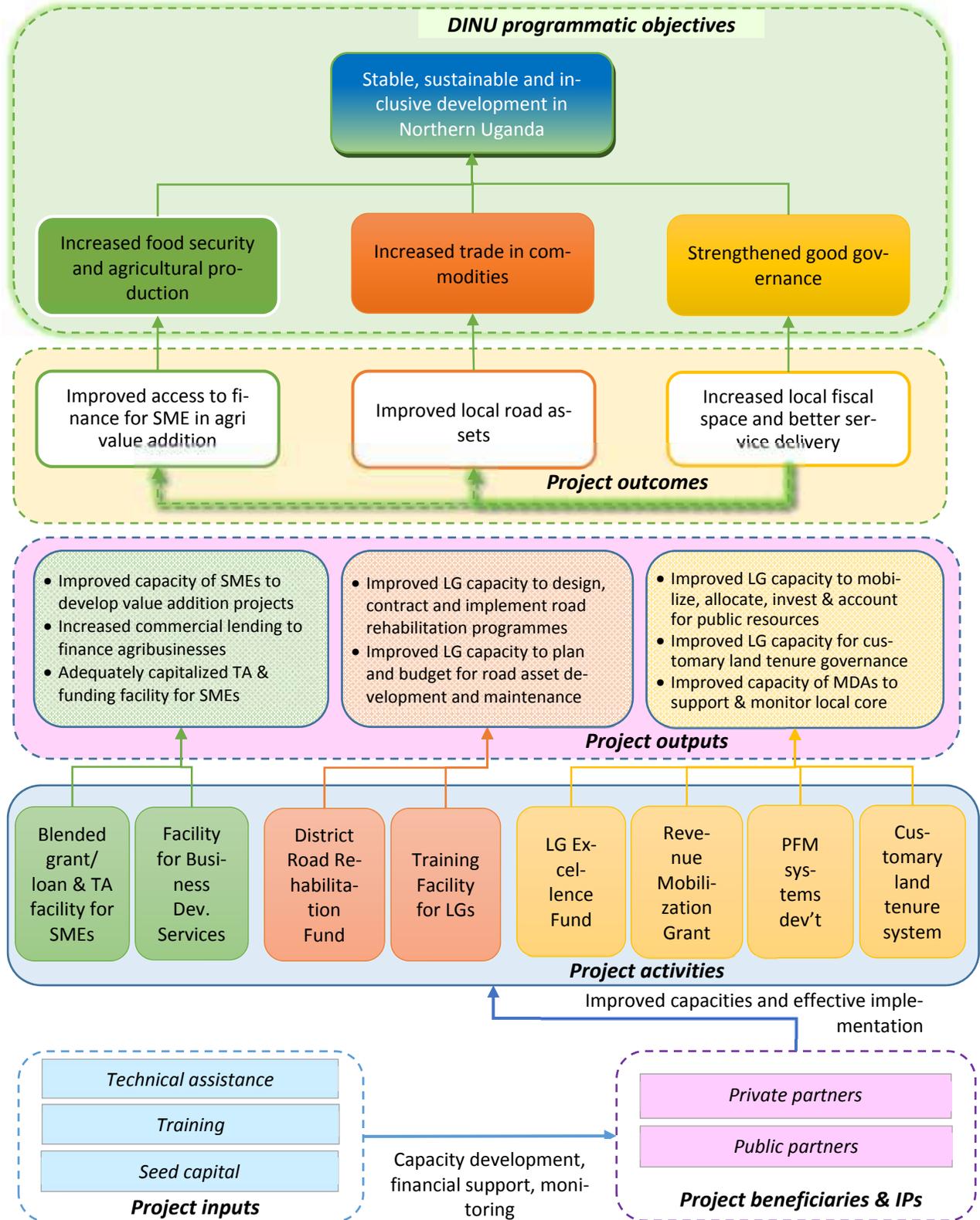
- Design of M&E system for CCOs with indicators;
- Identify target population for baseline and collect data;
- Customize the software to monitor CCOs process and quality of data;
- Monitor implementation in the 5 districts and compliance with targets;
- Develop a methodology for customary tenure systems mapping;
- Carry out a study on linkages between tenure security and investment in the land to identify how to promote responsible agricultural investment;
- Prepare a business plan for CCOs implementation in each district, including linkages to present and future services to ensure future sustainability;
- Document experiences and lessons learned to feed into national policy dialogue.

Activity 3.7.4. Provision of infrastructures and equipment to the relevant authorities to implement and facilitate the registration Certificate of Customary Ownership. This activity implemented by UNCDF will include the following:

- Survey of the target districts and assessment of infrastructure/equipment needs;

- Preparation of the specifications for the required infrastructure/equipment;
- Procurement, delivery and installation of the infrastructure/equipment;
- Technical support to the LG officials in the appropriate use of infrastructure/equipment.

Figure 2. Overview of the project logical framework



3.3 Cross-Cutting Issues

Gender will be mainstreamed into the project in three main ways. Firstly, the project will ensure that the systems and procedures used for project implementation are fully compliant with the relevant national standards, particularly for planning and budgeting²⁵ and for assessment of LG performance.²⁶ The LG Planning Guidelines emphasize substantive participation of women and other disadvantaged groups throughout planning process at all levels of local government whereas the LG Performance Assessment includes scoring for the gender mainstreaming by LGs into their activities and planned activities to strengthen women's roles.

Secondly, the project will use specific gender-sensitive criteria for identification of projects financed through START and LGEF. For example the START project eligibility criteria require that the socio-economic impact of the eligible projects should include improved position of women and young people in the local food supply chain whereas one of the stated objectives of the LGEF is to improve local governments' planning for and contribution to, social and economic empowerment of young people and women by extending additional funding for catalytic economic projects. The project will ensure that the investment project financed through its funding facilities increase women's access to productive resources, improve the business-enabling environment for women and the businesses they establish/manage and improve conditions for their access to social and economic services and equitable employment.

Where appropriate, the project has set specific targets related to mainstreaming and women's socio-economic empowerment, such as number of female-headed agribusinesses, number of women benefitting from capacity building across all programmatic components, minimum district scoring for gender mainstreaming, percentage of budget framework papers in targeted sub-regions issued with gender and equity certificate, number of LGEF projects directly benefitting women, etc.

Lastly, gender criteria will be embedded in the project approach and project activities will be designed in way to actively engage women and contribute to their economic and social empowerment, either by focusing thematically on various challenges to women's empowerment or through their direct participation or a combination thereof. The project in particular, and UNCDF more generally, will be working closely with local counterparts to routinely and pro-actively collect information on the gender-sensitivity of the planning, budgeting and monitoring processes, as well as the implementation of its activities, and applying a monitoring mechanism which will ensure that participatory data collection approaches are used which facilitate and promote the participation of women and vulnerable groups. As explained in Section 4.3, the project will aim to establish a partnership with the UNCDF global initiative for women's economic empowerment, Inclusive and Equitable Local Development (IELD) to enhance the available expertise and funding for strengthening the gender focus of the project.

Climate change and **green economy** will be addressed in two complementary ways. Firstly, the project will ensure that environmental considerations become a routine part of local public financial management through integration of relevant processes and standards in medium-term and annual planning budgeting. Specialized technical assistance will be delivered to the participating local governments to make their plans and budgets climate change-responsive based on a customized assessment of local climate risks,

²⁵ Local Government Development Planning Guidelines (NPA, 2014).

²⁶ Local Government Performance Assessment Manual (OPM, 2017).

vulnerabilities and adaptation options and to design projects and other interventions that contribute to climate change adaptation and improve local resilience.

Secondly, the project will ensure that the investments financed from its facilities are environmentally friendly, based on effective and prudent management of local natural resources, and, whenever possible, contribute to improvement of local environment. Furthermore, the START eligibility criteria specifically promote application of solar and other types of green energy to handling, processing and storage. LGEF includes improved local governments' planning and budgeting capacities and contribution to climate change adaptation and resilience as one of the two thematic objectives (together with social and economic empowerment of women and young people) and suggests a menu of relevant interventions that can be funded from the LGEF annual grant. In line with the project's partnerships strategy (Section 4.3), it will endeavor to establish linkages with the UNCDF flagship thematic initiative on climate change adaptation, LoCAL to strengthen the project's capacity to mainstream environmental issues in its activities.

Refugee response and ReHoPE implementation. The project aims to support the GoU's Settlement Transformation Agenda (STA) and its implementation strategy, ReHoPE (Refugee and Host Populations Empowerment) assisted by the UN system and the World Bank, which targets refugee-hosting districts and their entire population—both refugees and host communities—through an area-based approach. In doing so, the project will focus specifically on three objectives in line with the DINU key expected programmatic outcomes:

- Sustainable Livelihoods - To foster sustainable livelihoods for refugees and host communities, and thereby contribute to socio-economic growth.
- Environmental protection - To protect and conserve the natural environment in and around refugee settlements.
- Community infrastructure - To progressively enhance economic and social infrastructure in refugee hosting areas, in accordance with local government plans and systems.

To contribute to the achievement of these objectives, the project integrates support to the ReHoPE strategy across multiple outputs and interventions. The START facility will prioritize technical and financial support to agribusiness SMEs that involve refugee and host communities. Technical assistance will be delivered to local governments to identify and integrate refugee response actions in their medium-term and annual planning and budgeting, including the design, finance and implementation of catalytic economic projects to empower women and youth and improve local climate change adaptation, mitigation and resilience with due regard to empowerment of refugee and host communities where appropriate. Through structured partnerships with local government associations and other relevant institutions, DINU will support research, development of policy briefs and advocacy actions to enhance LG role and contribution to the refugee response and ReHoPE implementation.

The project will work to engage refugee communities in Community Dialogues to discuss Village and Parish Development issues and design projects for social and economic empowerment of young people and women as well as climate change adaptation, mitigation and improved resilience while taking into account the need for empowerment of refugee and host communities where appropriate. Uniquely for a local government discretionary grant, the LGEF incorporates the refugee population (weighted at 0.3) in its allocation formula thus incentivizing local governments to contribute to the refugee response.

3.4 Sustainability of Results

There are four ways that sustainability is addressed in the DINU project:

Firstly, **institutional sustainability** is ensured through the design of the project, which relies on national systems and procedures as well as on direct and indirect involvement of national partners in implementation of project activities. Importantly, all planning and budgeting processes, disbursement procedures, grant utilization, accounting and implementation procedures, and performance assessment procedures are fully aligned with the applicable government systems. Relevant project activities will be implemented by government agencies that are normally responsible for such activities (e.g., MoFPED for compliance with the budgeting process, MoLG for proper utilization of discretionary grants, MoWT for quality of road assets planning and development, etc.). The breadth of the stakeholders and partnerships (described in Section 4) at local, national and international levels will also help ensure the project's institutional sustainability by generating traction for project activities and approaches through their direct and indirect engagement. These partners include national government and non-government institutions, international financial and development agencies, and UN organisations and structures.

The overall oversight of the project by the OPM in the context of the DINU Programme will guarantee that firstly, the project is well integrated in, and aligned with, the overall DINU programme implementation and that secondly, the approaches introduced and tested during project implementation are in line with the national systems and procedures and may be scaled up to the national level.

Furthermore, the project design explicitly incorporates provisions for institutional sustainability of certain components, such as START. It is envisaged that the Facility be transformed into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses in Northern Uganda with the further intention to scale up its operation and coverage nationally. The project design also stipulates that the approaches and innovations piloted during project implementation should inform national policy and regulatory frameworks and be eventually reflected in national regulations and local ordinances

Secondly, **technical sustainability** is ensured through quality assurance delivered by the UNCDF Regional Office for Southern and East Africa in partnerships with the UNDP Regional Service Centres in Bangkok and Addis Ababa. Where necessary, UNCDF will tap into its global resources and networks to provide specialized expertise for quality assurance. All technical solutions designed in the course of project implementation will undergo stringent technical reviews by the relevant national agencies. The monitoring frameworks and performance indicators for the project as a whole and for its specific components are in accordance with the industry standards (e.g., the performance indicators for the START facility are based on those for the banking sector). In addition, the results of the project will be subject to annual performance assessments carried out under the OPM aegis.

Thirdly, **financial sustainability** is ensured through the project's compatibility with the existing financial mechanisms and systems and through partnership networks. The project is designed in a way to be compatible with public and private financial mechanisms, such as discretionary and conditional grants to local governments and funding mechanisms for agricultural finance. This compatibility will make it easy to in-

tegrate project financing schemes into the existing intergovernmental fiscal transfers or equity/credit facilities for agricultural and infrastructure finance and to roll out these schemes nationally if adequate financing is ensured.

In addition, the project contains explicit provisions for financial sustainability of some components. It envisages a focused resource mobilization strategy to achieve adequate capitalization of the START facility to enable its transformation to a nationally-owned and managed investment facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses.

Furthermore, all three funding mechanisms for the project funding facilities (START, DRRF and LGEF) integrate and actively promote provisions for co-financing. In general, the design envisages three co-financing modalities:

- Co-financing with funds coming from other public financial sources, such as own source revenues and other government transfers.
- Co-financing by two or more local governments when more than one LG benefits from a particular project.
- Co-financing with market-based finance in the form of equity, debt or PPP arrangements depending on the legal status of the entity concerned.

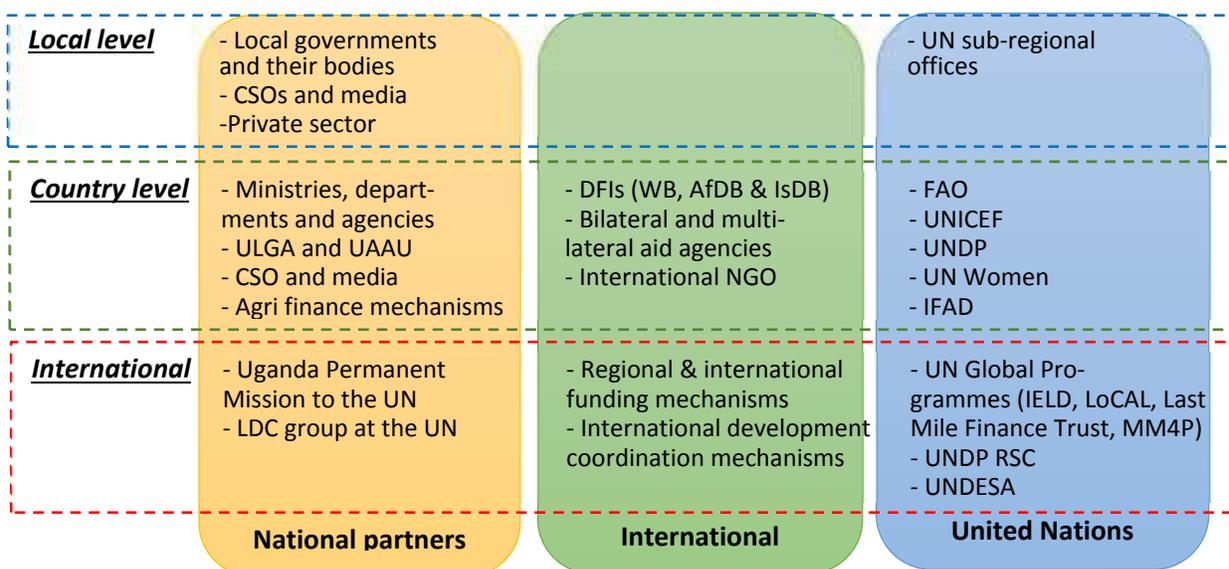
The financial instruments used for project activities are another way of ensuring financial sustainability of the project. Whereas the project will make an extensive use of non-recoverable instruments, such as grants, it will also apply reimbursable grants and loans for financing value chain addition investment project in agriculture as well as matching grants for technical assistance and local revenue mobilization designed to leverage additional financing from public and private entities benefitting from such grants.

Furthermore, the project is aligned in its approach and modalities with the UNCDF Global mechanisms, such as the Last Mile Finance Trust and the Global Thematic Initiatives, such as IELD and LoCAL. This will allow the project to leverage additional finance from these mechanisms.

Fourthly, **political sustainability** is based on the thorough alignment of the project design and objectives with the Uganda national priorities, including Vision 2040 and NDPII as well as its positioning at the centre of governance through the OPM. Linkages to international mechanisms and coordination platforms is another source of the project's political sustainability. Through its various memberships in development coordination platforms as well as through the LDC Group at the UN, UNCDF will work together with other partners on international positioning of the project by showcasing the relevance of Uganda's experiences for addressing developmental challenges in other countries.

4. PARTNERSHIPS

The project will aim to establish strong partnerships, locally, nationally and internationally, with three groups of partners: national partners (government and non-government including private sector entities, local CSOs and media), international partners (DFIs, multilaterals and bilaterals, international NGOs and others) and the United Nations.



4.1 National Partnerships

National partners are categorized into two groups: government and non-government stakeholders. The first group includes MDAs directly participating in the project implementation as well as those providing relevant regulatory frameworks, oversight functions and other activities of relevance to the project. This group involves OPM, MoFPED, MoWT, MoLG, MoAAIF, LGFC and others. Importantly, local governments and their bodies, such as Executive Committees, TPCs, District Land Board, etc. are also part of this group. Partnerships with this group of stakeholders will be formalized through letters of agreements and memoranda of understanding, which will define the responsibilities of those partners for project implementation and their relationship with UNCDF. These partners will regularly exchange information with UNCDF, act as responsible parties for project implementation and participate in the Project Board meetings or other component-specific management meetings (MoAAIF, for example, is a member of the START Management Board). Agencies with regulatory and oversight functions include BoU, OAG, PPDPA and others. Regular channels of communication will be established with these partners, they will be informed about DINU activities via newsletters and other forms of communication and will be invited to contribute to project activities on an as needed basis including participation in Project Board meetings.

National non-government partners include financial institutions and mechanisms, such as UDB and ACF, apex private sector organisations, such as PSFU, local governments associations (ULGA and UAAU), policy research institutions and think tanks as well as various private sector entities, civil society organizations, advocacy groups and media. Some of those partners (UDB and PSFU) will directly contribute to project implementation, others will be both responsible parties for certain activities as well as beneficiaries of the project interventions (ULGA and UAAU) whereas civil society organisations, advocacy groups and media, while playing no formal roles, will make important contributions by virtue of their social positioning and complementary interventions targeting downward accountability under DINU. OPM's and MoFPEDs baraza and budget transparency initiatives will also be complementary. The project will have formal rela-

tionships with the first two types of partners directly via letters of agreement or memoranda of understanding or indirectly via service contracts. Efforts will be made to actively engage civil society organisations and media at all levels in the project activities to ensure greater transparency and outreach.

UNCDF will also support partnerships with the Uganda Permanent Mission to the UN and the LDC group at the UN to ensure their political support to the project and leverage their opportunities for peer-to-peer learning and exchange.

4.2 International Partnerships

Effective partnerships, both those in the country and outside, are critical for maintaining the momentum in project implementation through awareness, outreach and resource mobilization. The project will closely coordinate with the international bilateral aid organisations, such as DFID and GIZ, directly involved in the project implementation. It will also coordinate with other international partners engaged in similar programmatic activities, such as USAID (GAPP) on issues of public financial management and own source revenue mobilization, the World Bank (USMID) on project finance, DFID on support to local governance in Karamoja and DANIDA on agricultural finance and road infrastructure development.

The project will also aim to explore the partnership opportunities with AfDB and IsDB, particularly on the issues of municipal finance and agriculture finance. It will also endeavor to establish partnerships with national, regional and international funding mechanisms, such as aBI Trust, African Agricultural Capital Fund and others to expand the available budget envelope and funding opportunities for the project.

Through UNCDF's participation in various international coordination mechanisms and platforms that support development efforts, the project will cultivate partnerships with the United Cities and Local Governments (UCLG), DeLOG (Democratisation and Local Governance), the Cities Alliance, Local Governments for Sustainability (ICLEI) and others.

4.3 United Nations Partnerships

As part of DINU implementation, the project will aim to establish strong partnerships and effective coordination with the UN agencies responsible for certain programmatic activities, such as UNICEF and FAO. In addition, the project will strive for partnerships with other UN agencies whose mandates and expertise are relevant for DINU, such as UNDP (on issues of SDG localization and tracking) and with UN Women (on issues of women's economic and social empowerment). It will also coordinate with IFAD on ensuring complementarities of the efforts for agricultural development through PRELINOR and the EU Agro Equity Impact Fund. In partnerships with the UN Department of Social and Economic Affairs (UNDESA), the project will aim to deliver complementary capacity development to local governments in development and implementation of customized asset management frameworks and action plans.

The project will also explore the partnerships opportunities with the UNCDF Global mechanisms, such as the Last Mile Finance Trust and the Global Thematic Initiatives, such as IELD and LoCAL. These partnerships are expected to open access to specialized expertise in the areas of women's economic empowerment and climate change adaptation as well as access to additional resources through the respective funding windows in the Last Mile Finance Trust Fund.

The project will benefit from partnerships with the UNDP Regional Service Centres in Bangkok and Addis Ababa to align its support to local PFM and SDG localization with the global trends and ongoing initiatives

in this area. UNCDF's partnership with UNDESA in finance for development, particularly for public financial management and domestic resource mobilization, will be helpful for ensuring the project's visibility globally and tapping into the global knowledge and expertise resources.

5. PROJECT MANAGEMENT AND IMPLEMENTATION

5.1. Project Management

The project will be managed by UNCDF through a Project Implementation Team based in Kampala. The Team will include managers of the programme implementation units (PIU) or project managers at the agencies that serve as the responsible parties for project implementation (MoWT, MoLG, LGFC, UDBL, PSFU, ULGA, UAAU). The Team will be headed by the National Programme Manager reporting to the Regional Technical Advisor who will also exercise the quality assurance function for the programme on behalf of the UNCDF HQ.

The project will use the direct execution/implementation modality to ensure best value for money and efficiency of implementation.²⁷ This modality gives full responsibility to UNCDF for project implementation. UNCDF will programme the funds and manage the activities specified in the Results and Resources

²⁷ As per the applicable Programme and Operations Policies and Procedures (POPP), Direct Implementation (DIM) is the modality whereby UNCDF takes on the role of Implementing Partner. In DIM modality, UNCDF has the technical and administrative capacity to assume the responsibility for mobilizing and applying effectively the required inputs in order to reach the expected outputs. UNCDF assumes overall management responsibility and accountability for project implementation. Accordingly UNCDF must follow all policies and procedures established for its own operations. The responsibility for the execution of the DIM projects rests with UNCDF. UNCDF may identify a Responsible Party to carry out activities within a DIM project. A Responsible Party is defined as an entity that has been selected to act on behalf of the UNCDF on the basis of a written agreement or contract to purchase goods or provide services

Framework (RRF) in line with its established rules and regulations. The administration of this project shall be governed by UNCDF's policies, rules and regulations, as stated in the UNCDF's Operations Manual (OM).

The project will be implemented as part of the overall DINU Programme and in close cooperation with the relevant government and non-government partners (see Section 4). The alignment of the project activities with the other DINU components and their integration in the work plans and budgets will be ensured through a Project Board with the participation of same stakeholders as in the DINU National Steering Committee. The National Programme Manager for this project has a specific responsibility for ensuring such alignment. In addition, project implementation will be coordinated with the other national programmes operational in the North (such as PRDP and PRELINOR, for example) as well as with thematically and geographically similar programmes implemented by other bilateral aid agencies, such as USAID, DFID, GIZ and DANIDA.

The project will be implemented in three phases:

Inception: During this phase, which will last for up to 6 months, the project will establish a proper baseline, will refine the annual targets and will implement a number of needs assessments and diagnostics to better define the needs of the participating stakeholders and design relevant actions to address capacity gaps. The scope of technical assistance delivered by the engaged responsible parties will be clarified, their work plans and budgets completed and the necessary contractual documents, such as Memoranda of understanding and agreements will be signed during this phase. The assessments and diagnostics will include

- Capacity needs assessment in the works and transport sector for districts participating in the road rehabilitation programme.
- Diagnostic for PFM Compliance and Performance in the target LGs using a customized PEFA methodology.
- Mapping and evaluation of Local Revenue Sources, Management and Administration systems in the pilot local governments.
- Capacity needs assessment for local revenue units in the local governments.
- Baseline survey on the existing local partnerships and development networks at LG level.
- Capacity needs assessment for District Land Boards and district administrations for land dispute resolution.

This phase will see finalization of the district multiannual road rehabilitation programmes for four participating districts, clarification of the technical assistance scope and procurement for technical assistance, signing of memoranda of understanding/agreements signed with MOWT for rehabilitation and MELTC training components and such like.

The START Facility will issue its first call for proposals and will complete the first and second rounds of screening during this phase. This phase will allow the responsible parties to refine their implementation

using the project budget. The Responsible Party may manage the use of these goods and services to carry out project activities and produce outputs. All Responsible Parties are directly accountable to UNCDF in accordance with the terms of their agreement or contract with UNCDF.

plans, prepare requisite terms of reference, complete recruitment and procurement processes and transition to the next phase. Indicative planning figures for implementation of particular components will be communicated to ensure their integration in the regular planning and budgeting cycle. There will be no disbursements of grants to the participating districts during this phase.

Rollout: This phase will last until after the mid-term evaluation (year 3 of the programme). It will involve implementation of the key activities in accordance with the approved annual plans and budgets. This phase will see disbursements to the participating districts starting from FY 2018/19. In particular,

- At least half of the entire budget for the START Facility will be disbursed, with the first reimbursable grants and loans being repaid.
- Road rehabilitation programmes in the target districts will be well ahead or completed.
- Key systems and procedures for the PFM core functions and land dispute resolution will be piloted or in place.
- District revenue mobilization initiatives will enter the third year of implementation, with the participating districts demonstrating tangible increases in local revenue generation.
- Two rounds of the LGEF will be completed and the participating districts will demonstrate compliance with the Fund criteria and measurable improvements in their performance.
- Key studies, policy briefs to advance and deepen decentralization and local governance will be completed, with advocacy actions and legislative proposals initiated.

Consolidation: This period will last for about a year from after the mid-term evaluation until six months before the closure of the project, for about a year. This phase will allow project interventions to mature following the recommendations of the mid-term evaluation. The project will review and revise its activities as necessary, will adjust the implementation targets and modalities, will accept and upscale or reject the approaches and systems introduced by then. This phase will see the concerted efforts of key stakeholders in three areas: (1) institutionalize the results of the project through necessary legal and regulatory adjustments at the national and local levels, (2) ensure adequate financing for the continued operation of certain facilities (e.g., START), and (3) agree on and finalize the transition and successor arrangements.

Phase-out and closure: This phase will last for about 6 months until the formal closure of the project. This will include:

- Preparation of appropriate legal instruments and formal handover of the project facilities to the successor organization(s).
- Preparation and review of the Final Project Review Report, including Lessons-learned.
- Commissioning of project evaluation.
- Transfer of project deliverables, documents, files, equipment and materials to national beneficiaries.
- Programmatic and financial closure of the project.

5.2 Geographic Coverage

To identify the core districts for this project a set of outcome- and output-specific criteria was used as explained below:

Outcome (output)	Criteria	District selection
1. Improve access to finance for SMEs engaged in agricultural value addition through a dedicated facility for business development services and blended finance.	<ol style="list-style-type: none"> 1. Geographic alignment with the Value Chain component district selection to benefit from market-oriented and capacity building interventions implemented through other DINU activities. 2. Thematic alignment with the selected value chains (livestock, sorghum, apiary, vegetables, cassava, soya, rice, groundnuts, sesame, coffee). 	Amudat, Moroto, Abim, Pader, Agago, Amuria, Otuke, Alebtong, Oyam, Omoro, Kole, Adjumani, Moyo, Yumbe, Zombo
2. Improve the stock and quality of the district road assets through a district road rehabilitation fund and dedicated technical assistance and improve local service delivery for road assets.	<ol style="list-style-type: none"> 1. State of the district community access roads and rehabilitation needs (for rehabilitation). 2. Governance performance score (see the criteria for Outputs 3.1-3.5 below). 	<p>Abim, Adjumani, Amudat, and Moyo</p> <p>Amudat, Moroto, Abim, Napak, Pader, Agago, Omoro, Lamwo, Otuke, Kole, Amolatar, Amuria, Adjumani, Moyo, Yumbe, Zombo</p>
3.1. Strengthen capacities of Local Governments in public financial management; 3.2. Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources; 3.4. Support and strengthen local governments' upward accountability; 3.5. Support the reform and pilot implementation of Government of Uganda's own annual performance assessment framework for local governments	<p>The highest scoring districts regionally distributed based on the following criteria:</p> <ol style="list-style-type: none"> 1. Performance score, which carries a weight of 40% and is a geometric average of two scores: the general performance score based on internal MoLG assessment and an audit score based on the OAG report for 2016. The lower is the LG performance, the higher the score. 2. External program score, which has been normalized to 20%. The more programs are operational in the district, the lower the score. 3. DINU and priorities alignment score, including exposure to conflict and presence of a refugee population, which has been normalized to 20%. The more alignment there is, the higher is the score. 4. Poverty index score based on the headcount of district population below the poverty line normalized to 20% so that districts with a higher poverty index score higher. 	<ul style="list-style-type: none"> • Karamoja: Amudat, Moroto, Abim, Napak • Acholli: Pader, Agago, Omoro, Lamwo • Lango: Otuke, Kole, Amolatar • Teso: Amuria • West Nile: Adjumani, Moyo, Yumbe, Zombo
3.6. Incentivise performance of local governments and to stimulate community involvement (LGEF)	Five highest ranking districts (one per each sub-region) based on the above criteria.	Omoro, Amudat, Otuke, Amuria, Yumbe
3.7. Improve land governance and facilitate the registration of Certificate of Customary Ownership	<ol style="list-style-type: none"> 1. Severity of land conflict. 2. Alignment with Outputs 3.1, 3.2, 3.4 and 3.5. 	Moyo, Pader, Kole, Otuke and Abim

The following matrix demonstrates the presence of other key DINU components in the selected districts. This presence will allow the LGEF to exploit the linkages with the other components by establishing effective synergies and complementarities as explained in Section 2.3. At the same time, it will promote a more cohesive and holistic approach to planning and implementation of DINU activities in the selected districts.

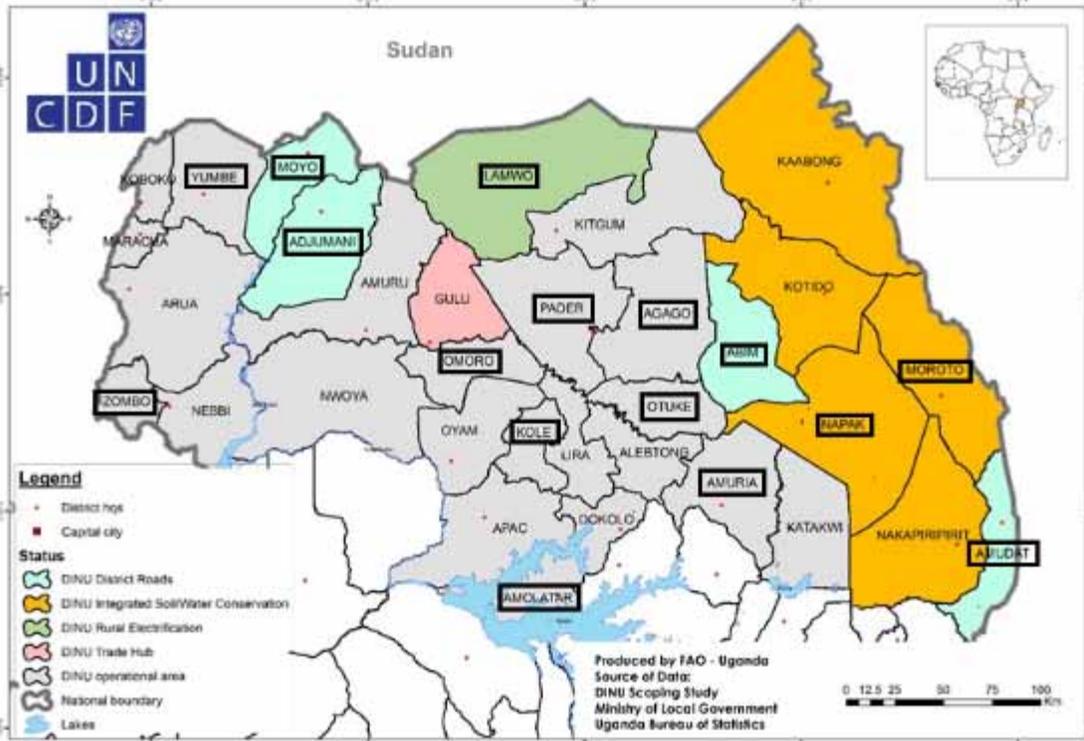
District	START	Road reha- bilitation	DLG capacity	LGEF	Land conflict	Value chain cluster
Omoró		**				
Amudat						
Otuke		**				
Amuria		**				
Moroto		**				
Abim						
Napak	*	**				
Pader		**				
Agago		**				
Lamwo	*	**				
Kole		**				
Amolatar	*	**				
Adjumani						
Moyo						
Zombo	*	**				
Yumbe		**				

* Eligible subject to special consideration and START Management Board approval.

** Districts entitled to capacity development for road maintenance and technical assistance for local road assets development

Figure 4 summarizes the presence of different component within this project document and outside. The core districts are designated with a bold frame.

Figure 4. DINU districts by operational component



6. RESULTS AND RESOURCES FRAMEWORK

Development Outcome:
Consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.
UNDAF Outcomes: <ul style="list-style-type: none">• Outcome 1.3. Institutional Development, Transparency and Accountability: By end 2020, targeted public institutions and Public-Private Partnerships are fully functional at all levels, inclusive, resourced, performance-oriented, innovative and evidence-seeking supported by a strategic evaluation function; and with Uganda’s population enforcing a culture of mutual accountability, transparency and integrity• Outcome 3.2. Infrastructure, Production & Trade: By end 2020, Uganda’s stock of infrastructure adheres to physical planning policies and standards to support production and trade; production systems (agriculture, industry, mining & tourism) are internal & international market oriented, competitive, climate resilient, environmentally friendly, gender responsive, green technology driven and generating sustainable job opportunities for all, particularly women and youth; trade is formalized, competitive, scalable, ICT-enabled, regionally integrated, promoting MSMEs and corporate governance.
UNCDF Strategic Framework Outcomes: <ul style="list-style-type: none">• Outcome 1: Financing increased for basic services and inclusive growth/local economic development• Outcome 2: Effective financing mechanisms established to increase resilience to economic and environmental shocks in the last mile
Intended Project Outcomes: <ol style="list-style-type: none">1. Improved access to finance for SMEs engaged in agricultural value addition through a dedicated facility for business development services and blended finance.2. Improved stock and quality of the district road assets through a district road rehabilitation fund and dedicated technical assistance and improved local service delivery for road assets.3. Increased local fiscal space and improved local service delivery through a discretionary grant mechanism and technical assistance to core government functions, including customary land tenure systems.
Project title and ID (ATLAS Award ID): Development Initiative for Northern Uganda

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
Food Security and Agriculture				€ 3,932,000
Output 1.1. Providing seed capital to incubation projects				€ 3,932,000
Indicators:				
1.1. Total number % of entrepreneurs that received seed capital still in business at programme completion, disaggregated by gender	1.1. At least 80% of entrepreneurs still in business at programme completion			
Baseline:				
1.1. SME mortality rate is 70-75% during the first 5 years of operation (National Small Business Survey of Uganda, 2015)				
1.1.1. % of submitted business proposals accepted for 2 nd screening, disaggregated by male-female-led business	1.1.1. 70% (Year 1), 80% (Year 2), 90% (Years 3-4)	1.1.1. Business Development Services	PSFU	€ 800,000
1.1.2. Total number and % of businesses making it to (a) financial closure and (b) financial disbursement, disaggregated by male/female-led businesses	1.1.2. 70% (Year 1), 75% (Year 2), 80% (Years 3-4)	1.1.2. Project preparation and development*	UNCDF	€ 1,132,000
1.1.3. Total amount of SME finance (incl. leverage) & NPL ratio, disaggregated by finance to female-led businesses	1.1.3. At least €1,000,000 is delivered each year (2018-2021) in grants, reimbursable grants, loans and equity, with NPL ratio equal to or less than 10% (Year 1), 7% (Year 2), 5% (Years 3-4)	1.1.3. Financial Services	UDBL	€ 2,000,000
Baselines:				

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
1.1.1.	90% (industry standards)			
1.1.2.	80% (industry standards)			
1.1.3.	NPL rates in the agriculture sector 15.3% (BoU, Monetary Policy Report, August 2016)			
Transport Infrastructure				€ 9,004,667
Output 2.1. Rehabilitation and upgrading of priority districts and community access roads				€ 8,543,667
Indicators:				
2.1. (1)	Number of kilometre of District Community Access Roads rehabilitated using labour intensive methods and low cost sealing methods**	2.1. Realistic annual targets will be drawn at inception in accordance with the approved district road rehabilitation programmes		
2.1. (2)	Change of districts and community priority access roads in fair and good condition in selected project districts. *			
2.1. (3)	Change in number of rural population living within 2 km of all-weather road**			
Baselines:				
2.1 (1)	Zero			
2.1. (2)	DUCAR in fair & good condition: GIS Based Intervention Prioritisation Analysis for Abim, Adjumani, Amudat and Moyo Districts – 2015: Abim:52.7%, Amudat: 82.48%, Adjumani:78.2%, Moyo: 50.7%			
2.1. (3)	83% of rural population living within 2 km of all-weather road (Annual Sector Performance Report MoWT, 2014/2015)			

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
Indicators: 2.1.1. % of projects issued Works Completion Certificate without a need for defects rectification	2.1.1. 70% (Year 1), 80% (Year 2-4)	Activity 2.1.1. Provision of technical assistance for implementation of district road rehabilitation and improvement	UNCDF	€ 1,122,689
2.1.2. % DRRF utilization by districts	2.1.2. 75% utilization (Years 1-2), 90% utilization (Years 3-4)			
Baselines: 2.1.1. Zero 2.1.2. Zero		Activity 2.1.2. Implementation of district road rehabilitation and improvement programmes in four target districts (District Road Rehabilitation Fund)	UNCDF	€ 7,420,978*
Output 2.2. Support districts and communities in road maintenance				€ 461,000
Indicators: 2.2.1. Number and % of relevant stakeholders (technical/non-technical staff, managers and community representatives) improving their expertise in road maintenance, disaggregated by gender	2.2.1. 30% (Year 1), 60% (Year 2), 100% (Year 3)	Activity 2.2.1. Training programme in road maintenance	MELTC via MoWT	€ 280,000
2.2.2. % of districts with the road rehabilitation and maintenance component integrated in plans and budgets	2.2.2. Out of 16 core districts, 30% integrate the road component in Year 1, 60% in Year 2 and 100% in Year 3, with at least 20% women.	Activity 2.2.2. Integration of the road rehabilitation and maintenance component in the LG annual and mid-term planning, budgeting and implementation frameworks	MoLG/UNCDF	€ 181,000*
Baselines: 2.2.1. To be established at inception 2.2.2. Zero				
Good Governance				€ 9,295,400

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
<p>Output 3.1. Strengthen capacities of Local Governments in public financial management</p> <p>Indicators:</p> <p>3.1. LG performance score for Crosscutting Performance Measures</p> <p>3.1.1. % of budget framework papers in targeted sub-regions issued with NPA's certificate on compliance with the provisions of the PFMA</p> <p>3.1.2. % of budget framework papers in targeted sub-regions issued with gender and equity certificate in compliance with the provisions of the PFMA</p> <p>Baselines:</p> <p>3.1 To be established at inception</p> <p>3.1.1. Approximately 60%</p> <p>3.1.2. Approximately 60%</p>	<p>60 points for Year 1, 70 points for Year 2, 80 points and above for Years 3-4.</p> <p>70% for Year 1, 80% for Year 2, 90% and above for Years 3-4.</p> <p>70% for Year 1, 80% for Year 2, 90% and above for Years 3-4.</p>	<p>Activity 3.1.1. Adequate capacity and compliance with the National Rules and Regulations on PFM.</p> <p>Activity 3.1.2. LGs Development Plans and Budgets are gender sensitive and responsive to the local economy conditions</p>	<p>MoLG</p> <p>MoLG</p>	<p>€ 702,400</p> <p>€ 432,400</p> <p>€ 270,000</p>
<p>Output 3.2. Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources</p> <p>Indicators:</p> <p>3.2.1. % of identifiable taxable base covered in the local revenue database</p>	<p>At least 70% for Year 1, at least 80% for Year 2, 90% and above for Years 3-4.</p>	<p>Activity 3.2.1. Updated local revenue database on the revenue sources in the target LGs.</p>	<p>LGFC</p>	<p>€ 2,049,000</p> <p>€ 769,000</p>

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
3.2.2. % of local own source revenue (projected and collected) as a ratio of transfers from central government	6% (Year 2), 10% (Year 3), 15% (Year 4)	Activity 3.2.2. Increase in realization of the budgeted LR in the LGs.	UNCDF	€ 1,280,000
Baselines:				
3.2.1. Total revenue effectiveness is 38%, with approximately 60% of the taxable base covered (LGFC, 2013)				
3.2.2. 3-5% are locally generated (MoFPED, 2016)				
Output 3.3. Structured partnership with Associations of Local Authorities and key relevant institutions				€ 450,000
Indicators:				
3.3.1. # of policy briefs produced on key policy issues disaggregated by briefs addressing gender issues	At least 4 policy briefs produced annually (Years 1-4)	Activity 3.3.1: Improved capacity of Local Governments to identify and formulate key policy issues for advocacy	ULGA/UAAU	€ 150,000
3.3.2. # of evidence-based research studies completed and # of advocacy actions on behalf of LGs (disaggregated by studies and actions explicitly addressing gender issues)	Realistic targets to be established at inception	Activity 3.3.2. Evidence-based research to improve understanding of the key local government challenges and advocacy for decentralized governance and devolution of powers	ULGA/UAAU	€ 150,000
3.3.3. % of target LG assisted in key performance activities, such as bi-annual monitoring of implementation, semi-annual and annual performance reviews and assessments	50% (Year 2), 100% (Year 3)	Activity 3.3.3. Strengthened capacity of Associations for quality assurance and review of the LG key	ULGA/UAAU	€ 150,000

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
<p>Baselines: 3.3.1.-3.3.3. Zero</p>		implementation issues and support to LG participation in periodic government reviews.		
<p>Output 3.4. Support and strengthen local governments' upward accountability.</p> <p>Indicators: 3.4 % of compliance with accountability regulations governing local governments</p> <p>3.4.1 (1) % of LGs with unqualified audit rating (with up to 2 cross-cutting issues)</p> <p>3.4.1. (2) % of implementation of recommendations mandated accountability institutions governments</p> <p>Baselines: 3.4. Not available</p> <p>3.4.1. (1) 44% (2016) have unqualified audit rating with not more than 2 cross-cutting issues</p> <p>3.4.1. (2) 56% (2015) of Uganda Procurement, Disposal of Public Assets (PPDA) recommendations are implemented</p>	<p>3.4. LG performance score for cross-cutting performance measures is 60 points for Year 1, 70 points for Year 2, 80 points and above for Years 3-4.</p> <p>3.4.1. (1) 60% (Year 2), 70% (Year 3), at least 80% with no unqualifying LGs (Year 4)</p> <p>3.4.1 (2) 65% (Year 2), 75% (Year 3), at least 90% (Year 4)</p>	<p>Activity 3.4.1. Improved LG compliance with the national accountability and procurement standards.</p>	<p>MoLG</p>	<p>€ 515,000</p> <p>€ 515,000</p>

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
<p>Output 3.5. Support the reform and pilot implementation of Government of Uganda's own annual performance assessment framework for local governments</p> <p>Indicators: 3.5.1. % of LGs that conduct internal 'mock' assessments to determine their compliance with assessment requirements 3.5.2. % of LGs that have a functioning SDG Localization Tool</p> <p>Baselines: 3.5.1. Zero 3.5.2. Zero</p>	<p>10% (Year 1), 30% (Year 2), at least 60% (Years 3-4)</p> <p>20% (Year 2), 50% (Year 3), 100% (Year 4)</p>	<p>Activity 3.5.1. Government performance assessment framework strengthened</p> <p>Activity 3.5.2. SDG Localization Diagnostic Tracking Tool</p>	<p>MoLG</p> <p>UNCDF</p>	<p>€ 650,000</p> <p>€ 450,000</p> <p>€ 200,000</p>
<p>Output 3.6. Incentivise performance of local governments and to stimulate community involvement</p> <p>Indicators: 3.6.1. Level of stakeholder participation in planning, budgeting and monitoring of local government programmes disaggregated by sex 3.6.2. LG performance score for cross-cutting performance measures, including Performance Measure #25: The LG has mainstreamed gender into their activities and planned activities to strengthen women's roles 3.6.2.1.</p>	<p>To be established at inception</p> <p>60 points for Year 1, 70 points for Year 2, 80 points and above for Years 3-4; maximum score for PM #25 by the end of the programme.</p>	<p>Activity 3.6.1. Improved community capacity to participate in the LG planning & budgeting process.</p> <p>Activity 3.6.2. Local Government Excellence Fund</p>	<p>MoLG</p> <p>UNCDF</p>	<p>€ 2,169,000</p> <p>€ 169,000</p> <p>€ 2,000,000</p>

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
Baselines:				
3.6.1. Not available				
3.6.2. Not available				
Output 3.7. Improve land governance and facilitate the registration of Certificate of Customary Ownership	3.7. 45,000 CCOs issued, 600,000 individuals have increased tenure security thanks to a CCO			€ 2,760,000
Indicators:				
3.7. # of CCOs issued (% of CCOs with women and children, % of women headed households, % of youth, % of disabled and vulnerable individuals)		Activity 3.7.1. System established and operational in five districts to protect and manage customary rights in accordance with the law thus increasing tenure security.	FAO	€ 826,667
3.7.1. # of districts that have an inclusive and affordable system in place for customary rights registration and management	3.7.1. Five target districts have a system in place			
3.7.2. # of land disputes addressed through the mechanism	3.7.2. 100 disputes by programme end	Activity 3.7.2. Mechanism for land disputes resolution designed in accordance with the law and piloted	FAO	€ 826,667
3.7.3. % of land disputes discussed through the newly established disputes resolution mechanisms	3.7.3. 350 by programme end	Activity 3.7.3. High quality M&E system in place in five districts to monitor implementation of CCOs, evaluate impact of increased tenure security and draw lessons for replication	FAO	€ 826,667
3.7.4. % of infrastructures and equipment delivered against the approved plan	3.7.4. 100% of approved infrastructures and equipment delivered by Year 3.	Activity 3.7.4. Provision of infrastructures and equipment to the relevant authorities to implement and facilitate the registration Certificate of Customary Ownership	FAO	€ 280,000
Baselines:				
3.7. Zero				

INTENDED OUTPUTS	OUTPUT TARGETS FOR YEARS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUT (EUR)
3.7.1-3.7.4. Zero				
Project support and management				€ 3,620,106
GMS 7%			UNCDF	€ 1,785,000
Staffing costs: Chief Technical Advisor (50%); National Programme Manager; START Manager; Governance Lead Specialist; Transport Infrastructure Lead Specialist, 2 Investment Finance Officer, Admin/Finance Assistant; Driver*			UNCDF	€ 618,850
General operating and other direct costs**			UNCDF	€ 793,143
Equipment			UNCDF	€ 213,144
Contingency			UNCDF	€ 210,000
Grand total				€ 25,852,174

*National Programme Manager is charged 50% to Activity 2.1.4 and 50% to Activity 3.6.3; START Manager and 2 Investment Finance Officers are charged to Activity 1.1.2; Governance Lead Specialist is charged to Activity 3.2.2; Transport Infrastructure Lead Specialist is charged to Activity 2.1.2.

