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ANNEX 2

of the Commission Implementing Decision on the financing of the annual action plan in favour of Uganda for 2021

Action Document for Supporting sustainable investments in the agricultural sector in Uganda

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23 (2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Supporting sustainable investments in the agricultural sector in Uganda CRIS number: NDICI AFRICA/2021/043-266 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes Sustainable Business for Uganda
3. Zone benefiting from the action	The action shall be carried out in Uganda, nation-wide.
4. Programming document	EU Multi-Annual Indicative Programme for Uganda 2021- 2027
5. Link with relevant MIP(s) objectives/expected results	Specific Objective “Promoting sustainable investments” and its <i>expected result 2.1b</i> “Uganda's revenue base has been broadened, notably through an increase in volume, value and quality of Uganda's exports” and <i>expected result 2.1c</i> . “Increased mobilization, equitable access and utilization of green economy finance across all investment sectors”.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority Area 2 - Promoting sustainable and inclusive growth and jobs. DAC Code: 240
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): 2 Other significant SDGs (up to 9) and where appropriate, targets: 1, 5, 7, 8, 9, 12, 13, 15, 16 and 17.
8 a) DAC code(s)	DAC code 240 – Banking and financial services- 30% DAC code 311– Agriculture- 35% DAC code 430 – rural land policy and management- 35%
8 b) Main Delivery Channel @	Channel 41111 <i>UNCDF</i> Channel 11004 <i>GIZ</i>

9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governanc			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	11. Internal marker and Tags:	Policy objectives	Not targeted	Significant objective
Digitalisation @ Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services		<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Connectivity @ Tags: transport people2people energy digital connectivity		<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Migration @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	(methodology for tagging under development)			
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): BGUE-B2021-14.020121-C1-INTPA</p> <p>Total estimated cost: EUR 13 300 000</p> <p>Total amount of EU budget contribution: EUR 11 000 000</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none">- UNCDF for an amount of EUR 1 000 000- GIZ for an amount of EUR 1 300 000 <p>This action is contributing to the TEI Sustainable Business for Uganda. The German Government is contributing with EUR 1 300 000.</p> <p>The commitment of the EU’s contribution to the Team Europe Initiatives foreseen under this annual action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners’ meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.</p>			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with the entities to be selected in accordance with the criteria set out in section 4.4.1. and 4.4.2.			

1.2. Summary of the Action

The proposed Action covers a first set of components under the umbrella of the Team Europe Initiative “Sustainable Business for Uganda” (SB4U) and more specifically the pillar “Access to finance”. As such, the proposed action contributes directly to Priority Area 2 of the MIP – Promoting sustainable and inclusive jobs and growth and its *Expected result 2.1b* “Uganda's revenue base has been broadened, notably through an increase in volume, value and quality of Uganda's exports” and *Expected result 2.1c*. “Increased mobilization, equitable access and utilization of green economy finance across all investment sectors”. This first phase of the TEI aims at contributing towards a sustainable and inclusive growth and job creation in Uganda. The two components constituting this action intend to:

1. Promote growth and job creation by investing in fully integrated and sustainable agribusiness Micro, Small and Medium Enterprises (MSMEs) that create and retain wealth within Uganda. This specific objective will be achieved by working to: a. Strengthen institutional capacity of agribusiness MSMEs to conduct sustainable business and business operations (including digital solutions)
b. Improve technical capacity of agribusiness MSMEs to develop bankable investment proposals and c. Unlock affordable medium-term finance for agribusiness MSMEs in value addition and agro-processing. This component has also the key objective to contribute to better food security and nutrition in the country while supporting Uganda's climate change agenda by favouring green investments.
2. Contribute to the increased security of land rights and enhanced access to finance resulting in improved livelihoods, food security, and poverty alleviation for small-scale farmers, in particular for women and marginalized groups in Central Uganda (56.8 % of the employed persons aged 14-64 years are in vulnerable employment)¹. This specific objective will be achieved by working to: Document land rights that improve the access to finance in rural areas for certain population groups, especially for women and marginalized groups on Mailo land, in Central

¹ UGANDA BUREAU OF STATISTICS (UBOS), 2019, p. 36.

Uganda.

Both components are second phases of currently EU funded projects and as such are designed based on solid analysis and lessons learnt.

The intervention will contribute to the National Development Plan of Uganda III namely the priority focusing on the agro-industrialisation of the country, in particular on the development of Micro, Small and Medium Enterprises, as well as supporting the country in reaching its international commitments on climate change. Indeed, the main focus will be to strengthen private sector development and the promotion of commercial agriculture through sustainable value-chains as a driver for growth and job creation, while decoupling growth from environmental degradation.

The action implements the Africa-EU Partnership for Sustainable Growth and Jobs in Uganda. It also builds on the Communication on Achieving Inclusive and Sustainable Growth through a stronger collaboration with the private sector, the promotion of the Green Deals and the Farm to Fork strategy and the Digital for Development (D4D) policy.

It will contribute to SDGs 2 (main) and 1, 5, 7, 8, 9, 12, 13, 15, 16 and 17 (significant).

2. RATIONALE

2.1. Context

The Action “**Supporting Sustainable Investments in the Agriculture Sector in Uganda**” aims at achieving one of the key priorities of the Third National Development Plan (NDP III), notably private sector development and the promotion of commercial agriculture as a driver for job creation. The NDP III identifies agro-industrialization as a priority programme for the country necessary to increase commercialization and competitiveness of agricultural production and agro-processing. The rationale is that the development of agro-industrialization will lead to increasing export value of selected agricultural commodities, increasing the agricultural sector growth rate, increasing labor productivity in the agro-industrial value chain, creating jobs in agro-industry, and increasing the proportion of households that are food secure. However, there is a big constraint in achieving this objective and it is related to the weak role played by the Micro, Small and Medium Enterprises (MSMEs). Indeed, the sector is highly dominated by MSMEs (formal and informal), which face various growth and survival constraints on a number of fronts, not least their inability to access appropriate financing. In particular, access to finance is necessary for MSMEs to increase local manufacturing of goods and contribute to job creation necessary to enable the economic transformation of the country and its graduation to a middle income category. MSMEs also struggle to reach out and create jobs for vulnerable groups such as women, youth and refugees. There is also a need to integrate MSMEs in sustainable value chains with sustainable production systems including agroecological practices, sustainable processing incorporating circular economy considerations, and sustainable markets with fair prices for all actors. In addition, access, insecurity and conflicts related to land as further prevent the stability necessary to promote sustainable investments. This is particularly visible in Central Uganda, where Mailo land tenure is predominant². Indeed, due to its proximity to the capital of Kampala, its favourable rain patterns and fertile soils, the central area of Uganda represents the breadbasket for Uganda and as such plays an important economic role not only for the agriculture sector. Against this background, land in Central Uganda possesses high economic and social values. Due to unclear boundaries, ownership and dual land rights especially on Mailo land tenure, numbers of land related conflicts have shot up over the past years, whereby violent conflicts are the order of the day. Conflicts have so much proliferated that these now threaten the social cohesion and social texture in certain regions. The Government of Uganda increasingly recognizes unsolved land conflicts and land related disputes as major risk for sustainable development, peace and political stability.

