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This action is funded by the European Union

**ANNEX**

of the Commission Decision on the financing of the annual action programme 2018 in favour of Uganda

**Action Document for Promoting Inclusive Green Economy in Uganda**

<b>1. Title/basic act/ CRIS number</b>	<b>Promoting Inclusive Green Economy in Uganda</b> CRIS No: UG/FED/041-153 financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/ location</b>	Republic of Uganda	
<b>3. Programming document</b>	National Indicative Programme (NIP) 2014-2020 for Uganda	
<b>4. Sector of concentration/ thematic area</b>	Inclusive Green Economy	DEV. Assistance: YES
<b>5. Amounts concerned</b>	Total estimated cost: EUR 207 350 000 Total amount of EDF contribution: EUR 60 000 000 This action is co-financed in joint co-financing by: - Kreditanstalt für Wiederaufbau (KfW) for an amount of EUR 15 000 000 - United Nations Office for Project Services (UNOPS) represented by Cities Alliance for an amount of EUR 200 000 - Food and Agriculture Organization of the United Nations (FAO) Investment Centre for an amount of EUR 200 000 - Danish International Development Agency (DANIDA) for an amount of EUR 15 000 000- Eligible Development Finance Institutions, private sector: EUR 115 750 000 - German Federal Ministry for Economic Cooperation and Development (BMZ) for an amount of EUR 1 200 000	
<b>6. Aid modality and implementation modalities</b>	Project Modality Direct management – grants – direct award Indirect management with DANIDA, FAO, GIZ, KfW and UNOPS The components regarding the Africa Investment Platform (AIP) shall be implemented in indirect management by the entities, with complementary Commission decisions to be adopted, if necessary, at the end of the Regional Blending Facilities award procedure.	
<b>7 a) DAC codes</b>	14020 - Water supply and sanitation - large systems 14050 - Waste management /disposal 23630 - Electric power transmission and distribution 24030 - Formal sector financial intermediaries	

	25010 - Business support services and institutions 31193 – Agricultural financial services 41040 - Site preservation 41050 - Flood prevention/control			
<b>b) Main Delivery Channel</b>	13000 - Third Country Government (Delegated co-operation)			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<b>X</b>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Combat desertification	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<b>X</b>
<b>9. GPGC thematic flagships</b>	N/A			
<b>10. Sustainable Development Goals (SDGs)</b>	<u>Main SDGs</u> : 1 (No Poverty), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth) and 11 (Sustainable Cities and Communities). <u>Secondary SDGs</u> : 5 (Gender Equality), 9 (Industry, Innovation and Infrastructure) , 12 (Sustainable Consumption and Production) and 13 (Climate Action).			

## SUMMARY

The present intervention is the first one proposed under the new Inclusive Green Economy focal sector of the revised NIP. It aims to support the country's transition towards an inclusive, green and competitive low carbon economy in line with the Uganda Green Growth Development Strategy 2017-2030 (UGGDS) and other national directives towards an environmentally friendly economic growth model. It will contribute to the five sectors laid down in the UGGDS, amongst them sustainable energy, sustainable agricultural production and value chains, planned green cities, and natural capital management and development. The intervention is designed to tackle some of the most pressing obstacles to this transition and promote inclusive and green development opportunities and jobs, focusing on women and youth as well as on the most vulnerable rural and urban populations, such as informal and remote settlement dwellers and refugees. It is particularly geared towards leveraging private sector eco-inclusive investments for micro, small and medium enterprises – the main employers of the country – with the aim to exploit the promising but untapped green job potential. It focuses in particular on sustainability of natural resources (biomass, waters, wetlands) currently under serious strain, due notably to haphazard development of cities and high refugee influx.