** General operating and other costs are charged proportionally to all Outputs except Output 3.7

7. ANNUAL WORK PLAN AND BUDGET

7.1 Funding and Budget Overview

The total project budget including the UNCDF contribution is €25,852,174 for five years of operation. However, the first project year (2017) covers only part of the calendar year and no district grant disbursements are planned during that year. This is in line with the design and operating principles of the project, which requires that district transfers be aligned with the national planning and budgeting cycle.

Budget distribution by the UNDG expenditure category is as following:

UNDG (United Nations Development Group) Harmonized Budget Categories	
<i>Costs</i>	
1. Staff and other personnel costs	12.0%
2. Supplies, Commodities, Materials	0.8%
3. Equipment, Vehicles and furniture	2.5%
4. Travel	0.7%
5. Transfers and Grants to Counterparts	74.0%
6. General Operating and Other Direct Costs	3.1%
7. Total Direct costs of the Action	93.0%
8. Indirect costs (7%)	7.0%
9. Total Eligible costs of the Action	100.0%

In addition to its direct financial contribution to the project, UNCDF will be exploring three other options to increase funding availability for DINU:

- co-financing through the programmes currently implemented in Uganda (or planned to be launched within the next two years);
- leveraging UNCDF Last Mile Finance Trust Fund
- strategic partnerships that will complement DINU activities (parallel funding), hence contributing to achieving higher impact on target districts.

The first option will involve strategic alignment of programmatic interventions, thematically and geographically, implemented under LFI and MM4P. This will allow (a) leveraging the results of selected agricultural value chain digitizing to enhance the quality and creditworthiness of projects submitted for funding through the START Facility and (2) leverage additional public and private capital through structured project financing and financial engineering for private and public projects financed through the START Facility, DRRF and LGEF.

As UNCDF works on the launch of two more projects in 2018-2019 (Local Climate Adaptive Living Facility, LoCAL, and Inclusive Equitable Local Development, IELD), efforts will be made to align and harmonize those projects with the planned DINU interventions in a way to create additional synergies for addressing the issues of climate change adaptation and women's economic empowerment at the local level in Northern Uganda. As part of its fundraising efforts, UNCDF will seek to persuade and promote the channeling

of additional resources to DINU raised through the relevant windows of the UNCDF Last Mile Finance Trust Fund, such as “Economic Empowerment for Women and Youth”, “Green Economy” and “Infrastructure and Services”, to actively contribute to the positioning and resourcing of the Trust Fund.

Lastly, UNCDF will explore strategic partnerships with partners implementing thematically or geographically similar programmes to complement available financing. This concerns partners working in agricultural finance and support to agricultural value chain development as well as in public financial management, particularly in local service delivery and resource mobilization. To attract funding, UNCDF plans to elaborate a fundraising detailed plan, prepare donor specific materials, target high priority prospects, engage current partners and their networks, maximize on potential parallel funding opportunities.

7.2 Budget Summary by Category by Year

UNDG (United Nations Development Group) Harmonized Budget Categories Costs	All years	2017/18	2018/19	2019/20	2020/21	2021/22	EU Contribution (EUR)	UNCDF Contribution (EUR)
	Total Cost (in EUR)	Total Cost (in EUR)						
1. Staff and other personnel costs	3,113,731	263,000	800,000	800,000	800,000	450,731	2,982,807	130,924
2. Supplies, Commodities, Materials	210,900	30,000	50,000	50,000	50,000	30,900	210,900	0
3. Equipment, Vehicles and furniture	667,400	100,000	330,000	170,000	67,400	0	667,400	0
4. Travel	176,700	15,000	45,000	45,000	35,000	22,250	176,700	0
5. Transfers and Grants to Counterparts	19,106,000	600,000	5,150,000	5,150,000	5,150,000	3,100,000	18,884,750	221,250
6. General Operating and Other Direct Costs	793,143	63,000	160,000	210,000	160,000	200,000	793,143	0
7. Total Direct costs of the Action	24,067,874	1,071,000	6,535,000	6,425,000	6,262,400	3,803,881	23,715,700	0
8. Indirect costs (7%)	1,785,000	74,970	457,450	449,750	438,368	266,272		
9. Total Eligible costs of the Action	25,852,174	1,145,970	6,992,450	6,874,750	6,700,768	4,070,153	25,500,700	352,174

7.3 Detailed Budget by Category

UNDG Harmonized Budget Category	Unit Cost (EUR)	No. of units	# of months	Total Budget EUR
1. Staff and other personnel costs				
1.1 Chief Technical Advisor (50%)	8,930	1	56	500,080
1.2 Programme Manager (100%)	6,340	1	56	355,057

UNDG Harmonized Budget Category	Unit Cost (EUR)	No. of units	# of months	Total Budget EUR
1.3 START Manager (100%)	4,644	1	54	250,754
1.4 Lead Governance Specialist (100%)	4,644	1	54	250,754
1.5 Lead Transport Infrastructure Specialist (100%)	4,644	1	54	250,754
1.6 Investment Officer (100%)	2,679	2	54	289,332
1.7 Admin/Finance Officer (100%)	2,233	1	54	120,555
1.8 Driver	1,786	1	54	96,444
1.9 Consultants	250,000	4		1,000,000
<i>Sub-total Staff and other personnel costs</i>				<i>3,113,731</i>
2. Supplies, Commodities, Materials				
2.1 Programme Printing Materials	28,000	4		112,000
2.2 Programme Office Supplies and materials	2,150	1	46	98,900
<i>Subtotal Supplies, Commodities, Materials</i>				<i>210,900</i>
3. Equipment, Vehicles and furniture				
3.1 Station wagon vehicle	30,000	3		90,000
3.2 Vehicles (4 pick-ups)	30,000	4		120,000
3.3 Vehicles (16 Standard Vehicles)	17,000	16		272,000
3.4 Motor Cycles	4,100	10		41,000
3.5 Laptops	800	40		32,000
3.6 Tablets	500	150		75,000
3.7 Printers	500	30		15,000
3.8 Office Furniture	2,400	16		38,400
<i>Subtotal Equipment, Vehicle and furniture</i>				<i>667,400</i>
4. Travel				
4.1 Yearly lump sum per staff member	4,650	38		176,700

UNDG Harmonized Budget Category	Unit Cost (EUR)	No. of units	# of months	Total Budget EUR
<i>Subtotal Travel</i>				<i>176,700</i>
5. Transfers and Grants to Counterparts				
5.1 Grants to PSFU (annual allocation)	200,000	4		800,000
5.2 Grants to UDB (annual allocation)	500,000	4		2,000,000
5.3 Grants to MELTC via MoWT (annual allocation)	93,333	3		280,000
5.4 DRRF grants to DLGs to implemenet rehabilitation programmes	2,393,333	3		7,180,000
5.5 Grants to MoLG for DLG capacity building (annual allocation)	477,000	4		1,908,000
5.6 Grants to LGFC for DLG capacity building (annual allocation)	190,000	4		760,000
5.7 Grants to DLGs to implement revenue mobilization initiatives (annual allocation for 16 DLGs)	19,500	64		1,248,000
5.8 Grants to ULGA and UAAU for policy and advocacy (annual allocation)	56,250	8		450,000
5.9 LGEF grants to DLGs (annual allocation)	500,000	4		2,000,000
5.10 Transfer to FAO for the land component (annual allocation)	620,000	4		2,480,000
<i>Subtotal Transfers and Grants to Counterparts</i>				<i>19,106,000</i>
6. General Operating and Other Direct Costs				
6.1 Vehicle costs (Fuel, Maintenance & Insurance)	800	2	48	76,800
6.2 Motorbikes (Fuel, Maintenance & Insurance)	100	10	48	48,000
6.3 Office rent - cost-shared (co-location with UNCDF projects)	3,000	1	53	159,000
6.5 Communication and visibility	2,400	1	54	129,600
6.6 Other services (tel/fax, electricity, internet , security, fuel for generators)	1,200	1	54	64,800
6.7 Reporting Costs	500	10		5,000
6.8 Technical Support Services	10,000	4		40,000
6.9 Evaluation Costs	60,000	2		120,000
6.10 Audit	50,000	1		50,000
6.10 Baseline, Continuous Monitoring and Assessments	20,000	5		100,000

UNDG Harmonized Budget Category	Unit Cost (EUR)	No. of units	# of months	Total Budget EUR
<i>Sub-total General Operating and Other Direct Costs</i>				<i>793,200</i>
7. Total Direct Costs of the Action				24,067,231
8. Indirect costs (7%)				1,785,000
9. Total Eligible Costs of the Action				25,852,174

7.4 Value for Money Analysis

A value for money analysis concerns three aspects: economy, efficiency and effectiveness.

- **Economy** relates to the price at which inputs are purchased (consultants in design phase, targeting costs, management information systems, payment mechanisms, independent evaluations).
- **Efficiency** relates to how well inputs are converted to the output of interest, which is transfers delivered to beneficiaries. **Cost-efficiency analysis** spans both economy and efficiency, focussing on the relationship between the costs of a social transfer programme and the value of the transfers delivered to beneficiaries.
- **Effectiveness** relates to how well outputs are converted to outcomes and impacts (e.g. reduction in poverty gap and inequality, improved nutrition, reduction in school drop-out, increased use of health services, asset accumulation by the poor, increased smallholder productivity, social cohesion). **Cost-effectiveness analysis** measures the cost of achieving intended programme outcomes and impacts, and can compare the costs of alternative ways of producing the same or similar benefits. **Cost-benefit analysis (CBA)** is wider-ranging, quantifying in monetary terms as many of the economic costs and benefits of a programme as feasible, including items for which the market does not provide a satisfactory measure of economic value.

VfM Measures

The examples on each VfM category provided below are indicative, and it is possible that they will change during implementation and following project reviews. DINU funding facilities (START, DRRF, LGEF and DRMF) will establish their own detailed VfM indicators in line with industry standards and will report against those indicators.

Effectiveness and Cost Effectiveness:

- Cost per % of revenues increased
- Cost per % reduction in difference between budgets and expenditure outturn
- Cost per % reduction in difference between revenue estimates and actuals
- Cost per unit of infrastructure
- Evidence from the project enhanced capacities in civil service
- Evidence from social and economic empowerment of women and young people (cost per % increase in jobs and incomes)
- Evidence from improved local climate change adaptive capacity and increased resilience to climate change
- Cost per % of increase in external financing mobilized from outside the project's resources

Efficiency:

- Budget utilisation rates (for all responsible parties and facilities)
- Cost per local government supported

Economy:

Key cost drivers in this type of programming are staff remuneration and consultancy rates, as they are the main components of technical assistance. Any other procurement item such as vehicles and equipment will also be reported on.

- Cost of long term and short term consultants
- Cost of procurement for major categories of vehicles and equipment
- Standard lead time for procurement tracked (UNCDF and responsible parties).
- Cost reductions/ savings achieved to be tracked over the project period by all responsible parties.

Costs and Benefits of the Action

Incidence of Costs and Benefits

Costs identified in this document are entirely borne by the project (the EU and UNCDF) as indicated in Section 7.2. Benefits, which will be experienced by Ugandan local governments, Ugandan populations (and refugees where appropriate), the development community and beyond, are attributable to the project (the EU and UNCDF) on the basis of cost contribution where there are other donors. Where there is no other donor, such as in support for public financial management in new member states, benefits will be wholly attributable to the project.

Incremental Costs

Costs have been presented in Section 7.2, using:

- The available resource envelope for the programme from the EU Action Document for DINU as reflected above.
- Proposals from the responsible parties indicating the cost of their activities.
- Prior experiences of implementing similar interventions (e.g., capacity building for core PFRM functions, technical assistance for project preparation and development, etc.)

The total cost of the Action is €25,852,174, of which €12,180,761 will be disbursed in grants and loans to public and private entities for capital investments, another €1,280,000 will be disbursed as grants to local governments to support local revenue mobilization whereas the remaining €5,645,239 from the category of Transfers and Grants to Counterparts will be disbursed as grants to the responsible parties to deliver technical assistance and capacity building activities.

Incremental Benefits

The benefits are presented in the summary table below. These are benefits that are expected to occur compared to the Counterfactual.

It is not possible ex-ante to define and quantify a full set of the economic benefits arising from this project due to the challenge of quantifying some interventions. Nevertheless, most results lend themselves to a cost-benefit analysis as the summary table demonstrates.

The following assumptions were used:

- Uganda LG revenues²⁸ have been increasing 8.34% in the period 2010-2014, so a similar trend for the next ten years will hold and the ratio between the total budget and OSR will remain the same.

²⁸ Both tax and non-tax revenues considered, excluding donor grants.

- The economic life of public and private investments 10 years (5 years for road rehabilitation projects), with the benefit stream starting the year following the year of investment, a payback period of 5 years and a salvage value of 10% at the end of the 10-year period.
- A social discount rate (SDR) of 10%, an opportunity cost of capital 12% and required rate of return on private investments 20%.
- All component costs are equally shared over the four project years (three years for the district road rehabilitation programme).
- Finally, in trying to monetise the value of public vs private spending (as tax revenue is a transfer from private households to the government and so cannot be treated as a benefit in itself). Assumptions have to be made about the increase in societal welfare from having spending by government, rather than households) and Little and Mirlees's 20%-40% was used as sensitivity analysis cases.

Cost-Benefit Analysis: Summary of Results

	10%	15%
	10-year horizon	
Present value of benefits	€44,009,764.02	€35,015,443.78
Present value of costs	€20,486,840.38	€20,486,840.38
Net present value	€23,522,923.64	€14,528,603.40
Benefit-cost ratio	2.15	1.71
Internal rate of return	20%	18%

The summary compares the total project costs with the overall benefits and presents the results of the cost-benefit analysis. The present value of benefits exceeds the present value of the total costs of the action in all cases. For the base case scenario of social discount rate of 10 percent, the benefit-cost ratio ranges from 1.12 (for the PFM component) to 3.5 (for the road infrastructure component), i.e. the economic benefits exceed the economic costs by a significant margin and it can be concluded that, should the project achieve its intended results, it will make a significant net contribution to the economic welfare of the target communities and will deliver value for money. The internal rate of return – that is the discount rate at which the total cost would just be equal to total benefits in present value terms – ranges from 19% to 33%, averaging at 20% and is significantly higher than the discount rates commonly used in cost-benefit analysis. For any discount rate below this level, the net welfare gain attributable to the project initiatives is positive. A sensitivity analysis with application of a discount rate of 15% demonstrates the robustness of the project's intended results, leaving it with a healthy BCR of 1.71 and an IRR of 18%.

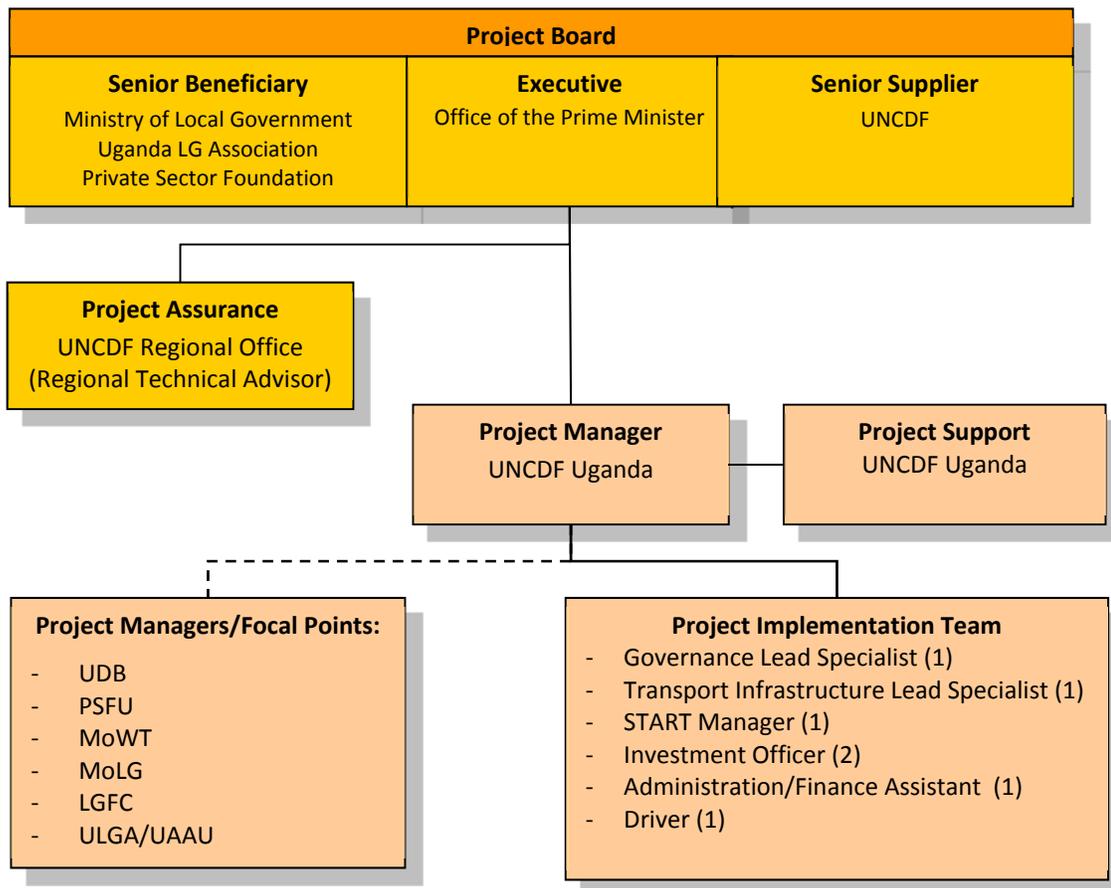
Stage 1: Description	Stage 2: Quantification	Stage 3: Monetised Value
1. Increased private economic benefits (producer surplus) for agribusiness SMEs	Producer surplus measured by total revenue. There are some unquantifiable consumer benefits as well resulting from increased food availability (due to post-harvest loss reduction), food quality and reduced food prices. There is also a local multiplier effect due to increased consumption.	Project attributable total revenue on the investment of €4 million for the START facility over 4 years using very conservative assumptions will amount to €4.3 million (NPV €1.1 million at EIRR 27%). If the assumptions are relaxed and the share of external equity and debt is increased to 50% (instead of 25% as in the previous model), revenues income will rise to €6.4 million.
2. Increased private economic benefits (consumer surplus) for road users	Consumer surplus measured by reduction in an average travel time and reduction in average vehicle operating costs. A number of benefits cannot be quantified. These include: improved linkages between agricultural production and marketing centers and distribution of agricultural inputs and extension services in the project zone of influence; better access to government administration, to schools, clinics and hospitals, and direct employment for local and migrant labourers through extensive labour-based works.	Similar road rehabilitation projects implemented by the AfDB (re-gravelling, resealing and spot patching) demonstrated a reduction in an average travel time by about 66% on the paved roads and a reduction in vehicle operating costs by about 40%. The overall result indicated an incremental benefit cost ratio of 1.18. If this result holds for the district road rehabilitation programme under DINU, the incremental benefits attributable to the project after investing €8 million over a period of 3 years will amount to €9.4 million (NPV €1.4 million) assuming an economic life of 5 years with no salvage value.
3. Increased quantity of public spending by local governments.	Consumer surplus measured by an increase in own source revenues in target local governments (16) monetized at 40% and by reduced financial loss due to improved PFM controls. There are unquantifiable benefits in terms of improved quality of services. Numerous studies confirm a strong positive correlation between strong budget control mechanisms and efficiency of service delivery by local authorities.	The analysis on the revenue mobilization component shows that project attributable revenue increase will amount to €5.9 million over a ten year period if the project achieves its target of bringing the own source revenue share to 15% of the total budget in 16 target local governments. Of this amount, €1.7 can be monetized as direct net benefits (NPV) using the Little-Mirrlees's rule of thumb. In 2016, the auditor general estimated total losses due to poor procurement practices in the 111 districts at UGX27 billion, about UGX240 million per district. A reduction by 50% in such losses in 16 target districts against the current increase of 5% in financial losses over the recent three years will generate an additional €5.65 million for investments in public services with NPV €2.35 million.

4. Improved access to jobs and assets for young people and women and increased local resilience to climate change	Consumer surplus measured by increased income for young people and women and producer surplus measured by increased productivity due to higher resilience. It is impossible to quantify other benefits stemming from better access of women and youth to health, education and other services.	A number of studies focusing on local investments and particularly climate change adaptation interventions in LDCs indicate an incremental BCR of 1.27. Assuming that this holds for Uganda, the LGEF investments will generate a discounted benefit of €2.26 million with NPV €678,092.
5. Increased efficiency and effectiveness of public spending	Increased local output measured as a percentage of LG fiscal space due to improved allocative and productive efficiencies at the LG level	IMF (2015) indicates that a one-off 1 percent of GDP increase in public investment increases output by 0.3 percent for countries in the bottom efficiency quartile (where Uganda belongs). Using the total LG fiscal space as a proxy for the local GDP, the output increase in 5 districts benefitting from LGEF over a 10-year period will amount to €3.12 million.

8. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The management arrangements described here take cognisance of the fact that this project is a subset of the overall DINU Programme managed by the Office of the Prime Minister and guided by the national Steering Committee. It is equally noteworthy that some components of this project have their own management structures, such as the Management Board for the START funding facility (Output 1.1. of this project document). The organization structure below (Figure 5) summarises the management arrangements.

Figure 5: Project organization structure



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 for money, fairness, integrity, transparency and effective international competition.

The Project Board will meet at least twice a year or more often at the request of at least two Project Board members or the Project Manager. Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities.

The proposed composition of the Project Board is as follows:

The Executive role will be carried out by a designated representative of the Office of the Prime Minister. The executive will ensure the overall national ownership of the project, which is designed to contribute to consolidated stability in Northern Uganda, reduced poverty and under-nutrition and strengthened foundations for sustainable and inclusive socio-economic development through a combination of various activities at the national and subnational levels. OPM which has the overall responsibility for DINU implementation as well as for a number of government programmes targeting socio-economic development in Northern Uganda is well positioned for this role and has a vested interest in ensuring a holistic and harmonized approach to project implementation that maximises the impact of various programmes and interventions in Northern Uganda.

The Senior Beneficiary role will be carried out by two institutions representing the public and private beneficiaries of the project. Since many project activities seek to improve institutional capacities at the local level, the participation of the Ministry of Local Government as the custodian of good local governance is very appropriate. Its extensive network of public and private counterparts and its continued engagement in all aspects of local governance will allow it to effectively represent the interests of government and non-government stakeholders at the local level. In consideration of the technical and financial support provided by the project to agribusiness SMEs, the Private Sector Foundation of Uganda as the apex national body for the private sector, will be invited to represent the interests of private businesses benefiting from the project through the START facility as well as other activities, including the Road Infrastructure component.

As Senior Supplier, UNCDF's role is to provide the extensive technical and financial assistance and coordination required for the success of the project. This role includes support provided by the UNCDF project implementation team located in Uganda on all matters of strategic and operational character related to the project.

UNCDF Regional Office for Southern and East 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. The UNCDF Regional Technical Advisor assigned to oversee the project 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 provide communications services, outreach and information, partnership building and

resource mobilisation efforts as well as administrative and operational services. UNCDF will also provide in-kind facilities and staff support and specialized expertise from the existing programmes, which include LFI (Local Finance Initiative) and MM4P (Mobile Money for the Poor). UNCDF Uganda will appoint a National Project Manager reporting directly to the Project Board and assisted by the Implementation Team consisting of:

- Governance Lead Specialist (1)
- Transport Infrastructure Lead Specialist (1)
- START Manager (1)
- Investment Officer (2)
- Administration/Finance Assistant
- Driver

9. VISIBILITY AND OUTREACH

The funding relation between the United Nations and the EU is governed by the 2003 Financial and Administrative Framework Agreement (FAFA). This agreement is applicable to all EC Directorates-General and all the United Nations Organisations that are party to it and sets out the legal obligations in relation to a number of aspects, including visibility. In particular, Article 11 of the FAFA sets out the legal obligations of the United Nations in relation to visibility. Its content is repeated and expanded in Article 6 of the General Conditions applicable to European Union contribution agreements with international organisations.

Both Article 11 of the FAFA and Article 6 of the General Conditions clearly indicate that United Nations Organisations should take all appropriate measures to publicise the fact that an Action has received funding from the European Union. Hence, a separate Communication and Visibility Plan will be developed in accordance with the requirements of the Communication and Visibility Manual for European Union External Actions. Individual DINU facilities, such as START, may develop and implement their own communication and visibility plans combining resources of the partners.

As agreed in the Joint Action Plan on Visibility, **the main objective** of visibility activities is the communication of “positive results of the partnership”. In addition to inputs, visibility activities will focus on outputs and the impact of the action’s results. Specifically for this project, **the key communication objective** will be to demonstrate the progress towards the Programme’s overall objective - Consolidate stability in Northern Uganda, poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development, while reflecting the role and contribution of the European Union.

Communication activities will **target relevant audiences** both within and outside the country, focusing primarily on national stakeholders. Considering that the government plays a critical role in the project and has a strong ownership of the Programme as a whole, strong visibility is expected to be promoted and maintained by the government at all levels, centrally and locally as well as by non-government actors involved in project implementation. Within the country, efforts will be made to reach out to opinion formers and influential figures, as well as those beyond government and media who have a stake in the action, or are affected by it. These include local non-government and civil society organisations, such as interest and professional groups, citizens’ associations as well as private sector entities. UNCDF has a

communications unit in New York with sufficient capacity to ensure adequate visibility, outreach and communication of development activities and results implemented through DINU at the global level. The main target groups for global communication will include various international development coordination mechanisms and platforms, such as UCLD, DeLOG, ICLEI, Cities Alliance as well as the LDC Group at the UN and UNDESA to disseminate information about the project, its successes and lessons learned and ensure its better visibility. Specific communication messages will be developed for each target group, focusing on how the EU and UNCDF work together to support basic service delivery and economic development for domestic stakeholders and how the solutions piloted and implemented through the EU-UNCDF partnership in Uganda may be relevant for other LDCs at the global level.

The **main communication activities** will include public events and visits, press conferences, press visits, media campaigns (adverts), promotional campaigns, outreach activities, awareness-raising competitions, information sessions. These activities will be synchronised with key programmatic events at two levels: at the level of DINU as a whole and at the level of specific components and facilities.

Communication tools will include press releases, photographs, leaflets, brochures, publications, display panels, promotional items, UNCDF corporate website, audio-visual productions and social media outlets. The project description will be posted on the UNCDF Uganda webpage (www.uncdf.org/uganda); partners and the broad public globally will be regularly informed about projects developments via the News and Media section on the corporate website as well as with the help of the UNCEF weekly UNCDForward. The project will use social media, including corporate accounts on Facebook and Twitter, to give DINU additional visibility and reach out to a diverse group of stakeholders. Special project Facebook and Twitter accounts (@UNCDF_DINU) will be opened and maintained for targeted communication about the project. The project will also use the One UN in Uganda Twitter account (@UNinUganda) to promptly deliver news about most recent project developments.

In order to maximize visibility, the project will disseminate a monthly newsletter about the key developments and implementation progress and will hold press conferences and issue press releases around the key project events, such as the launch of new funding facilities, start of certain implementation activities, Project Board meetings, etc. In addition, government communication outlets will be used to disseminate information about certain projects components, such as START, DRRF and LGEF as part of transparency and accountability requirements built into the design of those instruments.

For all of its knowledge management and promotional materials, all project materials will include the logos of the EU, UNCDF and the Government of Uganda. To the extent possible, it will acknowledge the important role of the partners in supporting the implementation and expansion of the project, while ensuring such branding and attribution remains in compliance with UNCDF branding standards and requirements. All project-related publications (documents, brochures, press releases, websites, newsletters, results-reporting, banners etc.) and events (press conferences, project seminars, public events and visits) would bear the names of all partners (with the appropriate logo of the organization).

Additional efforts will be made to brand some specific components of the project and ensure their visibility through component-specific outreach plans to support resource mobilization efforts for these components to attract additional funding and ensure their eventually sustainability.

10. MONITORING FRAMEWORK AND EVALUATION

The project will adopt results based management approach which means that it will be regularly tracking progress against project activities and outputs ensuring their timely realisation and their contribution to the outcome and goal of the project and the DINU programme as a whole.

UNCDF will develop a Monitoring and Evaluation (M&E) plan during the inception phase to outline, in more detail, the proposed system for results measurement. UNCDF will use the findings of its monitoring and reporting for project management and decision-making. For example, UNCDF will adjust its annual work plans and interventions based on monitoring and reporting results.

For the monitoring activities, UNCDF will adopt a comprehensive and multi-faceted approach using both quantitative and qualitative data collection methods, using a gendered lens by disaggregating data by sex, age, and other relevant socio-demographic characteristics, to regularly track progress against the expected results of the project.

In accordance with UNCDF's programming policies and procedures, the project will be monitored through the following:

Within the annual cycle

- **Track Progress.** On a regular basis, progress on data against the results indicators will be collected and analyzed to assess the progress of the project in achieving the agreed outputs. National data sources should be used whenever possible. Slower than expected progress will be addressed by the project management.
- **Monitor and Manage Risk.** The project risk log will be actively maintained, including by reviewing the external environment that may affect the project implementation. Risk management actions will be identified and monitored using the risk log. This includes monitoring social and environmental management measures and plans. Audits will be conducted in accordance with UNCDF's audit policy to manage financial risk.
- **Evaluate and Learn.** Evaluations shall be conducted during the third year of implementation (mid-term) and during the last year of the project (final). Knowledge, good practices and lessons will be captured and shared, as well as actively sourced from other projects and partners, and integrated back into the project. EU Results Oriented Monitoring (ROM) missions will be held during the first and last year of the project as per the EU monitoring policy.
- **Review and Make Course Corrections.** The project management will review the data and evidence collected on a regular basis within the annual cycle, prepare progress quarterly reports and make course corrections as needed. An internal review of the available progress data against the results indicators will be done on a quarterly basis. Any significant course corrections that require a decision by the Board will be raised in the following Board meeting.

Annually

- **Annual Project Review and Report.** The Board shall hold a review at least once per year to assess the performance of the project and appraise the Annual Work Plan for the following year. An annual report will be prepared, consisting of progress data showing the results achieved against pre-defined annual targets at the output level and any evaluation or review reports prepared over the period. Any quality concerns or slower than expected progress should be discussed by the project and management actions agreed to address the issues identified.
- In the project's final year, the Board shall hold an end of project review to capture lessons learned and discuss opportunities for scaling up.

Audits

- The project will be subject to internal and external auditing procedures provided for in the financial regulations, rules, policies, and procedures of UNCDF and the EU Delegation Agreement. The audits provide UNCDF with assurance that resources are used to achieve the results described in the Project Document.

11. 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 5th 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

Project Title: Development Initiative for Northern Uganda						Award ID:		Date: 2 July 2017	
#	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 Update	Status
1	Worsening of security situation in the region	2/07/2017	Political	P (2) x I (3) = 6	Work closely with DINU components engaged in supporting security and community-based conflict resolution; ensure that LGEF projects are identified with due regard to their positive impact on peace and security.	NPM	RTA		
2	Drought and unfavorable climatic conditions	2/07/2017	Environmental	P (3) x I (3) = 9	Focus on projects that contribute to the local economic resilience and use green technologies. Explore and use backward and forward linkages outside the region (including foreign markets).	NPM	RTA		
3	Land insecurity and conflicts	2/07/2017	Political	P (3) x I (3) = 9	Work closely with agencies advocating for land reforms and coordinate with DINU components responsible for land registration and land dispute resolution.	NPM	RTA		
4	Local elites capture project results	2/07/2017	Political	P (3) x I (3) = 9	Ensure participatory and inclusive process for identification and selection of LGEF projects; systematically apply established technical criteria for project screening and evaluation.	NPM	RTA		
5	Nationwide elections in 2021 and the aftermath leading to changes in political leadership at all levels causing delays	2/07/2017	Political	P (3) x I (2) = 6	Introduce ad-hoc approval and implementation processes to ensure that the changes do not impact the programme.	NPM	RTA		

6	Insufficient collaboration/coordination among the participating partners; delays in funds disbursement	2/07/2017	Operational	P (2) x I (2) = 4	Strong coordination operationally through the OPM Programme Management Unit and strategically an inclusive project governance structure through the DINU Steering Board; clear and effective procedures for funds disbursement.	NPM	RTA		
7	Delays in recruitment of key programmatic staff and procurement of key technical assistance and equipment	2/07/2017	Operational	P (3) x I (2) = 6	Early launch of key recruitment and procurement immediately after the HQ approval; reliance on the existing LTAs and TA contracts to expedite procurement of goods and services	NPM	RTA		
8	Low capacity of participating LGs to identify, develop, contract, manage and monitor projects	2/07/2017	Operational	P (3) x I (3) = 9	Establish strong connection with the DINU capacity building activities for PFM core functions; support project identification and development through the LGEF resources and dedicated technical assistance by UNCDF and OPM.	NPM	RTA		
9	Funds mismanagement and misappropriation at the LG level	2/07/2017	Financial	P (3) x I (3) = 9	Robust fiduciary mechanisms, such as special accounts, disbursements in semi-annual tranches based on approved work plans and quarterly reconciliation of LG project accounts; regular reports, audits and on-spot checks.	NPM	RTA		
10	Delays in funds transfers to participating LGs	2/07/2017	Operational	P (3) x I (2) = 6	Coordination mechanism for transfers will be established between MoLG, MoFPED and LGs and a UNCDF team member will be assigned to track the timeliness of transfers. In addition, a bi-annual tracking study will be completed to identify the bottlenecks and corrective measures.	NPM	RTA		
11	Delays in National Performance Assessments hinder determination of the per-	2/07/2017	Operational	P (3) x I (2) = 6	Apply ad-hoc assessments focusing on Dimension 1 of the Performance Assessment Framework	NPM	RTA		

	formance component for LGEF allocation				and the LGEF key performance indicators				
12	Low technical and financial quality of project proposals in response to the call for proposals	2/07/2017	Operational	P (3) x I (2) = 6	Active outreach and awareness raising activities; technical support to prospective promoters to prepare technically and financially sound submissions.	NPM	RTA		
13	Low utilization of the loan facility due to inadequate security values for many project promoters	2/07/2017	Operational	P (3) x I (2) = 6	Application of credit enhancements/guarantees by UNCDF and development and structuring of the projects to satisfy credit requirements with minimum security.	NPM	RTA		
14	High transaction costs of developing small-sized project and managing non-performing loans	2/07/2017	Operational	P (2) x I (2) = 4	Limit the number of projects in the small investment window; ensure high quality of the projects submitted for finance; provide vigorous post-investment care to address the challenges of debt servicing.	NPM	RTA		
15	Lack of qualified personnel to support the machinery and equipment financed under the START facility	2/07/2017	Operational	P (2) x I (2) = 4	Coordinate with, and rely on the activities of the DINU components engaged in support to vocational education; establish contacts with the existing vocational schools.	NPM	RTA		

ANNEX 2: DISTRICT ROAD REHABILITATION FUND



DISTRICT ROAD REHABILITATION FUND

Concept Note

Version 3

June 2017

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List of Acronyms

BCC	Budget Call Circular
BFP	Budget Framework Paper
BoU	Bank of Uganda
CDO	Community Development Officer
CG	Central Government
DDEG	Discretionary Development Equalisation Grant
DINU	Development Initiative for Northern Uganda
EU	European Union
GoU	Government of Uganda
IFMIS	Integrated Financial Management System
IPFs	Indicative Planning Figures
LG	Local Government
LGBFP	Local Government Budget Framework Paper
LGEF	Local Government Excellence Fund
LLG	Lower Local Government
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MoWT	Ministry of Works and Transport
NGO	Non-Government Organisation
NPA	National Planning Authority
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PFMA	Public Financial Management Act (2015)
PRDP	Peace, Recovery and Development Plan for Northern Uganda
START	Support to Agricultural Revitalization and Transformation Facility
UNCDF	United Nations Capital Development Plan
URF	Uganda Road Fund

1. Introduction

The European Union through its 11th European Development Fund has decided to launch the Development Initiative for Northern Uganda (DINU), an integrated development programme which aims to address, in a comprehensive and coordinated manner, the key development challenges in the north of the country. The region is faced with multiple and interconnected development challenges including core issues of poverty reduction and entrenching good governance and democratic process more firmly at the local level to reinforce accountability and improve service delivery.

Building on the previous collaborative work of the EU and the Government of Uganda, the programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region, by supporting a selection of relevant value-chains (taking into account the respective agro-ecological zone types of the sub-regions), addressing notably the identified bottlenecks, and working with local private sector. This will not be possible without a crucial facilitating role played by local authorities who will be specifically supported to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards and downwards accountability mechanisms. Complementary to this, DINU will implement activities aimed at unlocking trade within the region, within the country, and with neighbouring countries through the improvement of transport infrastructures.

Local authorities are expected to play a key role in planning and overseeing the implementation of programme activities, as the programme adopts an integrated, place-based approach to development planning and implementation and operationalises it through the formulation of jurisdiction-specific territorial development strategies, developing both vertical partnerships (local authorities-central state) and horizontal partnerships (local authorities - local private, non-profit and community-based organization), and leveraging place-specific resources.

To ensure the sustainability of its support to transport infrastructure and to strengthen the capacity of local government authorities and empower communities to participate in improved local service delivery, particularly maintenance and rehabilitation of road assets, DINU has introduced Result 2.1: Transport infrastructures in the regions are improved that incorporates Activity 2.1.2- Rehabilitation and upgrading of selected numbers of priority districts and community access roads within 4 priority districts (Amudat, Adjumani, Abim, Moyo).

The District Road Rehabilitation Fund (DRRF) is designed to operationalize Activity 2.1.2, particularly a system of conditional grants for realisation by the districts of their road works rehabilitation implementation programmes.

2. DRRF Objectives and Design Principles

2.1. Objectives of the DRRF

DRRF is a conditional²⁹ grant transfer mechanism designed to support implementation of DINU Activity 2.1.2. In the context of the DINU project document to be implemented by UNCDF under an agreement with the EU, this mechanism will support Output 2.1 “Rehabilitation and upgrading of priority districts and community access roads” which consists of two activities:

- Activity 2.1.1. Provision of technical assistance for implementation of district road rehabilitation and improvement programmes.
- Activity 2.1.2. Implementation of district road rehabilitation and improvement programmes in four target districts (District Road Rehabilitation Fund).

The main objective of the DRRF is to ensure implementation of the district road rehabilitation programmes in the target district by providing adequate funding for the approved works.

The specific objectives incorporated in the DRRF include:

- Improve the capacity of district local governments to manage conditional grants for implementation of DINU district road rehabilitation programmes through a learning by doing process and bringing to scale best practices in application of public resources for development of road assets and thus enhance the national systems for decentralized governance and services delivery at the district level and support advocacy for further devolution of functions to local governments.
- Improve planning, budgeting, implementation, supervision and monitoring capacities of local governments for rehabilitation and improvement of local road assets programmes.
- Support integrated socio-economic medium-term and annual planning and budgeting to fully utilise road assets to foster local economic growth and development through backward and forward linkages with other economic sectors.
- Promote co-funding modalities and synergies between various discretionary and conditional grants as well as community contributions to maximize the availability of financial and non-financial resources for road construction, maintenance and rehabilitation.

2.2 Design and implementation principles

The DRRF is designed with the following principles in mind.

²⁹ Uganda’s ITGF system consists of 1 rural and 1 urban discretionary development equalization grant and 11 conditional grants per sector, with earmarking up to the Vote Function. Conditional transfers typically specify the type of expenditures that can be financed (input-based conditionality). These may be capital expenditures, operating expenditures, or both. Conditional transfers may also require attainment of certain results in service delivery (output-based conditionality) (Shah, A. (2007). *Intergovernmental Fiscal Transfers: Theory and Practice*. World Bank: Washington, DC). Since the proposed DRRF grant is earmarked for road rehabilitation and improvement, it is categorized as a conditional grant.

- **Use of government systems**, including planning and disbursement procedures, grant utilization, accounting and implementation procedures and performance assessment procedures to strengthen capacity of the participating districts in public financial management.
- **Co-financing** (for more details, see Section 6.1). The design of the facility promotes co-financing and mingling of funds coming from other sources of district revenues, including own source revenues, DDEG and LGEF (in the eligible districts).
- **Alignment and synergies with the other components of DINU**. The DRRF will be aligned with the other components of DINU to achieve greater synergies and economies of scale as appropriate. Key linkages are expected across all three strategic components (Agriculture, Infrastructure, Governance) with particularly strong linkages and mutually reinforcing effect with the Governance Component. The alignment will take place both at the level of planning and at the level of implementation.
- **Fiduciary robustness**. The fiduciary soundness of the design is achieved by applying (i) IFMS that allows real-time monitoring of DRRF transactions; (ii) special DRRF account for each participating district to separate DRRF funds with the DDEG grant and the Works and Transport grant and allows tracking of financial flows; (iii) linkage between financial and physical progress reporting to verify financial transaction against the physical progress; (iv) third party monitoring and certification of works delivered by MoWT as part of its technical assistance; (v) regular monitoring visits and on-spot checks as well as VfM audits and annual audits of the DRRF accounts (see Section 7).