² ‘Mailo’, derived from the English word “square mile”, is a feudal land tenure system originating from an agreement between the Buganda King and the British Government in 1900. The land was initially owned by the Buganda King, who had allocated the administration of large parts of it to local chiefs as trustees of the Baganda people. The British had usurped the land but returned it later to the King and the local chiefs. The King and his chiefs considered this land as their private property because they were often registered with cadastral evidence. However, only a few of them farmed this land themselves. Farming was mostly done by settlers who increasingly occupied the land over time. However, the settlers used the land without any recognized or formalized tenure agreements

This situation has to be further analysed against the impact of the COVID-19 pandemic in the country which has further exacerbated the already high unemployment rates, especially among youth. Uganda's economy grew by 2.9% in 2020 against the target of 6.3% – a negative growth in per-capita income since economic growth is lower than population growth – causing massive labour layoffs and loss of income. Whereas inflation and exchange rates remain stable, the lending rates have crossed the 20% mark due to increased risks. The pandemic has also led to the reduction of domestic revenue from UGX 21.8 trillion to 18.7 trillion amidst increasing expenditure. As a result of reducing revenue and election related expenditure, public debt is rising and is expected to reach 49.9% in the current financial year. The private sector has been particularly hit by the pandemic and efforts are ongoing to support the country pursue solid recovery efforts. The International Monetary Fund and Government of Uganda (GoU) reached an agreement on a 3-year USD 1 billion programme under the Extended Credit Facility, with key policy actions including a prudent fiscal policy that creates space for much needed social and investment spending while keeping debt contained, the strengthening of spending efficiency, the enhancement of financial sector resilience and the scaling-up of anti-corruption efforts.

The Multi – Annual Indicative Programme (MIP – EU Uganda 2021 – 2027) identifies the priority areas for the future programming cycle along three pillars, as follows: (i) Promoting Green and Climate Transition; (ii) Promoting Sustainable and Inclusive Growth and Jobs; (iii) Promoting Democratic Governance and Social Inclusion.

This action supports Priority area 2 and more specifically the sector “Sustainable investments”. A strong alignment is ensured with Priority 1, through promotion of green investments and land rights and to Priority 3, through improved governance and conflict prevention will also increase the coherence and impact of the interventions.

The focus on sustainable business, access to finance and support to entrepreneurship and SMEs under this action allows to position the EU and the Member States as key players on investment climate and public-private sector dialogue through the SB4U TEI. Indeed, in a context with extremely high unemployment rates among the youth, the support to SMEs, entrepreneurship and job creation is of crucial importance in harnessing development gains and safeguarding stability. Hence, access to sustainable, reliable and affordable finance is key. In addition, land tenure/rights are essential to securing investments and economic development. With the launch of SB4U, the EU has taken a leading role in improving investment flows and bringing the private sector to the table along with the EU Delegation, Member States and key public sector actors. As such, the EU and EU Member States are already playing a key role in policy and political dialogue. This Action will further position the EU as one of the main partners in the agribusiness area and offer opportunities to build on existing agriculture related interventions by generating key investments from the private sector. Therefore, this Action will contribute to the ambition for the SB4U platform, with permanent representation of the EU and a rotation of EU MS, to function as the one-stop-investments-shop for EU cooperation in Uganda. Access to finance, a key initial priority of this TEI, is jointly seen by the EU and EU MS as a key investment barrier that needs addressing – this Action, with the support of Germany, supports this priority. The Action proposed is only the first phase of the TEI, which will be extended in scope and funding over the coming years as EU MSs confirm their contributions. By placing it under the umbrella of the SB4U Platform, this action is expected to receive significant political traction. Indeed, the Board of the SB4U includes all key actors in the area of investments such as the Ministry of Finance, Ministry of Trade and the Private Sector Foundation Uganda. In addition, in the area of access to finance and agri-business the action will continue to work with national bodies like the Uganda Development Bank and in the area of land, the Ministry of Land and district authorities will be central to the implementation of the action. This Action will furthermore contribute to the transition of Uganda towards a green economy mainstreaming and embedding the sustainability and circularity principles towards decoupling economic growth from natural resources depletion and actively contributing to the environment and to mitigate the climate change effects.

The action builds on solid lessons learnt from two ongoing EU funded projects, namely: 1. The START facility, implemented by UNCDF under the Development Initiative of Northern Uganda and 2. The Improvement of Land Governance in Uganda to increase productivity of small-scale farmers on private Mailo land – ILGU – implemented by GIZ and co-funded by the German Government.

At a larger scale, this Action is of strategic importance as it represents a possible concrete application of the recently presented multi-country TEI on Invest in Young Business in Africa (IYBA).

The proposed action is part of the EU efforts to implement the Africa-EU Partnership on Sustainable Growth and Jobs in Uganda but also directly contributes to the partnership on Green Transition. Furthermore, this Action builds on the Communication on Achieving Inclusive and Sustainable Growth through a stronger collaboration with the private sector, the promotion of the Green Deals and the Farm to Fork strategy and the Digital for Development (D4D) policy.

The intervention will also contribute to the implementation of the Gender Action Plan (GAP III) 2021-2025 in particular in regards to economic and social rights, to access to jobs and entrepreneurship and to participation to the digital economy.

It will contribute to SDG 2 (main) with other significant SDGs being 1, 5, 7, 8, 9, 12, 13, 15, 16 and 17.

2.2. Problem Analysis

By combining interventions in the areas of access to finance/agri-business and land, this action is aiming at addressing 2 key specific problems which are preventing sustainable investments and growth in Uganda, in particular in the agriculture sector:

Priority 1 - Slow development and weak role played in the economy by the MSME sector: the MSME sector accounts for approximately 90 % of the entire private sector, over 80 percent of manufactured output and contributes about 75 % to the gross domestic product (GDP). The sector employs more than 2.5 million people equivalent to 90 % of total non-farm sector workers and comprises about 1 100 000 enterprises which makes the sector one of the largest employers in the country³. With most of the MSMEs largely concentrated in the major urban and peri-urban areas of Uganda and relying on rural communities for raw materials, agribusiness MSMEs is pivotal to the growth and transformation of the country to the middle-income status. Agribusiness MSMEs present a sustainable and empowering response to the persistent challenge of unemployment and underemployment in addition to creation of market for primary agricultural products and enabling national economic structural transformation. Yet, these MSMEs face various growth and survival constraints on a number of fronts which undermines their development, thereby limiting their impact on the economy. For many agribusiness MSMEs, growing their business enterprises remains a distant dream, not least because of lack of access to appropriate financing. The current situation is even starker with the COVID-19 pandemic disrupting investment and trade; and impacting on the attainment of the UN 2030 Agenda and the Sustainable Development Goals. Of particular importance is the fact that many agribusiness MSMEs run by women -one in three businesses is owned by women- face additional challenges, due to the structural barriers related to their social status in society (access to finances, collaterals, productive resources, education,...). Women in particular, rely on informal⁴ and agricultural trade, both seriously affected by the pandemic. While women's businesses tend to be smaller (profits that are on average 30 % less than those for male-owned businesses), there is a need to provide skills training and to support women's innovation potential, access to credit and markets by targeting women who have the potential to grow their business.⁵ In addition, the inclusion of vulnerable groups such as refugees in job creation and growth is a struggle that requires incorporating a vulnerability lens in the work to be done with MSMEs.