Analysis confirms that access to finance, country-wide, is critical, and that access to energy is dramatically needed in rural areas whereas specific value-chains offer opportunities in cities mainly, where reliable social and economic facilities (housing, water) are also essential to provide a conducive investment climate. Those different enabling "services" are not independent and mutually exclusive but on the contrary would benefit greatly from cross-feeding and synergies. Thus, the action aims to (1) improve quality of life of remote households and support private businesses through better access to affordable clean energy sources, (2) contribute to develop green businesses and eco-entrepreneurship, with a particular focus on women and youth, through fostering access to finance and helping improve the country's policy and legal conduciveness to business and (3) contribute to sustainable working patterns in several Ugandan planned urban areas and improve quality of life with a value-chain approach so as to engage the private sector in partnerships in sustainable urban development and wetlands conservation/restoration. The action is aligned to the Commission's Private Sector Development Strategy<sup>1</sup>, the Jobs and Growth Compact and the Economic Diplomacy Initiative and aims to feed into investment opportunities under the External Investment Plan<sup>2</sup>.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

#### 1.1.1 *EU Policy Framework and Public Policy Assessment*

The overarching EU policy framework on Inclusive Green Economy is the 2011 Agenda for change. It commits the EU's development policy to promoting a green economy<sup>3</sup> *that can generate growth, create decent jobs and help reduce poverty by valuing and investing in natural capital, including through supporting market opportunities for cleaner technologies, energy and resource efficiency, low-carbon development while stimulating innovation, the use of ICT, and reducing unsustainable use of natural resources*. In addition, 2014 Commission communication on Private Sector Development underlines EU's ambition of promoting eco-entrepreneurships and green job creation. More recently, the United Nations 2030 Agenda for Sustainable Development and the New EU Consensus on Development<sup>4</sup> provide a strategic approach for sustainable development. This EU vision is translated in Uganda through the Jobs and Growth Compact and the Economic Diplomacy Initiative. These, eventually, would feed into investment opportunities under the External Investment Plan.

This approach towards green economy has been also developed by the Ugandan authorities, who launched in November 2017 an ambitious Uganda Green Growth Development Strategy (UGGDS), covering the period 2017-2030. Ownership by Government of Uganda, and in particular its National Planning Authority, is strong and green economy is increasingly mainstreamed in all sector policies, such as for example currently in the National Urban Solid Waste Management Policy. The UGGDS aims to implement Uganda's long- and medium-

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<sup>1</sup> A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries COM(2014)263 final of 13.5.2014.

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank strengthening European investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan COM/2016/0581 final.

<sup>3</sup> *"An economy that can secure growth and development, while at the same time improving human well-being, providing decent jobs, reducing inequalities, tackling poverty and preserving the natural capital upon which we all depend."* Commission Communication "Rio+20: towards the green economy and better governance, COM (2011) 363 adopted on 20 June 2011.

<sup>4</sup> OJ C 210 of 30.6.2017.

term strategies (Vision 2040 and its National Development Plan 2015-2020, in particular) as well as achieving its commitments to the Sustainable Development Goals and the Paris Agreement on Climate Change. Specifically, the UGGDS seeks to: (i) accelerate economic growth and raise per capita income through targeted investments in priority sectors with the highest green growth multiplier effects; (ii) achieve inclusive economic growth along with poverty reduction, improved human welfare and employment creation; and (iii) ensure that the social and economic transition is achieved through a low carbon development pathway that safeguards the integrity of the environment and natural resources.

Although green economy is a new area of intervention in Uganda, opportunities in sectors and value chains such as energy, agriculture, transport, tourism, waste management, slums upgrading, wetlands restoration/conservation have already attracted interest from the public administration as well as from the Ugandan and international private sector.

Finally, supporting Uganda's Inclusive Green Economy agenda offers a number of opportunities in terms of closing the gender gap, inter alia through promoting economic and social rights and the empowerment of girls and women.