It is founded on three implementation principles:

- **Districts as the implementing agency**. The districts will be responsible for the implementation of the DRRF at their level. Where there are capacity gaps, they will be assisted by consultants and capacity building activities to address such gaps as part of DINU.
- **Stability and predictability**. The DRRF will be provided in a timely and predictable manner during the project period with IPFs announced early enough before the beginning of the financial year to enable proper planning and budgeting.
- **Participation and inclusiveness**. The initiatives financed from DRRF must be generated and implemented through a popular participatory and inclusive process in line with the national planning guidelines and procedures. Information on the DRRF shall be accessible to the public to enhance citizen involvement in particular women and the youth who are perceived to be excluded from key decision making processes.

The Fund is designed to be compatible and complement the following grant mechanisms that may be used to develop and improve road infrastructure:

Grant	Purpose
Discretionary Development Equalisation Grant (non-wage)	Enable LGs to allocate funds to priority local development needs that are within their mandate and that are consistent with the National priorities, including construction, maintenance and rehabilitation of Community Access Roads

Non-Wage Conditional Grant (Uganda Road Fund)	To conduct maintenance of district, urban and community access roads
Development Conditional Grant	To maintain and rehabilitate District, Urban and Community Access Roads

2.3 Alignment and synergies with other DINU components

The DRRF planning and utilization will be implemented with due regard to the development and economic activities undertaken under the other components of DINU. These include, for example, activities that aim at building local government capacities in service delivery and revenue generation or related to improved road access to remote areas.

Key synergies with DINU activities

Activity	Type of interaction
Specific objective 1: To increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment.	
Activity 1.2.1-Foster linkages between smallholder farmers, agro-processors and market operators	Given that the district road rehabilitation have already been identified, DRRF will encourage maximum utilization of the rehabilitated infrastructure to foster backward and forward linkages between producers, processors and market operators by integrating relevant projects in the district plans and budgets as well as providing direct finance from the LGEF and START Facility.
Activity 1.2.2-Providing seed capital to incubation projects	Other DINU funding facilities, such as START and LGEF, will be aligned with the DRRF projects to benefit from the improved infrastructure will take into account work to align LG capital investment plans, thematically and geographically, as well as its own investments with the investments from the START Facility (Support to Agricultural Revitalization and Transformation) that provides funding to agricultural SMEs engaged in value addition activities.
Specific objective 3: To strengthen capacity, gender-responsive good governance and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery.	

Activity	Type of interaction
Activity 3.1.1 - Strengthen capacities of Local Governments in public financial management	DRRF will benefit from the improved capacity of local governments to identify service delivery deficits, plan, budget, implement and monitor public programmes in a gender-responsive manner and in compliance with the legal requirements. This will ensure robust implementation of the district road rehabilitation programmes as well as maximizing of the programme’s impact through alignment with other socio-economic interventions. At the same time, DRRF will facilitate application of the newly acquired/improved capacities through a learning-by-doing approach while implementing the DRRF.
Activity 3.1.2 -Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources	DRRF will encourage target LGs to co-finance DRRF projects, where appropriate, with own source revenues, DDEG grants and URA transfers, creating incentives for additional revenue mobilization.
Activity 3.4.3-support districts and communities in road maintenance	Through DRRF implementation, district authorities will be able to further develop and apply their capacities to plan investment and maintenance programmes, identify and implement appropriate technologies and approaches such as low cost sealing and labour based methods, draft appropriate technical specifications and prepare designs and manage road assets.

3. DRRF Allocation

3.1 Grant allocation

The DRRF will be allocated to each participating district on an annual basis based on the following:

- Scope of the district rehabilitation programme agreed between MoWT and each district and approved by the DLG Council.
- Estimates of the work contracts prepared by MoWT as part of its technical assistance to the implementation of the district road rehabilitation programmes.
- The amount of contract agreements for works entered into by the contracting authority (DLG).
- Annual work plans and budgets under the Roads and Engineering Section (7a).

DRRF Performance Indicators

Outputs	Key performance indicators
Utilization	<ul style="list-style-type: none">• % (average time) of delay in funds disbursements from UNCDF to MoFPED• % of delay in funds disbursement from MoFPED to district LGs• % of fund utilization by district LGs (outstanding balance at year end) against the annual plan
Value for money	<ul style="list-style-type: none">• Cost of rehabilitation/improvement per infrastructure output (km of roads)

The total amount of the DRRF grant is approximately €8,000,000. The grant will be allocated starting from FY 2018/19 in equal tranches or otherwise depending on the amounts in the district annual plans (BFPs) over a period of at least three years or longer depending on the utilization rates. The indicative medium-term expenditure framework is presented below.

	2018/19	2019/20	2020/21
DRRF grant, EUR	266,667	266,667	266,667
DRRF grant, UGX'000*	956,001	1,000,001	1,152,001

* Based on the Trading Economics (TE) forecast (<http://www.tradingeconomics.com/uganda/currency/forecast>). Ugandan Shilling Forecasts are projected using an autoregressive integrated moving average (ARIMA) model calibrated using TE analysts' expectations.

3.2 Technical assistance allocation

Implementation of the DRRF will be supported through dedicated technical assistance to be provided by UNCDF. UNCDF will be fully responsible for delivering this technical support, either directly or through independent service providers, including supervision of roadworks on behalf of the participating DLGs who will act as the Contracting Authority for all roadworks contracts

funded from the DRRF. Funding earmarked for provision of service delivery is not part of the districts' DRRF allocation and follows a separate disbursement procedure as described in Section 4.1.

Technical assistance will cover the following areas:

- Final formulation of district multiannual road rehabilitation programmes and their inclusion in the planning and budgeting process;
- Preparation of detailed engineering designs, scope/prioritisation, cost estimates and implementation timeframe of the rehabilitation works.
- Preparation of tenders and procurement assistance to District Local Governments.
- Assistance to the District Local Governments in the supervision and management of Road-works Contracts.

The allocations for technical assistance will be commensurate with the workload required for implementation of the district road rehabilitation and improvement programmes as submitted by the participating districts through their annual work plans and budgets.

4. DRRF disbursement

4.1 District selection

The districts selected for implementation of the road rehabilitation and improvement programmes include: Abim, Adjumani, Amudat, and Moyo.

The following matrix demonstrates the presence of other key DINU components in the selected districts. This presence will allow the DRRF to exploit the linkages with the other components by establishing effective synergies and complementarities as explained in Section 2.3. At the same time, it will promote a more cohesive and holistic approach to planning and implementation of DINU activities in the selected districts.

District	LGEF	Nutrition gov- ernance	DLG capacity	Food security	Value chain cluster
Abim					
Amudat					
Adjumani					
Moyo					

Chart 3 present the geographic distribution of the selected districts (highlighted in turquoise).

4.2 Establishment procedures

There are no eligibility criteria or minimum conditions for accessing the DRRF. All selected district local governments are deemed to be eligible for the Fund.

For disbursement of the DRRF funds, MoFPED will open a special UGX account at BoU under the name "District Road Rehabilitation Fund" to receive the DRRF funds as per the schedule approved

by MoWT based on the districts’ annual plans and budgets (see Section 6.1). The funds will be remitted by MoFPED to each district LG general revenue account in BoU at the request of MoWT as further described in Section 4.1. The initial transfer of the funds to the LG general account in BoU will allow proper accounting of the funds as part of the local budgets using the Integrated Financial Management System (IFMS). Integration of the DRRF transactions into the IFMS will speed up transfers and will enable real time monitoring and regular reconciliation of the DRRF accounts, as well as a direct access of the Office of the Auditor General for auditing purposes.³⁰

Chart 3. DRRF districts



The participating district local governments will open a special expenditure account at a commercial bank as authorized by the Accountant General under the name “District Road Rehabilitation Fund” for eventual transfer of the DRRF funds. This will allow for separate financial accountability for the DRRF funds. The signatories to the special expenditure account shall be the Chief Administrative Officer and the Chief Financial Officer.

UNCDF will communicate the total available annual DRRF allocation and proposed allocation per district to MoFPED, OPM and MoWT in advance to allow enough time for inclusion in the budget

³⁰ IFMS has now been rolled out to many districts and will properly further improve financial management. It is reported that the modules for accounting, etc. in general work well but there are several issues with Internet network connectivity and support services from MoFPED which makes it cumbersome to run, especially at the local level. The inbuilt controls and audit trails will properly reduce fiduciary risks. However, some local governments might not have the required number of computers in place to make use of all IFMS features and will therefore still make use of manual routines and Excel outside IFMS, e.g. to run requests and approval of transfers and payments. This issue will be addressed in the broader context of the DINU Programme.

circular and reflection in the LG Performance Contract, Budget Estimates and Annual Work Plan and to comply with the statutory requirement that the Detailed Budget Estimates should be laid before the respective Council by 31 March of the year preceding the fiscal year for which the allocation is made.

In a separate process, MoWT will open a special UGX account under the name “District Road Rehabilitation Fund” to receive the funds designed for provision of technical assistance to the implementation of the district road rehabilitation and improvement programmes as per the approved schedule.

4.3 Disbursement arrangements

The DRRF disbursement procedures will be aligned with the Ugandan system of intergovernmental fiscal transfers. Once (1) the road rehabilitation and improvement programme has been approved by the DLG Council and endorsed by MoWT and (2) MoWT has submitted a summary report on the progress of the participating LGs in implementation of their road rehabilitation and improvement programmes (except for the first year of implementation), the amounts to be disbursed for each of the participating LGs will be determined and UNCDF will be notified. Once UNCDF is satisfied, the DRRF funds will be disbursed from UNCDF to the GOU Treasury UGX accounts in BoU in accordance with the disbursement schedule on a semi-annual basis. MoFPED will transfer the funds to the participating local authorities in accordance with the disbursement schedule and conditions explained below at the request of the PS/MoWT.

Disbursement arrangements include the following steps:

Step 1. Within 15 days after the beginning of the fiscal year (1 July) and within 15 days after beginning of the next calendar year, PS/MoWT, through MoFPED, requests for semi-annual disbursements of DRRF funds from UNCDF based on the following:

- approved PBF, work plans and budgets and procurement plans submitted by the participating LGs; and work contracts entered into between the LG and contractors (if available);
- financial summary sheet for the DRRF for each of the LG with the total DRRF amount being requested with breakdown of the annual DRRF allocation per LG; for the subsequent six months also the amounts of the DRRF received as part of the previous tranche(s), the DRRF released to each of the LG, and the DRRF amount being requested with a breakdown of the allocation per LG;
- financial and physical progress reports by the participating LGs for the previous six months to confirm that at least 75% of the previous DRRF released has been either spent or committed by the LGs.

Semi-annual release requests should be based on the total required amount as per the local governments; work plans, budgets and procurement plans and subject to utilization of the previous DRRF tranche. The amount of the next release will be adjusted against the actual performance of the DLG during the previous semi-annual cycle to prevent unutilized funds accumulation on the district account.

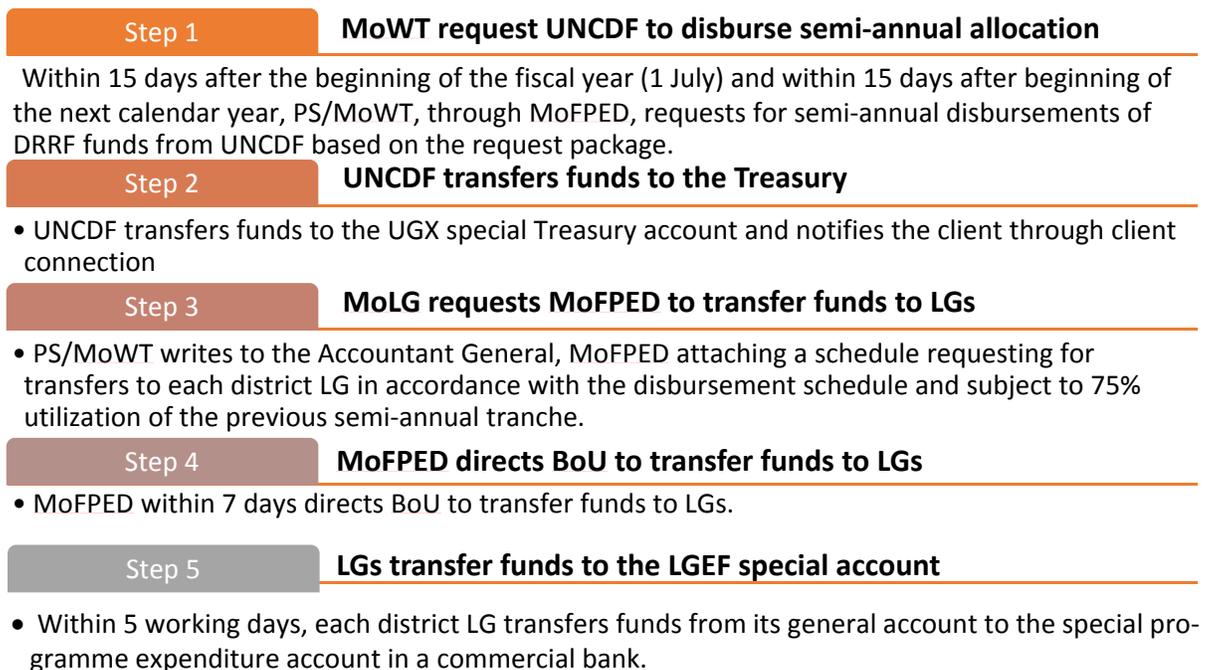
Step 2. UNCDF transfers funds to the UGX special Treasury account and notifies the client through client connection.

Step 3. Following this, PS/MoWT writes to the Accountant General, MoFPED attaching a schedule requesting for transfers to each district LG in accordance with the disbursement schedule and subject to 75% utilization of the previous semi-annual tranche. If less than 75% of the previously transferred funds has been spent, an adjustment will be made to the next semi-annual allocation to reduce it by the unspent amount.

Step 4: Within 7 working days, the Accountant General Office, MoFPED issues electronic telegraphic transfer (ETF) to BoU with a copy to MoWT directing the BoU to transfer money from the Treasury account to each district LG general account in BoU.

Step 5: Within 5 working days, each district LG transfers DRRF funds from its general account to the special programme expenditure account in a commercial bank.

Chart 4. Key steps in DRRF disbursement



4.4 Disbursements for technical assistance

In a separate process, funds earmarked for technical assistance will be disbursed to MoWT as per the following procedures.

Step 1. At the beginning of the implementation period and prior to the approval of the district road rehabilitation programmes, MoWT will define the scope of the technical assistance required for enabling approval of the district road rehabilitation programme as a whole as per the planning procedures described in Section 6.2. Following inclusion of the district road rehabilitation works in the district annual BFPs, MoWT will receive the approved budgets of the participating DLGs for their road rehabilitation programmes during the following fiscal year to be implemented using

the DRRF funds, and will identify the scope of the technical assistance required to support implementation. MoWT will inform UNCDF about its budget requirement for the fiscal year in the form of an annual work plan and budget not later than 1 May.

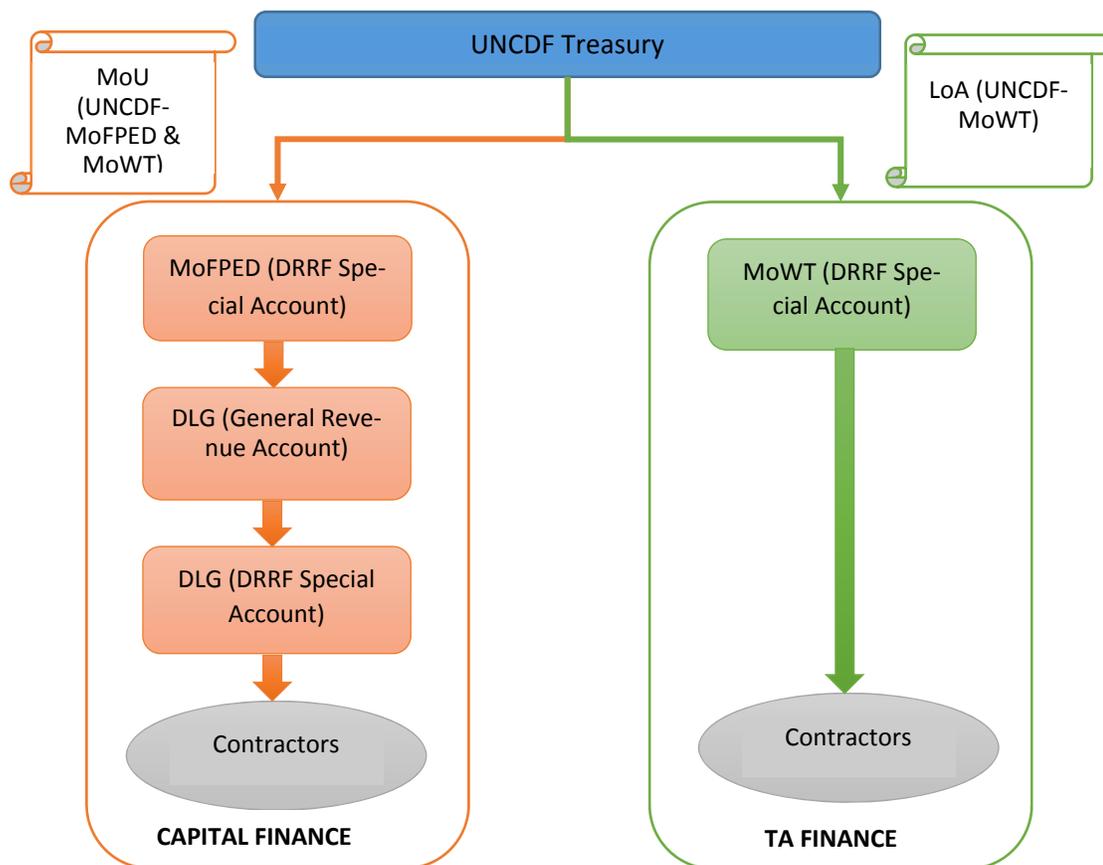
Step 2. If satisfied, UNCDF prepares a Letter of Agreement with MoWT describing the following: results to be achieved, work and services to be performed; schedule of activities, facilities and payments/budget; payment schedule of quarterly disbursement. The LoA should be signed by the beginning of the new fiscal year (1 July).

Step 3. Simultaneously with the submission of the request for semi-annual disbursement of DRRF funds for the participating DLGs (see Section 4.2) and within 15 days at the beginning of the fiscal year and subsequently within 15 days after beginning of each quarter, MoWT submits a request to UNCDF for disbursement of funds under the LoA.

Step 4. Subject to the 75% utilization of the previous disbursement, UNCDF transfers funds to the MoWT special programme account as described in Section 4.2.

The two disbursement streams are illustrated in Chart 5.

Chart 5. Disbursement procedures for implementation of district road rehabilitation programmes (capital investments and technical assistance)



5. Use of DRRF funds

5.1 Development Budgeting and Management Requirements

To maximise synergies, the LGs will use the same Planning, Budgeting, Procurement, Project Execution, and Performance Assessments for the DRRF as for the other development funds: Discretionary Development Equalisation Grant; Sector Development Grants; Local Revenue; and Donor/NGO Funding. However, separate reporting procedures will be instituted for the DRRF as described further as an additional fiduciary measure.

In preparing and implementing the development budget there are a set of standard requirements that must be fulfilled which are summarised in the table below and described thereafter.

Summary of Budgeting and Management Requirements

Summary of Requirements	
Requirements on the Use of the DRRF	
Allocations across categories	- Capital investments for service delivery – minimum 90%
Budget Requirements	
Capital investments	<p>100% of the DRRF budget will be used to fund road rehabilitation or improvement. It cannot be used for any other purposes, such as to fund the purchase of equipment required for implementation of the district road rehabilitation and improvement programmes or for monitoring and evaluation.</p> <ul style="list-style-type: none"> • Priority interventions will be based on a road conditions assessment (RAMPS) which will include road inventory, road condition data and traffic data. • Road rehabilitation should be fully funded. • Provisions for meeting recurrent cost implications should be in place.

Unlike the regular Works and Transport Grant, the DRRF grant does not include a provision for capacity development. This is so because the DRRF facility is integrated in the overall DINU programme and is closely related to its capacity development activities. The gaps and shortcomings of the participating local governments identified in the course of the DRRF implementation or through annual performance assessments will be addressed using the funds allocated to the relevant DINU components, including Activity 3.1.1: Strengthen capacities of Local Governments in public financial management and Activity 3.4.3: Support districts and communities in road maintenance as described in Section 2.3. Furthermore, the dedicated technical assistance provided by MoWT for implementation of Activity 2.1.2 is inclusive of on-the-job mentoring and training of the engineering departments and other relevant participants to the district road rehabilitation and improvement programmes.

5.2 Co-financing

As indicated in Section 2.2, the principle of co-financing incorporates leveraging other public finance sources for rehabilitation and improvement of district road infrastructure. These include:

(1) own source revenues; (2) Transport and Works grant; (3) District Discretionary Equalisation grant, and (4) Local Government Excellence Fund disbursed under DINU.

1. When deciding on the scope and financing of the district road rehabilitation and improvement programmes, participating DLGs are encouraged to take into account the other available funding sources to maximize the impact of the DRRF, where appropriate.
2. The participating DLGs are further encouraged to take into account the new opportunities and positive externalities generated by improved road assets and properly utilize such opportunities by financing, from the other available sources, complementary infrastructure or other development activities related to the road infrastructure.
3. Local governments are encouraged to examine the opportunities for joint projects with other LGs, whether they participate in the DRRF or not. Such cases may extend to situations when a project has benefits that extend beyond the jurisdiction of a particular local government or when for a project to become operational some interventions are required outside the participating LG (e.g., an improved road to connect a market to producers). Such projects may be co-funded by two or even more LGs using DRRF and other fund sources.

Assistance will be provided to the participating LGs to incorporate the proposed DRRF investments in the District Development Plan and their medium-term capital investment plans under Activity 3.1.1-Strengthen capacities of Local Governments in public financial management. Furthermore, the LGs will be assisted in the elaboration of their financing strategy aligned with the other DINU interventions, primarily revenue mobilization initiatives under Activity 3.1.2-Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources. The LG financing strategy will identify sources of finance for proposed capital investments in the form of grants, loans or private sector co-financing depending on the nature of the project as well as specific actions required to secure the required external capital. The LG financing strategy will be then reflected and operationalized in annual plans and budgets.

5.3 Reporting procedures

DRRF utilization and the related changes will be reported as an integral part of the LG financial reporting under the Public Financial Management Rules, 2016 and reflected in the following:

- a statement of financial position,
- a statement of financial performance
- a statement of changes in net assets/equity, and
- a cash flow statement.

Each participating LG will reconcile the DRRF bank account on a monthly basis or more often as may be required by the Accountant General and will prepare and record, on a monthly basis, a bank reconciliation statement.

In addition, a separate cash flow statement will be prepared quarterly reflecting the movement of DRRF funds as well as a physical progress report to ensure adequate accountability for DRRF utilization. The cash flow statement will reflect the income and expense of DRRF funds during the

quarter as well as the remaining balance. The physical progress report will specify the activities undertaken for implementation of the DRRF projects, including progress in the delivery of goods and services contracted for DRRF projects as well as administrative expenses related to the management and monitoring of such projects.

The unspent balance appropriated under the DRRF allocation within a fiscal year shall be exempt from the requirement of Section 17(1) of the Public Financial Management Rules and shall remain on the district's DRRF special programme expenditure account unless otherwise directed. However, the following fiscal year's allocation shall be reduced by the amount of the outstanding balance to prevent accumulation of unallocated funds at the LG level.

MoWT will submit quarterly reports with respect to the technical assistance delivered as per the Schedule of Activities, Facilities and Payments and the model Expenditure Report (Annex 2).

6. DRRF Planning

6.1 Planning cycle

The LGEF planning will be fully integrated into the national planning processes and the budget cycle.

During **September**, overall Indicative Planning Figures (IPFs) and guidance on grant usage for the forthcoming financial year will be given to the participating LGs as part of the Ministry of Finance and Planning (MoFPED) Budget Call Circular (BCC) and during the Local Government Budget Framework Paper (LGBFP) workshops.

In **October**, districts will be required to submit their annual plan for the Works and Transport sector grant inclusive of the investments and activities to be funded under the DRRF to MoWT. This submission will be based on the annualized scope/prioritisation, cost estimates and implementation timeframe of the rehabilitation works prepared by MoWT as part of its technical assistance to the Programme implementation.

During **November** each year, districts will be required to submit their draft LG BFP and LG DPs reflecting the DRRF funding approved by the Technical Planning Committee and the LG Executive Committee to MoFPED.

In **February-March**, as part of their BFP preparation process, local governments are required to submit their draft BFPs for review by MoWT to assess compliance with sector budget requirements and ensure that their planned outputs are reflected in the Programme Based Budgeting Tool.

In **April**, LGs will consolidate all changes and amendments received from MoWT in order to finalise their BFPs, lay the budget before the LG Council and submit the draft Performance Contract to MoFPED.

The deadline for submission of any variations in LG work plans for the following year is 15th of May, after which no further adjustments shall be accepted. MoWT will request MoFPED to release

funds for the first six months accordingly. Release of funds for the second semi-annual period will only be made upon submission of satisfactory quarterly reports (as per the standard government requirement) and accountability for the previous release(s) to MoWT.

MoWT will also coordinate independent spot checks to be made by the Office of Auditor General and the Inspectorate of Government to strengthen follow up on the utilization of funds. The schedule of spot checks will be agreed with the OAG and funded through a separate agreement.

Any alterations in individual work plan activities during the course of implementation must be sought from the Permanent Secretary Office, MoWT (PS/MoWT) in writing, backed by sound technical justifications, e.g. increasing costs, capacity of contractors etc. Alterations submitted after the end of the second quarter of the financial year will not be accepted.

7. Institutional implementation arrangements

7.1 Local governments

District LGs will be responsible for planning, budgeting, implementing and reporting on Program funded activities, consistent with their mandate under the LGs Act CAP243.

- The Chief Administrative Officers will be responsible for implementing and reporting on the DRRF activities, with support from the district technical planning committee.
- District LGs will be responsible for
 - opening a special programme account in a commercial bank as authorized by the Accountant General and timely transfers of DRRF funds from the district general account at BoU to the special programme expenditure account;
 - timely integration of the DRRF planning into the district annual planning process and its alignment with the district development plan, sector policies, NPA planning guidelines, budget circulars and other planning guidelines;
 - identification of the co-financing opportunities with the other intergovernmental fiscal transfers and own source revenues;
 - preparation of technical and tendering documents, procurement of goods and services for the approved DRRF projects and managing such contracts as necessary with TA support to be put in place by UNCDF;
 - informing MoWT/UNCDF about capacity development measures required to support DRRF planning and implementation;
 - ensuring the participatory character of the DRRF planning and transparency of its implementation and utilization through regular public reporting;
 - regular monitoring and spot checks for DRRF projects to establish the physical progress, individually or jointly with other agencies;
 - timely submission of financial and physical progress reports on DRRF utilization;
 - support to periodic VfM audits and regular annual audits for the DRRF special account.
- District councilors will monitor DRRF implementation and provide oversight functions at the district level.

7.2 Ministry of Works and Transport

MoWT as the coordinating agency for the DRRF will be responsible for the following:

- Provide overall guidance on DRRF implementation for incorporation in the annual budget framework (BFP) paper preparation guidelines issued by MoFPED.
- Update MoFPED on any changes to the IPF allocations on a sectoral basis prior to submission of the National BFP to Parliament, based on local governments' prioritisation of their needs.
- Co-ordinate the submission of detailed DRRF work plans by the participating Local Governments.
- Co-ordinate the submission of quarterly and annual progress reports by implementing Local Governments.
- Request MoFPED to release DRRF allocations.
- Monitor DRRF implementation at LG level.
- Produce and submit to UNCDF within three months of the beginning of each new fiscal year an annual Programme report which will provide information on the following:
 - Summary of aggregate Programme releases, expenditures and infrastructure delivered by LGs;
 - Summary of aggregate information on procurement grievances;
 - Summary of aggregate information on fraud and corruption issues – including, but not limited to complaints and investigations- captured in DDEG reporting as provided by or reported to PPDA, IG, CID and DPP.
- Support regular audit of the DDEG accounts and ensure timely management response and corrective action to audit recommendations.

7.3 Office of the Prime Minister

OPM as the coordinating agency for the entire DINU Programme will have the following roles with respect to the DRRF:

- Provide overall guidance on DRRF planning and implementation to ensure strategic alignment with the other components of DINU.
- Ensure timely performance assessment of the participating LGs, verification and approval of the assessment results and timely notification of UNCDF and MoWT.
- Coordinate the activities of the other responsible parties to create coherence and synergies between DINU components all the way from the design to the implementation phase to support effective utilization of the DRRF grant.
- Ensure coherence and alignment between the DRRF, LGEF and the PRDP grant to achieve a greater coordinated impact on peace, recovery and development in Northern Uganda.
- Oversee timely submission of the financial and physical progress reports on DRRF implementation.
- Oversee regular conduct of audit exercise with respect to the DRRF grant and timely management response to audit recommendations.
- Act as a learning platform promoting the exchange of good practices on implementation of discretionary grants and local finance for infrastructure and service delivery.

- Provide necessary strategic and technical advice and validate all the necessary operational documentation, such as operational plans and implementation guidelines, M&E guidelines and framework, etc.

7.4 MoFPED and OAG

In addition, the Ministry of Finance, Planning and Economic Development (MoFPED) and the Office of the Auditor General (OAG) will also play significant roles in Program implementation.

- MoFPED will be responsible for ensuring that Programme resources are budgeted for and disbursed within the national Medium Term Expenditure Framework (MTEF) as well as for timely transfers of the DRRF funds from the Treasury account to the general revenue accounts of the participating districts.
- The OAG will ensure that the districts receive timely authorization for opening a special programme expenditure account for disbursement of DRRF funds as well as for programme audit and the value for money audits are carried out.

7.5 UN Capital Development Fund

The UNCDF team will be responsible for:

- Overall fiduciary responsibility to the EU Delegation for the use of DRRF funds.
 - Providing technical assistance for finalization and approval of district road rehabilitation and improvement programs.
 - Prepare detailed engineering designs, annualized scope/prioritisation, cost estimates and implementation timeframe of the rehabilitation works to inform district-level annual work plans and budgets.
 - Assist in preparation of tenders and deliver procurement assistance to District Local Governments.
 - Assist District Local Governments in the supervision and management of Roadworks Contracts.
 - Development and timely issuance of the memoranda of understanding and letters of agreement to enable the functioning of the DRRF and timely release of funds.
 - Consolidation of DRRF reports from implementing parties and provision of quarterly and annual reports to the European Union as per the Delegation Agreement.
 - Reviewing regularly implementation progress and achievement of the DRRF results.
 - Alignment between DRRF projects and other DINU activities at the district level and integration of DRRF projects in the medium-term and annual planning and budgeting frameworks at the district level.
 - Providing support for implementation issues as well as institutional capacity building at the district level.
 - Providing technical support and advisory services for co-financing arrangements.
 - Monitoring systems performance to ensure their continuing adequacy through DRRF monitoring reports, audit reports, as well as field visits.
1. Monitoring changes in risks to the DRRF and compliance with legal agreements and, as needed, the DINU Programme Document.

The Program will be monitored and reported on using the existing Government systems. Key elements of the monitoring and reporting structure during implementation will include regular reports from district LGs to MoFPED, OPM and MoWT, the annual performance assessments, value for money audits, and the midterm review report.

An operational manual detailing the operation of the fund will be developed by UNCDF for the use by implementers.

8. Key Assumptions and Risk Analysis

The key assumption required for success of the DRRF (as well as DINU as a whole) is that the security situation in Northern Uganda and neighboring countries is and will remain stable and conducive during the implementation to allow for the expected results to materialise. The other assumption is that for the foreseen future, the micro- and macro-economic environment remains conducive to socio-economic development.

It is assumed that certain conditions important for implementation will be in place for the duration of the project including:

- The continuation of political and macroeconomic stability.
- The Government’s continued commitment to good governance, local government development and further devolution.
- Steady and timely funding for the Fund, including timely transfers from the EU and timely transfers from MoFPED to participating LGs.
- Functional IFMS in participating districts.

The risks associated with the implementation of the project are expected to be medium to low, except in the event of extreme emergency situations, such as major deterioration in the security situation and re-emergence of civil strife or drastic negative climate changes. The relevant risks are summarized in below.

Key Risks

Risk	Risk level	Mitigation measures
Strategic risks		
Worsening of security situation in the region	Low	Work closely with DINU components engaged in supporting security and community-based conflict resolution; ensure that DRRF projects are identified with due regard to their positive impact on peace and security.
Drought and unfavorable climatic conditions	Medium	Focus on projects that contribute to the local economic resilience and use green technologies. Explore and use backward and forward linkages outside the region (including foreign markets).

Land insecurity and conflicts	Medium	Work closely with agencies advocating for land reforms and coordinate with DINU components responsible for land registration and land dispute resolution.
Local elites capture project results	Medium	Ensure participatory and inclusive process for identification and selection of DRRF projects; systematically apply established technical criteria for project screening and evaluation.
Nationwide elections in 2021 and the aftermath leading to changes in political leadership at all levels causing delays	Medium	Introduce ad-hoc approval and implementation processes to ensure that the changes do not impact the programme.

Operating risks

Insufficient collaboration/co-ordination among the participating partners; delays in funds disbursement	Low	Strong coordination operationally through the OPM Programme Management Unit and strategically an inclusive project governance structure through the DINU Steering Board; clear and effective procedures for funds disbursement.
Low capacity of participating LGs to identify, develop, contract, manage and monitor projects	Medium	Ensure timely provision of TA by MoWT and UNCDF when necessary; establish strong connection with the DINU capacity building activities for PFM core functions.
Funds mismanagement and misappropriation at the LG level	Medium	Robust fiduciary mechanisms, such as special accounts, disbursements in semi-annual tranches based on approved work plans and quarterly reconciliation of LG project accounts; regular reports, audits and on-spot checks.
Delays in funds transfers to participating LGs	Medium	Coordination mechanism for transfers will be established between MoWT, MoFPED and LGs and a UNCDF team member will be assigned to track the timeliness of transfers. In addition, a bi-annual tracking study will be completed to identify the bottlenecks and corrective measures.

Annex 1: Standard Memorandum of Understanding for a Funding Facility

MEMORANDUM OF UNDERSTANDING
BETWEEN
[OFFICIAL NAME(S) OF NATIONAL/LOCAL PARTNER(S)],
[OFFICIAL NAME(S) OF OTHER RELEVANT PARTNERS, IF ANY],
AND THE UN CAPITAL DEVELOPMENT FUND
ON THE ESTABLISHMENT, FINANCING AND MANAGEMENT OF
[IDENTIFY THE NAME OF THE FUND – (E.G. ANSEBA’S LOCAL DEVELOPMENT FUND)]

This Memorandum of Understanding (“MOU”) is entered into by the UN Capital Development Fund (“UNCDF”), a subsidiary organ of the United Nations, an intergovernmental organization established by its Member States with its headquarters in New York, NY (USA), and the [Name of Partner] (hereinafter “[Abbreviated Name]”), headquartered in [location]. UNCDF and [Name of Partner] are hereinafter jointly referred to as the “Parties”.

WHEREAS, the purpose of UNCDF is “to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans” as per General Assembly Resolution No. 2186 (XXI);

WHEREAS the [official name of the partner] is committed to _____, as per [identify relevant law/regulation] [Add other partners as required];

WHEREAS, the Parties share common objectives and wish to cooperate in areas of mutual concern to enhance the effectiveness of their development efforts;

WHEREAS, the Government of _____ and UNCDF have entered into a Basic Agreement that sets the general conditions and terms under which UNCDF could provide assistance to the government for its development activities;

WHEREAS the establishment and financing of a Local Development Fund is part of the [indicate the name of the project under which the fund is being established]’s planned activities, as per project document signed by [the government of _____] and UNCDF;

NOW, THEREFORE, the Parties of this Memorandum of Understanding agree as follows:

[These “Whereas Provisions” are descriptive provisions meant to provide a brief background of the relationship between the parties and the basic rationale as to why the parties are deciding to cooperate under this agreement]

Article I

Purpose of the MoU

1.1. The purpose of this Memorandum of Understanding is to define the conditions for the establishment, financing and management of the Local Development Fund [or specific denomination of the Fund, if any], including, inter alia, conditions pertaining to financial control, reporting and auditing arrangements.

Article II

Purpose of the Local Development Fund [or specific denomination of the Fund, if any, such as “Anseba’s Local Development Fund”]

2.1. The purpose of the Local Development Fund [or specific denomination of the Fund, if any] is to provide supplementary capital to finance local public investments in [Option A: the following (districts/ provinces/ communes/ any other relevant jurisdiction) : _____] [Option B: (districts/ provinces/ communes/ any other relevant jurisdiction) that the parties identify, of mutual accord and in writing, in line with the objectives of the [name of the project], and that are specified in the project’s workplans (hereby referred to as ‘participating districts/municipalities/or relevant jurisdictions’); such assistance will be governed by the terms and conditions defined in Articles III to X of this MoU;

2.2. *[If the Fund has secondary purposes]* In concomitance with the purpose referred to under 2.1., the Fund will also seek to *[List any other objective of the Fund – e.g. to promote the adoption of sound Public Expenditure Management practices in recipient Local Authorities; to pilot innovations in the system of inter-governmental fiscal transfers; etc.]*

[This section should specify the purpose/objectives of the Local Development Fund]

Article III.

Establishment of the Local Development Fund

3.1. [Option A: Account at central level is to be established]

The [relevant national partner, indicate office/unit therein if relevant] shall open an Account/Special Account under the name [name of the account – e.g. Anseba Local Development Fund] in the Central Bank of _____ .

[Option B: Account at local level is to be established, if option A is not available] The [Local partner, indicate office/unit therein if relevant] shall open an Account/Special Account under the name [name of the account]. The [Local partner, indicate office/unit therein if relevant] will notify the [relevant central authority, e.g. Ministry of Finance] and UNCDF if and when such account has been established.

3.2. [For Option A] The account will be part of the National Budget-Treasury system and funds transferred by UNCDF [and any other relevant external partner] to this account will be duly and timely recorded in the government’s official financial records [or general ledger, or relevant name of the record as per nomenclature of relevant national regulations] as [indicate relevant

income nomenclature as per national regulations, e.g. ‘overseas development assistance’], in line with relevant regulations.

[For Option B] Funds transferred by UNCDF [and any other relevant external partners] into the account, will be duly and timely recorded in the local authority [or relevant official denomination of local partner]’s official financial records [or general ledger, or relevant name of the record as per nomenclature of relevant regulations] as [indicate relevant income nomenclature as per national regulations, e.g. ‘overseas development assistance’], in line with relevant regulations.

3.3. The [National/Local partner, indicate office/unit therein if relevant] shall be the owner of the LDF [Special] account [or name of the account as per 3.1.]. As such, it shall be responsible for the management and operation of the [Special] Account, including the accounting and reporting on transactions, and the preparation and submission of quarterly statements on the Account’s position to UNCDF [and any other relevant partner].

3.4. The account should be operated with a minimum of two signatories to the account.

3.5. UNCDF shall transfer its contribution to the LDF account in accordance with the disbursement schedule and conditions set out in this MoU.

[This section aims to provide the conditions for the establishment of an LDF account: where the account ‘sits’; the account ownership; and whether the LDF funds are recorded in the government’s own financial books. These are only a few options presented for illustrative purposes; specific conditions might vary according to specific national/local conditions and regulations. See, for instance, the MoU for Somaliland’s LDF (2010) for a good example of an MoU signed when no central bank is operational and where the project itself acts as repository of the LDF]

Article IV

Funding Arrangements

4.1. Subject to receipt of funds from (name relevant donor/source), if applicable], compliance of the Minimum Conditions (defined in Article V), reporting requirements by the local authorities/governments [or any other legal jurisdiction] (defined in Art. VII) and other relevant terms of this MoU, the maximum contribution of UNCDF to the LDF [or relevant fund denomination] will be up to USD _____ per year for ____ years.

4.2. [If applicable] The [national/ local partner] commits to co-fund the LDF [or relevant denomination] with _____ per year for _____ years, through transfers to the LDF [or relevant denomination] [Special] Account.

4.3. Such allocation will be made effective in parts as per conditions set out in this MoU.

[This section indicates how the LDF will be funded, i.e. funding sources, level of funding commitment per source, per year; and period of commitment]

Article V

Eligibility and Minimum Conditions of Access

5.1. Districts/Municipalities/Communes [or any other relevant jurisdiction] access to their LDF allocations shall be dependent upon compliance with the following Minimum Conditions of Access (MCAs):

The [relevant *elected, deliberative, body of local authority* – e.g. District Council] had approved the Annual Investment Plan [or other relevant denomination – e.g. District Development Plan] for the coming FY, in compliance with national and local laws and regulations

The Local Authority [or relevant denomination of local institutional partner – e.g. Local Government; District Authority; etc.] has complied with the following conditions [or conditions set out in the [“*Name of Project*”’s Public Expenditure Management manual, or any other relevant manual/formal guideline]:

[Examples:

Public disclosure requirements;
Consultation with local communities concerning development priorities;
Appraisal of proposed investment projects [including, inter alia, gender appraisals]]

[Optional: The Local Authority has disbursed at least X% of the prior tranche (for the second tranche and all subsequent tranches)]

[d. Other relevant conditions as per project’s objectives/ LDF objectives]

5.2. Failure to comply with these MCs will automatically lead to disqualification of the municipalities/districts/communes [or any other relevant jurisdiction] to get access to the grants for the fiscal year, for which the assessment applies.

5.3. Assessments and subsequent determination of eligibility will be concluded in a timely manner, to allow the Local Authority [or relevant denomination of local institutional partner – e.g. Local Government; District Authority; etc.] to program and budget against known resources.

[This section defines the minimum conditions that participating local authorities (referred to under Art. II) have to comply to become eligible recipients of LDF funds]

Article VI

Allocation Criteria

6.1. The funds will be divided across the eligible provinces/ according to a transparent allocation formula [option A: add “namely” and then *describe formula*. e.g. X% of the funds will be divided equally among the provinces/districts/any other relevant jurisdiction; the X% remaining will be allocated on a per capita basis; or any other relevant formula, including performance-based formulae]; [Option B: add “agreed to by the parties, in writing”]; [Option C: “as defined in the Operations Manual of the Fund”, [if any]]

6.2. Indicative allocation figures (potential amounts provided that all conditions are fulfilled), will be notified to the District/Provinces /Commune's Authorities [or relevant official denomination] no later than _____ each year.

[This section defines how the LDF funds will be apportioned amongst eligible Local Authorities – as per project's and LDF objectives; it also stipulates when LAs should be informed on indicative allocation figures (potential amounts provided that all conditions are fulfilled), so as to enable them to programme and budget against expected resources, if MCs are fulfilled]

Article VII

Funding Flow and Reporting

This section will vary as per country-specific institutional arrangements, national regulations and project/LDF objectives. The conditions spelled out below are just for illustration purposes (for a centrally-held LDF account).

[Example –two installments; second installment conditional on a minimum level of disbursement of first installment and not tied to specific date(s)]

7.1. UNCDF will release the initial amount not exceeding x% of the annual committed funding to the [Special] LDF [or relevant fund denomination] account at the Bank of _____, provided that [relevant requesting partner – e.g. Ministry of Local Administration] submits a request in writing to UNCDF [project] [and relevant financial authority/ authorizing partner – e.g. Ministry of Finance and Treasury]] to release the funds, in due compliance with sub-article 7.2, and supported by

Copy of approved [district/municipality/relevant jurisdiction] plan and budget for the following FY, formulated in accordance with the provisions of [the [Project name]'s Public Expenditure Management guidelines/ relevant guidelines],

Investment programme indicating share of costs expected to be borne by the LDF funds and by other sources (to be certified by the district/municipality/relevant jurisdiction's financial department and/or planning department; or relevant department);

Official financial records of local authority of prior fiscal period;

LDF Special Account details

[include other relevant conditions if any]

The request from the [central requesting partner – e.g. Ministry of Local Administration] will only be submitted if the reports from the [provinces/districts/relevant jurisdictions] are satisfactory and if the participating [provinces/districts/relevant jurisdictions] for which funding is being requested have complied with all minimum access conditions specified in Article V of this agreement.

The [central requesting partner – e.g. Ministry of Local Administration] shall request the Treasury department [or relevant authority] to release the first installment, as per allocation criteria specified in Art. VI, to eligible [provinces/district/relevant jurisdictions]' bank accounts.

The [relevant national authority] shall provide UNCDF/Project with a copy of the request and supporting documents sent to [the relevant financial authority – e.g. Ministry of Finance and Treasury], and with an updated account statement of the LDF [or relevant denomination] [Special] Account no later than ___ days after the first installment has been made effective.