Some of the main stakeholders involved in this action and contributing in solving this problem are:

Private Sector Foundation of 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. PSFU aims to strengthen Private Sector capacity for effective policy advocacy and market competitiveness nationally, regionally and internationally.

Financial Institutions (Uganda Development Bank, Post Bank Uganda Limited etc.): Through partnership with selected DFIs and FIs, the project will unlock financing for MSMEs. They will indeed provide the necessary financing to MSMEs.

Priority 2 - Conflicts around private Mailo land in Central Uganda: Private Mailo land faces the challenge of dual land rights which generates uncertainty and conflicts which have been exacerbated by climate change effects. This poses important social and economic risks as Mailo Land is located in the most fertile part of Uganda. Despite the achievements reached under the first phase of this programme (in particular, the documentation of more than 77 000

³ Ministry of Trade, Industry and Cooperatives (2015). Uganda Micro, Small and Medium Enterprise (MSME) Policy.

⁴ only 13.8% of working women are in formal employment, compared to 27.9% of working men, UBOS 2013

⁵ <https://blogs.worldbank.org/nasikiliza/opportunities-ugandan-womens-economic-empowerment-during-covid-19-recovery>

land parcels of tenants on private Mailo as of June 2021, numbers of land related conflicts in the project areas have significantly decreased and investments to land by farmers increased through construction of permanent structures and cultivation of perennial cash and food crops such as coffee and banana), a big challenge remains with the question of improved access to finance for business development. Land, being one of the major productive resources, is not equally distributed. While women have access rights, they have limited ownership rights to land, due to the different tenure regimes in Uganda. Only about 16 % of Ugandan women own land in their own right; ownership of registered land is even lower at 7 %.⁶ The precarious position of women in land accessibility, control and ownership needs to be strengthened to support transformative change and women's economic empowerment.⁷ Tenants do not usually have any formal documentation of their land rights, the location and size of their lands and as such cannot obtain loans from formal FIs. This has opened the doors for money sharks and illegal money lenders since these are the only available finance providers for tenants without formal land documentation. Under the first phase of the project, a partnership with the Ugandan Bankers Association (UBA) and six FIs has been initiated to create awareness of FIs on the achievements made in terms of land documentation (Land Inventory Protocol (LIPs) and Certificates of Occupancy (CoOs)) and the potential value these create for improved access to loans and loan product development. However, this work is only at the beginning and needs to be advanced in terms of creation of mainstream access to finance for tenants holding land documentations. Tenants on the other hand are often small farm households only, lacking the financial literacy needed for sustainable business plan development and calculation of cost-benefit options. Therefore, it is important that farm households are accompanied in the process to develop sustainable and viable business plans as foundation for loan requests and to avoid new fragilities and risks due to challenges in loan repayments.

Some of the main stakeholders involved in solving this problem are:

Duty-bearers: The Ministry of Land, Housing and Urban Development at central level. At the district level, the district administration is the main partner (District Land Office-DLO, District Land Board-DLB, Ministry Zonal Office-MZO). The mandate for the implementation of National Land Policy (NLP) lies with the local authorities and is thus the responsibility of the district local governments, constituent sub-county local governments and communities. The project supports them in further developing the necessary capacities or creating them where they do not yet exist. The project cooperates with the Buganda Land Board (BLB), which operates in areas where Mailo land is owned by the Kabaka, the King of Buganda. The BLB is responsible for the administration of Kabaka Mailo land and is the main partner in piloting the approach securing land tenant rights on Kabaka land.

Right-holders: Employees of civil society groups, representatives of marginalised groups, Mailo landowners and representatives of the private sector are involved in the measures. They are important in shaping dialogue and participation processes and in dealing with conflicts. The NLP attributes an important role to traditional authorities both in land administration and in dealing with land conflicts. These are to be taken into account in boundary demarcation of land. Similarly, some civil society organisations are implementing good approaches to securing land rights, in particular those representing the rights of people living in vulnerable situations. These approaches have considerable impact in specific areas but often are not systematically targeted in terms of content and scope.

FIs play a key role in this second phase of the interventions. Banks and microfinance service providers are being sensitised to accept the LIPs and CoOs as collateral for small-scale farmer loans. The main types of FIs relevant in the project region are: Banks, Microfinance Deposit Taking Institutions, Non-Deposit Taking Microfinance Institution, Credit Institutions, Money Lending & Other Services, Savings & Credit Cooperatives (SACCOs), in particular women led SACCOs.

The target group in the six target districts are those small-scale farmers who have been living on private Mailo land without legal security for generations. Officially, an annual ground rent must be paid to the owners. With the expansion of the START Facility from only Northern Uganda to nation-wide, the EU and its implementing partners will seek possibilities for creating synergies between the two components of this action.

⁶ Aslihan Kes, Krista Jacobs and Sophie Namy, ICRW, 'Gender Land and Asset Survey' (2011), p 2.

⁷ Kemigisha, P. (2021). Land Tenure Regimes and Women's Land Rights in Uganda; Legality and the Land Legal Framework. *Advances in Social Sciences Research Journal*, 8(1), 116–133. <https://doi.org/10.14738/assrj.81.9462>

3. DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of the action is *to contribute towards a sustainable and inclusive growth and job creation in Uganda.*

The Specific Objectives of this action are:

1. *Promote growth and job creation by investing in fully integrated and sustainable agribusiness MSMEs that create and retain wealth within Uganda.*

This specific objective will be achieved by working to:

- a. Strengthen institutional capacity of agribusiness MSMEs to conduct sustainable business and business operations (including digital solutions)
- b. Improve technical capacity of agribusiness MSMEs to develop bankable green investment proposals based on green and circular economy principles
- c. Unlock affordable medium-term finance for agribusiness MSMEs in value addition and responsible agro-processing

2. *Contribute to the increased security of land rights and enhanced access to finance resulting in improved livelihoods, food security, and poverty alleviation for small-scale farmers, in particular for women and marginalized groups in Central Uganda.*

This specific objective will be achieved by working to:

Document land rights and improve the access to finance in rural areas for certain population groups, especially for women and marginalized groups on Mailo land, in Central Uganda.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

For outcome 1 a): Strengthened institutional capacity of agribusiness MSMEs to conduct sustainable business and business operations (including digital solutions)

Output 1.1 Dedicated Business Development Services (BDS) facility with a wide range of general and specialized services to address MSME capacity gaps and to promote a green transition towards responsible production

Output 1.2 Technical assistance to selected financial institutions and MSMEs to develop / adapt digital lending offerings and solutions based on green finance principles.