### 1.1.2 Stakeholder analysis

Given the "inclusive" objective of the action, the most economically or socially **vulnerable populations** have been identified, including **women and youth**, in both rural and urban areas:

- **Residents of the Greater Kampala Metropolitan Area**, which represents around 10% of the country's population, some 60% of which now live in informal settlements lacking basic water, drainage, sewage or solid waste collection services. Amongst them are over 100 000 refugees. More specifically, Kampala's Kinawataka and Kasokoso informal settlements, which host 9 000 households and 1 600 micro-businesses are bound to be impacted by the EU-co-financed Kampala-Jinja Expressway project,
- **Refugees and host communities**, without distinction, in Northern and South-Western Uganda. Most of them are unable to start self-reliant livelihood activities due to the lack of access to basic services such as energy or water in:
  - the North, which welcomes a total number of refugees of 1 million in the districts of Gulu, Lamwo, Adjumani and Arua, as a consequence of high insecurity in Southern Sudan. Specific targets are households and smallholder farmers in remote villages with currently no access to electricity, financial services or regional markets,
  - the South-West, notably the Isingiro district's Nakivale-Oruchinga settlement, with over 100 000 refugees and an even bigger vulnerable host population – deprived from access to proper water services and suffering in particular from the depletion of Lake Nakivale.

Institutional stakeholders include Uganda's **Ministry of Finance Planning and Economic Development**, National Authorising Office, and its relevant agencies<sup>5</sup>, notably its **National Planning Authority**, which spearheads the UGGDS along with all **line ministries/agencies** – in charge of energy, agriculture, trade, water, etc. – at national level. They have been duly consulted in the phase of project preparation. **Local authorities** including the Kampala Capital City Authority, the Gulu Town Council and the Isingiro District will also be engaged.

Last but not least, **Ugandan and European private sector** have been consulted in the phase of project preparation and will be engaged closely during implementation. This includes **micro, small and medium enterprises (MSMEs)**, which will benefit from technical and financial support, **professional associations, incubators, business development service**

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<sup>5</sup> Climate Change Department, Environment Management Authority, Forestry Authority, Wildlife Authority, among others.

**providers and local finance institutions. Civil society and community-based organisations** active in the sectors covered by the UGGDS will also be engaged, especially under the intervention's components targeting solid waste management and slum upgrading.

### 1.1.3 *Priority areas for support/problem analysis*

Vulnerability and extreme poverty, high population growth and continuous influx of refugees have two main consequences: unemployment remains prevalent and pressure on the ecosystem is constantly increasing. This analysis calls for innovative approaches that may simultaneously address the need for decent job creation and preservation of natural resources. It is in this context that the Uganda Green Growth Development Strategy was launched and articulates green growth along five strategic areas: sustainable agriculture production and value chains, natural capital management, planned green cities, sustainable transport and renewable energy. This new approach will allow our cooperation to simultaneously tap into the substantial potential for growth and job creation – in particular for women and youth – of the green economy and provide sustainable solutions to face climate change. To help achieve these ambitions, while at the same time building on the strategic investments made over the last decades as well as a number of existing Governmental initiatives to promote green jobs<sup>6</sup>, analysis shows that support is needed on:

- empowering innovative and locally-led start-up, micro-, medium- and small-scale enterprises as well as larger companies committed to advancing an eco-inclusive agenda, including through access to finance and skills development;
- addressing the bottlenecks that hamper value addition in a number of selected value chains;
- making the country's business environment and legal framework more conducive to eco-inclusive initiatives;
- favouring partnerships between European and Ugandan private sectors (an objective of the economic diplomacy as well).

Such an approach would entail using a combination of the three pillars of the External Investment Plan with a view to leveraging private investment. Both for social and economic reasons, it is assessed that some of the actions to be implemented should benefit refugees and host communities, as an illustration of the humanitarian-development nexus approach and as confirmed by the EU and Member States "Nexus workshop" held in April 2018 in Kampala.