The [districts/municipalities/relevant jurisdiction(s)] are required to report to the [central requesting authority- e.g. Ministry of Local Administration] and [relevant financial authority], on the use of the LDF funds (for the first and all subsequent installments) on a [indicate frequency- e.g. quarterly basis/half-yearly], and the reports should be submitted no later than _____ weeks after the end of every [quarter/semester or relevant frequency], including:
Financial and narrative report [as per reporting format agreed with [project name]]; including status of local investment programme (to be certified by the district/municipality/relevant jurisdiction's financial department and/or planning department; or relevant department);
Local Authority's account statement and bank account reconciliation;

Once the [districts/municipalities/relevant jurisdiction] have fully spent at least X% per cent of the first installment, they shall have to request the [central requesting authority] to release the second installment with the supporting documents specified in sub-article 7.5.

If the supporting documentation from the [provinces/districts/relevant jurisdictions] are satisfactory and if the participating [provinces/districts/relevant jurisdictions], [the central requesting partner – e.g. Ministry of Local Administration] shall request UNCDF to release the second [final] installment of the annual committed funding to the [Special] LDF [or relevant fund denomination] account at the Bank of _____, with the corresponding supporting documentation.

Upon UNCDF's release of funds to the [Special] LDF [or relevant fund denomination] account at the Bank of _____, the [central requesting partner – e.g. Ministry of Local Administration] shall request to the [relevant financial authority – e.g. Ministry of Finance and Treasury] to release the second installment, as per allocation criteria specified in Art. VI, to eligible [provinces/district/relevant jurisdictions]' bank accounts.

The [relevant national authority] shall provide UNCDF/Project with a copy of the request and supporting documents sent to the [relevant financial authority – e.g. Ministry of Finance and Treasury], and with an updated account statement of the LDF [or relevant denomination] [Special] Account no later than ___ days after the latest installment has been made effective.

Subsequent transfers for the following ___ fiscal years, will be made in two installments per year, as per conditions specified in sub-articles 7.5 to 7.9, with 'first' replaced by 'prior', and 'second' replaced by 'subsequent'.

[UNCDF/The project] reserves the right to assess participating [municipalities/districts/ relevant jurisdiction's] compliance with minimum access conditions (specified in Art. V of this agreement), and to inspect, in situ, the status and progress of local investment projects being financed by the LDF [or relevant denomination], and shall inform the [central authority] of reservations it might have (if any) on eligibility and/or grant utilization, with a view to agree on appropriate measures to address such concerns.

[UNCDF/The project] reserves the right to withhold UNCDF-managed funds from being transferred to the LDF account, at any point of time during the course of the current agreement, if it deems that minimum access conditions and/or grant utilization criteria have not been fully or appropriately met. Such right is reserved whether or not the [national counterpart] concurs with [the project/UNCDF's] assessment. Transfers will be initiated or resume only if and when [UNCDF/the project] deems that its reservations or concerns concerning eligibility/grant utilization have been fully and appropriately addressed by [name Ministry/national counterpart] and/or other relevant parties.

7.12. Quarterly [or relevant frequency] bank statements and bank reconciliations of the LDF [special] account, and consolidated annual reports on the use of funds, will be provided by the [relevant partner – Ministry of Local Administration] to [UNCDF/ project] and to [relevant national authority (if any), such as the Ministry of Finance and Treasury] , until all LDF funds are disbursed and utilized by participating [municipalities/ districts/relevant jurisdictions].

[This section defines the way in which funding will flow - to the LDF account, and from the LDF account to the recipient local authorities – and requirements to authorize the transfers; it also describes whether the funds will be disbursed in tranches, and with what periodicity/under what conditions; the specific conditions will vary according to national systems and regulations, signatory parties, objectives of the project/ LDF, etc.]

Article VIII

Use of the LDF funds

8.1. The LDF funds can only be used on capital investment expenditures, such as investments in new structures, buildings, facilities and rehabilitation and/or upgrading of existing infrastructures- including social service and economic infrastructure.

8.2. Up to x% can be used for investment servicing costs (e.g. such as preparation, planning, appraisal, monitoring and supervision of development projects). Eligible areas include [or are outlined in the Operations Manual of the Fund]

[This section describes, as per project/ LDF's objectives, how the LDF funds are to be utilized by recipient Local Authorities]

Article IX

Audit

9.1. All funds disbursed from the LDF [name of fund] shall undergo an annual audit for the [Office of the Auditor General \[or relevant audit authority\]](#) and the results should be made available to the involved parties of this MoU. The LDF [or relevant denomination of the fund] may also be subject to an independent external audit, covering the concerned central as well as local government institutions. The independent auditor, identified through [the project] should be approved by the Auditor General prior to this audit.

[This section describes, as per project/ LDF's objectives, how the LDF funds are to be utilized by recipient Local Authorities]

Article X

Term, Termination, Amendment

The proposed cooperation under this MOU is non-exclusive and shall have an initial term of X years from the Effective Date, as defined in Article XII [\[or commencing on _____ and ending on _____\]](#), unless terminated is requested earlier by either party upon two months notice in writing to the other party. The Parties may agree to extend this MOU in writing for subsequent periods of [____] years.

In the event of a party requesting the termination of the MOU, the Parties shall take the necessary steps to ensure that any funds remaining in the LDF account, will be disbursed in a prompt and orderly manner, as per terms of the MoU, and that the due reports will be submitted in a timely manner, as per condition XX of this MoU. The termination will also be accompanied by a final audit, which shall be expedited.

This MOU may be amended only by mutual written agreement of the Parties.

Article XI

Notices and Addresses

11.1. All official documents, written requests and other notices required or permitted to be given or made under this MOU shall be deemed to have been duly given or made when it shall have been delivered by hand, certified mail, overnight courier, telex, or cable to the party to which it is required to be given or made at the address specified below or such other address as shall be hereafter notified.

For [\[Name of Partner\]](#):

[\[Name\]](#)

[\[Address\]](#)

[\[Address\]](#)

[Address]

For [UNCDF/Name of Project]:

[Name]

[Address]

[Address]

[Address]

Article XII Settlement of Disputes

The Parties shall use good faith efforts to settle amicably any dispute, controversy or claim arising out of this MoU. Where the Parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with procedures as may be agreed between the Parties.

Any dispute, controversy or claim between the Parties arising out of this MoU which is not settled amicably in accordance with the foregoing paragraph shall be referred to arbitration, in accordance with [Article ____ of the Basic Agreement between the Government of _____ and UNCDF](#). The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

Article XIII Privileges and Immunities

13.1. Nothing in or relating to this MOU shall be deemed a waiver, express, or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

Article XIV Miscellaneous

14.1. This MOU and any related manuals, sub-agreements and project document comprise the complete understanding of the Parties in respect of the subject matter in this MOU and supersede all prior agreements relating to the same subject matter. Failure by either Party to enforce a provision of this MOU shall not constitute a waiver of that or any other provision of this MOU. The invalidity or unenforceability of any provision of this MOU shall not affect the validity or enforceability of any other provision of the MOU.

Article XV Entry into Force

15.1. This MOU may be signed in counterparts, each of which shall be deemed an original and both of which duly executed shall constitute one entire document, and shall enter into force and effect on the date (“Effective Date”) in which it is duly signed by both parties.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties affix their signatures below.

FOR UNCDF:

FOR [Name of Partner – add partners
as required]

Name

Name

Title

Title

Date

Date

Annex 2: Sample Letter of Agreement

STANDARD LETTER OF AGREEMENT BETWEEN THE UNITED NATIONS CAPITAL DEVELOPMENT FUND AND [A GOVERNMENT MINISTRY/INSTITUTION/IGO] ON THE IMPLEMENTATION OF [NAME OF UNCDF PROJECT] WHEN UNCDF SERVES AS IMPLEMENTING PARTNER

HOW TO USE THIS LETTER

- This Letter is used when a Government ministry/institution or an International Governmental Organization (IGO) cooperates with UNCDF to carry out activities as a Responsible Party when UNCDF serves as an implementing partner.
- This Letter can be used as a guideline and tailored to different situations where UNCDF enters into an agreement with the different Government ministries/institutions/IGOs. Therefore, not every clause would necessarily be applicable. However, any deviation from this standard Letter should be cleared by HQ.

TERMINOLOGY

1. This Agreement utilizes the harmonized terminology in line with the revised financial regulations and rules (FRR) which have introduced new/redefined terms as follows:
 - a. 'Execution' is the overall ownership and responsibility for UNCDF programme results at the country level which is exercised by the government, through the Government Coordinating Agency by approving and signing the Country Programme Action Plan (CPAP) with UNCDF. Therefore, all activities falling within the CPAP are nationally executed.
 - b. 'Implementation' is the management and delivery of programme activities to achieve specified results, specifically the mobilization of UNCDF programme inputs and their use in producing outputs that will contribute to development outcomes, as set forth in the Annual Work Plans (AWPs).

These two terms are elaborated under the Legal Framework section of the Programme and Project Management Section of the POPP.

2. It is important to note that at the level of project management, the terms “execution” under the non-harmonized operational modalities, including global and regional projects and “implementation” under the harmonized operational modalities have the same meaning, i.e. management and delivery of project activities to produce specified outputs and efficient use of resources. Therefore, this Agreement uses the term “implementation” in line with the “harmonized operational modalities” to cover also at the project level the term “execution” under the non-harmonized operational modalities. More specifically, all references to “Executing Agency” have been replaced with “Implementing Partner”.
3. When using this Letter of Agreement in non-harmonized or non-CPAP countries, change the following terms as follows:
 - a. Execution instead of Implementation
 - b. Executing Entity instead of Implementing Partner

Your Excellency,

1. Reference is made to the consultations between officials of the United Nations Capital Development Fund (hereinafter referred to as “UNCDF”) in [*the name of programme country*] and officials of [*name of the Government ministry/institution/IGO*] with respect to the realization of activities by *the Government ministry/institution/IGO* in the implementation of the project [*number and title of project*], as specified in Attachment 1: Project Document, to which UNCDF has been selected as implementing partner.
2. In accordance with the Project Document and with the following terms and conditions, we confirm our acceptance of the activities to be provided by [*the Government ministry/institution/IGO*] towards the project, as specified in Attachment 2: Description of Activities (hereinafter referred to as “Activities”). Close consultations will be held between [*the Government ministry/institution/IGO*] and UNCDF on all aspects of the Activities.
3. [*The Government ministry/institution/IGO*] shall be fully responsible for carrying out, with due diligence and efficiency, all Activities in accordance with its Financial regulations, rules and other directives, only to the extent they are consistent with UNCDF’s Financial Regulations and Rules. In all other cases, UNCDF’s Financial Regulations and Rules must be followed.
4. In carrying out the activities under this Letter, the personnel and sub-contractors of [*the Government ministry/institution/IGO*] shall not be considered in any respect as being the employees or agents of UNCDF. UNCDF does not accept any liability for claims arising out of acts or omission of [*the Government ministry/institution/IGO*] or its personnel, or of its contractors or their personnel, in performing the Activities or any claims for death, bodily injury, disability, damage to property or other hazards that may be suffered by [*the Government ministry/institution/IGO*], and its personnel as a result of their work pertaining to the Activities.
5. Any subcontractors, including NGOs under contract with [*the Government ministry/institution/IGO*], shall work under the supervision of the designated official of [*the Government ministry/institution/IGO*]. These subcontractors shall remain accountable to [*the Government ministry/institution/IGO*] for the manner in which assigned functions are discharged.
6. Upon signature of this Letter, UNCDF will make payments to [*the Government ministry/institution/IGO*], according to the schedule of payments specified in Attachment 3: Schedule of Activities, Facilities and Payments.
7. [*The Government ministry/institution/IGO*] shall not make any financial commitments or incur any expenses which would exceed the budget for the Activities as set forth in Attachment 3. [*The Government ministry/institution/IGO*] shall regularly consult with UNCDF concerning the status and use of funds and shall promptly advise UNCDF any time when [*the Government ministry/institution/IGO*] is aware that the budget to carry out these Activities is insufficient to fully implement the project in the manner set out in the Attachment 2. UNCDF shall have no obligation to provide [*the Government ministry/institution/IGO*] with any funds or to make any reimbursement for expenses incurred by [*the Government ministry/institution/IGO*] in excess of the total budget as set forth in Attachment 3.
8. [*The Government ministry/institution/IGO*] shall submit a cumulative financial report each quarter (31 March, 30 June, 30 September and 31 December). The report will be submitted to UNCDF through the UNCDF Country Director or UNDP Resident Representative within 30 days following those dates. The format will follow the standard UNCDF expenditure report [a model copy of which

is provided as Attachment 4]. UNCDF will include the financial report by *[the Government ministry/institution/IGO]* in the financial report for *[number and title of project]*.

9. *[The Government ministry/institution/IGO]* shall submit such progress reports relating to the Activities as may reasonably be required by the project manager in the exercise of his or her duties.

10. *[the Government ministry/institution/IGO]* shall furnish a final report within 12 months after the completion or termination of the Activities, including a list of non-expendable equipment purchased by *[the Government ministry/institution/IGO]* and all relevant audited or certified financial statements and records related to such Activities, as appropriate, pursuant to its Financial Regulations and Rules.

11. Equipment and supplies that may be furnished by UNCDF or procured through UNCDF funds will be disposed as agreed, in writing, between UNCDF and *[the Government ministry/institution/IGO]*.

12. Any changes to the Project Document which would affect the work being performed by *[the Government ministry/institution/IGO]* in accordance with Attachment 2 shall be recommended only after consultation between the parties.

13. For any matters not specifically covered by this Letter, the Parties would ensure that those matters shall be resolved in accordance with the appropriate provisions of the Project Document and any revisions thereof and in accordance with the respective provisions of the Financial Regulations and Rules of the *[Government ministry/institution/IGO]* and UNCDF.

14. The arrangements described in this Letter will remain in effect until the end of the project, or the completion of activities of *[the Government ministry/institution/IGO]* according to Attachment 2, or until terminated in writing (with 30 days notice) by either party. The schedule of payments specified in Attachment 3 remains in effect based on continued performance by *[the Government ministry/institution/IGO]* unless it receives written indication to the contrary from UNCDF.

15. Any balance of funds that is undispersed and uncommitted after the conclusion of the Activities shall be returned within 90 days to UNCDF.

16. Any amendment to this Letter shall be effected by mutual agreement, in writing,

17. All further correspondence regarding this Letter, other than signed letters of agreement or amendments thereto should be addressed to *[name and address of Country Director/Resident Representative, UNCDF]*.

18. *[The Government ministry/institution/IGO]* shall keep the UNCDF Country Director/Resident Representative fully informed of all actions undertaken by them in carrying out this Letter.

19. UNCDF may suspend this Agreement, in whole or in part, upon written notice, should circumstances arise which jeopardize successful completion of the Activities.

20. Any dispute between the UNCDF and *[the Government ministry/institution/IGO]* arising out of or relating to this Letter which is not settled by negotiation or other agreed mode of settlement, shall, at the request of either party, be submitted to a Tribunal of three arbitrators. Each party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator, who shall be the chairperson of the Tribunal. If, within 15 days of the appointment of two arbitrators, the third arbitrator has not been appointed, either party may request the President of the International Court

of Justice to appoint the arbitrator referred to. The Tribunal shall determine its own procedures, provided that any two arbitrators shall constitute a quorum for all purposes, and all decisions shall require the agreement of any two arbitrators. The expenses of the Tribunal shall be borne by the parties as assessed by the Tribunal. The arbitral award shall contain a statement of the reasons on which it is based and shall be final and binding on the parties.

21. If you are in agreement with the provisions set forth above, please sign and return to this office two copies of this Letter. Your acceptance shall thereby constitute the basis for your *[Government ministry's/institution's/IGO's]* participation in the implementation of the project.

Yours sincerely,
Signed on behalf of UNCDF

[Name and title]
[Date]

Signed on behalf of *[the Government ministry/institution/IGO]*
[Name and title]
[Date]

Attachment 1

PROJECT DOCUMENT

Attachment 2

DESCRIPTION OF ACTIVITIES

Project number: Project title:

Results to be achieved by [the Government ministry/institution/IGO]

Provide a summary of the results to be achieved by [the Government ministry/institution/IGO], particularly the outputs they are expected to produce.

Work to be performed by [the Government ministry/institution/IGO]

Explain the activities to be carried out by [the Government ministry/institution/IGO].

Description of inputs:

Provide a detailed description of the project inputs by activity. This may include personnel, contracts, training, equipment, miscellaneous and micro-capital grants.

Annexes:

Attach, as appropriate, job descriptions for consultants, terms of reference for contracts, technical specifications for equipment items, training nomination forms, etc.

- Adjustments within each of the sections may be made in consultation between UNCDF and *[the Government ministry/institution/IGO]*. Such adjustments may be made if they are in keeping with the provisions of the Programme Support/Project Document and if they are found to be in the best interest of the project.

ANNEX 3: SUPPORT TO AGRICULTURAL REVITALIZATION AND TRANSFORMATION (START)



**Support to Agricultural Revitalization and
Transformation (START)
Funding Facility for Small and Medium Agri-
businesses in Northern Uganda**

Concept Paper

Kampala, May 2017

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List of Acronyms

AACF	African Agricultural Capital Fund
ACF	Agricultural Credit Fund
ALCO	Asset and Liability Committee
BDS	Business Development Services
BoU	Bank of Uganda
BUDS	Business Uganda Development Scheme
CBD	Central Business District
DINU	Development Initiative for Northern Uganda
DFID	Department for International Development (UK)
EIB	European Investment Bank
EU	European Union
LGEF	Local Government Excellence Fund
KPI	Key Performance Indicators
MoAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MoFPED	Ministry of Finance, Planning and Economic Development
OPM	Office of the Prime Minister
PRELNOR	Project for Restoration of Livelihoods in the Northern Region
PSFU	Private Sector Foundation of Uganda
SME	Small and Medium Enterprises
START	Support to Agricultural Revitalisation and Transformation
UDB(L)	Uganda Development Bank (Limited)
UNCDF	United Nations Development Fund
USAID	US Agency for International Development

1. Background

1.1 Agriculture in Uganda

Agriculture remains the backbone of Uganda's economy employing 72% of Uganda's labor force³¹ and contributing 21% of the national GDP. Whereas the policy and regulatory frameworks and institutions that support agricultural development have substantially improved, they have not transformed agriculture in this country. Agriculture valued added per worker measured at constant 2005 US dollars, has remained very low, despite Uganda's favorable resource endowments, increasing only marginally from an average of US\$ 212 in the 1990s to an average of US\$ 219 in 2010-2015, according to the World Bank's World Development Indicators.

During the past five years, the agricultural sector has underperformed both industry and services. In particular, the annual growth of the agricultural sector averaged 2 percent during 2000/1-2013/14 compared to an average of over 8 percent for both the services and industrial sectors.³² This low growth coupled with a high population growth exacerbates the problem even further. From 1990 to 2010, Ugandan agricultural yield increased by 33 percent while the population nearly doubled. This has forced Uganda to import an increasing amount of food. The increase in agricultural imports has accelerated over the last 10 years and is projected to continue through 2040.³³ Given global food price volatility, an overreliance on food imports could exacerbate Uganda's food security situation.

This problem is particularly pronounced in Northern Uganda. The shift from subsistence to commercial agriculture that has been experienced at national level over the past ten years has been insufficient in the North, notably in Karamoja and did not enable small-scale farming household to break out of the reinforcing circle linking under-nutrition to poverty. As a result, together with other factors, under-nutrition remains high and is seen as a major obstacle to sustained economic development for the region.³⁴

Whilst Uganda has a comparative advantage in agriculture, the lack of adequate funding and appropriate technology means that farmers may not be able to achieve better production, deferring economic benefits to more developed countries. There a clear need for investment in a fully integrated value chain, creating and retaining wealth within Uganda.³⁵

³¹ 2012/2013 Uganda National Household Survey,

³² Second National Development Plan (NDPII) 2015/16 - 2019/20.

³³ Moyer, J. et al. Advancing development in Uganda: evaluating policy choices for 2016-21 and selected impacts to 2040. University of Denver, 2015.

³⁴ A study conducted by the World Food Programme showed that the cost of children under-nutrition alone is equivalent to 5.6% of Uganda's Gross domestic product, as a result of loss of potential of labor and skills due to poor cognitive development of children - sources: http://npa.ug/wp-content/themes/npatheme/documents/Publications/Cost%20of%20Hunger%20report%20summary%20version_Final%20Edition.pdf

³⁵ Kasekende, L. Remarks at the High-Level Meeting on Agricultural Financing in Uganda. Kampala, 30 August 2016

In the bid to increase agriculture productivity, the Government of Uganda has proposed the following interventions as part of its 5-year development strategy for 2015/16 – 2019/20:

- strengthening research, identifying and building key human resource capacity;
- technology adaptation at the farm level including modern irrigation technologies;
- up scaling the transfer and utilization of food-production and labor-saving technologies for women farmers;
- enhancing extension services;
- increasing access to and use of critical farm inputs; promoting sustainable land use and soil management;
- increasing access to agricultural finance with specific attention to women.

At the heart of the NDP II approach to agricultural transformation is creation of value addition along the agricultural development value chain consisting of five stages: production, transportation, storage, processing, as well as, marketing and distribution. There are enormous opportunities in value addition through agro-processing. This will enhance Uganda's competitiveness on the international market, boost foreign exchange earnings and employment. It will reduce wastage enhance food security, improve livelihoods for low income groups and empower disadvantaged groups such as the disabled, women and the youth³⁶.

1.2 Development Initiative for Northern Uganda

To support the Government of Uganda in achievement of its development goals set in NDP II and Vision 2040 and holistically addressing the development challenges in Northern Uganda, the European Union designed a Development initiative for Northern Uganda (DINU). DINU aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region, by supporting a selection of relevant value-chains (taking into account the respective agro-ecological zone types of the sub-regions), addressing notably the identified bottlenecks, and working with local private sector.

The general objective of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. It will focus on the sub-region of West Nile, Acholi, Lango, Teso and Karamoja. Adopting a multi-sectorial approach, support will be provided in the three focal sectors identified in the National Indicative Programme.

There are three areas of support targeted by the programme.

1. Food security and nutrition: the programme will respond to the challenge of food security and under-nutrition using value chain development as an entry point. Private operators will be incentivised to work with small scale farmers. Support to agriculture will be complemented by a set of nutrition-specific interventions implemented at community level.

³⁶ Uganda's Vision 2040.

2. Transport infrastructures: this component will facilitate the transport of commodities in and out of the region, providing farmers with the opportunity of accessing regional, national and international markets, and facilitating the importation of agriculture inputs and other consumer goods. It will be complemented by support provided to relevant levels of governments ensuring the sustainability of the investment.

3. Local governance: improvements in the levels of service provision to address the root causes of underdevelopment will ultimately depend on the capacity of local governments to carry out their core processes. Interventions on public finance management will focus on compliance with government regulations. Local revenue mobilisation plans will be developed in cooperation with local communities, creating a compact on revenue generation linked to improved service delivery. Looking to the future, structured partnerships will be established between local government associations and central government departments, for research and advocacy on institutional and policy reforms relating to their core mandates.

2. START Objectives and Value Proposition

2.1 Objective and rationale

The START funding facility is designed to support the implementation of DINU food security and nutrition component, in particular Activity 1.2.2, which aims at providing seed capital to incubation projects along agricultural value chain as part of its overall objective to increase local production of diversified food. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of Business Development Services and seed capital in the form of loans, grants and reimbursable grants.

The medium to long-term development objective will be to stimulate pro-poor economic growth in northern Uganda, better retain the economic benefits of agriculture in the North, and improve local food systems and food security. The secondary medium-term objective will be to transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses in Northern Uganda with the further intention to scale up its operation and coverage nationally.

START additional objectives include:

- Complement other agricultural/SME finance facilities by addressing the identified gaps in financial and technical assistance services to capital-intensive value adding agricultural projects in storage and processing.
- Improve access to finance for projects promoted by women and youth and contribute to their economic empowerment as well as for projects that aim at reducing environmental risks and ecological scarcities along the identified value chains.
- Leverage DINU activities in the other programmatic components to improve opportunities for agricultural investments through a better alignment between public sector interventions (institutional support, roads and other enabling infrastructure) and private sector economic activities.
- Leverage domestic capital for investments in agriculture by attracting farmers' savings, concessional and regular finance and guarantees from financial institutions and private firms.
- Strengthen the role of the Uganda Development Bank as the key national development finance institution.

START is designed to occupy a special niche in the national agricultural finance sector in line with its objectives and complement other existing facilities. This sector has a number of funding facilities targeting agriculture in general and SMEs (above the micro level) in particular, and funded by aid agencies and donors, government and institutional investors (see examples below):

Table 1. Examples of agricultural/SME finance facilities in Uganda

Equity funds	<ul style="list-style-type: none">• EU Yield Uganda Investment Fund (investments in the range of €250,000 to €2 million)
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Credit facilities	<ul style="list-style-type: none"> • Agricultural Credit Fund (BoU through participating commercial banks) • aBI (Agribusiness Initiative) Trust (multi-donor) • African Agricultural Capital Fund (USAID) • EIB credit line to SMEs in East Africa
Guarantee facilities	<ul style="list-style-type: none"> • Development Credit Authority (USAID) • aBI (Agribusiness Initiative) Trust (multi-donor)
Grant facilities	<ul style="list-style-type: none"> • Competitiveness and Enterprise Development Project, CEDP (World Bank) • Project for Restoration of Livelihoods in the Northern Region, PRELNOR (IFAD)

Some of the above facilities, such as AACF and CEDP, also incorporate a TA component. Of course, Ugandan commercial banks remain the biggest contributors to agricultural lending, accounting for 93 percent of the total amount lent to the agricultural sector in 2014 (as in the preceding years, since 2007).

2.2 Gaps in agricultural financing and lessons learnt

Despite the efforts taken, an analysis of the national agricultural financing sector demonstrates continued gaps in two areas, financial products and technical assistance:

Table 2. Gaps in the agricultural/SME finance sector

Financial products	<ul style="list-style-type: none"> • Size: Lack of finance in the range between the microfinance threshold and regular commercial funding • Tenors: Lack of medium-term finance for agribusinesses³⁷ • Sector: Inadequate finance for processing (as compared to production finance)³⁸ • Instruments: Limited use of guarantees • Costs: High cost of finance and collateral requirement
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³⁷ In 2013-2014, short term lending contributed between 65 and 45 percent of total lending (Uganda Agricultural Finance Year Book, 2015). In Uganda, scarcity of long term finance is a key impediment to greater investment and their growth imposing on them a short-term business outlook (Turyahikayo E. Challenges Faced by Small and Medium Enterprises in Raising Finance in Uganda. International Journal and Public Administration and Research, 2015).

³⁸ Despite higher costs for processing projects, in 2014, production finance constituted the biggest percentage of total agricultural lending, 34 percent (Uganda Agricultural Finance Year Book, 2015).

	<ul style="list-style-type: none"> • Target groups: Inadequate coverage of farmers' association and co-operatives (considered riskier than firms);³⁹ lack of customized products for disadvantaged groups, such as youth and women⁴⁰
Technical assistance	<ul style="list-style-type: none"> • Project preparation: Lack of technical assistance to develop value addition projects, technically and financially⁴¹ • General business skills: Inadequate support to business planning, organization, management⁴² • Post-investment: Lack of support after the financial closure to ensure continued business sustainability

Some critical lessons from a number of programmes previously implemented by UDB and PSFU include:

Financing
<ul style="list-style-type: none"> • Insufficient security, including weak land policies in Northern Uganda and predominantly (un-registered) communal land ownership, is a serious impediment to the security evaluation for the respective projects and requires credit enhancements/guarantees. • Successful financing for SMEs and farmer organisations requires engagement with other key chain actors like the market, input suppliers and service providers and information services. • Tripartite agreements are often signed between the bank, farmers and buyers to prevent side selling and provide assured market. • Operational costs may be quite high due to remote geographical location of agricultural SMEs and farmer organizations.
Business Development Services

³⁹ DINU Scoping Mission Preliminary Findings, March 2015.

⁴⁰ Despite being the majority labor force in Uganda, women farmers demonstrate slow technological innovations and adoption while being disproportionately affected by limited access to land and agricultural finance (the share of female smallholders who can access credit is 5 - 10 percentage points lower than for male smallholders. Women farmers has the lowest access to extension services as well as over dependency on rain-fed agriculture. For youth, agriculture, including on-farm entrepreneurial activities, remains a major opportunity for employment and for family household income (Policy Brief on Agricultural Finance in Africa. Tunis, 2012.)).

⁴¹ Most experienced managers of infrastructure funds in Africa believe that the key constraint is not the availability of finance, but the lack of well-prepared, financeable projects (Cochran, T. et al. Infrastructure Funds and Facilities in Sub-Saharan Africa. World Bank, 2009).

⁴² SMEs lack good quality human capital which also means limited marketing and financial planning, lack of good business plans; poor business records and deficient corporate governance (Turyahikayo E. Challenges Faced by Small and Medium Enterprises in Raising Finance in Uganda. International Journal and Public Administration and Research, 2015).

- Business development services (BDS) are very critical in turning around performance but very few organizations/companies are willing to invest in the same and always look at the former as a means of the last resort.
- BDS goes hand in hand with technology acquisition as the two complement efforts from both sides to realize gainful impact.
- There is a direct correlation between the demand for BDS and availability of co-funding for the activities.
- Implementation should embrace the supplier driven approach in as much as it maintains the demand driven aspect.

2.3 START value proposition

START is intended to complement other existing facilities in line with the analysis of the agricultural finance sector to address the identified gaps in terms of financial products and provision of technical assistance. In addition, the Facility aims at leveraging and achieving synergies with the other components of the DINU program. START will complement other activities in Specific objective 1, particularly those related to increased production of diversified food and improved market accessibility. The Facility will also build on the activities implemented as part of Specific objective 2 (To increase trade of commodities through the improvement of transport infrastructures) and Specific objective 3 (To strengthen capacity, gender-responsive good governance and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery).

The fact that START is part of a much broader programme, with many activities that The DINU components and activities with which START design and operation will be aligned are summarized in the table below.

Table 3. Key interactions and synergies with DINU activities

Activity	Type of interaction
Specific objective 1: to increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment”	
Activity 1.1.2-facilitate access to key inputs and output markets for women and men small-scale farmers	START will benefit from the increased productive capacity of small-scale farmers due to improved access to key inputs and output markets, which will improve supply for the START-supported projects. At the same time, START will help project developers to establish better linkages with small-scale producers and open up new output markets as part of its project development activities.
Activity 1.2.1-foster linkages between smallholder farmers, agro-processors and market operators	START will benefit from the improved capacity of smallholder farmers to market their produce and understand market requirements through training to framers groups in efficient processing, storage, packaging and handling techniques and facilitate value-

Activity	Type of interaction
<p>Activity 1.2.4-assess and identify market opportunities and product niches along the stages of the value chain</p>	<p>addition activities and support entrepreneurs – notably women and youth - with business development and incubation services. This will help START to source better quality investment proposals from farmer groups and cooperatives. At the same time, START will deliver business development and incubation services to the projects that it will support, thus putting generic BDS into a specific context and reinforcing it through learning-by-doing.</p> <p>START will benefit from the improved capacity of farmer organisations to enter into market exchanges and contractual agreements with processors/bulk buyers and to engage in collective marketing (increasing bargaining power) and to access non-local markets. At the same time, START will actively explore and incorporate profitable market opportunities in the projects it will support.</p>
<p>Specific objective 2: To increase trade of commodities within the region, within the country, and with neighbouring country through improved transport and logistic infrastructures</p>	
<p>Activity 2.1.1-Rehabilitation and construction of selected roads connecting remote and disadvantaged districts to the main road network</p>	<p>Improved access of agricultural producers in remote areas to regional markets will allow START to expand the projects it supports to previously inaccessible areas. START will take into account the emerging market opportunities and will help local producers and processors to benefit from these opportunities.</p>
<p>Specific objective 3: To strengthen capacity, gender-responsive good governance and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery.</p>	
<p>Activity 3.1.1 - Strengthen capacities of Local Governments in public financial management</p>	<p>START will benefit from the improved capacity of local governments to integrate economic development into local development plans and budgets and create an investment-friendly environment.</p>
<p>Activity 3.2.3-Incentivise performance of local governments and to stimulate community involvement</p>	<p>Target local governments will benefit from a Local Government Excellence Fund (LGEF), which will promote social and economic empowerment of young people and women, including enabling infrastructure, such as market facilities. START will capitalize on such activities by incorporating the human development and infrastructure opportunities created through youth and women empowerment into the projects it supports.</p>
<p>Activity 3.4.5-Improve land governance and facilitate the registration of Certificate of Customary Ownership</p>	<p>Increased registration of customary land will improve debt security of farmer organisations and will allow START to undertake projects in new areas.</p>

START intends to deliver the following value to the stakeholders who include small and medium agribusinesses, Ugandan financial institutions and agricultural/SME finance facilities, BDS providers and local governments.

Table 4. START value proposition

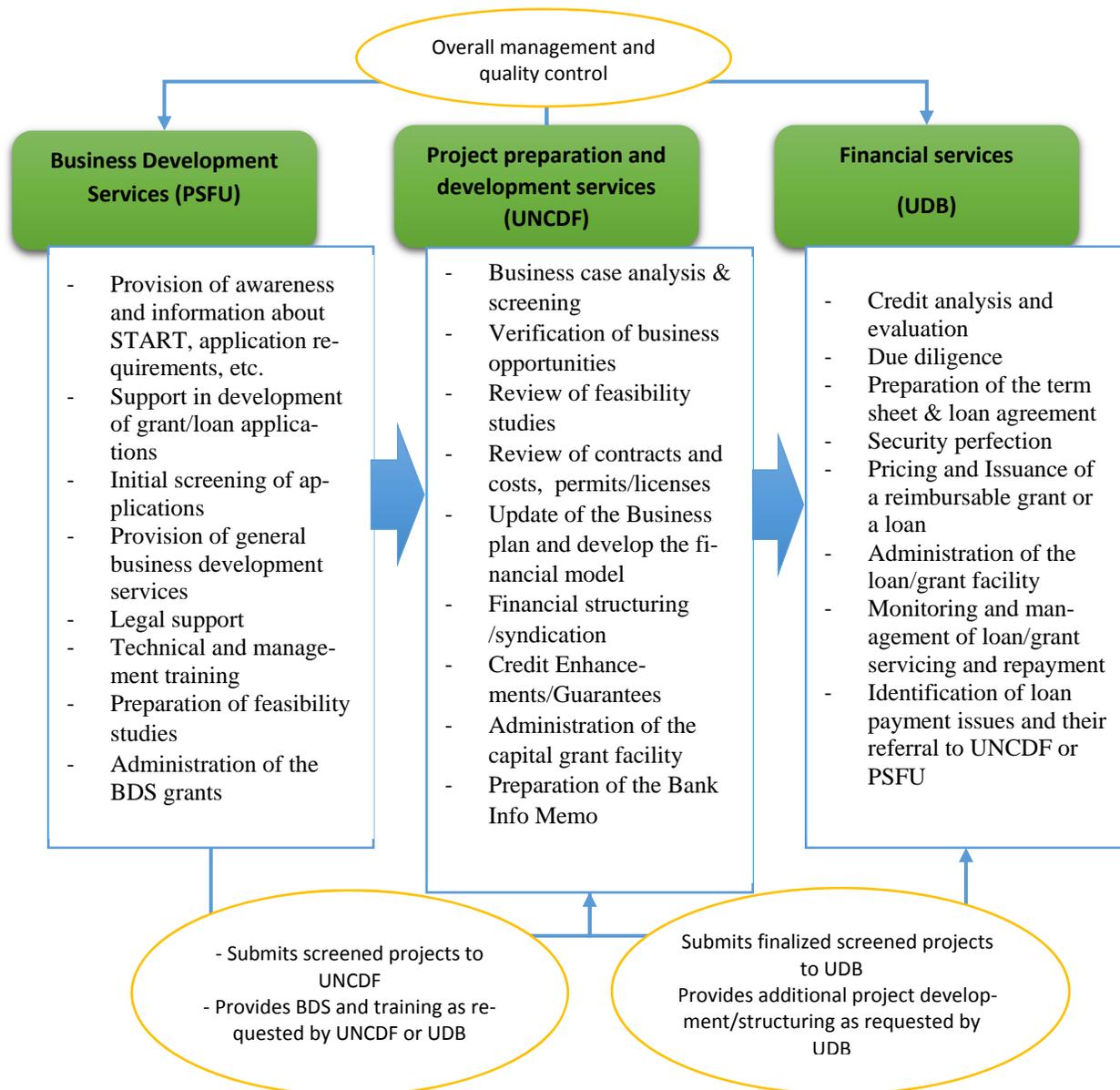
Stakeholders	Value proposition
Small and medium agribusinesses	<ul style="list-style-type: none"> • Access to financial products in the form of grants, reimbursable grants and guarantees to top up a financial requirement from €10,000 to €100,000 • Access to medium-term loans of up to 5 years to finance value addition capital investment projects • Affordable cost of finance including quasi-equity in the form of risk capital grants • Access to finance to promote agribusinesses with a significant engagement of young people and women • Access to finance for projects that contribute to climate change adaptation • Higher size of the financed projects with the same developer’s contribution due to higher financial leverage • Access to customized project development and BDS support, including post-investment support
Ugandan financial institutions and agricultural/SME finance facilities	<ul style="list-style-type: none"> • A pipeline of de-risked project proposals properly prepared and developed • Broader coverage of agribusinesses including farmers’ associations, cooperatives and firms • Third party project-based guarantees to reduce credit risks • Access to concessionally priced line of credit and reimbursable grants to leverage own regular funds through blended finance structures • Better loan servicing and repayment due to customized post-investment support to financed projects • In the future, a sustainable nationally-owned revolving loan/grant facility to support agricultural value addition
Business development service providers	<ul style="list-style-type: none"> • Improved business opportunities for BDS delivery • Opportunities to develop their specialized skills • Improved business reputation and positioning with an extended client base
Local governments	<ul style="list-style-type: none"> • Opportunity to improve their capacity to engage with the private sector and create a local business-friendly environment

- Opportunity to align public investments with private investments in agriculture to improve complementarities and synergies
- More vibrant local economy and additional own source revenues

3. Structure and Approach

3.1 Structure and management arrangements

Figure 1. START structure



START is structured as a blended facility providing a customized mix of Business Development Services, project development and structuring services, and financial products. Accordingly, the START has three lines of business managed by the three participating institutions respectively, PSFU, UNCDF and UDB. The lines of businesses and the services provided through them are explained in Figure 1.

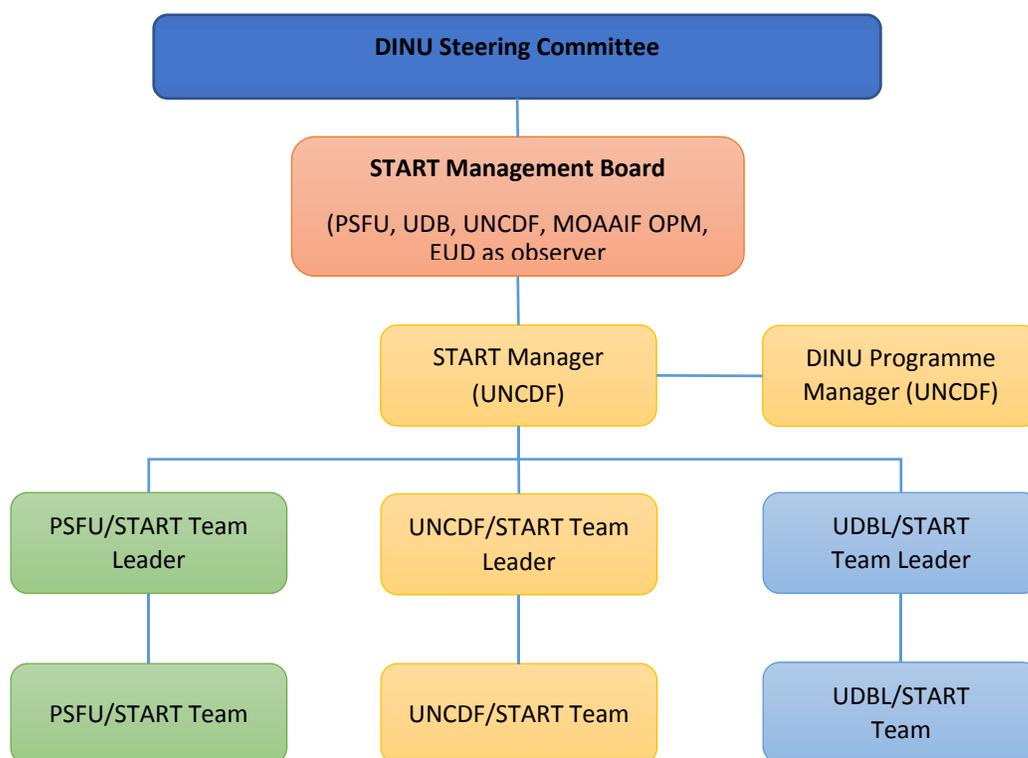
In addition to managing the line of business that provides project preparation and development services, UNCDF will be responsible for the overall administration of the Facility including:

- Strategic management of the Facility to ensure its continued alignment with the national and programmatic objectives in terms of the policies and approach.
- Management of the Facility's operations to ensure coherence between the partners (PSFU and UDB) and delivery towards the stated common objectives.
- Overall fiduciary responsibility to the EU Delegation for the use of START funds.
- Development and timely issuance of the memoranda of understanding and letters of agreement with the partners to enable their engagement and implementation of the activities for which they are responsible.
- Decisions on the issuance of calls for proposals and the criteria applied for project selection.
- Decisions on the size and timing of financial tranches to the lines of business.
- Reporting to the European Union as per the Delegation Agreement.
- Consolidated quarterly and annual financial reporting to the Management Board.
- Public reporting on the activities and progress of the START Facility to ensure transparency.
- Quality assurance, including development and implementation of a monitoring plan, regular quality assessments and maintenance of a risk log.
- Support to the design and implementation of regular independent audits of the Facility.
- Coordination of resource mobilization activities to ensure continuity of the Facility and upscale its operations.

UNCDF will be assisted by a Management Board with an equal representation of PSFU, UDB, UNCDF, Ministry of Agriculture, Animal Industry and Fisheries and the Office of the Prime Minister. A representative of the EU Delegation may participate as an observer. The Management Board will meet at least once a quarter or more often as necessary with the following tasks:

- Review and approve annual and quarterly plans.
- Provide guidance and direction to the START Manager, ensuring that the Facility operates within any specified constraints.
- Review START performance reports on a quarterly basis, including reports on the utilization of the Facility.
- Review quarterly bank statements and bank reconciliations of the START accounts.
- Review audit reports and recommendations and prepare a management response.
- Resolve disagreements on uses of the Facility within 10 working days.
- Approve joint resource mobilization plans.
- Provide ad-hoc direction and advice for exception situations when tolerances are exceeded.
- Assure that all planned deliverables during each stage are delivered satisfactorily.
- Serve as a Grant Allocation Committee for BDS or equity top-ups.

Figure 2. START organizational structure



To ensure financially sound investment decisions, START will apply a system of checks and balances based on separation of duties between the partners. Each partner will retain an autonomy for decision-making in its assigned line of business and will be able to review the decisions taken by the other partners during the earlier stages. Disagreements that cannot be resolved between the partners will be submitted to the Management Board. UDB credit decisions are final and not subject a review by the Management Board or UNCDF.

3.2 Geographical investment areas and sector focus

The geographic coverage for START is aligned with the geographic coverage of DINU and comprises 33 districts in the North, including 15 core districts identified for the activities in support of food production and commercial agriculture based on the value chain analysis by cluster (Figure 3).

START will take into account the impact of the complementary activities for food production and commercial agriculture in 15 core districts (see Table 5) but all 33 districts will be eligible for support from START.

START will support development and financing of capital-intensive agricultural projects promoted by small and medium businesses that add value in storage and processing of agricultural produce in the identified value chains as specified in Table 5:

- cassava
- coffee
- soya
- sesame
- vegetables
- sorghum
- rice
- groundnuts
- apiary
- livestock

As mentioned before, alignment with the DINU value chain selection will allow START to benefit from the mobilization, business development and marketing activities designed and implemented for those value chains through other programmatic components and will ensure intra-programme synergies.

START will consider both greenfield and brownfield projects that meet these criteria. Figure 5 presents START's sectoral focus.

Figure 3: DINU geographic coverage and selected districts by value chain.