For outcome 1 b): Improved technical capacity of agribusiness MSMEs to develop bankable investment proposals based on green and circular economy principles

Output 1.3 Specialized technical assistance for development, preparation and structuring of investment proposals, in particular for businesses headed by women and youth.

Output 1.4 Dual-key investment analysis to ensure the transformative socio-economic and environmental impact of the investment proposals.

These two outputs could be merged during the preparation of the intervention.

For outcome 1 c): Unlocking affordable medium-term green finance for agribusiness MSMEs in value addition and agro-processing, especially for women and youth-headed businesses

Output 1.5 Matchmaking services to identify appropriate providers of capital and other partners.

Output 1.6: Specialized financial/legal services for green credit enhancement.

For outcome 2:

Output 2.1: The institutional framework and the procedures for securing land use rights and land ownership rights

on Mailo land of the rural population are improved in Central Uganda.

Output 2.2: In Central Uganda, local stakeholders are sensitized on land and tenure rights and available legal options to secure them, in particular for women.

Output 2.3: Relevant stakeholders (local government administration, para-surveyors and CSOs) have the capacity to implement the national land policy and to contribute to transparent and rights-based land governance.

Output 2.4: Financial institutions provide credit services to small-scale farmers on Mailo land, prioritising those that promote environmentally sustainable and climate resilient practices

Output 2.5: Good practices and lessons learnt are implemented outside of the project region.

3.2 Indicative Activities

For outcome 1:

Activities related to Output 1.1: General Business Development Services support to MSMEs; Pre-investment BDS to MSMEs; Grants and/or 0% loans to agribusiness MSMEs to encourage investments that minimize the impact of their manufacturing processes (for ex. Innovations and green technologies, renewable energy...), that could support sustainable production (e.g. agroecology, organic agriculture), and that include social dimensions (e.g. fair wages for workers, market for consumers with low or medium incomes); Post investment BDS support.

Activities related to Output 1.2: Technical Assistance on digital solutions; Partial subsidy of the cost of acquisition and piloting of the digital tools by the MSME's; Technical Assistance to support selected financial institutions on digital solutions.

Activities related to Output 1.3: Proposal development support to selected pipeline MSMEs to prepare bankable project proposals"; Financial structuring of projects and identification of the optimal financing structure and potential sources of finance, including green screening standards for investments selection.

Activities related to Output 1.4: Impact key analysis to establish that the investment will deliver local impact in the form of local economic development, women's economic empowerment, sustainable land management, sustainable farming, climate change, food security, digital economy or any other relevant form, thereby guaranteeing that the selected project is tailored to the specific goals of the facility.

Activities related to Output 1.5: Identify and partner with selected FIs and DFIs to provide concessional finance to MSMEs under the START facility; Identify relevant green PPP models when appropriate and partner with selected public entities; Link supported MSMEs to selected financial institutions to access medium- and long-term funding for future growth and expansion.

Activities related to Output 1.6: Zero interest loans / reimbursable grants to de-risk projects and reduce the cost of borrowing while leveraging more funds from financial institutions while encouraging sustainable manufacturing and promoting green economy. Credit enhancement activities; Loan syndication services in case more than one financial institution participates; Origination of grants, 0% loans and/or guarantees from UNCDF balance sheet/off balance sheet facilities (BRIDGE and BUILD)

For outcome 2:

Activities related to Output 2.1: Policy and institutional support for local governments and MLHUD; Support the 6 districts in the determination process of annual ground rates (done every 10 years); Collect all disaggregated data required for the issuance of LIPs; Identify land disputes and develop/implement alternative dispute resolution mechanisms; Conduct trainings in conflict resolution, from a gender and human rights perspective; Support the integration of relevant data into the NLIS; Provision of awareness raising and capacity building measures for landlords on blue pages; Open boundaries of existing Mailo land titles of landlords interested; borders definition of lands; Pilot the land inventory approach on Kibanja land of the Kingdom of Buganda; Pilot the issuance of CoOs in selected sub-counties.

Activities related to output 2.2: Carry out gender sensitive motivation campaigns on land tenure rights; Raise awareness amongst small-scale farmers from a human rights perspective (land rights,...); Raise awareness on legal

framework of Mailo land and relevant land policies, including references to the National Gender Policy and Gender Strategy of the Ministry of Lands, Housing and Urban Development.

Activities related to Output 2.3: Training of technical staff capacity building for districts; gender and human rights awareness campaigns with CSOs; Strengthen CSOs capacities; Organise multi-stakeholder dialogues, in particular with organisations representing the rights of persons living in vulnerable situations (including persons living with disabilities), technical exchange fora.

Activities related to Output 2.4: Awareness raising for DFIs - FIs; Support FIs to develop and/or further improve loan products for small-scale farmers (especially those with limited collateral) based on LIPs and/or CoOs.; Support FIs in the monitoring of loan provisions based on LIPs or CoOs; trainings and mentoring services (to a limited extend) for the development of sustainable business plans to small-scale farmers, in particular those working in vulnerable situations, and if feasible also supporting sustainable production (organic, agroecology); Raise awareness amongst small-scale farmers; Conduct multi-stakeholder dialogues; Synergies with other partners, e.g. UNCDF and START Facility; Establish a safeguard system to protect smallholders against losing land due to failure of loan repayment.

Activities related to Output 2.5: Documentation and dissemination of good practices and learning experiences; 2.5.2 Organise learning events, working groups and workshops; 2.5.3 Sharing results of actions in international events.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment)

Regarding the component on agri-business, the intervention will ensure that MSMEs supported are environmentally friendly, based on effective and prudent management of local natural resources, and, whenever possible, contribute to improvement of local environment, by adopting principles of responsible production and circular economy. Furthermore, the eligibility criteria to access the facility will include environmental standards, and specifically promote application of solar and other types of green energy to handling, processing and storage. Whenever possible attention will be given to MSMEs promoting processing of products from sustainable production. In particular, being the companies targeted involved in agro-processing and value addition, focus will be on their adherence to national environmental standards and related certifications.

Regarding the component on land, the intervention includes climate adaptation and if possible DRR and conservation of natural resources based on territorial planning approaches in its training and advisory services for project partners at regional level. Also, the action will link the question of tenure security and sustainable agriculture practices, including aspects of climate change adaptation and mitigation, and agroecology/organic practices. These issues will be promoted through capacity building and sharing of best practices. It can also be expected that with a better tenure security, tenants will be more incline in investing in their land and apply the practices learnt through the capacity building.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that regarding the intervention on agri-business, MSMEs projects that promote Women and Youth's Economic Empowerment will be prioritized. **Gender** will be mainstreamed into the project through the use of specific gender-sensitive criteria for

identification of projects financed through the facility. For example, the project eligibility criteria require that the socio-economic impact of the eligible projects should include an improved position of women and young people in the local food supply chain. 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 the BDS components, MSMEs that have explicitly commitment to gender equality through their policies etc.