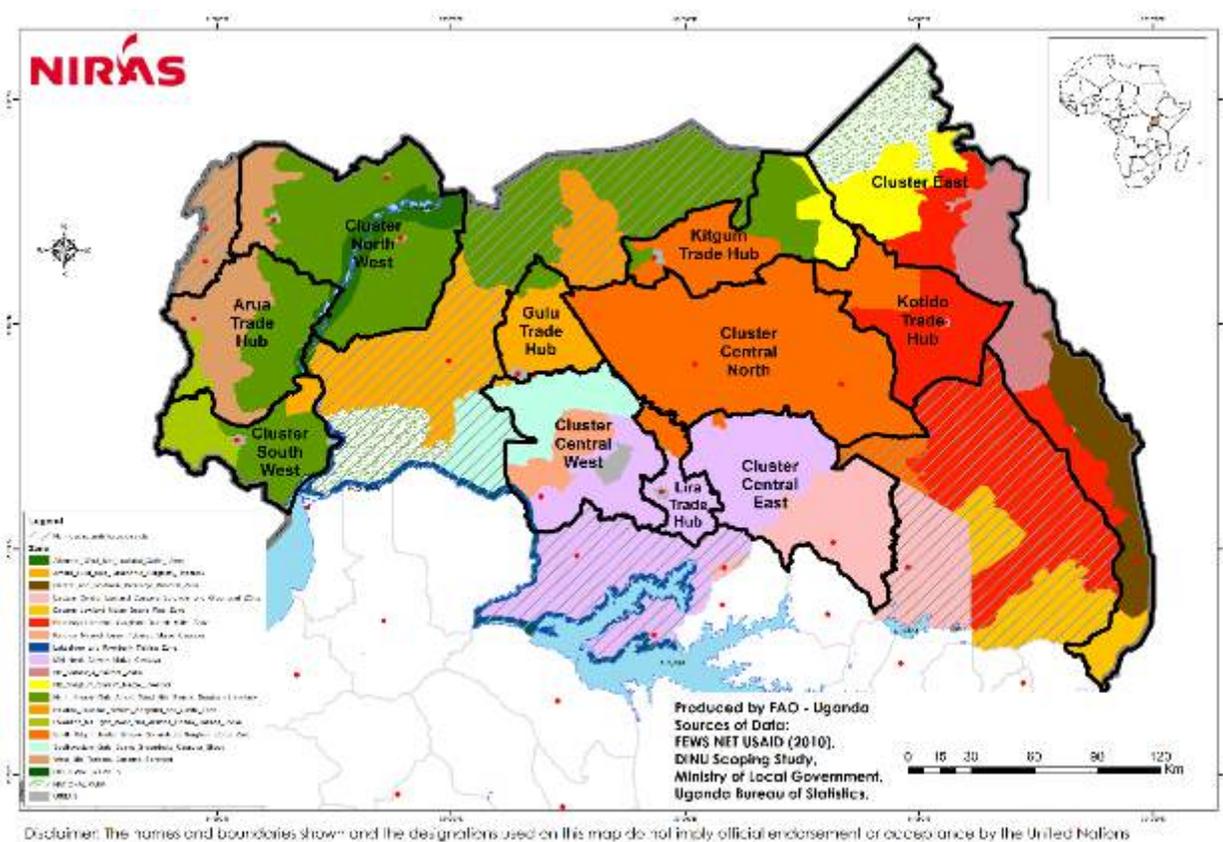


Table 5: DINU value chains by cluster

Cluster	Livelihoods zone	Cluster districts	Cluster VCs
Eastern Karamoja	Northern Central and Southern Karamoja zone	Amudat, Moroto and (Kaabong)	Livestock, sorghum, apiary and vegetables

Central Acholi	South Kitgum Pader Abim zone	Abim, Pader and Agago	Cassava, soya, apiary and vegetables
Eastern Lango/Teso	East Central lowlands zone, combined with Mid North zone	Amuria, Otuke and Alebtong	Rice, cassava, soya, apiary vegetables
South West Acholi/Lango	Karuma, Masindi Oyam zone, combined with Mid North zone	Oyam, Omoro and Kole	Cassava, groundnuts, soya apiary and vegetables
Northern West Nile	North Kitgum Amuru West Nile zone	Adjumani, Moyo and Yumbe	Cassava, sorghum, soya, sesame, apiary, vegetables
Southern West Nile	Rwenzori West Nile zone	Zombo and (Nebbi)	Coffee, apiary, vegetables

Figure 4 represents a typical value chain of most commodities. START activities will focus on post-harvest handling, storage and processing (including packaging).

Figure 4. Typical value chain

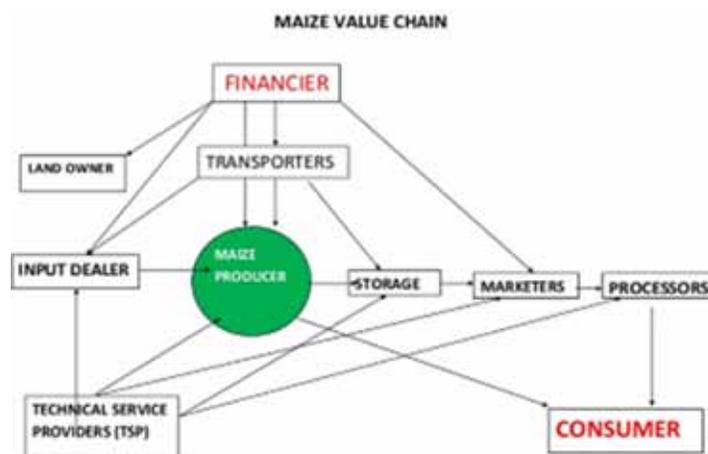
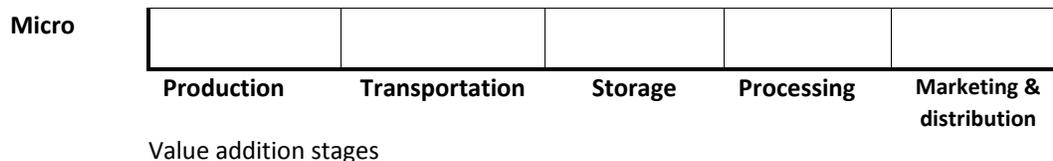


Figure 5. START sectoral focus

Busi- ness	Large					
	Medium					
	Small					



3.3 Financial windows and instruments

START will consist of two investment windows defined by the size of the financing requirement. The financing requirement is defined as the total or additional projected sum of money required to execute a project. In particular, the financing requirement may be equal to the total financing requirement required to execute a project or be less when the project developer has already secured part of the funding requirement from other sources.

1. Small investment window to cover the financing requirement from €10,000 to €50,000 (approximately from UGX40 million to UGX200 million).
2. Medium investment window to cover the financing requirement above €50,000 to a maximum of €100,000 (approximately from UGX200 million to UGX400 million).

To avoid situations when larger businesses may unfairly benefit from START support, the Facility will take into account the size of the beneficiary business when taking decision on providing support. Specifically, the Facility will use the categorization adopted by the Uganda Bureau of Statistics basing the fulfilment of the minimum requirements of **any two** of the criteria of: number of employees, capital investment and annual sales turnover.

In quantitative terms, small enterprises employ between 5 and 49 and have total assets between UGX 10 million but not exceeding 100 million. The medium enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million.⁴³ In any case, the maximum financial requirement accepted for funding by START in the form of risk capital is limited as following:

1. Small investment window: Not more than one half of the window's upper limit setting the maximum total financing requirement of for the projects that are eligible for financial support at UGX400 million (approximately €100,000).
2. Medium investment window: Not more than one third of the window's upper limit setting the maximum total financing requirement of the projects that are eligible for financial support at UGX1.2 billion (approximately €300,000).

START will apply the following financial instruments (Table 6).

Table 6. START financial instruments

Instruments	Uses
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⁴³ Ministry of Trade, Industry and Cooperatives. Uganda Micro, Small and Medium Enterprise (MSME) Policy, 2015.

Ordinary grants	<ul style="list-style-type: none"> • Delivery of Business Development Services, including feasibility studies, training, etc. • Investor's equity top-up up to 25% of the total financing requirement within the investment window limits • Third party project guarantees
Ordinary matching grants	<ul style="list-style-type: none"> • Delivery of Business Development Services, including feasibility studies, training, etc.
Reimbursable grants	<ul style="list-style-type: none"> • Investor's equity top-up up to 25% of the total financing requirement within the investment window limit
Loans	<ul style="list-style-type: none"> • Senior and junior loans up to 75% of the total financing requirement within the investment window limit and up to 5 years with a grace period of one year

START will give priority to ordinary grants and reimbursable grants for project funded from the small investment window and to loans for projects funded from the medium investment window. The application of instruments across the investment windows is summarized in Figure 6.

Figure 6. Application of financial instruments

	Small Investment Window	Medium Investment Window
Ordinary grants (capital and project development)	Business Development Services, Equity Top-Up, Guarantees	Guarantees
Ordinary matching grant (project development)		Business Development Services
Reimbursable capital grants		Equity top-up
Loans	Senior term loans	Senior and junior term loans

4. START services

4.1 Service delivery and conditions

START services will be delivered to individual projects starting from the submission of the project proposal through the first year of operation:

- Pre-investment phase: project sourcing, screening, preparation, development, structuring and financing.

- Post-investment phase: loan service monitoring, operation analysis, upgrade of business processes, and debt restructuring advisory services.

Table 7: Delivery and conditions of START services

Service	Responsible party	Instrument	Conditions
Business Development	PSFU	Project development grant	<ol style="list-style-type: none"> <u>During the pre-investment phase:</u> <ul style="list-style-type: none"> - Up to 100% of the costs of BDS required payable to third party service providers to a maximum of €20,000 <u>During the post-investment phase:</u> <ul style="list-style-type: none"> - Costs of BDS support required determined on a case-to-case basis and payable to third party service providers
		Project development matching grant	<ol style="list-style-type: none"> <u>During the pre-investment phase:</u> <ul style="list-style-type: none"> - Up to 50% of the BDS required payable to third party service providers to a maximum of €50,000 <u>During the post-investment phase:</u> <ul style="list-style-type: none"> - Up to 50% of the costs of BDS support required determined on a case-to-case basis and payable to third party service providers
Project Preparation and Development	UNCDF	Capital grant	<ol style="list-style-type: none"> <u>During the pre-investment phase:</u> <ul style="list-style-type: none"> - Equity top-up up to 25% of the financing requirement up to €12,500 for small investments payable directly to the beneficiary
		Project development grant	<ul style="list-style-type: none"> - Project guarantees determined on a case-to-case basis and payable to third party providers - Project preparation, development, structuring and syndication services reimbursable to UNCDF
		Project development grant	<ol style="list-style-type: none"> <u>During the post-investment phase:</u> <ul style="list-style-type: none"> - Business analysis and debt restructuring services reimbursable to UNCDF
Financing	UDB	Reimbursable capital grant	<ol style="list-style-type: none"> <u>During the pre-investment phase:</u> <ul style="list-style-type: none"> • Equity top-up up to 25% of the financing requirement up to €25,000 for medium

Loan	<p>investments payable directly to the beneficiary</p> <ul style="list-style-type: none"> • Due diligence and loan origination services reimbursed to UDB • Loans of up to 75% of the financing requirement for up to 5 years and a grace period of one year <p>2. <u>During the post-investment phase:</u></p> <ul style="list-style-type: none"> • Monitoring and management of loan/grant servicing and repayment
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4.2 Structuring services and financial products by UDBL

UDBL will provide the following services to START.

- Credit evaluation: An in-house process that specifies the degree of credit exposure (credit risk) that the bank would hold if the client's project is financed. It analyses the risks held by the Bank from the following factors:
 - Business and Financial Analysis (Debt Service Coverage, Leverage, Company's liquidity position, Asset quality, Cash & Earning Trends)
 - Credit history for the company, Company management structure and shareholding (character, experience in respective sector, board/management structure (family involvement in shareholding))
 - Conditions facing agribusiness in Northern Uganda
 - Risk Analysis (Balance Sheet, Currency and environmental risks associated to the project).
- Verification of probable social economic impacts – key factors considered in this analysis include:
 - development of the local food supply chains (improved quantity and quality of local food production; improved effectiveness of local food markets; improved position of women and young people in the local food supply chain);
 - local economic impact (increase in locally retained monies; increase in household revenues; increase in demand for local primary production; improved local resilience and adaptation to climate change);
 - transformative impact (increase in the added value of a product created locally; application of new technologies)
 - any other factors deemed necessary by UDBL, e.g. anticipated jobs to be created from project (directly and or indirectly), use of local raw material in the project, energy efficiency, anticipated degree of import substitution and or FCY flows into country from the project, distance of project from CBD (reflection of decongestion from the city center).
- Loan pricing: Using the Bank's pricing model, the loan price will be a function of:
 - The risk premium (evaluated as defined above),

- The loan administration fee: from the Bank’s experience in managing the Kuwait Grant and other agricultural related lines of credit, this fee is in the 3.8-5.36% range. This fee will be reimbursed by the START facility’s grant once the investment proposals are submitted to UDBL.
- The cost of the funds to be utilized (in this case the START facility and any other, if co-financing is adopted). Since the START facility will be availed as grant, the opportunity cost of the fund (reference made to the 1-yr Treasury Bill rate as at a given date) will be adopted and revised by the UDBL ALCO for any given period.
- The Bank’s margin. To be defined by the Bank’s management I consultation with UNCDF.
- Special consideration will be given to loan pricing for projects with a significant contribution to economic empowerment of women and young people.
- Preparation of the term sheet and loan agreement: The loan agreement is signed by both parties (the Bank and the client) once:
 - term-sheet is accepted and signed off by the client
 - project is approved by the Bank.
- Security and its Perfection: An undertaking by the legal department (registration of the security provided by the client). Some projects with low security value could be guaranteed by UNCDF to meet the Bank’s requirement as per the credit policy).
- Disbursement (for reimbursable approach) or issuance of a reimbursable grant or a loan
- Administration of the loan/grant facility: Includes billing, collections and all related operations of the loan by the Bank.
- Monitoring and evaluation of the loan project during project implementation and operation in line with the guidelines stipulated in the Bank’s policy around supervision of the project.
- Identification of loan payment issues and their referral to UNCDF: Includes reconciliation of interest and principal payments from the project promoter against the outstanding amounts and subsequent reports (quality and quantitative reports to UNCDF).

4.3 Business Development Services by PSFU

PSFU will entrust the management of the PSFU component to a specialized unit, known as the Business Uganda Development Scheme (BUDS). It is this unit that will be responsible for the sourcing of the projects and implementation of regular and matching development grants under the initiative. The primary responsibility for the implementation and monitoring of the component shall rest with the BUDS Manager. PSFU will undertake the following activities with respect to the technical and financial management of the BDS grant programme:

- Raise awareness and publicize the available support to ensure utilization by the intended beneficiaries.
- To extend outreach to rural areas and conduct a public information program.
- Develop eligibility criteria and operating procedures for BDS matching grant beneficiaries that will ensure fair support to both women and the youth.
- Draft guidelines for Applicants with all supporting documents and procedures.

- Prepare an operational manual for the BDS grant and matching grant facility.
- Establish systems for the management, monitoring and control of the component.
- Design and deliver an effective regional advertising/awareness campaign for the START component and for each call for proposals - including the production of promotional material, advertising and the operation of a website.
- Deliver at least one awareness raising workshop for each open call to raise awareness of the component to relevant business intermediary organizations and other key stakeholders.
- Support the establishment and operation of the grant component evaluation committee in its operation in accordance with the requirements.
- Support the START Manager to issue and monitor contracts to all successful beneficiaries and advise unsuccessful applicants in a clear and meaningful manner of the reason for their lack of success.
- Deliver at least one workshop for successful applicants after each round of contracting setting out all details of operating the grants and reporting requirements.
- Conduct comprehensive technical and management training for agribusiness value chain actors.
- Publicize calls for proposals to support business development services in Northern Uganda.
- Undertake risk assessment of each grant beneficiary and undertake site inspections of the beneficiaries.

4.4 Project eligibility criteria

The project eligibility criteria are formulated for six dimensions (Table 7):

- **Geography** to describe the requirements in terms of the spatial coverage.
- **Sector** to describe positive and negative sector requirements.
- **Project characteristics** to describe the economic and financial requirements to the eligible projects.
- **Technology employed** to describe the technologies eligible for financial support.
- **Developer** to describe the requirements for the business entities eligible for support.
- **Economic and social impacts** to describe the expected impacts on local economies and communities.

Table 8. Key project eligibility criteria

Dimension	Criteria
Geography	<ul style="list-style-type: none"> • Project located in one of the 33 target districts • Projects located in 15 core districts have a priority
Sector	<ul style="list-style-type: none"> • Value addition in storage and processing of agricultural produce (including handling and packaging) • Belongs to one of the following value chains: cassava, coffee, soya, sesame, sorghum, rice, apiary, vegetables and livestock

Dimension	Criteria
	<ul style="list-style-type: none"> • Does not engage in any of the ineligible sectors, such as manufacture, sale or distribution of alcohol, tobacco or tobacco products as well as manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES8 • Greenfield or brownfield project
Project characteristics	<ul style="list-style-type: none"> • Capital intensive (i.e., its capital cost is relatively high in relation to annual sales) • Employs proven technology • Has a relatively long physical and economic life • Has an economic output that is determined primarily by its design and successful construction • Revenues are in the form of commercially reasonable charges for its output, sufficient to pay all project operating expenses and debt service (if applicable), plus provide an adequate return on equity to the project's investor(s)
Technology employed	<ul style="list-style-type: none"> • Post-harvest handling equipment/technology • New quality control equipment • Small-scale irrigation systems • Mobile primary processing and packaging equipment • Secondary processing and packaging equipment • Upgrade or improvement of the existing old processing technologies (machinery and equipment) • Design, fabrication and production of packaging machinery • Technologies for effective storage chains, including mobile storage units, combined drying/storage systems • Effective cold chain management systems • Application of solar and other types of green energy to handling, processing and storage • Application of digital technologies to handling, processing and storage
Developer	<ul style="list-style-type: none"> • A legal person • An agribusiness entity registered in Uganda under the Companies Act, a cooperative formed under the Cooperative Societies Act, trade association or similar business representative organization legally established in Uganda • Directly responsible for the preparation and management of the action with their partners and not acting as an intermediary

Dimension	Criteria
	<ul style="list-style-type: none"> • Stable and have sufficient financial resources to ensure the continuity of their organization throughout the project • Able to demonstrate their experience and capacity to manage activities corresponding in scale and complexity with those for which financial support is requested • Can provide, either from its own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project. • Have demonstrable/verifiable ownership of title or right of beneficial use of assets on which the project will be carried out • Does not use or tolerate forced or compulsory labor or child labor
Economic and social impact	<ul style="list-style-type: none"> • Development of the local food supply chain <ul style="list-style-type: none"> - Improved quantity and quality of local food production - Improved effectiveness of local food markets - Improved position of women and young people in the local food supply chain • Local economic impact <ul style="list-style-type: none"> - Increase in locally retained monies - Increase in household revenues - Increase in demand for local primary production - Improved local resilience and adaptation to climate change • Transformative impact <ul style="list-style-type: none"> - Increase in the added value of a product created locally - Application of new technologies

In addition, the projects must meet the criteria of additionality and neutrality in line with the recommendations of the European Commission:⁴⁴

Additionality: Without public support, the private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard. The supported action should not crowd out the private sector or replace other private financing.

Neutrality: The support given should not distort the market and should be awarded through an open, transparent and fair system. It should be temporary in nature with a clearly defined exit strategy. Support justified by market failures and consequent risks should not have the effect of discouraging regulatory reform efforts addressing the causes of market failure.

⁴⁴ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries. Brussels, 2014.

5. START implementation

5.1 Implementation process

The Facility will be implemented in five stages:

1. **Call for proposals.** This stage starts with the preparation of the call for proposals and ends with the submission of the finalized proposals from prospective developers.
2. **Project identification.** This processes starts with the screening of the submitted proposals and may include requests for clarifications and additional information from the developers. The projects are then prioritized within the available funding envelope (annual tranche) and selected for further development.
3. **Project development.** This stage starts with a due diligence and business case analysis for individual projects accepted for the pipeline and ends with one of the three possible outcomes:
 - a. project rejection
 - b. decision on capital grant allocation
 - c. request for reimbursable grant/loan
4. **Project financing.** This stage starts with the submission of a loan application and ends with the financial closure, i.e. signing of the loan agreement and disbursement of the amount (first tranche) of the grant/loan to the developer.
5. **Post-investment support.** This stage starts with the first grant (loan) disbursement to the developer and covers the period until the reimbursable grant or loan is recovered or written off. Technical assistance provide during this period will last until the economic and financial sustainability of the business is established for a maximum of two years after the start of operation.

The implementation stages and associated activities by each participating partner are presented in Figure 6.

5.2 Facility capitalization and utilization

START is envisaged to be capitalized from three sources:

- EU grant for DINU Activity 1.2.2
- UNCDF grant as part of its financial commitment to DINU
- Contributions in the form of grants or concessional loans from the Government and other development partner, including those currently available to UDB, such as ACF funds.

START funds currently available from the EU and UNCDF commitments will be disbursed in four approximately equal tranches of €1 million each in local currency (Ugandan shillings) to develop and finance projects sourced through an annual call for proposals. The total amount of tranche will be divided between the START windows as 40% (small investments) to 60% (medium investments). As grant and loan repayments pick up starting from year 2 of the operation, the size of the tranche will increase accordingly. Any additional contributions received from other sources will be added to the tranche amount.

It is allowed for a project to be co-financed from other sources, such as grants from other facilities, commercial loans and private equity investments in addition to the grants/loans provided from START. A project financing structure may include in addition to the mandatory equity contribution by the developer,

for example, a development grant and a loan from START plus a regular loan from UDBL or any other commercial lender. In such cases, the START loan is provided as a junior loan.

UNCDF will be responsible for developing a customized financing structure for each project with the view to maximize the use of START funds and leverage additional finance from other domestic and international sources. It is projected that this approach will allow each tranche to finance the total financing requirement that is at least 50% as large as the tranche itself. Hence, the total cost of the projects reaching financial closure through an individual tranche will be in the area of €1.5 million.

UDB will introduce loan terms comparable to those offered by the other concessional facilities for agricultural finance while explicitly favoring businesses sponsored by, or with a significant participation of, women and young people by offering more beneficial loan terms. UDB, with the support of the other partners, will be responsible for maintaining the notional value of the funds designed for loans and reimbursable grants through fiduciary controls and introduction of relevant performance targets.

UNCDF together with the partners will ensure that the data on the allocation and utilization of the Facility, including the projects benefitting from START support, is regularly made available to the public to ensure transparency and openness of its operation. This information will be published on the UNCDF website; the partners are encouraged to use their own information resources.

Relevant arrangements will be made by the end of the DINU program to institutionalize the Facility as a national revolving investment facility for agribusiness SMEs. Any residual obligations resulting from the operation of the Facility will be transferred to the new structure as agreed between the partners.

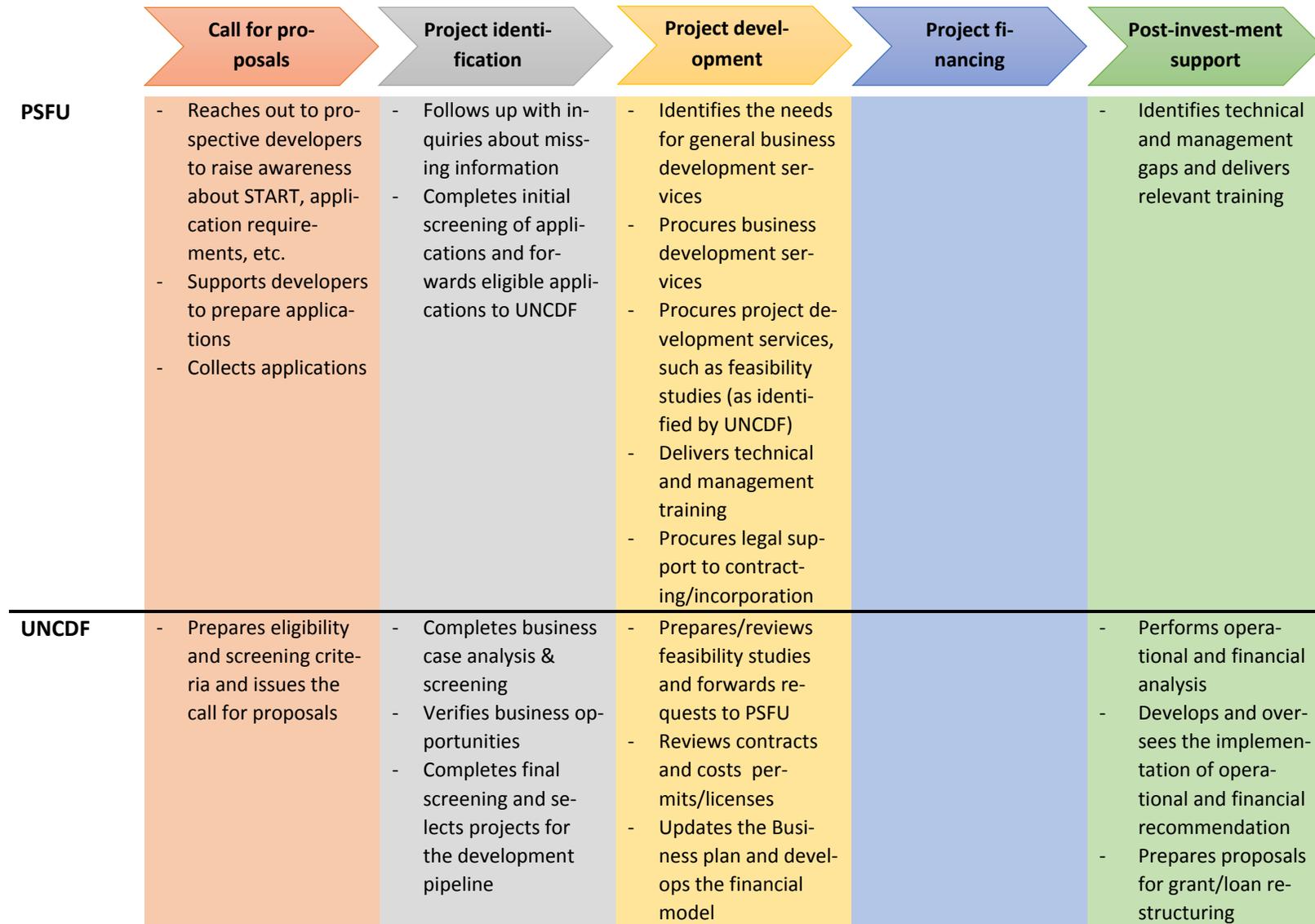
5.3 Funds disbursement and reporting

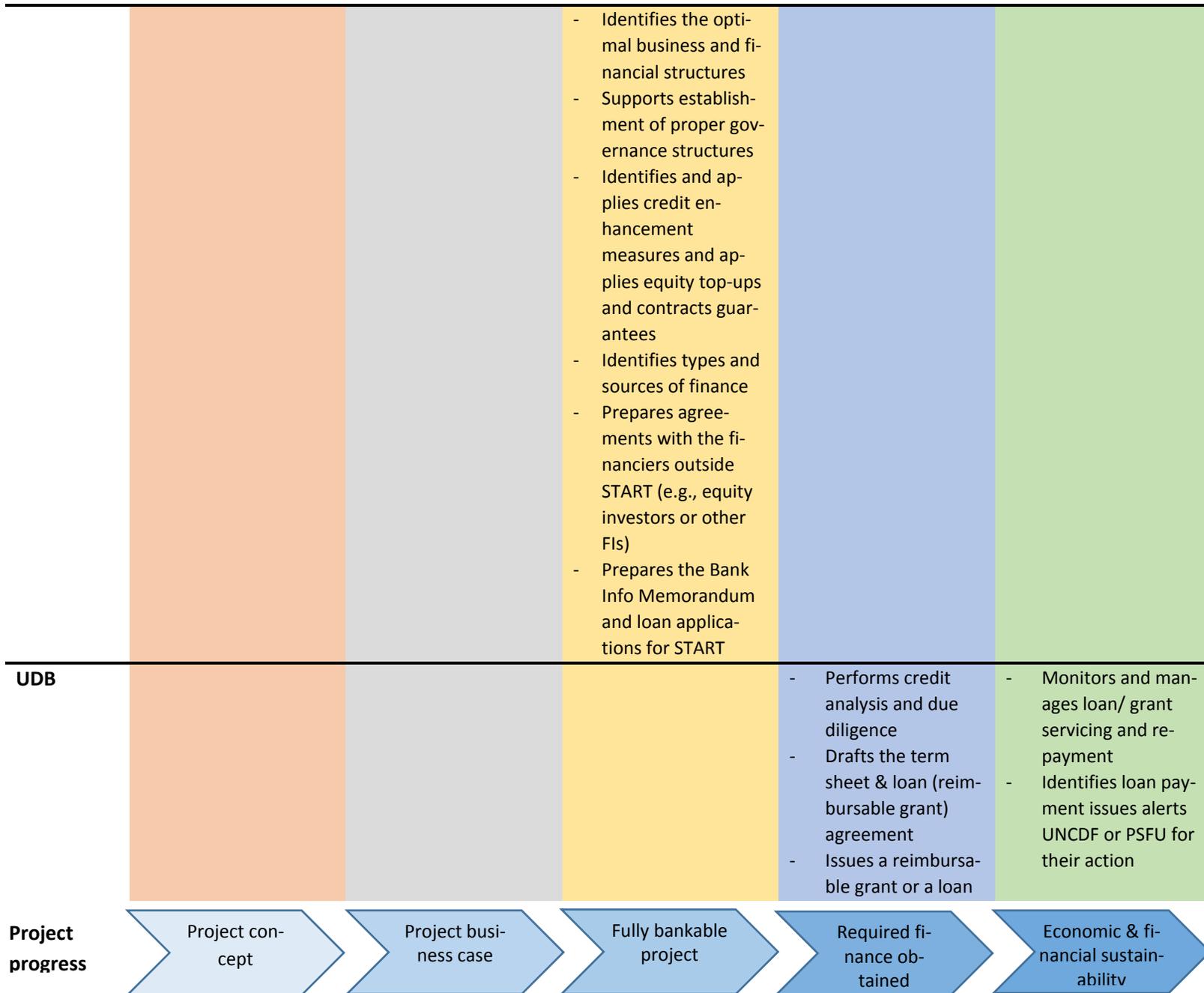
Each tranche will be allocated to the START lines of business approximately as follows:

- 20% Business Development Services
- 30% Project Preparation and Development Services (including equity top-ups)
- 50% Financial Services

The exact allocation of the tranches will depend on the implementation progress and will be informed by the actual requirements for the relevant services.

Figure 7. START implementation phases and associated activities





UNCDF will disburse the required funding to the partners through the following modalities:

- Letters of Agreement for regular operating expenses and recurrent costs.
- Memoranda of Understanding for project development regular and matching grants as well as for reimbursable grants and loans released by UDBL.

All disbursements will be made in Uganda Shillings and will include the following steps.

Step 1. The partners will open a special account under the name of “START” and will be solely responsible for managing the account and reporting to UNCDF.

Step 2. For operating expenses (such as staff salaries or other recurrent costs) as well as expenses not directly related to any particular project (e.g., workshops, etc.), the partners will submit to UNCDF an annual work plan and budget showing the financial requirement by quarter. Funds will be released based on the quarterly requirements and subject to the 75% utilization of the previous release.

Step 3. For expenses related to project development and due diligence and identified on a project by project basis, the partners will submit to UNCDF a separate payment request based on the estimated costs of the services to be delivered (draft agreements with service providers). This will be paid as an advance payment (including project development grants) to the respective partner. The respective partner is responsible for clearing the advance payment within 15 days after the start of the quarter following the quarter when the advance was received.

Step 4. For reimbursable grants and loans released by UDBL, a separate payment request will be made to UNCDF based on the approved grant/loan amount. UNCDF will release this money to UDBL as a non-recoverable (regular) grant. UDBL will report to UNCDF on grant utilization on a quarterly basis.

To reduce transaction costs for project-related costs, it is recommended that projects are grouped in bundles of several projects as presented to the Project Board or UDBL Credit Committee.

The partners will submit quarterly and annual financial and progress reports to UNCDF. The financial report shall include a bank statement for the START account. The progress report shall clearly describe the progress made in achieving the objectives under the work plan (or under the decisions of the START Board/Credit Committee), the problems encountered and changes in the risks as well as any modifications proposed to the plan.

6. Monitoring and Evaluation

START performance will be monitored on two levels:

- Programme level
- Facility level

At the programme level, performance monitoring will be aligned as much as possible to national reporting systems. The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities coordinated by the START Manager. To this aim, a permanent internal, technical and financial monitoring system will be established and regular progress reports, quarterly and annual, as well as final reports will be provided. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

At the Facility level, monitoring will be exercised against the following key performance indicators (KPI).

Table 9. START Key Performance Indicators

Financial indicators
<ul style="list-style-type: none"> • Disbursed amounts for each category of financial instruments (regular grants, matching grants, reimbursable grants, loans) disaggregated for project with a significant impact on women and youth • Average disbursement: Gross amount of disbursements to the number of clients disaggregated for different financial instruments and different categories of clients (by company/project size, sector, etc.) • Total reimbursable grants and loans outstanding • Portfolio at risk (PAR): Outstanding principal balance of non-performing reimbursable grants/loans to total outstanding principal balance (3-89 days past due and over 90 days past due) disaggregated for project with a significant impact on women and youth • Write-off ratio: Value of reimbursable grants and loans written off during the period under review to average gross reimbursable grant and loans portfolio during the period • Development costs to financing ratio disaggregated for project with a significant impact on women and youth • Operating expense ratio: Personnel and administrative expenses to period-average gross portfolio of grants and loans • START leverage (ratio of START financing to external financing when applicable)
Efficiency indicators
<ul style="list-style-type: none"> • Number of projects approved for development grant and for financing (grant/loan) disaggregated for project with a significant impact on women and youth

<ul style="list-style-type: none"> • Percentage of projects approved for financing (grant/loan) to total shortlisted project proposals disaggregated for project with a significant impact on women and youth • Percentage of projects approved for financing to projects that received development support (grant) disaggregated for project with a significant impact on women and youth • Percentage of businesses still in operation two years after receiving finance disaggregated for project with a significant impact on women and youth • Percentage of businesses compliant with the repayment schedule for reimbursable grants and loans • Cost per project output (jobs created, production increase, etc.) • Project profitability and value creation after two years of operation measured as return on invested capital (ROIC) and disaggregated for project with a significant impact on women and youth (Net Operating Profit – Adjusted Taxes / Invested Capital)
Effectiveness indicators
<ul style="list-style-type: none"> • Total contribution of the financed projects to development of the local food supply chains (improved quantity and quality of local food production; improved effectiveness of local food markets; improved position of women and young people in the local food supply chain) • Total contribution of the financed projects to local economic impact (increase in locally retained monies; increase in household revenues; increase in demand for local primary production; improved local resilience and adaptation to climate change) • Total contribution of the financed projects to transformative impact (increase in the added value of a product created locally; application of new technologies)

Having regard to the importance and nature of the action, a mid-term and a final evaluation will be carried out for the Facility as part of the overall program evaluation. The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to the manner implementing partners, including decentralised level of governments, are performing.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the manner programme components have reinforced each-other.

7. Key Assumptions and Risk Analysis

For the START objectives to be met and projects to be delivered successfully, there must be absolute or relative peace and harmony in the region. The assumption is that the security situation in Northern Uganda and neighboring countries is and will remain stable and conducive during the implementation to allow for the expected results. For the foreseen future, the micro/macro-economic environment remains conducive to agricultural recovery, the development of commercial agriculture, processing and the expansion of markets for agricultural products attested to by the level of investment.

It is assumed that certain conditions important for implementation will be in place for the duration of the project including:

- The continuation of political and macroeconomic stability
- The Government's continued commitment to private sector development and willing to discuss policy issues with the private sector
- Steady and timely funding for the program

The Government has demonstrated a commitment to growth and consultations including the PIRT with the private sector. This commitment is shared across the political spectrum and therefore is unlikely to be altered in the cause of implementation. As part of its reform, the Government has increasingly sought private sector participation in infrastructure and where appropriate, divestiture.

The risks associated with the implementation of the project are expected to be minimal, except in the event of extreme emergency situations, such as major pest/disease outbreaks, re-emergence of civil strife and inaccessibility of financial institutions by agribusiness producers, processors and traders. These risks can be mitigated by advocating for peace within communities, support for better bulk storage facilities and available financing from third party interest groups and funders. These risks are summarized in Table 10

Table 10. Key risks and mitigation measures.

Risk	Risk level	Mitigation measures
<i>Strategic risks</i>		
Worsening of security and refugee situation in Northern Uganda	Low	Incorporate analysis of alternative input and output markets and contingent planning in project modeling; work closely with DINY components engaged in supporting security and community-based conflict resolution.
Drought and unfavorable climatic conditions	Medium	Focus on projects that contribute to the resilience of agro-ecosystems, and efficient water and energy management techniques. Explore and use backward and forward linkages outside the region (including foreign markets).

Land insecurity and conflicts	Medium	Work closely with agencies advocating for land reforms and coordinate with DINU components responsible for land registration and land dispute resolution.
Local elites capture project results	Medium	Systematically apply established technical criteria for project screening and evaluation; ensure independence of the Management Board and the UDBL Credit Committee.

Operating risks

Unfavourable and insufficient collaboration/coordination among the participating partners	Low	Strong coordination operationally through the START Manager and strategically through the Management Board.
Low technical and financial quality of project proposals in response to the call for proposals	Medium	Active outreach and awareness raising activities; technical support to prospective promoters to prepare technically and financially sound submissions.
Low utilization of the loan facility due to inadequate security values for many project promoters	Medium	Application of credit enhancements/guarantees by UNCDF and development and structuring of the projects to satisfy credit requirements with minimum security.
High transaction costs of developing small-sized project and managing nonperforming loans	Low	Limit the number of projects in the small investment window; ensure high quality of the projects submitted for finance; provide vigorous post-investment care to address the challenges of debt servicing.
Lack of qualified personnel to support the machinery and equipment financed under the START facility	Low	Coordinate with, and rely on the activities of the DINU components engaged in support to vocational education; establish contacts with the existing vocational schools.

START Partners

United Nations Capital Development Fund (UNCDF) is the UN’s capital investment agency for the world’s 48 least developed countries. With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF’s financing models work through two channels:

- financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and
- by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

Private Sector Foundation Uganda (PSFU) is Uganda’s apex body for the private sector. It is made up of over 200 business associations, corporate bodies and the major public sector agencies that support private sector growth.

Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive policy dialogue with Government on behalf of the private sector.

Right from its inception, PSFU has been Government’s implementation partner for several projects and programmes aimed at strengthening the private sector as an engine of economic growth.

PSFU aims to strengthen Private Sector capacity for effective policy advocacy and market competitiveness nationally, regionally and internationally. Regionally, PSFU is the national focal point for the East African Business Council (EABC) and the COMESA Business Council (CBC). It aims to advocate for an improved business environment and work with Government to reduce the cost of doing business in Uganda.

Uganda Development Bank Limited (UDBL) is a public enterprise wholly owned by the Government of Uganda and carrying on business as a Development Finance Institution (DFI).

The bank, a successor company to Uganda Development Bank, was incorporated as a limited liability company under the Public Enterprises Reform and Divestiture Act, Cap.98, Laws of Uganda and it is mandated to finance enterprises in key growth sectors of the economy. The Bank has been in existence since 1972.

UDBL re-positioned itself as a key partner to the Government of Uganda in delivering its National Development Plan (NDP). In order to deliver this aspiration, the Bank focuses on the key growth sectors of the economy by financing development projects at attractive terms.

ANNEX 4: LOCAL GOVERNMENT EXCELLENCE FUND (LGEF)



LOCAL GOVERNMENT EXCELLENCE FUND

Concept Note

Version 7

May 2017

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List of Acronyms

BCC	Budget Call Circular
BFP	Budget Framework Paper
BoU	Bank of Uganda
CDO	Community Development Officer
CG	Central Government
DDEG	Discretionary Development Equalisation Grant
DINU	Development Initiative for Northern Uganda
EU	European Union
GoU	Government of Uganda
IFMIS	Integrated Financial Management System
IPFs	Indicative Planning Figures
LG	Local Government
LGBFP	Local Government Budget Framework Paper
LGEF	Local Government Excellence Fund
LLG	Lower Local Government
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
NGO	Non-Government Organisation
NPA	National Planning Authority
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PFMA	Public Financial Management Act (2015)
PRDP	Peace, Recovery and Development Plan for Northern Uganda
UNCDF	United Nations Capital Development Plan

1. Introduction

The European Union through its 11th European Development Fund has decided to launch the Development Initiative for Northern Uganda (DINU), an integrated development programme which aims to address, in a comprehensive and coordinated manner, the key development challenges in the north of the country. The region is faced with multiple and interconnected development challenges including core issues of poverty reduction and entrenching good governance and democratic process more firmly at the local level to reinforce accountability and improve service delivery.

Building on the previous collaborative work of the EU and the Government of Uganda, the programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region, by supporting a selection of relevant value-chains (taking into account the respective agro-ecological zone types of the sub-regions), addressing notably the identified bottlenecks, and working with local private sector. This will not be possible without a crucial facilitating role played by local authorities who will be specifically supported to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards and downwards accountability mechanisms. Local authorities are responsible for local economic development enshrined in the Decentralization Policy and the Local Government Act. They are thus expected to play a key role in planning and overseeing the implementation of programme activities, as the programme adopts an integrated, place-based approach to development planning and implementation and operationalises it through the formulation of jurisdiction-specific territorial development strategies, developing both vertical partnerships (local authorities-central state) and horizontal partnerships (local authorities - local private, non-profit and community-based organization), and leveraging place-specific resources.

In order to strengthen capacity, gender-responsive good governance and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery, DINU has introduced Result 3.1: Capacities of Local governments to manage core public financial processes is strengthened to improve service delivery and local development. This result incorporates Activity 3.2.3-incentivise performance of local governments and to stimulate community involvement through provision of top-up grants based on a reformed performance assessment and aligned to the intergovernmental transfer and grants system.

The Local Government Excellence Fund (LGEF) is designed to operationalize Activity 3.2.3 by introducing a transfer mechanism for discretionary grants linked to the performance of the beneficiary local governments. By putting in place strong financial incentives and operationalizing an effective learning-by-doing process, such a mechanism will support and strengthen the LG performance assessment system being introduced by the Government of Uganda as well as performance-based intergovernmental fiscal transfer mechanisms, such as the Discretionary Development Equalisation Grant (DDEG).

2. LGEF Objectives and Design Principles

2.1. Objectives of the LGEF

The main objective of the LGEF is to provide financial incentives for improved performance of the beneficiary local governments as a catalyst to promote effective and efficient public service delivery.

The specific objectives incorporated in the LGEF include:

- Improve the capacity of district local governments to plan and manage discretionary funds through a learning by doing process and bringing to scale best practices in application of public resources for local investments and thus enhance the national systems for decentralized governance and services delivery at the district level and support advocacy for further devolution of functions to local governments.
- Improve the responsibility and accountability of district local governments for their performance by directly linking fund allocations to their performance.
- Strengthen the new national performance assessment system by incorporating the results of annual performance assessments in the grant allocation decisions.
- Increase the availability of discretionary development funds for the most disadvantaged districts by complementing other discretionary fund flows, such as the Peace Recovery and Development Plan (PRDP) grant and the discretionary development equalization grant (DDEG).
- Improve local governments' planning for, and contribution to, two thematic areas of particular importance for Northern Uganda by extending additional funding for catalytic economic projects: (a) social and economic empowerment of young people and women and (2) climate change adaptation.

2.2 Design and implementation principles

The LGEF is designed with the following principles in mind.

- **Use of government systems**, including disbursement procedures, grant utilization, accounting and implementation procedures and performance assessment procedures to strengthen capacity of the participating districts in public financial management.
- **Inbuilt incentives through performance and competition**. Although each participating district LG will be allocated an indicative planning figure (IPF) for the duration of the LGEF period, access and utilization of the fund will be based on performance. As the LGEF progresses, districts allocation will vary depending on the level of commitment and implementation track record.
- **Focus on social and economic empowerment of women and youth**. The design of the facility takes into account the fact that districts LGs have limited funding for economic empowerment of women and young people. Although planning and utilization of the facility follows the procedures for the DDEG, it provides special guidelines and a menu for projects that contribute to harnessing Uganda's population dividend.
- **Co-financing** (for more details, see Section 6.1). The design of the facility actively promotes co-financing and mingling of funds coming from other sources of district revenues, including own source revenues and other government transfers to ensure an adequate size of the projects to have impact from the investments. It also allows co-financing by two or more local governments when more one LG benefits from a particular project. Lastly, the participating LGs may also complement LGEF funds with market-based finance either through bank loans or partnerships with the private sector (PPP).
- **Alignment and synergies with the other components of DINU**. The LGEF will be aligned with the other components of DINU to achieve greater synergies and economies of scale as appropriate.

Key linkages are expected across all three strategic components (Agriculture, Infrastructure, Governance) with particularly strong linkages and mutually reinforcing effect with the Governance Component.

- **Fiduciary robustness.** The fiduciary soundness of the design is achieved by applying (i) IFMS that allows real-time monitoring of LGEF transactions; (ii) special LGEF account for each participating district that prevents mingling of funds with the DDEG grant and allows tracking of financial flows; (iii) linkage between financial and physical progress reporting to verify financial transaction against the physical progress; (iv) semi-annual releases that minimize possible loss and allow prompt corrective action if necessary; regular monitoring visits and on-spot checks as well as VfM audits and annual audits of the LGEF accounts (see Section 7).

It is founded on three implementation principles:

- **Districts as the implementing agency.** The districts will be responsible for the implementation of the LGEF at their level. Where there are capacity gaps, they will be assisted by consultants and capacity building activities to address such gaps as part of DINU.
- **Stability and predictability.** The LGEF will be provided in a timely and predictable manner during the project period with IPFs announced early enough before the beginning of the financial year to enable proper planning and budgeting.
- **Participation and inclusiveness.** The initiatives financed from LGEF must be generated and implemented through a popular participatory and inclusive process in line with the national planning guidelines and procedures. Information on the LGEF shall be accessible to the public to enhance citizen involvement in particular women and the youth who are perceived to be excluded from key decision making processes.

2.3 Alignment and synergies with other DINU components

The LGEF planning and utilization will be implemented with due regard to the development and economic activities undertaken under the other components of DINU. These include, for example, activities that foster linkages between smallholder farmers, agro-processors and market operators and provide seed capital for agricultural SMEs as well as activities aiming at building local government capacities in service delivery and revenue generation or related to improved road access to remote areas.

Key synergies with DINU activities

Activity	Type of interaction
Specific objective 1: to increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment”	
Activity 1.2.1-Foster linkages between smallholder farmers, agro-processors and market operators	LGEF will encourage integration of enabling infrastructure that promotes and fosters backward and forward linkages between producers, processors and market operators into LG capital invest-

Activity	Type of interaction
Activity 1.2.2-Providing seed capital to incubation projects	<p>ment plans and will provide finance for such investments (e.g., access roads; market and storage facilities, water supply and irrigation systems; demonstration centres, etc.).</p> <p>LGEF will work to align LG capital investment plans, thematically and geographically, as well as its own investments with the investments from the START Facility (Support to Agricultural Revitalization and Transformation) that provides funding to agricultural SMEs engaged in value addition activities.</p>
Specific objective 2: To increase trade of commodities within the region, within the country, and with neighbouring country through improved transport and logistic infrastructures	
Activity 2.1.1-Rehabilitation and construction of selected roads connecting remote and disadvantaged districts to the main road network	LGEF planning will take into account the emerging economic and social opportunities generated by the improved access to remote and disadvantaged areas and will integrate relevant projects in such areas.
Specific objective 3: To strengthen capacity, gender-responsive good governance and the rule of law at the level of local government authorities and empower communities to participate in improved local service delivery.	
Activity 3.1.1 - Strengthen capacities of Local Governments in public financial management	LGEF will benefit from the improved capacity of local governments to identify service delivery deficits, plan, budget, implement and monitor public programmes in a gender-responsive manner and in compliance with the legal requirements. This will ensure an adequate quality and socio-economic impact of project identified for the LGEF. At the same time, LGEF will facilitate application of the newly acquired/improved capacities through a learning-by-doing approach while implementing the LGEF.
Activity 3.1.2: Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources	LGEF will encourage target LGs to co-finance LGEF projects with own source revenues and market-based finance when appropriate, creating incentives for additional revenue mobilization. LGEF will take into account OSR generation efforts when deciding on the LGEF annual allocation as part of the performance assessment, providing financial incentives for improved revenue generation.
Activity 3.2.1-Support and strengthen local governments' accountability institutions in their interaction with line ministries	LGEF will incorporate strong accountability and reporting mechanisms to the OPM, MoLG, MoFPED, and line ministries. Participating LGs will be regularly audited by the Office of the Auditor General and Inspectorate of Government.

Activity	Type of interaction
<p>and national accountability institutions.</p> <p>Activity 3.2.3-Incentivise performance of local governments and to stimulate community involvement</p>	<p>LGEF is designed as a performance-based fund with a variable increasing performance component, thus producing financial incentives for LG improved performance. LGEF will use transparent, participatory and inclusive planning and implementation procedures to stimulate direct community involvement, particularly young people and women.</p>

3. LGEF Allocation

3.1 Grant allocation formula

The LGEF will use a simplified grant allocation formula compatible with that for the DDEG that includes the following components in the proportions indicated below:

Component	Objective	Share
Constant	To ensure that minimum allocations for construction of meaningful infrastructure are available to the local governments	Fixed, 10%
Land area	To provide for costs of delivering services.	Fixed, 5%
Population	To provide for demand/scale of delivering services	Variable, from 85% to 10% and inclusive of the weighted refugee population
Performance	To incentivize better performance of local governments in line with the main objective of the LGEF.	Variable, from 0% to 75%

The intent of the allocation formula is to be compatible as much as possible with the DDEG allocation formula, be simple and fair but at the same time be adjusted to DINU's objectives and structure and provide added value. The key difference with the DDEG grant allocation formula includes the absence of poverty headcount and conflict criteria. This is so because these two criteria are already incorporated in the selection criteria of the beneficiary local governments as described in the next section. In addition, the allocation formula takes into account the refugee population weighted at 20%. This weighting reflects the fact that most of the immediate response is provided by the central government (OPM) and international donors while also taking into account the impact of the refugee population on the district infrastructure and services as well as the longer-term environmental impact of their presence which is not sufficiently financed. There is only one refugee hosting district, Yumbe, among the participating districts.⁴⁵

The key difference between the two allocation formulas and the reasoning are provided in a table below.

Component	Type of grant
-----------	---------------

⁴⁵ Yumbe's refugee population (concentrated in the Bidi Bidi settlement) stood at 272,206 persons as of 12 May 2017 (UNHCR, *Bi-Weekly South Sudan Refugee Situation Update*, 12 May 2017).

	DDEG	LGEF	
Conflict	5	–	Integrated into the process of LG selection
Constant (fixed allocation for higher/ LLGs)	10	10	Same
Rural Population / Urban Population	30	85-10	Variable depending on the LGEF maturity and including refugee population (where applicable) weighted at 20%
Poverty Head count	50	–	Integrated into the process of LG selection
Land area	5	5	Same

The performance component of the grant will depend on the performance of the LG during an annual LG performance assessment. The results of the assessment will be weighted and compared to the performance of other LGs.

The LG PA system has three dimensions/elements which are mutually reinforcing:

- d) Dimension 1 is strengthening **accountability and the linkage of expenditure to national and local priorities** for service delivery by signing of Performance Contracts to adherence to core **budget and accountability** requirements;
- e) Dimension 2 is strengthening the **management of service delivery and development projects** at the local level. This will be by subjecting the allocation of a share of the discretionary and sectoral development grants to the results of LG performance assessment of cross cutting and sectoral **institutional processes and systems**; and
- f) Dimension 3 is incentivizing the provision of **service delivery results and processes** in individual service delivery units (schools, health facilities), by linking the size of operational transfers to these units to the actual performance of these service delivery units.

In addition, the following DINU programme indicators will be taken into account to assess LG performance and determine the annual LGEF allocation. Specific annualized performance targets will be established for each of the below DINU indicators for each participating district LG. The LGEF will also use operating performance indicators reflecting its own performance as a performance-based discretionary transfer mechanism.

LGEF Performance Indicators

Outputs	Key performance indicators
---------	----------------------------

Output level indicators

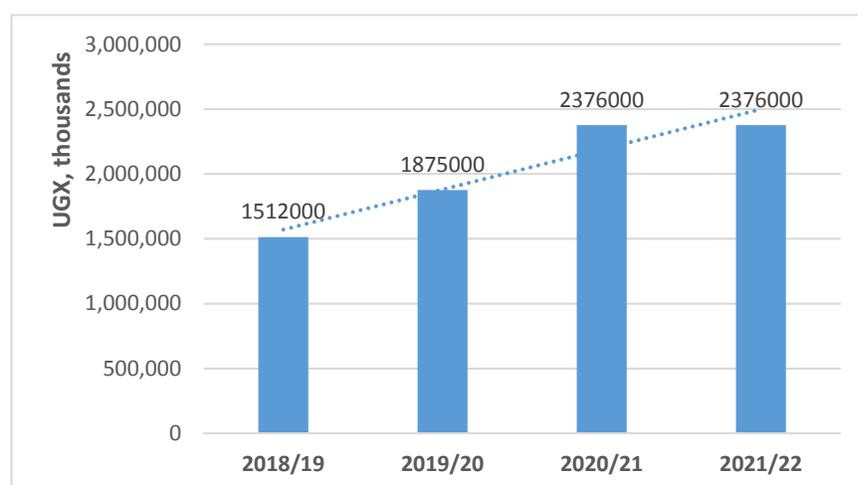
Output 3.1: Local governments in targeted districts are strengthened in their ability to manage core PFM processes	<ul style="list-style-type: none"> • % of budget framework papers issued with gender and equity certificate in compliance with the provisions of the PFMA • % of budget framework papers in targeted sub-regions issued with NPA's certificate on compliance with the provisions of the PFMA • % of local own source revenue (projected and collected) as a ratio of transfers from central government
Output 3.2: Upward accountability mechanisms are strengthened through improved interactions between local government and national accountability institutions	<ol style="list-style-type: none"> 1. % of compliance with accountability regulations governing local governments 2. % of implementation of recommendations mandated accountability institutions governments
Output 3.3: Downward accountability mechanisms are strengthened by supporting civil society, media and other non-state actors including private sector in their interaction with local government, and complementary national initiatives aimed at fostering accountability to the citizenry	<ul style="list-style-type: none"> • % of citizens' (sex disaggregated) satisfaction with delivery of public services, accountability and governance, disaggregated by sex • Number of public reviews of the budget, financial performance and implementation of programmes • Level of stakeholder participation in planning, budgeting and monitoring local government programmes
Operating indicators	
Utilization	<ul style="list-style-type: none"> • # of investments with a tangible impact on social and economic empowerment of women and girls • # of projects with a tangible impact on local climate change adaptation • % (average time) of delay in funds disbursements from UNCDF to MoFPED • % of delay in funds disbursement from MoFPED to district LGs • % of fund utilization by district LGs (outstanding balance at year end) • % of compliance with the LGEF guidelines for project identification
Value for money	<ul style="list-style-type: none"> • Cost per infrastructure output (km of roads, sqm of buildings, cbm of treated water, etc.)

The total amount of the LGEF grant is €2,000,000. The grant will be allocated in a progressively increasing manner as the participating LGs build their PFM capacity starting from €400,000 for the first year over a period of 4 years.

	2018/19	2019/20	2020/21	2021/22
LGEF grant, EUR	400,000	500,000	550,000	550,000
LGEF grant, UGX'000*	1,512,000	1,875,000	2,376,000	2,376,000

* Based on the Trading Economics (TE) forecast (<http://www.tradingeconomics.com/uganda/currency/forecast>). Ugandan Shilling Forecasts are projected using an autoregressive integrated moving average (ARIMA) model calibrated using TE analysts' expectations.

Chart 1. Proposed LGED allocation, UGX thousands



3.2 Performance component

The revised LG Performance Assessment system is currently under implementation. However, the first LGEF allocation in FY 2018/19 will not use performance assessment results offering the participating LGs a one year grace period after the start of the programme to allow them to benefit from the capacity development delivered by DINU and address the most critical performance gaps.

At the same time, at the launch of the programme, each participating district LG will identify annualized targets against the DINU key performance indicators and its performance will be tracked against these targets in addition to the performance scores assigned during the government-led annual performance assessment. The districts outperforming on at least 5 DINU indicators above will be assigned a bonus of additional 10 points taken into account to determine annual allocations.

Allocations for each subsequent year will be informed by the annual performance assessment and will see a variable performance component increasing each year and reaching a weight of 75% by the end of the program (FY 2021/22). Before changes are introduced, LGs will be informed of the details and implications of the revised performance assessment system.

The different components of the allocation formula will be applied as following during the programme's lifetime:

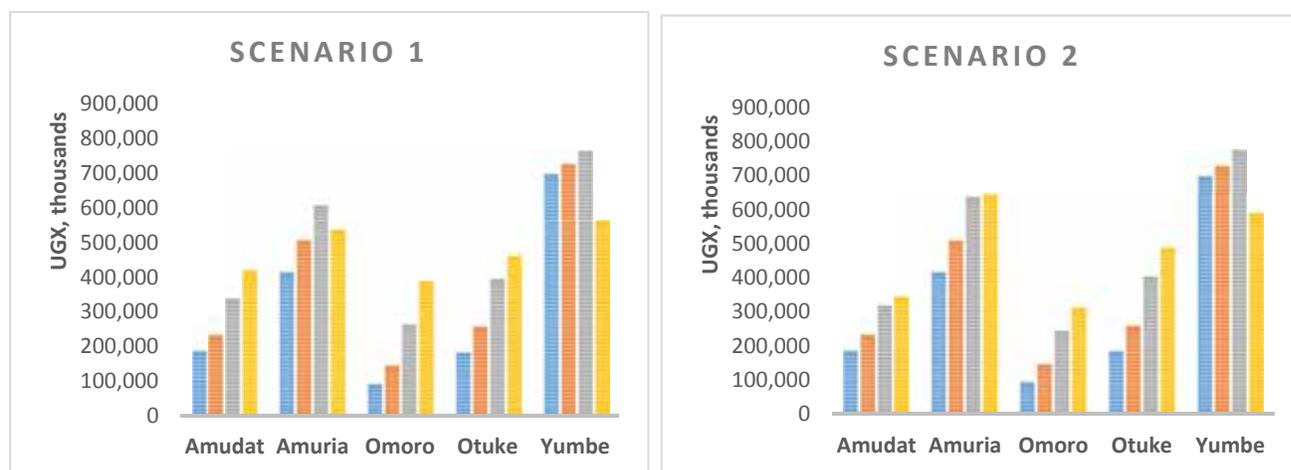
	2018/19	2019/20	2020/21	2021/22
Constant	10%	10%	10%	10%

Land area	5%	5%	5%	5%
Population	85%	65%	40%	10%
Performance	0%	20%	45%	75%

The process for selecting five LGEF districts is explained in Section 4.1. The application of the allocation formula to the first year allocation (without the performance component) to the identified district LGs returns district allocations varying from UGX 93 million to UGX 698 million. This variation is caused by significant differences in the population figures which have a weight of 85% for the first year’s allocation. As the weight of the population component goes down with each year of the LGEF operation, its relative importance will reduce and the differences between district allocations are likely to minimize subject to their performance. For example, in the scenario of performance convergence described below, the standard deviation of allocation will fall from UGX220 million during Year 1 to UGX60 million during Year 4, or from 70% down to about 14% in terms of the coefficient of variation.

Assuming a performance convergence trend, meaning that worse-performing districts improve their performance at a faster rate than better performing districts, LGs with a slower improvement rate will see a decline in their allocation but this is unlikely to happen before Year 4 of the LGEF. The impact will be particularly strong for LGs with large populations. Chart 2 demonstrates this hypothetical situation as Scenario 1. If however all participating districts improve at approximately the same rate, their annual allocations will continue to grow albeit at a declining rate until the end of the LGEF operation, except for the district with the largest population (Yumbe) when it will drop (Scenario 2 of Chart 2).

Chart 2. Hypothetical allocation scenario for performance convergence



Compared to the 2016/17 approved budget (currently under implementation), the total LGEF allocation is slightly below the total amount of locally raised revenues (LRR) although the LGEF/LRR ratio will vary significantly depending on the revenue generating capacity of the district LG: from about 20% for better performing districts to 135% for districts with low revenues.

4. LGEF disbursement

4.1 District selection

The following four selection criteria have been applied to decide on the beneficiary districts:

3. Performance score, which carries a weight of 40% and is a geometric average of two scores: the general performance score based on internal MoLG assessment and an audit score based on the OAG report for 2016. The lower is the LG performance, the higher the score.
4. External program score, which has been normalized to 20%. The more programs are operational in the district, the lower the score.
5. DINU and priorities alignment score, including exposure to conflict and presence of a refugee population, which has been normalized to 20%. The more alignment there is, the higher is the score.
6. Poverty index score based on the headcount of district population below the poverty line normalized to 20% so that districts with a higher poverty index score higher.

The maxim possible score was 10. Based on the obtained scores, one district has been selected in each of the five sub-regions covered by the DINU programme.

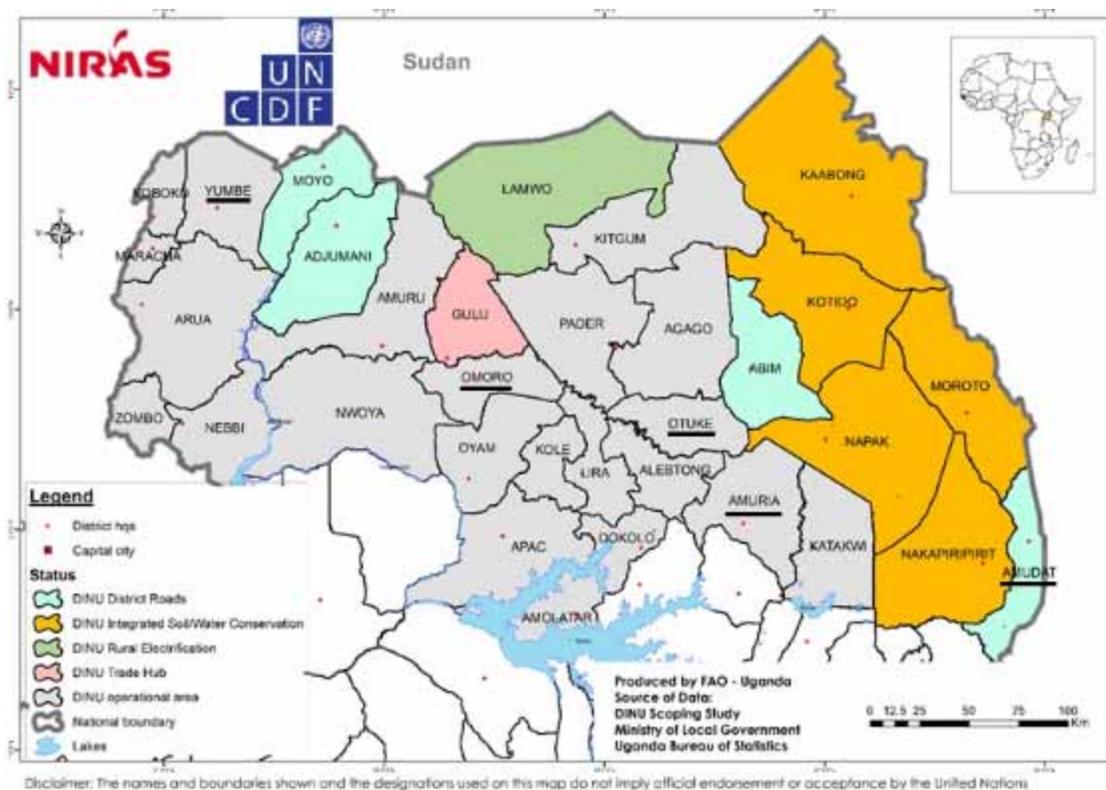
Region	District	Score
Acholli	Omoro	7.78
Karamoja	Amudat	8.67
Lango	Otuke	7.41
Teso	Amuria	6.13
West Nile	Yumbe	6.91

The following matrix demonstrates the presence of other key DINU components in the selected districts. This presence will allow the LGEF to exploit the linkages with the other components by establishing effective synergies and complementarities as explained in Section 2.3. At the same time, it will promote a more cohesive and holistic approach to planning and implementation of DINU activities in the selected districts.

District	Roads	Nutrition gov- ernance	DLG capacity	Food security	Value chain cluster
Omoro					
Amudat					
Otuke					
Amuria					
Yumbe					

Chart 3 present the geographic distribution of the selected districts (underlined in bold).

Chart 3. LGEF districts



4.2 Establishment procedures

There are no eligibility criteria or minimum conditions for accessing the LGEF. All selected district local governments are deemed to be eligible for the Fund.

MoFPED will open a special UGX account at BoU under the name “Local Government Excellence Fund” to receive the LGEF funds as per the approved schedule. The funds will be remitted by MoFPED to each district LG general revenue account in BoU. The initial transfer of the funds to the LG general account in BoU will allow proper accounting of the funds as part of the local budgets using the Integrated Financial Management System (IFMS). Integration of the LGEF transactions into the IFMS will speed up transfers and will enable real time monitoring and regular reconciliation of the LGEF accounts, as well as a direct access of the Office of the Auditor General for auditing purposes.⁴⁶

The participating district local governments will open a special expenditure account at a commercial bank as authorized by the Account General under the name “Local Government Excellence Fund” for eventual transfer of the LGEF funds. This will allow for separate financial accountability for the LGEF funds. The

⁴⁶ IFMIS has now been rolled out to many districts and will properly further improve financial management. It is reported that the modules for accounting, etc. in general work well but there are several issues with Internet network connectivity and support services from MoFPED which makes it cumbersome to run, especially at the local level. The inbuilt controls and audit trails will properly reduce fiduciary risks. However, some local governments might not have the required number of computers in place to make use of all IFMIS features and will therefore still make use of manual routines and Excel outside IFMIS, e.g. to run requests and approval of transfers and payments. This issue will be addressed in the broader context of the DINU Programme.

signatories to the special expenditure account shall be the Chief Administrative Officer and the Chief Financial Officer.

UNCDF will communicate the total available annual LGEF allocation and proposed allocation per district to MoFPED and OPM in advance to allow enough time for inclusion in the budget circular and reflection in the LG Performance Contract, Budget Estimates and Annual Work Plan.

4.2 Disbursement arrangements

The LGEF disbursement procedures will be aligned with the Ugandan system of intergovernmental fiscal transfers. Once (1) the LG Transfer Committee has verified the assessment results by an independent assessment team and (2) MoLG has submitted a summary report on the progress of the participating LGs against the DINU programme indicators as explained in Section 3.1, the amounts to be disbursed for each of the participating LGs will be determined and UNCDF will be notified. Once UNCDF is satisfied, the LGEF funds will be disbursed from UNCDF to the GOU Treasury UGX accounts in BoU in accordance with the disbursement schedule on a semi-annual basis. MoFPED will transfer the funds to the participating local authorities in accordance with the disbursement schedule and conditions explained below at the request of the PS/MoLG.

Except for the first year release when the funds will be split between the participating LGs according to the formula explained above, all subsequent disbursements will be based on a verified performance assessment of the participating LGs. The performance assessment will need to be approved by the LG Transfer Committee based on the recommendations made by the LG PA Task Force in accordance with the Local Government Performance Assessment Manual. MoLG will determine the annual allocation per district based on the following factors:

- Total annual allocation as communicated by UNCDF.
- Each LG's performance results.
- Other components of the allocation formula.

A source of funding code should be established for LGEF, which will enable review of the use of funds in the system. Funds will be allocated from the DINU Programme by UNCDF (and in the future perhaps other DPs and funding agencies) to the holding account established in the Bank of Uganda (US\$ account), on an account held by MoFPED for DINU funds. From there the funds will be wired to the Consolidated Fund and exchanged from USD to UGX when conditions for releases are fulfilled by LGs, based on advice from MoLG to the PS/ST MoFPED. Funds will then be transferred from the consolidated fund to the general account of the LGs and from there to the operational account.

Disbursement arrangements include the following steps:

Step 1: Within 15 days after the beginning of the fiscal year (1 July) and within 15 days after beginning of the third quarter, PS/MoLG, through MoFPED, requests for semi-annual disbursements of LGEF funds from UNCDF based on the following:

- approved assessments results including the national assessment results and the DINU specific results (Section 3.1);
- approved PBF, work plans and budgets and procurement plans submitted by the participating LGs;

- financial summary sheet for the LGEF for each of the LG with the total LGEF amount being requested with breakdown of the annual LGEF allocation per LG; for the subsequent six months also the amounts of the LGEF received as part of the previous tranche(s), the LGEF released to each of the LG, and the LGEF amount being requested with a breakdown of the allocation per LG;
- financial and physical progress reports by the participating LGs for the previous six months to confirm that at least 75% of the previous LGEF released has been either spent or committed by the LGs.

Semi-annual release requests should be based on the total required amount as per the local governments; work plans, budgets and procurement plans and subject to utilization of the previous LGEF tranche.

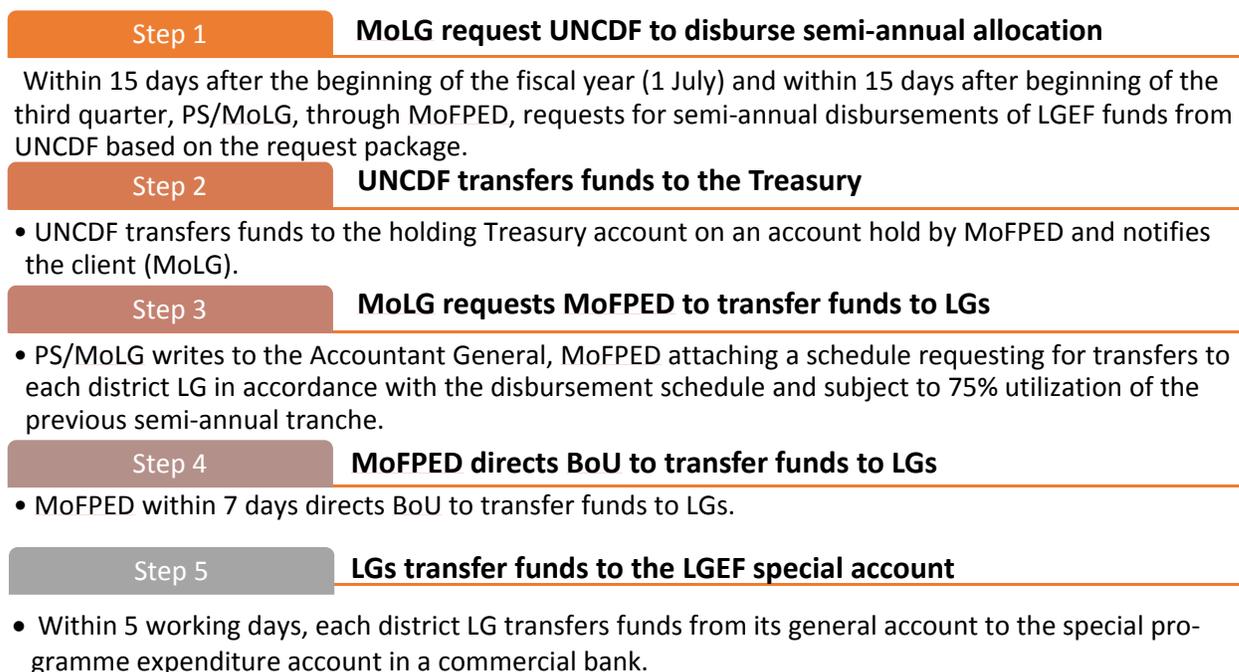
Step 2: UNCDF transfers funds to the holding Treasury account on an account hold by MoFFED and notifies the client (MoLG).

Step 3. Following this, PS/MoLG writes to the Accountant General, MoFPED attaching a schedule requesting for transfers to each district LG in accordance with the disbursement schedule and subject to 75% utilization of the previous quarterly tranche.

Step 4: Within 7 working days, the Accountant General Office, MoFPED issues electronic telegraphic transfer (ETF) to BoU with a copy to MoLG directing the BoU to transfer money from the Treasury account to each district LG general account in BoU.

Step 5: Within 5 working days, each district LG transfers LGEF funds from its general account to the special programme expenditure account in a commercial bank.

Chart 4. Key steps in LGEF disbursement



5. Use of the LGEF funds

5.1 Development Budgeting and Management Requirements

To maximise synergies, the LGs will use the same Planning, Budgeting, Procurement, Project Execution, and Performance Assessments for the LGEF as for the other development funds: Discretionary Development Equalisation Grant; Sector Development Grants; Local Revenue; and Donor/NGO Funding. However, separate reporting procedures will be instituted for the LGEF as described further as an additional fiduciary measure.

In preparing and implementing the development budget there are a set of standard requirements that must be fulfilled which are summarised in the table below and described thereafter.

Summary of Budgeting and Management Requirements

Summary of Requirements	
Requirements on the Use of the LGEF	
Allocations across categories	<ul style="list-style-type: none"> - Capital investments for service delivery – minimum 70% - Capital investments for administration – maximum 15% - Other development activities/expenditures – minimum 10%
Overall Development Budget Requirements	
Principles for selecting Investments	<p>The principles for selecting all Local Government Investments mean that investments should be:</p> <ul style="list-style-type: none"> - Within the mandate of LGs - Incorporated in the LG approved district development plan, Work Plan and Budget - Can be completed with the resources in the budget and made fully functional - Have provisions for recurrent cost implications - Focus on public rather than private goods - Do not have negative environmental and social impacts - Take into consideration equity issues (e.g. gender, etc.) and explicitly benefit women and youth - Are in compliance with Sector Budgeting Requirements and standards for all LG Investments
Investment servicing costs	<ul style="list-style-type: none"> - Investment service costs shall be provided for all infrastructure outputs (either by sector specific or discretionary development equalisation grant) - For the LGEF, the investment service costs shall be maximum of 5% of the cost of infrastructure outputs in each department budget or the amount specified in the sector budget requirements, whichever is lower. The budget for the infrastructure outputs should provide for investment service costs.

Unlike the DDEG, the LGEF grant does not include a provision for capacity development. This is so because the LGEF facility is integrated in the overall DINU programme and is closely related to its capacity development activities. The gaps and shortcomings of the participating local governments identified in the

course of the LGEF implementation or through annual performance assessments will be addressed using the funds allocated to the relevant DINU components.

LGs are expected to follow the Local Government Planning Guidelines (NPA, 2014) throughout the LGEF planning process and base the selection of LGEF project on the existing District Development Plans aligned with NPDII.

5.2 Sector Development Budget Requirements for LGEF

As a top-up to the DDEG, LGEF will use the same menu of positive and negative investments. However, to reflect the added value of the facility, all investments submitted for finance should have a demonstrable impact on social and economic empowerment of young people and women. In addition, capital investments and other development activities may be implemented in both rural and urban areas as agreed with the relevant Town Council and on the condition that such investments strengthen rural-urban linkages, improve markets for agricultural production, and create additional social and economic opportunities for young people and women.

The tables below, consistent with the DDEG investment menu, provides indicative lists of capital investments for service delivery and which may or may not be funded under the sector development budget from central government grants.

Capital Investments for Service Delivery

Sector	Indicative Positive List	Indicative Negative List
Works & Transport	<ul style="list-style-type: none"> • Rehabilitation and/or construction of district roads and/or urban with associated infrastructure • Construction or rehabilitation of foot paths, culverts and bridges • Street lights (urban areas) • Urban Solid and liquid waste management • Urban transport (bus/taxi/lorry parks) • Urban beatification (public parks, play grounds, urban landscaping etc.) 	<ul style="list-style-type: none"> • Rehabilitation and/or construction of national roads within the district • Procurement of heavy plant or road equipment such as tractors, graders
Agriculture/ Commercial Services	<ul style="list-style-type: none"> • Small-scale communal valley dams for livestock watering with a watering trough or a cattle crush. • Small level irrigations systems in drought prone areas for communal use, irrigation demonstration centers at small scale • Construction of slaughter slabs and abattoir, Livestock markets, Communal cattle dips • Equipment to support tests for emergent Avian flu or influenza outbreaks among poultry cattle • MIS to support data management for farming produce, SMEs and other value addition and trade aspects as they evolve. 	<ul style="list-style-type: none"> • Large scale valley dams • Farmer Institutional Support Services • Large scale Training centres • Specialist Farmer field schools – which should be at this stage coordinated by the centre

Sector	Indicative Positive List	Indicative Negative List
	<ul style="list-style-type: none"> • Demonstration fish ponds, fisheries landing sites, cool chains for landing sites, fish drying kiln • Market structures • Group marketing facilities such as storage • Plant clinics/mini laboratories 	
Water and Environment	<ul style="list-style-type: none"> • Water sources/points: <ul style="list-style-type: none"> ○ protected springs; ○ shallow wells, ○ boreholes (hand pump, motorised) ○ piped water supply system (GFS, borehole pumped, surface water) ○ communal water harvesting systems • Public toilets • Sewerage disposal • Solid waste management 	<ul style="list-style-type: none"> • Household toilets • Household water harvesting systems/tanks; • Drainage/storm water drains • Cross-district piped water systems • Drainage/storm water drains • Cross-district piped water systems
Primary education	<ul style="list-style-type: none"> • Construction, rehabilitation, renovation of classrooms • Procurement of classroom furniture • Construction of teacher houses • Construction of sanitation facilities in hard to stay areas • Construction of water facilities at schools • Construction of dormitories to primary schools with peculiar conditions (eg in Karamoja region - this varies accordingly and priority is given to the girl child) • Other infrastructure for schools (offices; kitchen and store; lightening conductors; fencing) 	<ul style="list-style-type: none"> • Not for private schools
Secondary Education	<ul style="list-style-type: none"> • Construction of new classrooms • Rehabilitation/renovation of classrooms • Procurement of classroom furniture • Construction of teacher houses in hard to stay areas • Construction of sanitation facilities • Construction of libraries and furnishing them • Construction and equipping of laboratories • Provision of ICT facilities (computers), virtual libraries • Other infrastructure for schools (offices; kitchen and store; lightening conductors; fencing; solar power) 	<ul style="list-style-type: none"> • Not for private schools

Sector	Indicative Positive List	Indicative Negative List
Primary health care (Health Centres II; III and IV)	<ul style="list-style-type: none"> • Out Patient Department (OPD) block • Maternity ward • General ward • Operating Theatre (Health Centre IV) • Drug store, cold storage for vaccines • Mortuary • Staff houses • Pit latrines • Medical Waste pit • Water source • Medical equipment and furniture • Furniture • Electricity (grid or solar) • Fencing • Equipment in health facilities 	<ul style="list-style-type: none"> • Not for private health care facilities
Social Development	<ul style="list-style-type: none"> • Facilities <ul style="list-style-type: none"> ○ Community / Training Centres at the LLG level ○ Public libraries ○ Reception Centres • Purchase of Equipment <ul style="list-style-type: none"> ○ Providing CDO's / FAL instructors with equipment on which they have received training. ○ Data collection and storage equipment • Bicycles/Motorcycles for CDO's at the LLG level • Community tourism centres 	<ul style="list-style-type: none"> • Transport <ul style="list-style-type: none"> ○ Motor Vehicles

Capital Investments for Administration

Sector	Indicative Positive List	Indicative Negative List
Public Sector Management / Administration	<ul style="list-style-type: none"> • Rehabilitation/construction of (and purchase of land for) <ul style="list-style-type: none"> ○ Administration blocks ○ Community centres ○ Staff houses at subcounty headquarters in hard to stay areas • Equipment for administrative offices <ul style="list-style-type: none"> ○ Computers and peripherals, office furniture & fittings ○ Solar systems, generators, extension of grid power to administrative offices 	<ul style="list-style-type: none"> • Purchase of vehicles for officers who are not entitled • Purchase of military equipment. • Non-capital items.

Other Development Activities

Sector	Indicative Positive List	Indicative Negative List
Works & Transport	<ul style="list-style-type: none"> Planting of trees on road reserves etc. 	
Agriculture/ Commercial Services	<ul style="list-style-type: none"> Communal nurseries School gardens Provision of foundation seeds for improved crop varieties to farmer groups Provision of foundation stocking materials of improved breeds of livestock (including poultry) to farmer groups Provision of support to community based multiplication of planting and stocking materials Support to community hatcheries for fish fry and fingerlings Establishing commodity outlet centres for bulking; value addition; grading; packaging and branding of farmer produce including appropriate small milk cooling plants Establishing information centres to enhance information flow (market and other general information). 	<ul style="list-style-type: none"> Procurement of vaccines
Natural Resources Management Lands	<ul style="list-style-type: none"> Restoration of degraded wetlands and forest reserves Demarcation of wetland and forest reserves boundaries Demonstration of wetland edge gardening, apiary farming, cottage industries from waste products such as cups from clay, crafts from papyrus, craft houses and community training centres, pottery groups Surveying and titling institutional land 	

5.3 Women and youth empowerment

DINU takes into account that (1) women have a key role in the socio-economic sphere in Northern Uganda, both as potential entrepreneurs, and as key drivers in addressing food insecurity and poor nutrition; and (2) Northern Uganda's population is set to double by 2040, presenting a massive poverty reduction and job creation challenges, necessitating a particular focus on youth. DINU specifically seeks to empower women and youth on various dimensions, and the LGEF follows the same approach by integrating

women’s and youth’s social and economic empowerment into the LGEF capital investments and other development activities.

Capital investments and other development activities should be designed to maximise the access of women and young people to the benefits of roads, telecommunications, energy and water. Such investments and activities should help women to carry out everyday chores more efficiently, such as the supply of piped water, free up time for educational opportunities, productive work, and participation in community life and decision making. Improving rural roads, transportation facilities and services increases rural women’s mobility and can increase their productivity and income by easing access to markets, reducing post-harvest loss of perishable goods. Improvements to rural water and irrigation systems and transportation infrastructure reduce the amount of time women spend on arduous tasks such as fetching water and tending family crops. These investments will bring returns in the form of increased women’s engagement in market-based activities and greater productivity. Women’s unpaid work, particularly in the care economy, needs to be given greater attention. Reducing and redistributing women’s unpaid work by improving access to infrastructure and technology is an important aspect of women’s empowerment.

The LGEF encourages activities at the local level that aim to improve the lives and/or promote and protect the human rights of youth, specifically to enable young people to build and utilize their human capital and become productive adults. This includes investments which aim to create opportunities for obtaining education, acquiring skills and/or participating fully in all aspects of society by facilitating young people’s access to enabling infrastructure, support to youth organizations and cooperatives, offering vocational and community education, etc. The table below summarizes examples of eligible investments in three investment areas: capital investments for service delivery, capital investments for administration and other development activities.

Investment areas	Indicative activities
CAPITAL INVESTMENTS FOR SERVICE DELIVERY	
Economic activities by women and young people (works and transport, agriculture, water and environment)	<ul style="list-style-type: none"> • Construction or rehabilitation of roads, foot paths, culverts and bridges that connect areas where economic activities by women and young people take place • Street lights to support economic activities of women and young people • Construction of market facilities for women and young people • Construction and equipment of demonstration farms/ponds targeting women and youth groups • Other investment projects structured as PPPs with the participation of women and young people
Primary, secondary and tertiary education	<ul style="list-style-type: none"> • All investments from the indicative positive list, particularly those that target girls and young women
Primary health care	<ul style="list-style-type: none"> • All investments from the indicative positive list, particularly those targeting women, children and young people, boys and girls, such as maternity wards
Social development	<ul style="list-style-type: none"> • Facilities and equipment from the indicative positive list that contribute to social and economic empowerment of women

Investment areas	Indicative activities
	and young people, such as day-care and nursery facilities, etc.
CAPITAL INVESTMENTS FOR ADMINISTRATION	
Rehabilitation/construction and equipment	<ul style="list-style-type: none"> • Community centres for women and young people • Housing for female staff and facilities for female staff and visitors • Equipment to facilitate outreach and activities targeting women and young people, such as collection and analysis of relevant data, provision of education and information services, etc.
OTHER DEVELOPMENT ACTIVITIES	
Economic activities by women and young people (works, transport, agriculture, water and environment)	<ul style="list-style-type: none"> • All activities from the indicative positive list, particularly those that target women and young people to encourage their engagement in agriculture and commerce, support to information centres to enhance information flow, etc.

5.4 Local climate change adaptation

Local governments, together with communities and vulnerable groups such as youth and women, are in a unique position to identify the climate change adaptation responses that best meet local needs, and have the mandate to undertake the small- to medium-sized adaptation investments needed for building climate resilience. Yet they frequently lack the resources to do so – especially to do so in a way that is aligned with established decision-making processes and public planning and budgeting cycles. In consideration of the adverse economic impact of climate change and criticality of local resilience to climate change in Northern Uganda, the LGEF makes provisions for mainstreaming adaptation and resilience in projects that receive funding from this facility. The overall objective is two-fold: (1) to provide discretionary funding to allow local governments to apply and develop their skills in climate-proofing of their investment plans and programmes, and (2) ensure that all projects funded from the LGEF are climate responsive and combine empowerment of young people and women with an environmentally friendly and sustainable approach in project planning, design and implementation.

Local government’s response to climate change requires making adjustments to existing activities and practices so that vulnerability to potential impacts associated with climate change can be reduced or opportunities realised (adaptation). Local government can undertake a high number of reduction activities through the management of natural hazards and regulation of activities with environmental effects. Some existing examples of these adaptation activities include the encouragement of water sensitive urban design, flood plain mapping activities, increasing the availability of shade provision and protection, and mosquito control programmes. The LGEF encourages such activities as part of the LGEF implementation. The table below summarizes examples of eligible climate adaptation investments in three investment areas: capital investments for service delivery, capital investments for administration and other development activities.

Investment areas	Indicative activities
CAPITAL INVESTMENTS FOR SERVICE DELIVERY	

Investment areas	Indicative activities
Works & Transport	<ul style="list-style-type: none"> • Flood-proofing or re-siting of infrastructure and planning transport routes and roads to avoid disruption by flooding activities. • Increased monitoring and maintenance activities at embankments and bridges, footpaths, culverts and gully emptying activities. • Application of green solutions for street lighting (e.g., solar lights)
Agriculture/ Commercial Services	<ul style="list-style-type: none"> • All investments from the indicative positive list with a clear linkage to improved climate change adaptation and resilience, focusing specifically on <ul style="list-style-type: none"> ○ diversification of agricultural production and promotion of new agricultural activities, including through demonstration farms, etc. ○ introduction of draught-resistant crop varieties
Water and Environment	<ul style="list-style-type: none"> • All investments from the indicative positive list with a clear linkage to improved climate change adaptation and resilience, particularly <ul style="list-style-type: none"> ○ Maximise kerbside diversion of material from landfill through provision of high performance collection systems. ○ Introduce sorting of waste at source for household, commercial and construction wastes and promote composting. ○ Three main options to consider in reducing irrigation mains water use – <ol style="list-style-type: none"> a. efficient irrigation b. water efficient landscaping c. using alternative supplies of water such as rain-water tanks, aquifer storage and recovery, grey-water and blackwater, reclaimed effluent and groundwater
Primary, secondary and tertiary education	<ul style="list-style-type: none"> • Where practicable, adopt climate sensitive building design that considers local cooling and heating requirements e.g. inclusion of natural ventilation cooling, consideration of building orientation and low energy consumption • Design buildings to allow for consideration of future climate change impacts and incorporation of future adaptation • Retrofit the existing buildings and infrastructure, including social development infrastructure, in order to maintain services and connections, e.g. to minimise isolation of communities under adverse weather conditions
Primary health care	
Social development	

Investment areas	Indicative activities
	<ul style="list-style-type: none"> • Reduce lighting and equipment loads to reduce overheating • Optimise design of cooling systems to provide the best energy efficiency under higher temperature operating loads • Promote micropower on-grid and off-grid initiatives using green technologies
CAPITAL INVESTMENTS FOR ADMINISTRATION	
Rehabilitation/construction and equipment	<ul style="list-style-type: none"> • Retrofitting the existing administrative buildings and infrastructure to adapt to climate change
OTHER DEVELOPMENT ACTIVITIES	
Works & Transport, Agriculture, Water & Environment	<ul style="list-style-type: none"> • All activities from the indicative positive list, particularly those contributing to climate change adaptation and resilience

5.5 Co-financing with market-based funds

As indicated in Section 2.2, the principle of co-financing incorporate three aspects, two related to public finance arrangements and one to private financing. To increase the leverage of the LGEF funds, the participating LGs may use market-based finance provided by development or commercial lenders or private business entities.