Regarding the component on land, in Uganda's traditional land rights system, women are usually at a disadvantage. Households headed by women who are often caring for children and youth are further burdened by insecure land rights. The formalisation of land rights so far has hardly changed the situation. Improved procedures and a targeted approach to the local population ensure that women and young people are given equal consideration in the inventory of land users. The proportion of women is to be increased in the awarding of certificates. The education and training of women at district level and in civil society will create more opportunities for participation in planning and conflict management mechanisms. Improved access to finance for women and youth subsequently enables access to land through purchase and or hire. Gender equality is thus an important secondary objective of this component.

To identify detailed activities to be conducted during this intervention, a gender analysis for the agricultural sector will be conducted focussing on the main barriers for women to participate, contribute and benefit from the action, related to their land rights and entrepreneurship.

Human Rights

As part of the **Human rights** based approach, and in line with the EU Democracy and Human Rights Country Strategy, secured land rights and knowledge on how to defend those will be promoted for rural populations. The intervention will apply a human rights based approach throughout implementation, while focusing on the five working principles: a) applying all human rights for all; b) meaningful and inclusive participation and access to decision-making; c) non-discrimination and equality; d) accountability and rule of law for all; and e) transparency and access to information supported by disaggregated data.

The intervention supports the partner in realising the human right to food as well as human rights principles such as participation, non-discrimination and equal opportunities as well as transparency and accountability. In particular, the component on agri-business aims at strengthening food security and nutrition in the country while the one on land is based on the assumption that secure land use and tenure rights not only enable the realisation of the right to food as a component of the right to an adequate standard of living, but also related rights such as access to shelter, education, health care or political-civic participation. Protection against forced relocation and compliance with international standards in the case of resettlement also flow directly into the advice on responsible land policy.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for the inclusion of people with disabilities.

Democracy

The land component will contribute to more inclusive and participatory governance as well as transparency in local governance. As such, it will promote stronger and more accountable democratic processes in the targeted areas.

Conflict sensitivity, peace and resilience

The lack of legal certainty due to a lack of land rights is a central cause of the large number of land conflicts, which are characterised by a high potential for violence. The registration of land through land inventories and the issuing of certificates improves regulated access to land. This defuses conflict hotspots and promotes the peaceful settlement of conflicts. The solution-oriented management of land conflicts is therefore an important secondary objective of the second component of the action.

Disaster Risk Reduction

DRR won't be a target of this intervention. However, as an important issue in a country like Uganda it affects a broad range of interventions including the ones presented in this programme. For this reason, whenever relevant, and especially when providing capacity building to the tenants of the lands, potential risks will be discussed and possible solutions sought. In addition, the agri-business component will ensure that all necessary environmental certifications for climate-proofness of the supported investments are available as part of the specific screening standards.

Other considerations if relevant

Migration and Forced Displacement

Although the inclusion of vulnerable groups such as refugees in job creation and growth is a challenge, the action will, whenever feasible, give support to target MSMEs providing jobs to vulnerable groups like refugees. As of 31 July 2021, Uganda hosts 1 499 562 refugees. In line with the spirit of the Global Compact on Refugees, the government of Uganda has launched in May 2021, the multi partner "Jobs and Livelihoods Integrated Refugee Plan" (JLIRP). The plan envisions self-reliant and resilient refugee and host community households in refugee hosting districts by 2025

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1	Risk 1 - Low quality of proposals by MSMEs in response to the call for proposals	High	High	Active outreach and awareness raising activities; Business Development Services (BDS) support to prospective promoters to prepare technically and financially sound submissions
2	Risk 2 - Low access to Concessional finance due to inadequate security values for many agribusinesses project promoters and risk of no repayment of loans.	High	High	Application of credit enhancements/ Guarantees provided and development and structuring of the projects to satisfy credit requirements with minimum security. Close monitoring of investments made and flexibility to adapt to external factors.
3	Risk 3 - Insufficient collaboration/ coordination among the participating partners in the agri-business component;	Medium	Medium	Strong coordination operationally through the Management Board; Clearly define roles and responsibilities of each implementing partner
1	Risk 4 - Pollution and other environmental hazards deriving from funded agribusiness projects	Medium	Medium	Focus on projects that encourage sustainable manufacturing and use green technologies, in particular technology and innovation will be supported to promote clean energy, better waste disposal and water management during the manufacturing processes
1	Risk 5 - COVID-19 and other related pandemics	High	High	Adoption and encouragement of safe work methods; adopt and encourage Standard Operating Procedures (SOPs)
1	Risk 6 - Resistance in the implementation of the National Land Policy or change in the national priorities.	Medium	High	The action maintains a good relationship with the political and implementation partners. All activities refer to the support in the implementation of national vision, policies, laws, regulations and institutional framework as well as to

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
				international guidelines like the Voluntary Guidelines on the Responsible Governance of Tenure (VGGTs).
4	Risk 7 - The economic self-interest (e.g. land speculation) and possible conflict of interest of some actors can jeopardise the programme and prevent populations from cooperating.	Medium	High	Together with civil society actors, the issue of land speculation is monitored and addressed in dialogue processes. This helps to identify associated risks at an early stage.
2	Risk 8 - New procedures and processes at national level can delay systematic land registration.	Medium	Medium	Close coordination with the Ministry of Lands, Housing and Urban Development (MLHUD) is important in order to find pragmatic solutions. This has been proven on several occasions in implementing the Improvement of Land Governance in Uganda (ILGU) phase I.
2	Risk 9 - Access to loans based on land inventory protocols or Certificates of Occupancy might bear the risk of losing the land in cases where the loan cannot be paid back	Medium	High	A detailed risk analyses will be carried out and safeguards measures will be defined. Capacity building both of financial institutions and farmers in terms of sustainable and economically viable business plans will be carried out to avoid insolvency of farmer business. Loan products that consider the farmers credit worthiness will be supported.
	Risk 10 – Socio-cultural resistances hampering a focus on women's empowerment and the advancement of groups living in vulnerable situations	Medium	Medium	A gender analysis during the inception phase will identify risks, obstacles and opportunities to advance women's empowerment.
	Risk 11: Environment and climate change risks which could affect the economic and technical viability of the supported actions.	Medium	Medium	Environmental screenings and climate proofness standards will be apply across the actions.

Lessons Learnt:

Some of the key lessons learnt from the first phases of the interventions are:

For the agri-business component:

There is high demand for affordable medium-term financing but most Small and Mid-size Enterprises (SMEs) lack accurate and reliable business records. The absence of these basic records makes it difficult to have reliable audited financial reports yet most of these SMEs have been in operation for a number of years. As a result, business development remains very critical service in building the capacity of SMEs to develop bankable projects since most businesses are informal in nature.

The high leverage potential of SMEs accessing funding under the Support to Agricultural Revitalization and Transformation (START) facility is another important lesson. More than 50% of total project cost comes from SMEs own contributions implying high capacity to much external funding.