The first decision to be made by the LG district is whether an infrastructure project can and should be financed from internal or external funds. External funds (unless they come as grants) have a cost, and the municipality needs to decide if this cost is affordable given the nature of the infrastructure to be financed. The projects likely to be financed with market-based funds include revenue-generating projects and larger infrastructure projects that cannot be financed from regular LG resources. Even when the decision is taken to tap into market-based funds, the LG should explore options for hybrid finance that combine own-source revenues and grants with external equity and debt.

Once the decision on funding with market-based capital has been made, the district LG has to consider the following two options:

- Borrowing from financial institutions or specialized development banks
- Engaging private sector participation through contracts, leases, and concessions

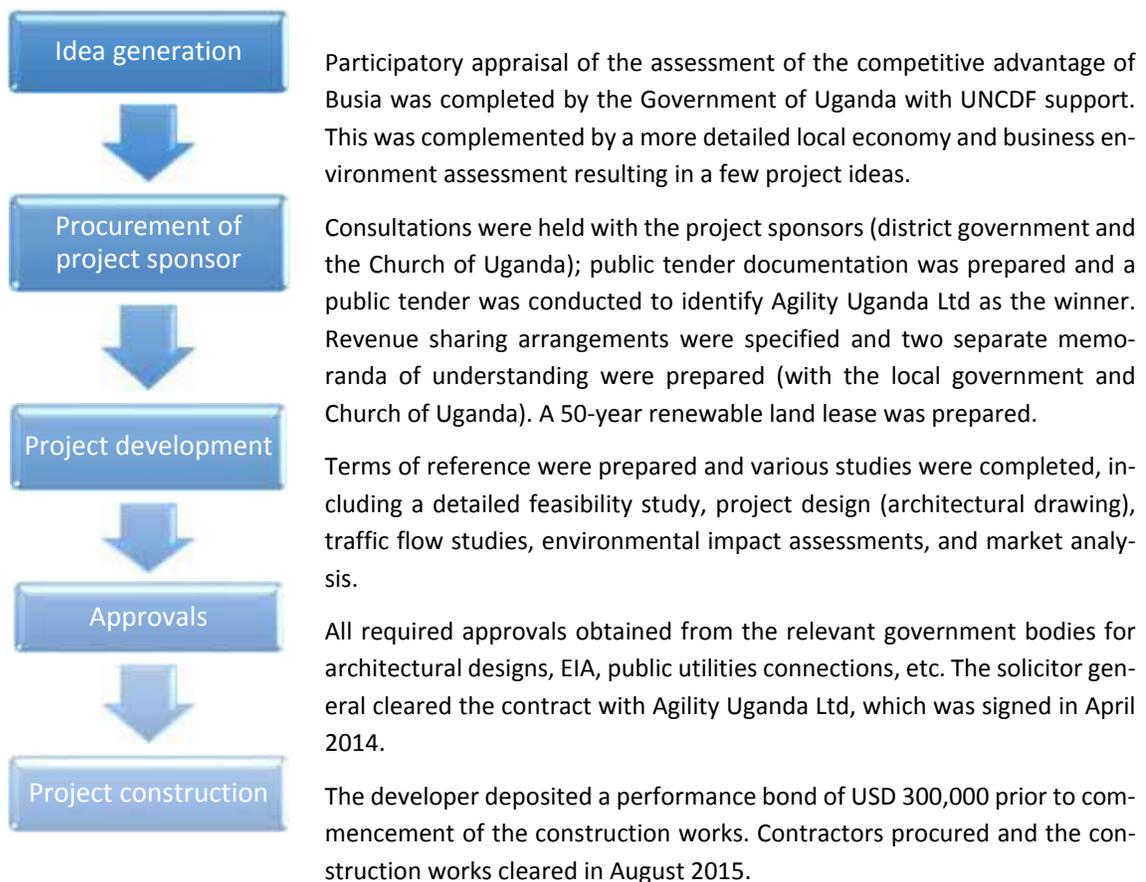
Borrowing from financial institutions, particularly for smaller projects, may be the most straightforward option, particularly when a hybrid financing structure is employed. Local governments in Uganda are legally allowed to borrow under the Local Governments Act but their borrowing capacity is limited by the Fifth Schedule of the said Act to 25 percent of the locally generated revenue provided that a local government council demonstrates ability to meet its statutory requirements. Given the current financial position of most local governments, borrowing against the LG balance sheet (revenues) will not result in a substantive financial leverage and may be suitable for only small-scale projects.

For larger projects, local governments may choose between two options:

- Borrowing through a project company (Special Purpose Vehicle, SPV) that has a separate and distinct legal personality from the LG, or
- Meeting the financing requirement for a project without borrowing through a private partner contribution, either to an SPV or a joint venture.

In the first option, the LG establishes a wholly or partly owned company; in the second option, the LG enters into an agreement with a private sector entity. Both options involve transfer of certain LG resources or right of use to a different entity (either a newly formed SPV or a private partner) and will require applications of the provisions of the Public-Private Partnerships Act of 2015. The diagram below demonstrates the key steps in the development of a co-financing scheme with the private sector using the example of a multi-purpose parking project in Busia implemented in a partnership between the district government, Church of Uganda and a private investor.

Steps in the development of a joint venture



Development and structuring of projects that allow the use of market-based finance require specialised expertise and technical assistance. Such assistance will be delivered by UNCDF to the participating LGs as part of the DINU implementation.

The projects that can be funded using external finance will be identified at the beginning of the programme to allow enough time to their development, structuring and securing of external finance. Such projects

- should be compliant with the budgeting requirements for capital investment projects for service delivery (Section 6.2), and
- must reach financial closure at least one year prior to the completion of the programme to allow for adequate post-investment support for these projects.

5.6 Reporting procedures

LGEF utilization and the related changes will be reported as an integral part of the LG financial reporting under the Public Financial Management Rules, 2016 and reflected in the following:

- a statement of financial position,
- a statement of financial performance
- a statement of changes in net assets/equity, and
- a cash flow statement.

Each participating LG will reconcile the LGEF bank account on a monthly basis or more often as may be required by the Accountant General and will prepare and record, on a monthly basis, a bank reconciliation statement.

In addition, a separate cash flow statement will be prepared quarterly reflecting the movement of LGEF funds as well as a physical progress report to ensure adequate accountability for LGEF utilization. The cash flow statement will reflect the income and expense of LGEF funds during the quarter as well as the remaining balance. The physical progress report will specify the activities undertaken for implementation of the LGEF projects, including progress in the delivery of goods and services contracted for LGEF projects as well as administrative expenses related to the management and monitoring of such projects.

The unspent balance appropriated under the LGEF allocation within a fiscal year shall be exempt from the requirement of Section 17(1) of the Public Financial Management Rules and shall remain on the district's LGEF special programme expenditure account unless otherwise directed. However, the following fiscal year's allocation shall be reduced by the amount of the outstanding balance to prevent accumulation of unallocated funds at the LG level.

6. LGEF Planning

6.1 Planning principles

Bottom-up planning. LGEF grant planning shall be in accordance with the governments' decentralization policy. To this end, all beneficiary local governments are expected to derive their investment priorities through bottom-up consultative planning, in accordance with the harmonized participatory planning guidelines and the regular annual planning processes that run from September to April as per The Public Financial Management Regulations, 2016.

Additionality. In planning for the LGEF grants, local governments should not duplicate activities funded under other grants, or by development partners. The LGEF grant is meant to augment rather than replace ongoing activities. Local governments are strongly urged to collaborate closely with the respective line ministries and other Implementing Partners in their areas to ensure that there is no duplication. Special attention should be paid to aligning LGEF investments with the other DINU activities in the same local government to improve synergies and create economies of scale.

Adherence to national and sector standards. In all cases local governments must adhere to the national planning guidelines, as the Local Government Development Planning Guidelines (NPA, 2014) and national and sector standards with regard to the nature and specification of various investments/processes they plan to undertake using LGEF grants. Sector line ministries shall ensure that the guidelines prescribing the required standards are being followed, as they review the local governments' annual LGEF work plans.

Functionality. Local governments are required to ensure that complementary aspects that make the existing investments functional, such as staffing and provision of recurrent items, are given priority in resource allocation. Additionally, all new infrastructure investments must be comprehensively planned, making provisions for all the required components to ensure that they will be functional once finalized. For example, local governments planning to construct new health facilities must ensure the necessary staff will actually be in place to run them, and that the required equipment, recurrent costs and staff accommodation are planned for. On staffing issues LGs are advised to consult with the sector line ministries to see if provisions have been made in the wage bill to cater for new staff to run the new facilities. In addition, the LGEF work plans must be accompanied by a resettlement and compensation plan in the case of those projects in which people will be displaced, lose income, livelihood, assets, shelter or access to means of income.

Co-financing. Co-financing has three particular aspects elaborated below.

4. Local governments are encouraged, where appropriate, to mingle LGEF funds with other sector and unconditional grants as recommended for the DDEG. The objective is to ensure a greater impact of the projects by increasing their scale. For example, a medical facility may be built using LGEF funds but equipped from a health sector grant. A larger community centre or a road may be built using LGEF and DDEG funds, etc. In all such cases, the LGEF contribution should be clearly defined and separated from other fund sources to ensure proper financial reporting.
5. Local governments are encouraged to examine the opportunities for joint projects with other LGs, whether they participate in the LGEF or not. Such cases may extend to situations when a project has benefits that extend beyond the jurisdiction of a particular local government or when for a project to become operational some interventions are required outside the participating LG (e.g., a road to connect a market to producers). This may be particularly relevant when a project is implemented in an urban area and the respective municipal council is expected to contribute to the project funding. Such projects may be co-funded by two or even more LGs using LGEF and other fund sources.
6. Lastly, LGs may also complement LGEF funds with market-based finance (financial leverage) as explained in Section 5.4.

Assistance will be provided to the participating LGs to incorporate the proposed LGEF investments in the District Development Plan and their medium-term capital investment plans. Furthermore, the LGs will be assisted in the elaboration of their financing strategy aligned with the other DINU interventions, primarily revenue mobilization initiatives under Activity 3.1.2: Strengthen capacities of mandated local government units to efficiently mobilise and equitably allocate and utilise local revenue and resources. The LG financing strategy will identify sources of finance for proposed capital investments in the form of grants, loans or private sector co-financing depending on the nature of the project as well as specific actions required to secure the required external capital. The LG financing strategy will be then reflected and operationalized in annual plans and budgets.

6.2 Planning cycle

The LGEF planning will be fully integrated into the national planning processes and the budget cycle.

During **September**, overall Indicative Planning Figures (IPFs) and guidance on grant usage for the forthcoming financial year will be given to the participating LGs as part of the Ministry of Finance and Planning (MoFPED) Budget Call Circular (BCC) and during the Local Government Budget Framework Paper (LGBFP) workshops.

During **December** each year, districts will be required to submit the sectoral breakdown of their overall IPF across the eligible LGEF investment areas to the Ministry of Local Government. MoLG will submit the consolidated figures to MoFPED for incorporation in the MEF sector ceilings.

In **January**, as part of their BFP preparation process, local governments are required to ensure that LGEF outputs are reflected in their LG Budget Framework Papers. Local governments shall then prepare and submit their detailed LGEF work plans to MoLG in **March** for review by MoLG in consultation with sector line ministries, and ensure that their planned outputs are reflected in the OBT.

In **May**, MoLG will consolidate and communicate any changes LGs are required to make in order to finalise their work plans.

The deadline for submission of any variations in LG work plans for the following year is 15th of May, after which no further adjustments shall be accepted. MoLG will request MoFPED to release funds for the first six months accordingly. Release of funds for the second semi-annual period will only be made upon submission of satisfactory quarterly reports and accountability for the previous release(s) to MoLG who will be responsible for coordinating with the relevant sector ministries.

MoLG will also coordinate with all the relevant sector line ministries to conduct joint field exercises to monitor the outputs achieved by the local governments using the LGEF. Independent spot checks will also be made by the Office of Auditor General and the Inspectorate of Government to strengthen follow up on the utilization of funds. The schedule of spot checks will be agreed with the OAG and funded through a separate agreement.

Any alterations in individual work plan activities during the course of implementation must be sought from the Permanent Secretary Office, MoLG (PS/MoLG) in writing, backed by sound technical justifications, e.g. increasing costs, capacity of contractors etc. Alterations submitted after the end of the second quarter of the financial year will not be accepted.

7. Institutional implementation arrangements

7.1 Local governments

District LGs will be responsible for planning, budgeting, implementing and reporting on Program funded activities, consistent with their mandate under the LGs Act CAP243.

- The Chief Administrative Officers will be responsible for implementing and reporting on the LGEF activities, with support from the district technical planning committee (heads of departments).
- District LGs will be responsible for

- opening a special programme account in a commercial bank as authorized by the Accountant General and timely transfers of LGEF funds from the district general account at BoU to the special programme expenditure account;
- timely integration of the LGEF planning into the district annual planning process and its alignment with the district development plan, sector policies, NPA planning guidelines, budget circulars and other planning guidelines;
- identification of the co-financing opportunities with the other intergovernmental fiscal transfers and market-based funds;
- preparation of technical and tendering documents, procurement of goods and services for the approved LGEF projects and managing such contracts as necessary;
- informing MoLG/UNCDF about capacity development measures required to support LGEF planning and implementation;
- ensuring the participatory character of the LGEF planning and transparency of its implementation and utilization through regular public reporting;
- regular monitoring and spot checks for LGEF projects to establish the physical progress, individually or jointly with other agencies;
- timely submission of financial and physical progress reports on LGEF utilization;
- support to periodic VfM audits and regular annual audits for the LGEF special account.
- Town clerks and the municipal technical planning committee will be engaged in planning, budgeting and implementation of projects in urban areas and will report to the district LG.
- When LGEF projects are implemented in urban areas, relevant urban LGs are expected to contribute through
 - identification of the LGEF projects and their integration into the annual planning process in consultation with the respective district LG;
 - providing inputs to technical and tendering documents for LGEF projects in consultation as requested by the relevant district LG;
 - advising district authorities in procurement of goods and services and participate as observers in procurement;
 - providing technical support to the respective district LG in managing the contract;
 - ensuring the participatory character of the LGEF planning and transparency of its implementation and utilization through regular public reporting at the municipal level;
 - participation in regular monitoring and spot checks for LGEF projects to establish the physical progress, individually or jointly with other agencies;
 - regular internal auditing of the LGEF implementation as well as support to periodic VfM audits and regular annual audits for the LGEF special account.
- District councilors (as well as municipal councilors where appropriate) will monitor LGEF implementation and provide oversight functions at the district level.

7.2 Ministry of Local Government

MoLG as the coordinating agency for the LGEF will be responsible for the following:

- Provide overall guidance on LGEF implementation for incorporation in the annual budget framework (BFP) paper preparation guidelines issued by MoFPED.
- Provide LGEF grant initial planning figures (IPFs) for incorporation in the BFP Medium Term Expenditure Framework (MTEF) prepared by MoFPED.

- Update MoFPED on any changes to the IPF allocations on a sectoral basis prior to submission of the National BFP to Parliament, based on local governments' prioritisation of their needs.
- Co-ordinate the submission of detailed LGEF work plans by the participating Local Governments.
- Co-ordinate the review of Local Government work plans by the relevant sectors, and ensure LG compliance with the LGEF guidelines.
- Co-ordinate the submission of quarterly and annual progress reports by implementing Local Governments.
- Request MoFPED to release LGEF allocations.
- Monitor LGEF implementation at LG level in conjunction with sector line ministries
- Produce and submit to UNCDF within three months of the beginning of each new fiscal year an annual Programme report which will provide information on the following:
 - Summary of the LGs assessment results and the corresponding disbursed amounts;⁴⁷
 - Summary of aggregate Programme expenditures and infrastructure delivered by LGs;
 - Summary of the district LGs assessment results and the corresponding disbursed amounts;
 - Summary of aggregate information on procurement grievances;
 - Summary of aggregate information on fraud and corruption issues – including, but not limited to complaints and investigations- captured in LGEF reporting as provided by or reported to PPDA, IG, CID and DPP.
- Support regular audit of the LGEF accounts and ensure timely management response and corrective action to audit recommendations.

7.3 Office of the Prime Minister

OPM as the coordinating agency for the entire DINU Programme will have the following roles with respect to the LGEF to:

- Provide overall guidance on LGEF planning and implementation to ensure strategic alignment with the other components of DINU.
- Ensure timely performance assessment of the participating LGs, verification and approval of the assessment results and timely notification of UNCDF and MoLG.
- Coordinate the activities of the other responsible parties to create coherence and synergies between DINU components all the way from the design to the implementation phase to support effective utilization of the LGEF grant.
- Ensure coherence and alignment between the LGEF and the PRDP grant to achieve a greater coordinated impact on peace, recovery and development in Northern Uganda.
- Oversee timely submission of the financial and physical progress reports on LGEF implementation.
- Oversee regular conduct of audit exercise with respect to the LGEF grant and timely management response to audit recommendations.
- Act as a convener supporting districts in coordinating the action of the various implementing partners (notably M&E), including advocacy for capitalization of the LGEF grant and its expansion.

⁴⁷ Provisional allocation should be made in cases when complete assessment results (e.g., audits have not been completed within the indicated timeframe). If necessary, adjustments should be made for the second semi-annual release of funds.

- Act as a learning platform promoting the exchange of good practices on implementation of discretionary grants and local finance for infrastructure and service delivery.
- Provide necessary strategic and technical advice and validate all the necessary operational documentation, such as operational plans and implementation guidelines, M&E guidelines and framework, etc.

7.3 Sector line ministries

All development allocations under the LGEF must adhere to sectoral budget requirements set out in the respective sector information papers. The respective sector ministries shall play key functions to ensure the proper management and utilisation of the LGEF projects relating to their sectors alongside sector development grants and funding from other revenue sources.

The role of the sector ministries is particularly important when the proposed LGEF investments are designed to complement sector grants. Relevant sector ministries will be involved in the planning process and consulted to ensure alignment of the proposed investments with sector policies and plans. Sector line ministries may review the work plans and quarterly implementation reports prepared by the local governments to ensure that sector guidelines are followed and that interventions are consistent with sector policies.

7.4 MoFPED and OAG

In addition, the Ministry of Finance, Planning and Economic Development (MoFPED) and the Office of the Auditor General (OAG) will also play significant roles in Program implementation.

- MoFPED will be responsible for ensuring that Programme resources are budgeted for and disbursed within the national Medium Term Expenditure Framework (MTEF) as well as for timely transfers of the LGEF funds from the Treasury account to the general revenue accounts of the participating districts.
- The OAG will ensure that the districts receive timely authorization for opening a special programme expenditure account for disbursement of LGEF funds as well as for programme audit and the value for money audits are carried out.

7.5 UN Capital Development Fund

The UNCDF team will be responsible for:

- Overall fiduciary responsibility to the EU Delegation for the use of LGEF funds.
 - Development and timely issuance of the memoranda of understanding and letters of agreement to enable the functioning of the LGEF and timely release of funds.
 - Reporting to the European Union as per the Delegation Agreement.
 - Reviewing implementation progress and achievement of the LGEF results.
 - Providing support for implementation issues as well as institutional capacity building.
 - Providing technical support and advisory services for co-financing arrangements.
 - Monitoring systems performance to ensure their continuing adequacy through LGEF monitoring reports, audit reports, as well as field visits.
2. Monitoring changes in risks to the LGEF and compliance with legal agreements and, as needed, the DINU Programme Document.

The Program will be monitored and reported on using the existing Government systems. Key elements of the monitoring and reporting structure during implementation will include regular reports from district LGs to MoFPED, OPM and MoLG, the annual performance assessments, value for money audits, and the midterm review report.

An operational manual detailing the operation of the fund will be developed for the use by implementers.

8. Key Assumptions and Risk Analysis

The key assumption required for success of the LGEF (as well as DINU as a whole) is that the security situation in Northern Uganda and neighboring countries is and will remain stable and conducive during the implementation to allow for the expected results to materialise. The other assumption is that for the foreseen future, the micro- and macro-economic environment remains conducive to socio-economic development.

It is assumed that certain conditions important for implementation will be in place for the duration of the project including:

- The continuation of political and macroeconomic stability.
- The Government’s continued commitment to good governance, local government development and further devolution.
- Steady and timely funding for the Fund, including timely transfers from the EU and timely transfers from MoFPED to participating LGs.
- Functional IFMS in participating districts.
- Timely conduct and publication of national performance assessments to inform annual LGEF allocations.

The risks associated with the implementation of the project are expected to be medium to low, except in the event of extreme emergency situations, such as major deterioration in the security situation and re-emergence of civil strife or drastic negative climate changes. The relevant risks are summarized in below.

Key Risks

Risk	Risk level	Mitigation measures
Strategic risks		
Worsening of security situation in the region	Low	Work closely with DINU components engaged in supporting security and community-based conflict resolution; ensure that LGEF projects are identified with due regard to their positive impact on peace and security.
Drought and unfavorable climatic conditions	Medium	Focus on projects that contribute to the local economic resilience and use green technologies. Explore and use backward and forward linkages outside the region (including foreign markets).

Land insecurity and conflicts	Medium	Work closely with agencies advocating for land reforms and coordinate with DINU components responsible for land registration and land dispute resolution.
Local elites capture project results	Medium	Ensure participatory and inclusive process for identification and selection of LGEF projects; systematically apply established technical criteria for project screening and evaluation.
Nationwide elections in 2021 and the aftermath leading to changes in political leadership at all levels causing delays	Medium	Introduce ad-hoc approval and implementation processes to ensure that the changes do not impact the programme.

Operating risks

Insufficient collaboration/co-ordination among the participating partners; delays in funds disbursement	Low	Strong coordination operationally through the OPM Programme Management Unit and strategically an inclusive project governance structure through the DINU Steering Board; clear and effective procedures for funds disbursement.
Low capacity of participating LGs to identify, develop, contract, manage and monitor projects	Medium	Establish strong connection with the DINU capacity building activities for PFM core functions; support project identification and development through the LGEF resources and dedicated technical assistance by UNCDF and OPM.
Funds mismanagement and misappropriation at the LG level	Medium	Robust fiduciary mechanisms, such as special accounts, disbursements in semi-annual tranches based on approved work plans and quarterly reconciliation of LG project accounts; regular reports, audits and on-spot checks.
Delays in funds transfers to participating LGs	Medium	Coordination mechanism for transfers will be established between MoLG, MoFPED and LGs and a UNCDF team member will be assigned to track the timeliness of transfers. In addition, a bi-annual tracking study will be completed to identify the bottlenecks and corrective measures.
Delays in National Performance Assessments hinder determination of the performance component for LGEF allocation	Medium	Apply ad-hoc assessments focusing on Dimension 1 of the Performance Assessment Framework and the LGEF key performance indicators (Section 3.1).

ANNEX 5: TERMS OF REFERENCE FOR REGIONAL TECHNICAL ADVISOR

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). To support the realization of UNCDF’s Business Plan and drive the rapid expansion of the organization’s capacity to assist LDCs to meet their graduation goals, respond to LDC demand for its services, and increase its geographical coverage of and average investment size in LDCs, UNCDF requires a partnership and business development strategy. This strategy encompasses specific, and interlinked, strategies for partnerships, branding and communications, and resource mobilization, which capitalize on mandate-specific partnership building, inter-governmental/client relations, and specific business development opportunities.

Against this backdrop, the UNCDF/LDFP (Local Development Finance Practice) works with Least Developed Country governments to: mobilize additional capital for local development including from the domestic public and private sectors (for example by promoting fiscal decentralization, increasing own revenue of local authorities and stimulating investment finance by domestic banks); design appropriate allocation mechanisms for this capital (intergovernmental fiscal transfers, public-private partnerships, structured project finance, municipal debt instruments); support local investments that provide a demonstration effect and lead to upscaling and mainstreaming of these mechanisms (including supporting UNCDF’s pipeline of investible projects); secure these investments within an accountable institutional environment that sustains and promotes local development. (legal, political, administrative, social).

Post-Specific Context - Under the guidance and supervision of the Practice Director, LDF (Local Development Finance) and other FIPA and LD colleagues, the Regional Technical Advisor (RTA) located in Uganda will provide technical leadership and managerial support to Local Development Finance programmes in specific countries while ensuring cross practice collaboration with inclusive finance.

The RTA is accountable to assure and track quarterly reporting and inform management (Regional Bureau, UNCDF Directorate and Practice Director) on overall performance including where inadequacies are found. The RTA will ensure that all programming is accurately reflected in UNDP’s results based management framework and accurately captured in financial expenditure reporting. The RTA will develop a list of Technical Service Providers (TSPs) including individuals and institutions that could be contracted on a long-term basis to provide technical assistance to Country Office programmes.

The incumbent is accountable for the identification and implementation of Cross-Practice collaboration with FIPA and the sound articulation of country-level opportunities within UNCDF corporate strategy while ensuring gender equality and empowerment of women in strategic and operational activities of UNCDF. In doing so, she/he must translate corporate strategy into country programming and regional positioning, ensuring the development of synergies of technical/programme support and relationships with LDCs through a sound collaboration with UNDP and the UNCT at the regional and country levels.

This programme positioning is also to be ensured through the conception and formulation of country / regional programmes embedded in the UNDAF and national priorities.

In close collaboration with the UNCDF Directorate and the PPCU (Partnerships, Policy and Communications Unit) the incumbent should actively contribute to the development and implementation of UNCDF strategy for partnering with UN Agencies around UNDAF, Post 2015 and other potential joint programming opportunities at HQs and at the global, regional and country office levels.

Duties and responsibilities

Summary of key functions:

- Provides technical leadership and policy advice in the area of local development finance, local public finance and local private finance – in particular in relation to infrastructure & service provision and the development of productive capacity in Least Developed Countries;
- Provides technical project oversight, quality control and supervision for the assigned portfolio of country and regional projects – contributing to the achievement of corporate and project objectives;
- Provides leadership in applying business development strategies, tools and intelligence, to build and maintain technical partnerships, capitalize on business opportunities and enhance resource mobilization for local development finance, local public finance and local private finance. This includes support to the introduction and implementation of LDFP global projects in the assigned portfolio of countries;
- Provides technical leadership in policy development and knowledge management in the areas of local development, local development finance and associated thematic areas including Financing For Development, the implementation of the SDGs and the development strategies of Least Developed Countries;
- Provides technical support and advice to the LDFP Director and to UNCDF Senior Management on UNCDF corporate initiatives and activities. This includes leadership in the active acquisition and sharing of business-sensitive knowledge in local development and local public finance.
- Provides technical support and quality assurance for the Development Initiative for Northern Uganda.

PROVIDES TECHNICAL LEADERSHIP AND POLICY ADVICE IN THE AREA OF LOCAL DEVELOPMENT FINANCE, local public finance and local private finance – in particular in relation to infrastructure & service provision and the development of productive capacity in Least Developed Countries. This is about constructively engaging with the government and key stakeholders in the assigned countries and region. The functions include:

- Maintain close working relationships and high levels of trust and support with government stakeholders in LDCs based on UNCDF’s mandate and a client-based approach – led by country demand. On this basis develop and implement strategies for UNCDF support to local development finance, the provision of local infrastructure and services and the development of local productive capacities in the assigned least developed countries. These strategies to be based on an adaptation of the LDFP approach to country level development challenges, to be aligned to National Development Plans, the Istanbul Plan of Action for LDCs and other relevant national and international policies;

- Support to the development of national policies in the areas of local development finance, drawing on the latest research and ideas, lessons of policy pilots and substantive dialogue with key practitioners and major international institutions;
- Apply UNCDF's local development finance diagnostic tools, instruments and approaches to constructively inform and contribute to these strategies and policies, in a way that leverages UNCDF support to promote the interventions and finance of others;
- Contribute to high-level debates and consultation processes at regional and country level related to UNCDF's projects and programmes in the region and UNCDF's work in local development finance;
- Advise UNDP in LDCs and non LDCs on issues of local development finance;
- Provide management and guidance to UNCDF country teams on engagement with government, with UNDP and the UN Country Team, and with other stakeholders.

PROVIDES REGIONAL LEADERSHIP IN APPLYING BUSINESS DEVELOPMENT STRATEGIES, tools and intelligence, to build and maintain technical partnerships, capitalize on business opportunities and enhance resource mobilization for local development finance, local public finance and local private finance. This includes support to the introduction and implementation of global projects in the assigned portfolio of countries: This is about proactively leading the development and financing of new programmes and initiatives in Local Development Finance in the countries and region assigned. The functions include:

- Develop and negotiate funding for UNCDF programmes and projects in local development finance that engage local governments (urban and rural) and local banks as partners of choice and build on the platform and reputation of UNCDF's support to fiscal decentralization in LDCs over a 20-year period. This includes piloting and testing improved mechanisms, instruments and tools for: Fiscal transfers from central to local government institutions; Improvements in local taxation and fees; Debt instruments (borrowing, special purpose project vehicles and bonds) for Municipal Finance; and project / SME finance for infrastructure largely in the productive sectors;
- Build partnerships to ensure replication and scaling up of UNCDF programmes in order to achieve greater impact;
- Increase cost-sharing opportunities for UNCDF programmes/projects;
- Identify and follow up on investment opportunities that can be leveraged within assigned LDCs and selected non-LDCs;
- Maintain effective technical relationships with strategic partners, including LDC and selected non-LDC governments at local and national levels, UNDP and other Bretton Woods Institutions, research and academic institutions, civil society and the private sector;
- Negotiate and implement agreements on provision of technical services at the regional level, with the support of the Operations Division;
- Dialogue and outreach to key internal and external constituencies and partners, to increase visibility and awareness of UNCDF's comparative advantages and strategic niches in local development within specific LDCs and selected non-LDCs.

PROVIDES TECHNICAL PROJECT OVERSIGHT, QUALITY CONTROL AND SUPERVISION for the assigned portfolio of country and regional projects – contributing to the achievement of , corporate and project objectives. This is about accountability for the performance, results and impact of UNCDF Local Development Finance activities in the countries and region assigned. The functions include:

- Oversee and supervise a portfolio of programmes and projects in Local Development Finance that engage local governments (urban and rural) as partners of choice and build on the platform and reputation of UNCDF's support to fiscal decentralization in LDCs over a 20-year period. This includes piloting and testing improved mechanisms, instruments and tools for: Fiscal transfers from central to local government institutions; Improvements in local taxation and fees; and Debt instruments (borrowing, special purpose project vehicles and bonds) for Municipal Finance;
- Oversee and supervise a portfolio of programmes and projects in Local Development Finance that engage with local banks and other providers of capital resources for local infrastructure and building local productive capacity in LDCs; This includes piloting and testing improved mechanisms, instruments and tools for: Investments by the domestic banking sector in local infrastructure and SMEs (largely in productive sectors); Debt instruments (borrowing, special purpose project vehicles and bonds) for Municipal Finance;
- Where appropriate, assume the role of project manager for Local Development Finance activities;
- Supervise the roll out of UNCDF's Local Development Finance global initiatives in –
 - Local Development Diagnostics;
 - Investments and financing mechanisms for local climate change adaptation and resilience;
 - Fiscal decentralization;
 - Local public finance and own revenue mobilization;
 - Intergovernmental fiscal transfers and performance based grants;
 - Women's economic empowerment;
 - Local economic development;
 - Food security finance and investment;
 - Municipal finance including debt instruments such as borrowing and bonds;
 - Capital investment programming;
 - Project finance;
 - Local procurement systems;
- The rollout of global programmes will be in liaison with the respective global project manager and in coordination with the LDFP Director;
- Exercise oversight and accountability for the contributions to, and measurement of, LDFP business plan output and outcome indicators in the countries assigned;
- Exercise oversight and accountability for smooth running of project management, evaluations and reviews, procurement and HR, budgets, financial approvals, fiduciary controls and other programmatic and operational aspects of the portfolio in the countries assigned;
- Exercise direct financial approval rights, HR supervision and other ATLAS functions as appropriate. This includes the management and supervision of UNCDF Programme Officers, Technical Advisors, Project Managers and other staff in the assigned countries;
- Apply UNCDF's Results Based Management approach to the portfolio of projects in the countries assigned;

PROVIDES TECHNICAL LEADERSHIP IN POLICY DEVELOPMENT AND KNOWLEDGE MANAGEMENT in the areas of local development, local development finance and associated thematic areas including in Financ-

ing For Development, the implementation of the SDGs and the development strategies of Least Developed Countries. This is about contributing to the global debate on Local Development Finance and sharing knowledge from UNCDF activities in this regard. The functions include:

- Technical leadership in identifying, documenting and incorporating lessons learned from UNCDF and LDC experience with the objective of contributing to scaling up, policy influence and mainstreaming of the models developed;
- Inputs to global, regional and national level publications, seminars, and conferences to highlight UNCDF support to local development;
- Production and contribution to papers and other documentation of evidence and results of UNCDF interventions;
- Collaboration with key partners and local development practitioners, including UNDP practices, within the region for research and development of innovative strategies and approaches to build the reputation of UNCDF as a Centre of Excellence and sharpen delivery of local development projects in order to better achieve UNCDF Business Plan objectives and LDC's SDG goals;
- Development and contribution to knowledge-sharing networks on local development initiatives within the region and globally;

PROVIDES TECHNICAL SUPPORT AND ADVICE TO THE LDFP DIRECTOR AND TO UNCDF SENIOR MANAGEMENT on UNCDF corporate initiatives and activities. This includes leadership in the active acquisition and sharing of business-sensitive knowledge in local development and local public finance. This is about supporting the leadership of the Local Development Finance Practice and UNCDF senior management with technical and other contributions. The functions include:

- Technical support from regional and national perspectives to the development of substantive inputs into the LDFP Business Plan and its implementation;
- Active participation in retreats, LDFP Practice meetings and teleconferences;
- Advice to the LDFP Director and Regional Team Leader, including inputs into corporate presentations and reports;
- Exploration of synergies with the Inclusive Finance Practice;
- Advice to UNCDF Senior Management on technical issues and business development opportunities, including inputs into corporate presentations and reports;
- Preparation of substantive inputs into the LDFP Business Plan and to the Results-Oriented Annual Report;
- Support to the development of the annual LDFP Work Plan.

PROVIDES TECHNICAL SUPPORT AND QUALITY ASSURANCE FOR THE DEVELOPMENT INITIATIVE FOR NORTHERN UGANDA. As the immediate supervisor of the National Programme Manager for the Development Initiative for Northern Uganda, the Regional Technical Advisor serves as the high-level technical advisor and key resource for all programmatic components. The functions include:

- Continuous strategic positioning of the programme within the UN Development Assistance Framework, UN Country Team and development partners sector groups and support to the National Programme Manager in outreach and communication activities;
- Strategic alignment of the programme with the other country-based and global UNCDF programmes, UN system's operations in Uganda and with relevant donor interventions, particularly in Northern Uganda;

- UNCDF and the programme representation in interactions with high-level government officials;
- Support to the National Programme Manager in establishing collaborative arrangements with project potential partners;
- Provision of substantive technical advice and specialized expertise in the areas of local development and project finance;
- Quality control and assurance of the technical soundness of all key programmatic interventions and activities;
- Oversight and quality assurance of all knowledge management products produced by the programme and support to knowledge sharing at the corporate, national and global levels;
- Support to the National Programme Manager in resource mobilization for various programmatic components.

Impact of Results:

The LDFP Regional Technical Advisers will have a major impact on the overall effectiveness and growth of UNCDF's support to local development finance in LDCs. This is measured through achieving LDFP Business Plan objectives. These include the policy impact, the leveraging of additional resources for local development and the positive impact of the projects themselves.

The performance of the Regional Technical Advisor will have a major impact on the reputation of UNCDF as partner to the LDCs and as a Centre of excellence in Local Development Finance. Success in engaging key actors, in strategic partnerships and in joint programming of local development and public finance projects will contribute to the development goals of partner countries.

Results will also have a significant impact on resource mobilization for UNCDF and its capacity UNCDF to expand coverage to other LDCs and provide advisory services to non-LDCs.

Competencies

Functional Competencies for Level 3 (P5 positions): working under the strategic leadership of the Practice Director and/or Deputy Executive Secretary

Advocacy/Advancing A Policy-Oriented Agenda

Level 3: Influencing the public policy agenda

- Builds consensus concerning UNCDF's strategic agenda with partners on joint initiatives;
- Dialogues with national counterparts and other stakeholders to strengthen advocacy efforts, incorporating country, regional and global perspectives.

Results-Based Programme Development and Management

Level 3: Achieving results through programme design and innovative resourcing strategies

- Identifies country needs and strategies using a fact-based approach;
- Makes use of a variety of resources within UNCDF to achieve results, such as cross-functional teams, secondments and developmental assignments, and collaborative funding approaches;
- Ensures the full implementation of country programme and Financial Resources to obtain results.

Building Strategic Partnerships

Level 3: Building strategic alliances

- Makes effective use of UNCDF's resources and comparative advantage to strengthen partnerships;

- Creates networks and promotes initiatives with partner organizations.

Innovation and Marketing New Approaches

Level 3: Fostering innovation in others

- Creates an environment that fosters innovation and innovative thinking;
- Conceptualizes more effective approaches to programme development and implementation and to mobilizing and using resources;
- Resource Mobilization (Field Duty Stations).

Level 3: Developing resource mobilization strategies at country level

- Contributes to the development of resource mobilization strategies at CO level;
- Actively develops partnerships with potential donors and government counterparts in all sectors at country level;
- Strengthens the capacity of the country office to mobilize resources.

Promoting Organizational Learning and Knowledge Sharing

Level 3: Participating in the development of policies and innovative approaches and promoting their application throughout the organization

- Promotes UNCDF as a learning/knowledge sharing organization

Job Knowledge/Technical Expertise

Level 3: Expert knowledge of own discipline

- Possesses expert knowledge of advanced concepts in primary discipline, a broad knowledge of related disciplines, as well as an in-depth knowledge of relevant organizational policies and procedures;
- For managers: applies a broad knowledge of best management practices; defines objectives and work flows, positions reporting relationships in such a way as to obtain optimum effectiveness for the unit/branch;
- Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself personally;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Demonstrates expert knowledge of the current programme guidelines and project management tools and manages the use of these regularly in work assignments;

Global Leadership and Advocacy for UNCDF's Goals

Level 3: Influencing global and national initiatives

- Advocates for increased priority given to human development issues internationally and in national planning frameworks;
- Advocates for increased resources at international and national level.

Client Orientation

Level 3: Meeting long-term client needs

- Anticipates constraints in the delivery of services and identifies solutions or alternatives;
- Proactively identifies, develops and discusses solutions for internal and external clients, and persuades management to undertake new projects or services;
- Advises and develops strategic and operational solutions with clients that add value to UNCDF programmes and operations.

Core Competencies:

- Promoting ethics and integrity, creating organizational precedents;

- Building support and political acumen;
- Building staff competence, creating an environment of creativity and innovation;
- Building and promoting effective teams;
- Creating and promoting enabling environment for open communication;
- Creating an emotionally intelligent organization;
- Leveraging conflict in the interests of UNCDF & setting standards;
- Sharing knowledge across the organization and building a culture of knowledge sharing and learning;
- Fair and transparent decision making; calculated risk-taking;
- Ability to address gender equality and empowerment of women considerations in strategic and operational activities of UNCDF.

Required skills and experience

Education:

- Master's degree in Economics, Business, Public Finance, Public Administration, or related field

Experience:

- Minimum of 10 years relevant, practical working experience in the field of international development working on local development finance, preferably in least developed countries (LDCs) both at field level as well at senior management positions and across more than one country.
- Proven experience in the Performance Base Grant Management system for intergovernmental transfers or Proven experience of private sector financing of infrastructure projects
- Deep technical knowledge of local development planning and capital investment programming in urban or rural areas
- Experience with similar assignments in LDCs and developing countries.
- Experience in developing project documents and start-up of new projects with UNCDF Programme and Project management standards
- Experience with new product development, testing, roll-out;
- Proven resource mobilization experience and record of success in building partnerships, negotiating financing, reporting to and managing grants from development partners.
- Strong programme and project management experience including budget and financial management, staff supervision, teambuilding.
- Results based management experience including monitoring, evaluation and incorporating lessons learned;
- Excellent organizational, inter-personal, communication and administrative skills, including solid experience in financial management;
- Strong financial analysis and business project appraisal skills;
- Familiarity with UNCDF/UNDP rules and procedures is an advantage

Language Requirements:

- Fluent in English;
- Another UN official language is an asset.

ANNEX 6: TERMS OF REFERENCE FOR DINU NATIONAL PROGRAMME MANAGER

JOB DESCRIPTION: PROGRAMME MANAGER, DEVELOPMENT INITIATIVE FOR NORTHERN UGANDA (DINU)

Organizational Context:

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). UNCDF develops and tests out financial models which mobilize and recycle domestic resources to meet local needs and which raise investor confidence in these local economies so that they can become centres of growth. UNCDF works with local governments, promoting financial and fiscal accountability to its citizens through local development funds, performance-based grant systems, structured project finance, and by strengthening local revenue streams. It also supports accountable planning, budgeting, and decision-making at the local level, recognizing the importance of having decisions about resources being made locally, and those resources being spent or invested locally.

UNCDF in partnership with the European Union under the 11th EDF is implementing a five year Programme referred to as the Development Initiative for Northern Uganda (DINU). The **general objective** of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region. UNCDF contributes to the programme in three areas:

- **Food Security and Agriculture:** UNCDF will design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects. Women and youth will be deliberately targeted, and project that aim at reducing environmental risks and ecological scarcities (green economy) will be promoted. To support implementation of this component, UNCDF will establish and manage START Facility (Support to Agricultural Revitalization and Transformation in Northern Uganda) designed to finance small and medium agribusinesses.
- **Transport Infrastructure:** UNCDF will support rehabilitation and upgrading of selected numbers of priority districts and community access roads within four priority districts (Amudat, Adjumani, Abim, Moyo) to enable implementation of roads rehabilitation programs by districts. To this effect, UNCDF will establish and manage a District Road Rehabilitation Fund. UNCDF will also support districts and communities in road maintenance by providing support to district authorities to improve their capacities to plan investment and maintenance programmes, identify and implement appropriate technologies and approaches such as low cost sealing and labour based methods, draft appropriate technical specifications and prepare designs and manage road assets.
- **Good Governance:** UNCDF will use local public financial management systems as the entry point to enhance capacities of local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards accountability mechanisms. This

component includes two funding facilities: Local Government Excellence Fund (LGEF) and District Revenue Mobilization Fund.

Local authorities are expected to play a key role in planning and overseeing the implementation of programme activities, through the formulation of jurisdiction-specific territorial development strategies, developing both vertical and horizontal partnerships, and leveraging place-specific resources. This will be complemented by activities aimed at unlocking trade within the region, within the country, and with neighbouring countries through the improvement of transport infrastructures. The project focuses on Karamoja, West Nile, Acholi, Lango and Teso sub-regions.

Under the guidance and supervision of the Regional Technical Advisor, the Programme Manager will perform the following tasks which are grouped into five functional areas:

1. Ensures the strategic direction of project focusing on achievement of the following results:
 - Provide advice on strategies, policies and plans affecting project operations, delivery, knowledge and learning services;
 - Establish collaborative arrangements with project potential partners and appropriate operational partnership arrangements;
 - Constant monitoring and analysis of the operating environment, quick readjustment of the operations, advice on legal considerations and risk assessment;
 - Monitoring and analysis of key developments in the country that are likely to impact on Project intervention areas identification of development needs and potential solutions relevant to project activities;
 - Ensure that project objectives and activities are well coordinated with plans and activities of the other government and non-government partners participating in DINU.

2. Ensures effective and accurate overall management of the project focusing on achievement of the following results:
 - Effectively manage the project team, ensure proper training, guidance and coaching opportunities for all personnel;
 - Implement the project activities in accordance with UNCDF financial Rules and Regulations and the Internal Control Framework;
 - Manage day to day administrative matters for the project with the support from the programme administrative staff;
 - Create systems of effective financial, administrative and logistical processes to enable implementation of project activities;
 - Co-ordinate procurement of goods and services using UNCDF policies and procedures and support services provided by UNDP Country Office mainly on procurement;
 - Ensure full transparency and access to information about Project activities;
 - Participate in communication and media activities; ensure project web-site updates; coordinate distribution of the project related information;
 - Ensure visibility of the Donor and Implementing Partners in all project outputs.