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
	<p>Most SMEs find it hard to pay the required appraisal fees and meet cost of valuing the collateral before accessing the funding because of lack of liquidity thus delaying the approval and disbursement of funding. Under the first phase of the START facility arrangement, Uganda Development Bank (UDB) has agreed to have the SMEs pay 0.5 % at the start of appraisal and the balance after issuing loan offer documents.</p> <p>Many SMEs lack the required collateral to secure credit from financial institutions. Where collateral is available it is of low value, cannot easily be converted to cash or non-transferable thus unattractive to lenders. According to an FSD Uganda report of 2017 -Widening Credit Collateral Options for the Masses beyond Land Titles in Uganda only two out of ten Ugandan adults possess a land title, yet land is often times the collateral presented. UDB has agreed under the first phase of the START facility to lower the collateral requirement to 50% for START facility SMEs and accepted equipment as collateral. Many SMEs have also failed repaying the Loans at 0%. Based on the experience of phase 1 of the facility, lessons learnt regarding this problem will need to be incorporated and taken into account for the second phase.</p> <p>Most enterprises are organized informally and lack systems, processes, controls in their business operations. They have not taken advantage of the Information and Communications Technology (ICT) and digital tools available to simplify their business operations thus increasing inefficiencies. START Facility has used post-investment BDS and Technical Support to support most of the SMEs to acquire digital tools and training to use the same to simplify their operations. Digitalisation will be a strong component of the second phase.</p> <p>The START facility aims to support projects that promote women's economic empowerment. However, the ownership of the agribusinesses is dominated by men. The limited land ownership means many cannot provide collateral (Norfund, 2020). This highlights a major structural and socio-cultural barrier to women's access to and exploitation of economic opportunities and foster inclusive economic development. START facility has continued to target and encourage Women and youth owned / managed MSMEs to access START facility funding.</p> <p>Many SMEs struggle with limited skilled personnel, as most of the individuals managing key business operations (accounts, HR, marketing) are temporary staff. This is majorly because many SMEs find it expensive to hire skilled personnel and often rely on family members and friends. Some of the staff have fulltime positions in other organisations and cannot fully commit to the SMEs which affect the business operations. This is also partly contributing to the lengthy BDS process as the staff cannot commit to the process fulltime.</p> <p>For the Land component:</p> <p>Mailo Land is a very delicate matter that requires intense preparation of the population and key stakeholders in terms of understanding land rights, responsibilities and regulations. This also requires sensitizing key stakeholders at national level. As a result, every intervention has to be accompanied by a strong and continuous awareness raising.</p> <p>The partnership with the Ministry of Land, Housing and Urban Development is key and necessary in solving the Mailo impasse together with a strong capacity building of land administration structures.</p> <p>Continuous awareness raising about payment of ground rent after project implementation is vital to ensure continued harmony between landlord and tenant and in the prevention of land evictions and conflicts. This is important to avoid "forgetting" about tenants' obligations to pay ground rent after the land was documented.</p> <p>Alternative Dispute Resolution approach employed on the ILGU project is a fast, effective, affordable and acceptable way for communities to solve land conflicts and live in harmony as it builds on traditional and local structures and systems, without the need for formal courts and justice systems (with the exception of criminal cases).</p> <p>There is need to address environmental aspects by creating awareness on how to preserve and protect the environment by discourage encroachment on wetland and protected areas like rivers, lakes and forest. This was something done only very limited under ILGU which will need to be expanded in the second phase.</p>			

3.5 The Intervention Logic

The underlying intervention logic for this action is that, by working on improving access to finance for agribusiness and securing land in the most fertile region of the country, the intervention will support sustainable investments thus promoting growth and generating jobs and contributing to the agro-industrialisation of the country, in particular for women and households living in vulnerable conditions. Vulnerable employment, defined as the sum of the employment status groups of own account workers and contributing family workers, is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights.⁸ The intervention will therefore strongly contribute to poverty reduction by generating wealth in the country thus promoting food security and nutrition, including among marginalised and vulnerable groups, while promoting environmental sustainability and adaptation to climate change through the adoption of circular economy principle to decouple growth from natural resources depletion. In particular, whenever feasible, support will be given to target MSMEs providing jobs to vulnerable groups like refugees.

In particular, in the access to finance component, through the various forms of BDS support, the START facility will strengthen the institutional capacity of agribusiness MSMEs by addressing their capacity gaps in areas of governance, management, financial systems, records management, and compliance among others. Technical assistance will also be extended to support MSMEs, in particular female and youth-headed, to adopt digital solutions that enhance their businesses as well as adopt sustainable green manufacturing for responsible production. Specific technical assistance will be designed to support partner financial institutions to develop / adapt digital lending offerings to Agro-MSME's and to adopt environmental standards in project screening. This will strengthen the capacities of MSMEs to conduct sustainable investments and businesses.

With the enhanced capacity, MSMEs will be in position to prepare credible and bankable business proposals for submission to partner the financial institutions. The increase in access to finance will allow MSMEs to pursue their growth and expansion strategies in accordance to their business plans further leading to better quality and quantity of high value and nutritious food. The numerous agribusiness MSMEs supported under the facility will not only provide decent jobs and employment but also provide reliable markets to small holder farmers as suppliers of raw materials. Whenever feasible, special attention will be given to MSMEs using products produced with sustainable practices (organic, agroecology, etc.). These agribusiness MSMEs will also positively impact many other players in the value chain including input providers, transporters, distributors, packaging etc. By impacting on the various actors, the project will enhance local food systems and improve local food security (availability, affordability and quality) for the targeted population and proactively contribute to environmental and biodiversity conservation.

In the land component, the various interlinked actions will work together to promote the increased security of land rights and enhanced access to finance resulting in improved livelihoods, food security, and poverty alleviation for small-scale farmers, in particular for women and marginalized groups in Central Uganda. In particular, the support to institutions on national, district and sub-county levels will enable a better implementation of the National Land Policy. The transfer of knowledge to district staff will be instrumental in securing continuity and application of existing laws and policies and avoid misinterpretations at local levels.

In parallel, the systematic inventory of the actual land-use will follow a community based and territorial approach thus contributing to bring together all key stakeholders from small-scale farmers to land owners and technical staff. This will have an important impact not only on creating a common understanding and gain the necessary technical competencies but also to mitigate land disputes. The data generated through this process will be truly owned by the beneficiaries.

These efforts will ultimately lead to the issuance of LIPs and CoOs, especially to marginalised groups. This will be crucial as this component will help small-scale farmers to invest and further develop their land, whenever possible with sustainable practices (organic, agroecology, etc.) but also will contribute to a better food security in the targeted areas in a sustainable way. Indeed, an important element of this component, which further promotes the contribution of the action to sustainable investments is the output related to financial inclusion. Through sensitisation of small holder farmers and financial institutions, the LIPs and/or CoOs can be used for the assessment of loan worthiness of households. Issues of financial literacy, sustainable and viable business plans and sustainable land use will be central to this action.

Whenever possible synergies between the two components of the action will be promoted. Both actions will ultimately contribute to the broader objective of the TEI on Sustainable Business for Uganda.

⁸ UGANDA BUREAU OF STATISTICS (UBOS), 2019, p. 36.