3. Ensures efficient support to tasks related to advocacy, project, monitoring and evaluation (M&E), and representation focusing on achievement of the following results:

- Supports gathering of data/information for project monitoring and evaluation processes ensuring compliance with EU and UNCDF M&E requirements in reporting on project results and progress towards outcomes;
 - Ensure proper monitoring and evaluation procedures are instituted in all project activities;
 - Ensure proper monitoring of project progress against annual and quarterly work plans and budgets;
 - Coordinate and oversee the preparation of the substantive and operational reports from the projects;
 - Develop annual workplans, budgets draft report and other document for the management and reporting of project activities;
 - Manage the accurate and timely reporting on the progress of the project with a specific focus on the activities and funds utilized;
 - Ensure that reports are provided to donors according to UNCDF's contractual obligation;
 - Monitor project inventory, attendance records, filing system. Assure correct personnel management and procurement of goods and services.
 - Manage the Mid-term and final evaluation of the project and dissemination of the results.
 - Co-ordinate project missions by UNCDF, funding partners and other relevant stakeholders
4. Establishes and maintains strategic partnerships and implements the resource mobilization strategy for the project focusing on the achievement of the following results:
- Establishes and maintains dialog with government officials, NGOs, partners, donors and communities to provide knowledge and understanding, ensuring accurate interpretation of the project's mission;
 - Identify areas of cooperation and coordination with other UN agencies for the implementation of joint activities related to the project;
 - Identify opportunities for the implementation of the project making specific recommendations on actions needed;
 - Support resource mobilization efforts.
5. Ensures facilitation of knowledge building and management, focusing on the achievement of the following results:
- Prepare knowledge products, related to the thematic areas under the project;
 - Facilitate learning and experience sharing for government officials, private sector representatives, local community leaders and experts;
 - Contribute to national, corporate and global knowledge networks;
 - Represent UNCDF in meetings that are relevant to the project;
 - Contribute to UNCDF cross-practice synergies with the development finance interventions at country level.

Competencies

Functional Competencies:

Advocacy/Advancing a Policy-Oriented Agenda
 Analysis and creation of messages and strategies

- Uses the opportunity to bring forward and disseminate materials for advocacy work;

Results-Based Programme Development and Management

Contributes into results through primary research and analysis

- Assesses project performance to identify success factors and incorporates best practices into project work;
- Researches linkages across programme activities to identify critical points of integration;
- Monitors specific stages of projects/programme implementation;

Building Strategic Partnerships

Identifying and building partnerships

- Identifies needs and interventions for capacity building of counterparts, clients and potential partners;
- Displays initiative, sets challenging outputs for him/herself and willingly accepts new work assignments;
- Takes responsibility for achieving agreed outputs within set deadlines and strives until successful outputs are achieved;
- Innovation and Marketing New Approaches

Developing new approaches

- Looks at experience critically, drawing lessons, and building them into the design of new approaches;
- Identifies new approaches and promotes their use in other situations;
- Documents successes and uses them to project a positive image;
- Creates an environment that fosters innovation and innovative thinking;
- Makes the case for innovative ideas from the team with own supervisor;

Promoting Organizational Learning and Knowledge Sharing

Developing tools and mechanisms

- Makes the case for innovative ideas documenting successes and building them into the design of new approaches;
- Identifies new approaches and strategies that promote the use of tools and mechanisms;

Job Knowledge/Technical Expertise

In-depth knowledge of the subject-matter

- Understands more advanced aspects of primary area of specialization as well as the fundamental concepts of related disciplines;
- Serves as internal consultant in the area of expertise and shares knowledge with staff;
- Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself professionally;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Demonstrates comprehensive understanding and knowledge of the current guidelines and project management tools and utilizes these regularly in work assignments;

Client Orientation

Contributing to positive outcomes for the client

- Anticipates client needs;
- Works towards creating an enabling environment for a smooth relationship between the clients and service provider;
- Demonstrates understanding of client's perspective.

Core competencies

- Promoting ethics and integrity by modelling the UN values and ethical standards
- Creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Ability to address gender equality and empowerment of women
- Ability to work with minimal supervision, initiative and sound judgement
- Promotes the vision, mission and strategic goals of UNCDF

Required Skills and Experience

Education:

- A minimum of a Master's degree or equivalent in Development Studies, Economics, Public Administration, Political/Social Science or other development-related field.

Experience:

- At least seven years of relevant experience at the national and international level in the UN and/or international organizations in the area of advising and managing integrated governance and development projects;
- Experience in managing staff and operational systems in accordance with the EU/UN procedures and standards and establishing interrelationships with international organization and national governments in the area of governance and development
- Experience in Least Developed Countries, particularly in Uganda and East Africa
- Knowledge and experience of UNCDF and UN system policies and programming is desirable.
- Experience in design and implementation of performance based grant systems and procedures
- Clear understanding of government policies on decentralization and poverty reduction
- Knowledge of UNDP financial/accounting systems and regulations is an asset.

Language Requirements:

- Fluency in spoken and written English and knowledge one of the local languages is an asset.

ANNEX 7: TERMS OF REFERENCE FOR START FACILITY MANAGER

JOB DESCRIPTION: FACILITY MANAGER, FUNDING FACILITY FOR SMALL AND MEDIUM AGRIBUSINESSES IN NORTHERN UGANDA - SUPPORT OF AGRICULTURAL REVITALIZATION AND TRANSFORMATION (START)

Organizational Context:

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). UNCDF develops and tests out financial models which mobilize and recycle domestic resources to meet local needs and which raise investor confidence in these local economies so that they can become centres of growth. UNCDF works with local governments, promoting financial and fiscal accountability to its citizens through local development funds, performance-based grant systems, structured project finance, and by strengthening local revenue streams. It also supports accountable planning, budgeting, and decision-making at the local level, recognizing the importance of having decisions about resources being made locally, and those resources being spent or invested locally.

UNCDF in partnership with the European Union under the 11th EDF is implementing a five year Programme referred to as the Development Initiative for Northern Uganda (DINU). The **general objective** of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region. UNCDF contributes to the programme in three areas:

- **Food Security and Agriculture:** UNCDF will design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects. Women and youth will be deliberately targeted, and projects that aim at reducing environmental risks and ecological scarcities (green economy) will be promoted. To support implementation of this component, UNCDF will establish and manage START Facility (Support to Agricultural Revitalization and Transformation in Northern Uganda) designed to finance small and medium agribusinesses.
- **Transport Infrastructure:** UNCDF will support rehabilitation and upgrading of selected numbers of priority districts and community access roads within four priority districts (Amudat, Adjumani, Abim, Moyo) to enable implementation of roads rehabilitation programs by districts. To this effect, UNCDF will establish and manage a District Road Rehabilitation Fund. UNCDF will also support districts and communities in road maintenance by providing support to district authorities to improve their capacities to plan investment and maintenance programmes, identify and implement appropriate technologies and approaches such as low cost sealing and labour based methods, draft appropriate technical specifications and prepare designs and manage road assets.
- **Good Governance:** UNCDF will use local public financial management systems as the entry point to enhance capacities of local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards accountability mechanisms. This

component includes two funding facilities: Local Government Excellence Fund and District Revenue Mobilization Fund.

The START funding facility is designed to support the implementation of DINU food security and nutrition component, in particular Activity 1.2.2, which aims at providing seed capital to incubation projects along agricultural value chain as part of its overall objective to increase local production of diversified food. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of Business Development Services and seed capital in the form of loans, grants and reimbursable grants. The medium to long-term development objective will be to stimulate pro-poor economic growth in northern Uganda, better retain the economic benefits of agriculture in the North, and improve local food systems and food security. The secondary medium-term objective will be to transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses in Northern Uganda with the further intention to scale up its operation and coverage nationally.

START is structured as a blended facility providing a customized mix of Business Development Services, project development and structuring services, and financial products. Accordingly, the START has three lines of business managed by the three participating institutions respectively, the Private Sector Foundation of Uganda (PSFU), UNCDF and the Uganda Development Bank Limited (UDBL). In addition to managing the line of business that provides project preparation and development services, UNCDF will be responsible for the overall administration of the Facility. To perform this function, UNCDF is looking for a dynamic, experienced and forward-looking manager for the START Facility.

Under the guidance and supervision of the National Programme Manager, DINU and with secondary guidance from the Global Programme Manager, Local Investment Finance Expertise Facility (LIFE), the START Facility Manager will perform the following tasks which are grouped into five functional areas:

1. Ensures the strategic management of the Facility focusing on achievement of the following results:
 - Ensure continued alignment of the Facility operation in terms of the policies and approach with the national objectives, relevant policies and strategies as well as with the DINU programmatic objectives and relevant interventions across all three areas;
 - Ensure that project objectives and activities are well coordinated with, and complement, the activities and operations of other agencies, facilities and funds that support agricultural development and finance in Northern Uganda;
 - Ensure coherence between the Facility partners (PSFU and UDB) and delivery towards the stated common objectives.
 - Provide advice on strategies, policies and plans affecting Facility operations, delivery, knowledge and learning services;
 - Establish collaborative arrangements with other potential partners and appropriate operational partnership arrangements;
 - Constant monitoring and analysis of the operating environment, quick readjustment of the operations, advice on legal considerations and risk assessment;
 - Monitoring and analysis of key developments in the country that are likely to impact on the Facility operations.

2. Ensures effective and accurate overall management of the Facility focusing on achievement of the following results:
 - Prepare and submit for approval the Facility's annual plans and budgets.
 - Manage the overall Facility governance and implementation mechanisms including organizing the review and approval meetings, field visits, and other specific activities of the Management Board, Project Preparation Facility, Grant Approval Committee, Credit Approval Committee and other entities formally established by the Facility;
 - Serves as the Secretary to the START Management Board, organizes regular Board meetings and keeps the records of the Board's procedures.
 - Prepare and issue in a timely manner the memoranda of understanding, letters of agreement with the partners and other legal instruments to enable their engagement and implementation of the activities for which they are responsible;
 - Ensure timely financial transfers to the Facility's lines of business;
 - Prepare and issue, in consultation with the other partners, calls for proposals and the criteria applied for project selection;
 - Ensure timely publication and public access to all relevant information pertaining to the Facility operation, including information on selected beneficiaries and annual progress reports;
 - Prepare inputs concerning START operations to the DINU quarterly and annual reports in accordance with the EU and other donor requirements as well as standalone narrative and financial reports on START operations to the START Management Board, European Union as well as other possible partners/donors;
 - Participate in communication and media activities; ensure the Facility web-site updates; coordinate distribution of the project related information;
 - Ensure visibility of the Donor and Implementing Partners in all project outputs.

3. Ensures effective quality assurance of the Facility's operation focusing on the achievement of the following results:
 - Establish an effective tracking system and database for the Facility-supported projects to reflect their financial and physical progress throughout their life cycle from the submission of proposals, to implementation, and evaluation to documentation and closure in compliance with EU and UNCDF M&E requirements;
 - Ensure compliance of all operations and activities with the Facility rules and procedures, including the financial and other requirements for the size and nature of the eligible projects, and the type of support and individual disbursements per project;
 - Collect regular (quarterly and annual) narrative and financial reports from the implementing partners (PSFU and UDB) for submission to the START Management Board and DINU Programme Manager as part of the programme overall monitoring arrangements;
 - Design, in cooperation with the START partners, general key performance indicators for the Facility, assign distinct performance measures, and ensure their continuous monitoring and timely corrective measures in the case of deviation;
 - Develop in collaboration with the partners and implement START monitoring and evaluation plan, compliance and accordingly utilize the findings as to justify adjustment of the funds disbursement schedules and to introduce corrective measures in the case of deviation;

- Regularly update the risk log for the Facility and conduct appropriate budget and operation risk management, mitigation and responses.
 - Analyze and monitor the financial situation, present forecasts for the Facility, and monitor for unusual activities and transactions;
 - Support the design, preparation and implementation of regular independent audits of the Facility; prepare management responses and follow up on the audit recommendations as appropriate;
 - Organize field verification and inspection visits by the START Management Board, partners, government officials and other stakeholders.
4. Establishes and maintains strategic partnerships and implements the resource mobilization strategy for the Facility focusing on the achievement of the following results:
- Establish and maintain dialogue with government officials, NGOs, partners, donors and communities to provide knowledge and understanding, ensuring accurate interpretation of the Facility's objectives;
 - Identify areas of cooperation and coordination with other government and non-government partners, financial institutions, development agencies as well as UN agencies for the implementation of joint activities related to the Facility;
 - Support resource mobilization efforts for the Programme.
 - Prepare and implement the strategy and action plan for transforming START into a sustainable and adequately capitalized investment facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses.
5. Ensures facilitation of knowledge building and management, focusing on the achievement of the following results:
- Develop and implement START Visibility Plan to capture the management of the funds as well as the projects being implemented for the purpose of Facility visibility and lessons learnt and, in this regard, periodically publish knowledge products in the START website and other media;
 - Assist in documenting START good practices and lessons learnt.
 - Facilitate learning and experience sharing for government officials, private sector representatives, local community leaders and experts;
 - Contribute to national, corporate and global knowledge networks;
 - Represent the Facility and UNCDF in meetings relating to the Facility;
 - Contribute to UNCDF cross-practice synergies with the development finance interventions at country level.

Competencies

Functional Competencies:

Advocacy/Advancing A Policy-Oriented Agenda

Analysis and creation of messages and strategies

- Uses the opportunity to bring forward and disseminate materials for advocacy work;

Results-Based Programme Development and Management

Contributes into results through primary research and analysis

- Assesses project performance to identify success factors and incorporates best practices into project work;

- Researches linkages across programme activities to identify critical points of integration;
- Monitors specific stages of projects/programme implementation;

Building Strategic Partnerships

Identifying and building partnerships

- Identifies needs and interventions for capacity building of counterparts, clients and potential partners;
- Displays initiative, sets challenging outputs for him/herself and willingly accepts new work assignments;
- Takes responsibility for achieving agreed outputs within set deadlines and strives until successful outputs are achieved;
- Innovation and Marketing New Approaches

Developing new approaches

- Looks at experience critically, drawing lessons, and building them into the design of new approaches;
- Identifies new approaches and promotes their use in other situations;
- Documents successes and uses them to project a positive image;
- Creates an environment that fosters innovation and innovative thinking;
- Makes the case for innovative ideas from the team with own supervisor;

Promoting Organizational Learning and Knowledge Sharing

Developing tools and mechanisms

- Makes the case for innovative ideas documenting successes and building them into the design of new approaches;
- Identifies new approaches and strategies that promote the use of tools and mechanisms;

Job Knowledge/Technical Expertise

In-depth knowledge of the subject-matter

- Understands more advanced aspects of primary area of specialization as well as the fundamental concepts of related disciplines;
- Serves as internal consultant in the area of expertise and shares knowledge with staff;
- Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself professionally;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Demonstrates comprehensive understanding and knowledge of the current guidelines and project management tools and utilizes these regularly in work assignments;

Client Orientation

Contributing to positive outcomes for the client

- Anticipates client needs;
- Works towards creating an enabling environment for a smooth relationship between the clients and service provider;
- Demonstrates understanding of client's perspective.

Core competencies

- Promoting ethics and integrity by modelling the UN values and ethical standards
- Creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Ability to address gender equality and empowerment of women
- Ability to work with minimal supervision, initiative and sound judgement
- Promotes the vision, mission and strategic goals of UNCDF

Required Skills and Experience

Education:

- A minimum of a Master's degree or equivalent in Finance, Business Administration, Economics, Public Administration or other related field.

Experience:

- At least five years of relevant experience at the national or international level in providing financial management, investment services and/or funds management advisory services;
- Experience in managing staff and operational systems in accordance with international procedures and standards and establishing interrelationships with international organizations and national governments in the area of governance and development;
- Experience in Least Developed Countries, particularly in Uganda and East Africa;
- Knowledge and experience of UNCDF and UN system policies and programming is desirable.
- Experience in the design, implementation and management of funding facilities providing integrated business development and financial services.
- Experience in providing project development and investment advisory services to small and medium enterprises, particularly in the agricultural sector.

Language Requirements:

- Fluency in spoken and written English and knowledge of one of the local languages is an asset.

ANNEX 8: TERMS OF REFERENCE FOR THE LEAD SPECIALIST, TRANSPORT INFRASTRUCTURE

JOB DESCRIPTION: LEAD SPECIALIST FOR TRANSPORT INFRASTRUCTURE, DEVELOPMENT INITIATIVE FOR NORTHERN UGANDA (DINU)

Organizational Context:

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). UNCDF develops and tests out financial models which mobilize and recycle domestic resources to meet local needs and which raise investor confidence in these local economies so that they can become centres of growth. UNCDF works with local governments, promoting financial and fiscal accountability to its citizens through local development funds, performance-based grant systems, structured project finance, and by strengthening local revenue streams. It also supports accountable planning, budgeting, and decision-making at the local level, recognizing the importance of having decisions about resources being made locally, and those resources being spent or invested locally.

UNCDF in partnership with the European Union under the 11th EDF is implementing a five year Programme referred to as the Development Initiative for Northern Uganda (DINU). The **general objective** of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region. UNCDF contributes to the programme in three areas:

- **Food Security and Agriculture:** UNCDF will design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects. Women and youth will be deliberately targeted, and project that aim at reducing environmental risks and ecological scarcities (green economy) will be promoted. To support implementation of this component, UNCDF will establish and manage START Facility (Support to Agricultural Revitalization and Transformation in Northern Uganda) designed to finance small and medium agribusinesses.
- **Transport Infrastructure:** UNCDF will support rehabilitation and upgrading of selected numbers of priority districts and community access roads within four priority districts (Amudat, Adjumani, Abim, Moyo) to enable implementation of roads rehabilitation programs by districts; will provide training in road maintenance and technical assistance in integrating the road rehabilitation and maintenance component in the LG annual and mid-term planning, budgeting and implementation frameworks.
- **Good Governance:** UNCDF will use local public financial management systems as the entry point to enhance capacities of local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards accountability mechanisms. This

component includes two funding facilities: District Local Government Excellence Fund and District Revenue Mobilization Fund.

The Road Infrastructure output consists of four key activities:

- **Provision of technical assistance for implementation of district road rehabilitation and improvement programmes.** This activity to be implemented by UNCDF will deliver dedicated technical assistance for district road rehabilitation and improvement programmes starting from detailed engineering designs and ending with mid-term and ex-post evaluation of the projects.
- **Provision of funding for implementation of district road rehabilitation and improvement programmes in four target districts (District Road Rehabilitation Fund).** This activity will put in place a conditional grant transfer mechanism in line with the Works and Transport sector grant to allow LGs to put in practice their capacities and demonstrate their ability to contribute to road assets development and rehabilitation
- **Training programme in road maintenance.** The training programme will be designed and delivered by the Mt. Elgon Labour Based Training Centre (MELTC) based on the existing courses and adjusted to the needs of the participating LGs and will focus on identification and implementation of appropriate technologies for road maintenance, such as low cost sealing and labour based methods.

Under the guidance and supervision of the National Programme Manager, the Lead Specialist for Transport Infrastructure will perform the following tasks which are grouped into five functional areas:

1. Ensures the strategic alignment of the Output with the other project components and DINU programmatic activities and high-level policy advice focusing on achievement of the following results:
 - Continuous monitoring of other project and programme activities and identification of the areas where coordination and alignment is necessary and/or desirable;
 - Design and suggest to the implementing partners (responsible parties) and the Programme Manager specific actions for better alignment of project activities, thematically and geographically;
 - Provide high-level policy advice to the participating government agencies and non-government partners (including private sector partners) on the area of transport infrastructure;
 - Constant monitoring and analysis of the operating environment, quick readjustment of the operations, advice on legal considerations and risk assessment;
 - Monitoring and analysis of key developments in the country that are likely to impact on output intervention areas, identification of development needs and potential solutions relevant to output activities.
2. Ensures effective and accurate overall management of the relevant activities focusing on achievement of the following results:
 - Prepare and submit for approval inputs for the Project annual plans and budgets;
 - Final formulation of district multiannual road rehabilitation programmes and their inclusion in the planning and budgeting process;
 - Preparation, management and oversight of contracts for dedicated technical assistance for district road rehabilitation and improvement programmes, including preparation of detailed engi-

neering designs, scope/prioritisation, cost estimates and implementation timeframe of the rehabilitation works, support to tender preparation and assistance and contracting, due diligence, supervision and management of works contracts on behalf of the Contracting Authority, mid-term and ex-post evaluation of the projects;

- Preparation, oversight and management of contracts for dedicated capacity building in road maintenance, including labour based and low cost sealing methods; Rehabilitation and Maintenance Planning System (RAMPS); Community Access Support (CAS) and Planning, etc;
 - Provide guidance and advice to the participating local governments on integration of the road rehabilitation and maintenance component in the LG annual and mid-term planning, budgeting and implementation frameworks;
 - Day-to-day management of the output implementation including effective financial, administrative and logistical processes to enable implementation of output activities to ensure coherence between the partners (MoWT and participating LGs) and delivery towards the stated common objectives;
 - Prepare and issue in a timely manner the memoranda of understanding, letters of agreement with the partners and other legal instruments to enable their engagement and implementation of the activities for which they are responsible;
 - Follow up with the participating districts to ensure timely submission of accountability reports and with MoFPED and MoWT for prompt disbursements of DRRF funds to the participating districts;
 - Ensure timely publication and public access to all relevant information pertaining to the output activities;
 - Prepare inputs on output activities for the DINU quarterly and annual reports in accordance with the EU and other donor requirements;
 - Participate in communication and media activities; ensure project web-site updates; coordinate distribution of the project related information;
 - Ensure visibility of the Donor and Implementing Partners in all output activities.
3. Ensures efficient support to tasks related to advocacy, output monitoring and evaluation (M&E), and representation focusing on achievement of the following results:
- Support gathering of quarterly and annual data/information from the implementing partners (responsible parties) for project monitoring and evaluation processes ensuring compliance with EU and UNCDF M&E requirements in reporting on project results and progress towards outcomes;
 - Ensure proper monitoring and evaluation procedures are instituted in all project activities;
 - Ensure proper monitoring of project progress against annual and quarterly work plans and budgets;
 - Develop in collaboration with the partners and implement the output monitoring and evaluation plan, compliance and accordingly utilize the findings as to justify adjustment of the funds disbursement schedules and to introduce corrective measures in the case of deviation;
 - Regularly update the risk log for the output and conduct appropriate budget and operation risk management, mitigation and responses;
 - Analyze and monitor the financial situation, present forecasts for the output (DRRF), and monitor for unusual activities and transactions;

- Support the design, preparation and implementation of regular independent audits of the project; prepare inputs to management responses and follow up on the audit recommendations as appropriate;
 - Support field verification and inspection visits by OPM and MoWT officials and other stakeholders.
4. Establishes and maintains strategic partnerships and implements the resource mobilization strategy for the project focusing on the achievement of the following results:
 - Establish and maintain dialogue with government officials, NGOs, partners, donors and communities to provide knowledge and understanding, ensuring accurate interpretation of the project's mission;
 - Identify areas of cooperation and coordination with other UN agencies for the implementation of joint activities related to the project;
 - Identify opportunities for the implementation of the project making specific recommendations on actions needed;
 - Support resource mobilization efforts.
 5. Ensures facilitation of knowledge building and management, focusing on the achievement of the following results:
 - Prepare knowledge products, related to the output activities, particularly on the role of local governments in maintaining and developing road assets;
 - Facilitate learning and experience sharing for government officials, private sector representatives, local community leaders and experts;
 - Contribute to national, corporate and global knowledge networks;
 - Represent UNCDF in meetings that are relevant to the project;
 - Contribute to UNCDF cross-practice synergies with the development finance interventions at country level.

Competencies

Functional Competencies:

Advocacy/Advancing A Policy-Oriented Agenda

Analysis and creation of messages and strategies

- Uses the opportunity to bring forward and disseminate materials for advocacy work;

Results-Based Programme Development and Management

Contributes into results through primary research and analysis

- Assesses project performance to identify success factors and incorporates best practices into project work;
- Researches linkages across programme activities to identify critical points of integration;
- Monitors specific stages of projects/programme implementation;

Building Strategic Partnerships

Identifying and building partnerships

- Identifies needs and interventions for capacity building of counterparts, clients and potential partners;
- Displays initiative, sets challenging outputs for him/herself and willingly accepts new work assignments;

- Takes responsibility for achieving agreed outputs within set deadlines and strives until successful outputs are achieved;
- Innovation and Marketing New Approaches

Developing new approaches

- Looks at experience critically, drawing lessons, and building them into the design of new approaches;
- Identifies new approaches and promotes their use in other situations;
- Documents successes and uses them to project a positive image;
- Creates an environment that fosters innovation and innovative thinking;
- Makes the case for innovative ideas from the team with own supervisor;

Promoting Organizational Learning and Knowledge Sharing

Developing tools and mechanisms

- Makes the case for innovative ideas documenting successes and building them into the design of new approaches;
- Identifies new approaches and strategies that promote the use of tools and mechanisms;

Job Knowledge/Technical Expertise

In-depth knowledge of the subject-matter

- Understands more advanced aspects of primary area of specialization as well as the fundamental concepts of related disciplines;
- Serves as internal consultant in the area of expertise and shares knowledge with staff;
- Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself professionally;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Demonstrates comprehensive understanding and knowledge of the current guidelines and project management tools and utilizes these regularly in work assignments;

Client Orientation

Contributing to positive outcomes for the client

- Anticipates client needs;
- Works towards creating an enabling environment for a smooth relationship between the clients and service provider;
- Demonstrates understanding of client's perspective.

Core competencies

- Promoting ethics and integrity by modelling the UN values and ethical standards
- Creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Ability to address gender equality and empowerment of women
- Ability to work with minimal supervision, initiative and sound judgement
- Promotes the vision, mission and strategic goals of UNCDF

Required Skills and Experience

Education:

- A minimum of a Master's degree or equivalent in Road/Civil Engineering, Development Studies, Economics, Public Administration or other development-related field.

Experience:

- At least five years of relevant experience at the national and/or international level with the UN and/or national or international organizations in the area of advising and managing road construction and rehabilitation programmes with direct participation of local governments;
- Experience in managing staff and operational systems in accordance with the government and/or EU/UN procedures and standards and establishing interrelationships with international organization and national governments in the area of governance and development
- Knowledge and experience of UN system policies and programming is desirable
- Experience in design and implementation of programmes for local government capacity development in planning, budgeting and implementing road construction and rehabilitation programmes
- Clear understanding of government policies on local government finance and service delivery, particularly in the works and transport sector
- Knowledge of government/UNDP financial/accounting systems and regulations is an asset.

Language Requirements:

- Fluency in spoken and written English and knowledge one of the local languages is an asset.

ANNEX 9: TERMS OF REFERENCE FOR THE LEAD SPECIALIST, GOVERNANCE

JOB DESCRIPTION: LEAD SPECIALIST, GOVERNANCE, DEVELOPMENT INITIATIVE FOR NORTHERN UGANDA

Organizational Context:

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). UNCDF develops and tests out financial models which mobilize and recycle domestic resources to meet local needs and which raise investor confidence in these local economies so that they can become centres of growth. UNCDF works with local governments, promoting financial and fiscal accountability to its citizens through local development funds, performance-based grant systems, structured project finance, and by strengthening local revenue streams. It also supports accountable planning, budgeting, and decision-making at the local level, recognizing the importance of having decisions about resources being made locally, and those resources being spent or invested locally.

UNCDF in partnership with the European Union under the 11th EDF is implementing a five year Programme referred to as the Development Initiative for Northern Uganda (DINU). The **general objective** of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region. UNCDF contributes to the programme in three areas:

- **Food Security and Agriculture:** UNCDF will design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects. Women and youth will be deliberately targeted, and project that aim at reducing environmental risks and ecological scarcities (green economy) will be promoted. To support implementation of this component, UNCDF will establish and manage START Facility (Support to Agricultural Revitalization and Transformation in Northern Uganda) designed to finance small and medium agribusinesses.
- **Transport Infrastructure:** UNCDF will support rehabilitation and upgrading of selected numbers of priority districts and community access roads within four priority districts (Amudat, Adjumani, Abim, Moyo) to enable implementation of roads rehabilitation programs by districts. To this effect, UNCDF will establish and manage a District Road Rehabilitation Fund. UNCDF will also support districts and communities in road maintenance by providing support to district authorities to improve their capacities to plan investment and maintenance programmes, identify and implement appropriate technologies and approaches such as low cost sealing and labour based methods, draft appropriate technical specifications and prepare designs and manage road assets.
- **Good Governance:** UNCDF will use local public financial management systems as the entry point to enhance capacities of local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards accountability mechanisms. This

component includes two funding facilities: Local Government Excellence Fund (LGEF) and District Revenue Mobilization Fund.

Local authorities are expected to play a key role in planning and overseeing the implementation of programme activities, through the formulation of jurisdiction-specific territorial development strategies, developing both vertical and horizontal partnerships, and leveraging place-specific resources. This will be complemented by activities aimed at unlocking trade within the region, within the country, and with neighbouring countries through the improvement of transport infrastructures. The project focuses on Karamoja, West Nile, Acholi, Lango and Teso sub-regions.

Under the guidance and supervision of the National Programme Manager, the Lead Specialist, Governance will perform the following tasks which are grouped into five functional areas:

1. Ensures the strategic alignment of the Output with the other project components and DINU programmatic activities and provides high-level policy advice focusing on achievement of the following results:
 - Continuous monitoring of other project and programme activities and identification of the areas where coordination and alignment is necessary and/or desirable;
 - Design and suggest to the implementing partners (responsible parties) and the Programme Manager specific actions for better alignment of project activities, thematically and geographically;
 - Provide high-level policy advice to the participating government agencies and non-government partners (including private sector partners) on the area of local governance, PFM, revenue mobilization and decentralized service delivery;
 - Constant monitoring and analysis of the operating environment, quick readjustment of the operations, advice on legal considerations and risk assessment;
 - Monitoring and analysis of key developments in the country that are likely to impact on output intervention areas, identification of development needs and potential solutions relevant to output activities.

2. Ensures effective and accurate overall management of the relevant activities focusing on achievement of the following results:
 - Prepare and submit for approval inputs for the Project annual plans and budgets;
 - Support and advise the central and local governments as well as non-government institutions participating in the programme in preparation and implementation of their medium-term and annual plans and budgets and execution of specific programmatic interventions;
 - Prepare, manage and oversee contracts for dedicated technical assistance and capacity building for the participating government and non-government partners;
 - Overall guidance and monitoring of implementation of the Local Government Excellence Fund (LGEF) including support to identification and development of LGEF projects in a participatory and inclusive way; preparation and structuring of the projects and provision of technical support and advisory services for co-financing arrangements; reviewing implementation progress and achievement of the LGEF results; providing support for implementation issues as well as institutional capacity building; ensuring timely implementation of all Fund's operations and following up with MoFPED and MoLG on timely disbursements and consolidated reporting; application of performance measures to the grant allocation formula.

- Overall guidance and monitoring of implementation of the District Revenue Mobilization Fund (DRMF) including advice on development of revenue mobilization action plans and programmes; setting specific revenue mobilization targets; development of medium-term and annual revenue mobilization actions and allocation of matching grants; monitoring of grant application and implementation of the revenue mobilization programmes.
 - Day-to-day management of the output implementation including effective financial, administrative and logistical processes to enable implementation of output activities to ensure coherence between the partners and delivery towards the stated common objectives;
 - Prepare and issue in a timely manner the memoranda of understanding, letters of agreement with the partners and other legal instruments to enable their engagement and implementation of the activities for which they are responsible;
 - Ensure timely publication and public access to all relevant information pertaining to the output activities;
 - Prepare inputs on output activities for the DINU quarterly and annual reports in accordance with the EU and other donor requirements;
 - Participate in communication and media activities; ensure project web-site updates; coordinate distribution of the project related information;
 - Ensure visibility of the Donor and Implementing Partners in all output activities.
3. Ensures efficient support to tasks related to advocacy, output monitoring and evaluation (M&E), and representation focusing on achievement of the following results:
- Support gathering of quarterly and annual data/information from the implementing partners (responsible parties) for project monitoring and evaluation processes ensuring compliance with EU and UNCDF M&E requirements in reporting on project results and progress towards outcomes;
 - Ensure proper monitoring and evaluation procedures are instituted in all project activities;
 - Ensure proper monitoring of project progress against annual and quarterly work plans and budgets;
 - Develop in collaboration with the partners and implement the output monitoring and evaluation plan, compliance and accordingly utilize the findings as to justify adjustment of the funds disbursement schedules and to introduce corrective measures in the case of deviation;
 - Regularly update the risk log for the output and conduct appropriate budget and operation risk management, mitigation and responses;
 - Analyze and monitor the financial situation, present forecasts for the output (DRRF), and monitor for unusual activities and transactions;
 - Support the design, preparation and implementation of regular independent audits of the project; prepare inputs to management responses and follow up on the audit recommendations as appropriate;
 - Support field verification and inspection visits by OPM and MoLG officials and other stakeholders.
4. Establishes and maintains strategic partnerships and implements the resource mobilization strategy for the project focusing on the achievement of the following results:
- Establish and maintain dialogue with government officials, NGOs, partners, donors and communities to provide knowledge and understanding, ensuring accurate interpretation of the project's mission;

- Identify areas of cooperation and coordination with other UN agencies for the implementation of joint activities related to the project;
 - Identify opportunities for the implementation of the project making specific recommendations on actions needed;
 - Support resource mobilization efforts.
5. Ensures facilitation of knowledge building and management, focusing on the achievement of the following results:
- Prepare knowledge products, related to the output activities, particularly on the role of local governments in maintaining and developing road assets;
 - Facilitate learning and experience sharing for government officials, private sector representatives, local community leaders and experts;
 - Contribute to national, corporate and global knowledge networks;
 - Represent UNCDF in meetings that are relevant to the project;
 - Contribute to UNCDF cross-practice synergies with the development finance interventions at country level.

Competencies

Functional Competencies:

Advocacy/Advancing a Policy-Oriented Agenda

Analysis and creation of messages and strategies

- Uses the opportunity to bring forward and disseminate materials for advocacy work;

Results-Based Programme Development and Management

Contributes into results through primary research and analysis

- Assesses project performance to identify success factors and incorporates best practices into project work;
- Researches linkages across programme activities to identify critical points of integration;
- Monitors specific stages of projects/programme implementation;

Building Strategic Partnerships

Identifying and building partnerships

- Identifies needs and interventions for capacity building of counterparts, clients and potential partners;
- Displays initiative, sets challenging outputs for him/herself and willingly accepts new work assignments;
- Takes responsibility for achieving agreed outputs within set deadlines and strives until successful outputs are achieved;
- Innovation and Marketing New Approaches

Developing new approaches

- Looks at experience critically, drawing lessons, and building them into the design of new approaches;
- Identifies new approaches and promotes their use in other situations;
- Documents successes and uses them to project a positive image;
- Creates an environment that fosters innovation and innovative thinking;

- Makes the case for innovative ideas from the team with own supervisor;

Promoting Organizational Learning and Knowledge Sharing

Developing tools and mechanisms

- Makes the case for innovative ideas documenting successes and building them into the design of new approaches;
- Identifies new approaches and strategies that promote the use of tools and mechanisms;

Job Knowledge/Technical Expertise

In-depth knowledge of the subject-matter

- Understands more advanced aspects of primary area of specialization as well as the fundamental concepts of related disciplines;
- Serves as internal consultant in the area of expertise and shares knowledge with staff;
- Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself professionally;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Demonstrates comprehensive understanding and knowledge of the current guidelines and project management tools and utilizes these regularly in work assignments;

Client Orientation

Contributing to positive outcomes for the client

- Anticipates client needs;
- Works towards creating an enabling environment for a smooth relationship between the clients and service provider;
- Demonstrates understanding of client's perspective.

Core competencies

- Promoting ethics and integrity by modelling the UN values and ethical standards
- Creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Ability to address gender equality and empowerment of women
- Ability to work with minimal supervision, initiative and sound judgement
- Promotes the vision, mission and strategic goals of UNCDF

Required Skills and Experience

Education:

- A minimum of a Master's degree or equivalent in Development Studies, Economics, Public Administration, Political/Social Science or other development-related field.

Experience:

- At least five years of relevant experience at the national and/or international level with the UN and/or national or international organizations in the area of advising and managing local governance and local development programmes;
- Experience in managing staff and operational systems in accordance with the government and/or EU/UN procedures and standards and establishing interrelationships with international organization and national governments in the area of governance and development;
- Knowledge and experience of UN system policies and programming is desirable;
- Experience in design and implementation of programmes for local government capacity development focusing on PFM processes including resource mobilization planning, budgeting, implementation and reporting for results;
- Knowledge of the government policies, rules and regulations in the area of local government and public administration, particularly in public financial management and decentralised service delivery;
- Knowledge of government/UNDP financial/accounting systems and regulations is an asset.

Language Requirements:

- Fluency in spoken and written English and knowledge one of the local languages is an asset.

ANNEX 10: TERMS OF REFERENCE FOR THE INVESTMENT OFFICER

Organizational Context:

The United Nations Capital Development Fund (UNCDF) is a UN organization with a capital mandate (unique in the UN System) focused on reducing poverty and inequality first and foremost in the least developed countries (“LDC”s). UNCDF develops and tests out financial models which mobilize and recycle domestic resources to meet local needs and which raise investor confidence in these local economies so that they can become centres of growth. UNCDF works with local governments, promoting financial and fiscal accountability to its citizens through local development funds, performance-based grant systems, structured project finance, and by strengthening local revenue streams. It also supports accountable planning, budgeting, and decision-making at the local level, recognizing the importance of having decisions about resources being made locally, and those resources being spent or invested locally.

UNCDF in partnership with the European Union under the 11th EDF is implementing a five year Programme referred to as the Development Initiative for Northern Uganda (DINU). The **general objective** of the programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme aims to steer a paradigm shift from a sector-oriented support to an integrated territorial approach, and 'connect the dots' between key sectors and areas for an inclusive and sustainable socio-economic development of the region. UNCDF contributes to the programme in three areas:

- **Food Security and Agriculture:** UNCDF will design and implement a mechanism for providing Business Development Services and seed capital in the form of loans, grants and reimbursable grants to promising projects. Women and youth will be deliberately targeted, and projects that aim at reducing environmental risks and ecological scarcities (green economy) will be promoted. To support implementation of this component, UNCDF will establish and manage START Facility (Support to Agricultural Revitalization and Transformation in Northern Uganda) designed to finance small and medium agribusinesses.
- **Transport Infrastructure:** UNCDF will support rehabilitation and upgrading of selected numbers of priority districts and community access roads within four priority districts (Amudat, Adjumani, Abim, Moyo) to enable implementation of roads rehabilitation programs by districts; will provide training in road maintenance and technical assistance in integrating the road rehabilitation and maintenance component in the LG annual and mid-term planning, budgeting and implementation frameworks.
- **Good Governance:** UNCDF will use local public financial management systems as the entry point to enhance capacities of local authorities to better fulfil their core and broad mandates (notably in relation to the other sectors targeted by this programme) and better respond to local needs and deliver quality services to its citizens, improving upwards accountability mechanisms. This component includes two funding facilities: District Local Government Excellence Fund and District Revenue Mobilization Fund.

The START funding facility is designed to support the implementation of DINU food security and nutrition component, in particular Activity 1.2.2, which aims at providing seed capital to incubation projects along agricultural value chain as part of its overall objective to increase local production of diversified food. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of Business Development Services and seed capital in the form of loans, grants and reimbursable grants. The medium to long-term development objective will be to stimulate pro-poor economic growth in northern Uganda, better retain the economic benefits of agriculture in the North, and improve local food systems and food security. The secondary medium-term objective will be to transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and medium-sized value adding agribusinesses in Northern Uganda with the further intention to scale up its operation and coverage nationally.

START is structured as a blended facility providing a customized mix of Business Development Services, project development and structuring services, and financial products. Accordingly, the START has three lines of business managed by the three participating institutions respectively, the Private Sector Foundation of Uganda (PSFU), UNCDF and the Uganda Development Bank Limited (UDBL). In addition to managing the line of business that provides project preparation and development services, UNCDF will be responsible for the overall administration of the Facility.

Under the guidance and supervision of the Global Programme Manager, Local Investment Finance Expertise Facility (LIFE) and with secondary guidance from the START Facility Manager, the Investment Officer will perform the following tasks which are grouped into three functional areas:

- Organization and facilitation of key programme activities related to project development and project financing;
 - Organization and facilitation of key programme activities related to capacity building and knowledge management;
 - Project management and resource mobilization.
1. Organization and facilitation of key programme activities related to developing and financing infrastructure projects (60%):
 - Prepare eligibility and screening criteria and develop calls for proposals for START
 - Provide implementation support for the process of identifying, developing, and financing SME value addition projects in agriculture in accordance with the START rules and procedures;
 - Interact with local stakeholders during project identification, development and financing (government officials, private sector banks, project sponsors, development partners, etc);
 - Provide directly and facilitate provision of support services to project sponsors identified in close cooperation with PSFU. This includes feasibility studies, business plans, financial analysis, market assessment, financial advisory services and project finance transaction structuring;

- Ensure financing by the START Facility for eligible projects. This includes application of credit enhancement measures, such as equity top-ups and contracts guarantees, preparation of the Bank Info Memorandum and loan applications for START and proposals for grant/loan restructuring;
 - Support the establishment of co-financing relationships with local and international financial institutions, nurture relationships and manage activities needed to secure co-financing of START projects;
 - Facilitate the required technical studies under guidance by engaging the project sponsors, consultants, local authorities and communities as appropriate, including the development of TORs that reflect project finance requirements and support of the procurement processes;
 - Identify alternative financing sources and structures, including the preparation of and participation in discussions and negotiations with banks, investors and other stakeholders;
 - Participate in activities to promote START activities resulting in a project pipeline and/or strategic partnerships;
 - Prepare and facilitate technical missions for project and pipeline development.
2. Organization and facilitation of key programme activities, related to capacity building and knowledge management (25%):
- Provide support for the START capacity building and training programme, ensuring programme knowledge generation and dissemination, including support to the development of START tools and toolkits, case studies, briefs, research documents, and client impact evaluations;
 - Support and ensure the implementation of the START stakeholder mobilization and communication plan and organise and coordinate outreach activities with a variety of stakeholders;
 - Provide specialist input to and ensure application of the processes and tools to facilitate the transfer of knowledge, training, and scaling up of START regionally and nationally, building the capacity of local stakeholders in the public and private sectors;
 - Develop and implement tools and programmes for knowledge building, transfer and sharing.
3. Project Management & Resource Mobilization (15%):
- Ensure the delivery of the key results on time and to budget as assigned;
 - Timely planning, budgeting and reporting in accordance with the guidelines of the Implementing Partner, UNCDF and EU;
 - Exercise financial management of the project, including timely submission of requests for disbursement of funds and other forms;
 - Establish and maintain an effective and efficient project monitoring system providing regular feedback on the project performance and to update regularly risk and issue logs;
 - Support efforts of UNCDF to mobilize additional resources for START.

Competencies

Functional Competencies:

Job Knowledge/Technical Expertise:

- Expert knowledge of private sector finance. Development finance knowledge is a plus;
- Demonstrated knowledge in preparation of project financial analysis and creation/evaluation of advanced and complex MS Excel spreadsheet financial models;
- Demonstrated knowledge of private equity/venture investments, credit and risk assessment, with solid financial modelling and risk assessment skills. Project financing experience in the private sector is a plus;
- Demonstrated experience in preliminary evaluation of project proposals for assessing their feasibility for private sector funding and/or technical support. This involves the secondary screening of project applications, carrying out of desk reviews and evaluation of feasibility studies, preparing evaluation notes for presentation to the Management Team to determine a project's suitability for inclusion in the pipeline, and preparing more detailed project concept notes to obtain clearance for full appraisal or fact-finding field trips;
- Demonstrated experience in planning and execution of project appraisal and site visits;
- Demonstrates ability to engage across multiple stakeholders, including project sponsors, government partners and financial institutions;
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments;
- Ability to build partnerships and deliver results that meet the needs and long-term interest of clients within and outside the institution;
- Ability to work independently and be creative and innovative;
- Integrity and ability to travel extensively and work as a team;
- Good listener with demonstrated ability to present and win support for ideas as well as make effective and timely decisions;

Required Skills and Experience

Education:

- A Master's Degree in Business Administration, Finance, Banking or related areas, plus preferably a Bachelor Degree in engineering, finance or economics;

- Bachelor's degree in a relevant field supplemented with relevant investment/financial analysis experience and or professional certification such CFA, CPA etc. may be considered.

Experience:

- Preferably a minimum of 5 years of relevant experience;
- Computer proficiency, including working knowledge of MS Office products, capacity in web-based management tools.

Language:

- Fluent in English.