3.6 Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute towards a sustainable and inclusive growth and job creation in Uganda	1 Status of income country by World Bank ranking 2 Increase Agricultural Real GDP growth rate (percent)	1 Lower income country 2 – 5.2% (2021)	1 middle-income country in 2025 2 – 6% (2025)	1 NDP III report, World Bank statistics 2 NDP III reports	<i>Not applicable</i>
Outcome 1	1 Growth and job creation is promoted by investing in fully integrated and sustainable agribusiness MSMEs that create and retain wealth within Uganda	1.1 Number of SMEs supported by the intervention (disaggregated by sex – female and male headed enterprises)[EU RF 2.20] 1.2 Total financial leverage achieved by the end of the project	1.1 - 40 1.2 – 1:3	1.1 - 200 1.2 – 1:4	1.1 – Project report 1.2 Project report	
Outcome 2	2 Increased security of land rights and enhanced access to finance resulting in improved livelihoods, food security, and poverty alleviation for small-scale farmers, in Central Uganda	2.1 40,000 households in Central Uganda on Mailo land received documented land use rights or land ownership rights that are recognized by the state as well as traditional authorities and commercial banks. 2.2 80% of the land conflicts arising during the process of securing land rights are processed and solved with the participation of civil society actors. 2.3 6 FIs accept LIPs or CoOs as criteria for loan provision.	2.1 X households have received LIPs (X being the number from the previous ILGU phase). 0 CoOs have been issued. 2.2 0% related to the new project areas. 2.3 0 FIs have formal provisions to accept LIPs or CoOs for loan provision.	2.1 X + 40,000 households have received land inventory protocols; women and marginalized groups are equally treated during inventory. At least 5,000 LIPs will be upgraded to CoOs. 2.2 80% of the new land conflicts are being processed and solved. 2.3 6 FIs accept LIPs or CoOs for loan provision.	National statistics, project monitoring, data from registration systems, ILGU project reports, World Bank Baseline Report 2018 Finance reports of FIs, evidence reports from beneficiaries	
	...					

Output 1 related to Outcome 1	1.1 Dedicated Business Development Services (BDS) facility created with a wide range of general and specialized services to address MSME capacity gaps	1.1.1 Number of agribusiness MSMEs accessing BDS support (disaggregated by sex – female and male headed enterprises) 1.1.2 Number of female headed MSMEs (or with women accounting for over 50% of ownership)	1.1.1 – 130 MSMEs under START 1.0 1.1.2 - TBD	1.1.1 At least 500 MSMEs by 5 th year 1.1.2 30%	Project reports	
Output 2 related to Outcome 1	1.2 Technical assistance provided to selected financial institutions and MSMEs to develop / adapt digital lending offerings and solutions	1.2.1 Number of agribusiness MSMEs accessing Technical Assistance (disaggregated by sex – female and male headed enterprises) 1.2.2 Number of partner financial institutions adopting digital lending solutions for MSMEs 1.2.3 Percentage of Agro-MSMEs adopting digital solutions for operation (disaggregated by sex – female and male headed enterprises)	1.2.1 – 20 MSMEs under START 1.0 1.2.2 - TBD 1.2.3 – TBD	1.1.2 At least 150 MSMEs by 5 th year 1.2.2 - TBD 1.2.3 – 20%	Progress reports	
Output 3 Related to Outcome 1	1.3 Specialized technical assistance for development, preparation and structuring of investment proposals	1.3 Number of bankable investment proposals finalized	1.3 TBD	1.3 TBD	Progress reports	
Output 4 related to Outcome 1	1.4 Dual-key investment analysis provided to ensure the transformative socio-economic impact of the investment proposals	1.4 Number of investment proposals that underwent a dual key investment analysis	1.4 TBD	1.4 100%	Progress reports	
Output 5 related to Outcome 1	1.5 Matchmaking services provided to identify appropriate providers of capital and other partners	1.5 Number of agribusiness MSMEs linked to providers of financial services	1.5 - 40 MSMEs under START 1.0	1.5 At least 200 MSMEs by 5 th year	Progress reports	

Output 6 related to Outcome 1	1.6 Specialized financial/legal services for credit enhancement done	1.6 Number of agribusiness SMEs with access to UNCDF credit enhancement services 1.7 Number of women and men headed enterprises receiving credit, micro-credit/financial services, disaggregated at least by sex 1.8 Number of Agribusiness SMEs supported to promote green investments	1.6 TBD 1.8 0	1.6 TBD 1.8 TBD	Progress report	
Output 1 related to Outcome 2	2.1 The institutional framework and the procedures for securing land use rights and land ownership rights on Mailo land of the rural population are improved in Central Uganda	2.1.1 2 institutional framework conditions in 2 additional districts (one each), have been improved to implement the under the ILGU project phase established procedure for the strengthening of land rights of tenants and landlords on private Mailo land and on Kabaka land. 2.1.2 In 2 new districts, governmental and non-governmental actors have created or improved existing mechanisms in accordance with the National Land Policy and international guidelines to capture and resolve land conflicts.	2.1.1 - 0 adequate framework conditions in the new districts. 2.1.2 - 4 districts with conflict resolution mechanisms for Mailo land.	2.1.1 - 2 adequate framework conditions in the new districts. 2.1.2 - 6 districts with conflict resolution mechanisms for Mailo land.	National statistics, project monitoring, data from registration systems, Baseline	
Output 2 related to Outcome 2	2.2 In Central Uganda, local stakeholders are sensitized on land and tenure rights and available legal options to secure them	2.2. 30,000 representatives of small-scale farmers (disaggregated by sex), marginalized groups as well as governmental and non-governmental partner organizations, in 6 districts which participated in awareness-raising campaigns, are acquainted with the principles of Mailo land and the national land policies.	2.2 X (from the previous phase).	2.2 X plus 30 000 representatives	Target group surveys	

Output 3 related to Outcome 2	2.3 Relevant stakeholders (local government administration, para-surveyors and CSOs) have the capacity to implement the national land policy and to contribute to transparent and rights-based land governance	2.3.1 - 8 Multi-Stakeholder-Dialogues between civil society groups (CSOs, farmers associations), private investors and government representatives takes place in Central Uganda to serve as local governance structures for key stakeholders of the project 2.3.2 In 6 districts, 40 capacity building measures for district administration, civil society organisations and para- surveyors are conducted on systematic land inventory.	2.3.1 - X (from the previous phase). 2.3.2 - X (from the previous phase).	2.3.1 – X plus 8 dialogues 2.3.2 X+ 40 capacity building measures for stakeholder groups.	2.3.1 Documentation in knowledge product 2.3.2 training records	
Output 4 related to Outcome 2	2.4 Financial institutions provide credit services to small-scale farmers on Mailo land	2.4.1 40 trainings to develop sustainable business plans (incl. e.g., financial literacy) were conducted in the targeted sub-counties.	2.4.1 - 0	2.4.1. - – 40 trainings	2.4.1 training records	
Output 5 related to Outcome 2	2.5 Good practices and lessons learnt are implemented outside of the project region	2.5.1. - 1 good practice and lesson-learned during systematic land inventory have been documented for a scaling-up outside the project regions. 2.5.2 - In 3 learning events and international conferences, project results were shared with the participation of partners.	2.5.1 – X (from previous phase) 2.5.2 X (from previous phase)	2.5.1 X+1 good practice and lesson-learned 2.5.2 X+3 learning events and international conferences.	2.5.1 Knowledge products, brochures, reports from other regions 2.5.2 Conference proceedings.	

4. IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁹.

4.4.1 Indirect Management with an International Organisation

A part of this action may be implemented in indirect management with the United Nations Capital Development Fund - UNCDF. This implementation entails the implementation of the Specific Objective 1 of the action, namely "Promote growth and job creation by investing in fully integrated and sustainable agribusiness MSMEs that create and retain wealth within Uganda". In particular UNCDF will be in charge of working to: a. Strengthen institutional capacity of agribusiness MSMEs to conduct sustainable business and business operations (including digital solutions); b. Improve technical capacity of agribusiness MSMEs to develop bankable investment proposals and c. Unlock affordable medium-term finance for agribusiness MSMEs in value addition and agro-processing.

The envisaged entity has been selected using the following criteria: this action, named START 2.0, is the continuation of the work started under the START 1.0 facility, implemented by UNCDF as part of the Development Initiative of Northern Uganda. While phase 1 was focusing only on Northern Uganda, this second phase will expand both geographically (nationwide) and in terms of value chains covered. In this regard, UNCDF, being the implementing partner for phase 1, is the natural partner for continuing the work. Indeed, UNCDF has created the methodology for the START facility, has gathered the necessary experience to expand beyond the Northern regions, has established the key contacts and partnerships with local financial institutions and has produced all necessary analysis and assessment of MSMEs involved in agribusinesses and of selected value chains. In addition, it has the organisation, structure and personnel in place to ensure continuity and expansion of the activities. Finally, it brings a new additional digitalisation component to the action which is based on its experience in other contexts.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

⁹ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.4.2 Indirect Management with a Member State Organisation

A part of this action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. This implementation entails the execution of the Specific Objective 2 of the action, namely “Contribute to the increased security of land rights and enhanced access to finance resulting in improved livelihoods, food security, and poverty alleviation for small-scale farmers, in particular for women and marginalized groups in Central Uganda. In particular, GIZ will work to document land rights and to improve the access to finance in rural areas for certain population groups, on Mailo land, in Central Uganda.

The envisaged entity has been selected using the following criteria: this action, named “Improvement of Land Governance in Uganda to Increase Productivity of Small-Scale Farmers on private Mailo-Land (ILGU) - Phase II”, is the continuation of the work started under the ILGU project, implemented by GIZ under a food security thematic line on governance of land tenure. GIZ has gathered an important amount of experience and competencies in an area of work (private MAILO land) highly sensitive and political. The first phase has put most of the efforts in raising awareness, bringing all stakeholders on board and documenting. This second phase will continue and expand on what has been achieved under phase 1 but will also put a stronger focus in facilitating access to finance to small holder farmers by using the land related documentation produced under the project. In addition, BMZ is also securing a contribution to continue the activities. GIZ is recognised as the key counterpart of the Government both at national and district level on issues related to private MAILO land, it has created a broad network of partners and has developed the methodology used to document the parcels of land. In addition, it has established contacts with key financial institutions and is coordinating a technical group of partners on land titling. Finally, it has the organisation, structure and personnel in place to ensure continuity and expansion of the activities.

In case the envisaged entity would need to be replaced, the Commission’s services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components ¹⁰	EU contribution (amount in EUR)	Third-party contribution (amount in EUR)
Implementation modalities – cf. section 4.4		
Objective 1 - Agri-business development composed of	8 000 000	1 000 000
Indirect Management with an International Organisation – cf. section 4.4.1		

¹⁰ N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

Objective 2 – Mailo Land composed of	3 000 000	1 300 000
Indirect Management with a MS Organisation – cf. section 4.4.2		
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another Decision	N/A
Totals	11 000 000	2 300 000

4.7 Organisational Set-up and Responsibilities

The overall action will report to the SB4U platform and as such will be part of the Team Europe Initiative on Sustainable Business for Uganda's governance structure.

Each action will also have its specific project governance set up, necessary to ensure that technical implementation feeds into sectoral policy dialogue and that strategic decisions are taken on the implementation of each specific objective.

For the component to be implemented by UNCDF, the governance will build on the project board set up in the first phase of the START Facility and will indicatively be composed of: Ministry of Planning, Finance and Economic Development, Ministry of Agriculture, other sectoral Ministries, Private Sector Foundation, UDB and other partner financial Institutions, the EU Delegation, UNCDF. The project board will meet at least twice a year. Additional meetings can be organised on needs-based.

For the component to be implemented by GIZ, phase 1 was overseen by regular stakeholder meetings chaired by Ministry of Land and composed of all key national and district stakeholders. A similar coordination approach will be foreseen for this second phase of the project. The high level stakeholder meetings will be organised at least twice a year. Additional meetings can be organised on needs-based.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. 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 based on disaggregated data, using as reference the Logframe matrix.

Any monitoring and evaluation will showcase of any relevant EU spending target to which the action contributes. In particular it will focus on impact on environment and climate change and on gender-sensitive, assess gender equality results and implementation of human rights-based approach working method principles (a) applying all human rights for all; b) meaningful and inclusive participation and access to decision-making; c) non-discrimination and equality; d) accountability and rule of law for all; and e) transparency and access to information supported by disaggregated data) in terms of implementation of the project and project outcomes. Key stakeholders will be involved in the monitoring process. Monitoring and evaluation will be based on indicators that are disaggregated by a minimum sex, age and disability, and even further when appropriate (group, location urban/rural etc.).

Reports 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.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Collaboration between the implementing partners and the technical Ministries may be framed in Memorandums of Understanding or similar documents.

In addition, this action will be monitored in the framework of the SB4U platform Team Europe Initiative; presentation and information sharing will take place at SB4U board level and will be coordinated by the SB4U Secretariat.

5.2 Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission, including gender and human rights expertise.

A mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to the overall implementation of the SB4U TEI. Indeed, a mid-term evaluation would aim at covering the different interventions implementing the TEI.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is part of the SB4U TEI.

The evaluations will be jointly carried out with contributing Member States and EDFIs with the aim to provide an overview of the action within the larger impact of the TEI.

The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination¹¹. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under Technical Support Programmes.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international

¹¹ See best [practice of evaluation dissemination](#)

financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1 REPORTING IN OPSYS

An Intervention¹² (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.

In the case of 'Group of actions' level, add references to the present action and other action concerning the same Primary Intervention.

In the case of 'Contract level', add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

Option 3: Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Indirect Management with an International Organisation - UNCDF
<input checked="" type="checkbox"/>	Single Contract 2	Indirect Management with a Member State Organisation - GIZ

¹² [ARES \(2021\)4204912](#) - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'action' and 'Intervention' where an 'action' is the content (or part of the content) of a Commission Financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).