As elaborated in the Jobs and Growth Compact for Uganda and according to the National Strategy for Private Sector Development (2017-2022), Uganda's Private Sector is dominated by micro, small and medium enterprises (MSMEs), comprising approximately 1 100 000 enterprises, whether formal or informal, and employing approximately 2.5 million people. More than 93% are micro enterprises, engaging at most 4 persons each. The majority of these enterprises are family based, with no formal skills, no clear addresses and usually operating in an informal manner. In fact, it is estimated that the informal sector contributes a significant share to Gross Domestic Product (GDP): 43% in fiscal year 2014/15. These contributions to GDP, both formal and informal, can be divided into agriculture, industry and services, with service accounting for 55% to GDP and agriculture for 72% to job creation. MSMEs are therefore key actors to the above-mentioned model and the main job generators.

The various constraints in development of the private sector have been analysed and it appears that access to finance, country-wide, is critical, and that access to energy is dramatically needed in rural areas whereas specific value-chains offer opportunities in cities

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<sup>6</sup> Including the Ministry of Gender, Labour & Social Development (MoGLSD)-led *Green Jobs Programme* – a ca USD 200 million programme specifically geared towards creating green jobs. Although the programme was approved by Uganda's Cabinet in December 2016, it's currently under review as part of an effort to better align it with the UGGDS.

mainly, where reliable social and economic facilities (housing, water) are also essential to provide a conducive investment climate. More specifically:

- The cost of **accessing finance** is indeed a key deterrent to the development of MSMEs. Average lending rates are 21% per year for loans of 3 years or less. Those loans are not penetrating the sectors most in need like the first job provider, agriculture. Generally, Uganda's credit provision to the Private Sector is among the lowest in the region (14% of GDP) and is biased towards semi-urban based larger companies. MSMEs need affordable capital to allow them to '*green*' and grow their business and advisory support, incubator and Business Development Services also need to be foreseen to support developing their capacity and establish trustful partnerships. Financial products provided by Development Finance Institutions have not triggered massive borrowing from the private sector though, because of inadequate standards for due diligence to MSMEs and impossibility to borrow in local currency, amongst others.
- With an access to **electricity** ranging between 0% and 29% in rural areas, small and dispersed markets remain the key hurdle to electrification through national grid. Access to affordable, reliable energy is a major constraint to business creation, value addition and, more generally, investment and growth, which in turn limits employment. Yet, increased access to electricity for households and businesses could be cost-effectively and rapidly achieved through small scale renewable energy decentralised systems managed under concession by private companies involved in Public Private Partnerships. A market analysis recently undertaken on the issue has concluded that a mini-grid approach represents the most viable electrification opportunity for these areas.
- In rural and as well as in urban areas, reliable social and economic **services** are essential to provide a conducive investment climate. Vulnerable groups, such as informal settlers, refugees and host communities, have limited access to basic services such as water, improved sanitation, waste management (considered as the largest driver of water vulnerability due to uncollected solid waste clogging storm water drains), power and/or economic opportunities, which amplifies the stress into the natural resources and limits employment. Economic growth opportunities are currently concentrated in urban, semi urban centres with Kampala responsible for 60% of the country's GDP<sup>7</sup>. Due to non-inclusive economic opportunities and suboptimal planning, these areas also demonstrate ever increasing social inequalities and environmental strains<sup>8</sup>. Slums currently make up at least a quarter of Kampala's total surface area, housing roughly 60% of the city's population. Most of them are located in wetland areas – a consequence of the city's inability to deal with housing supply deficits and to provide affordable housing and community infrastructure. Urban areas, with populations increasing at no less than 5% per annum, therefore provide the greatest opportunities for greening, for inclusiveness, for the development of new competitive economic models, for planned and sustainable urban development.

The Government of Uganda, with the support of the Global Green Growth Institute and other agencies, has been working on mainstreaming green economy into its policy documents and development plans (e.g. the development of a green National Development Plan III and a green National Manufacturing Strategy, greening of the National Budget, etc.). There are a number of key documents already available for reference. By way of illustration, in the field of waste management, these include: the National Urban Solid Waste Management Policy, National Urban Solid Waste Management Policy Implementation Plan,

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<sup>7</sup> <http://www.monitor.co.ug/Business/Prosper/What-drives-Kampalas-economy-/688616-4273442-veqvnoz/index.html>

<sup>8</sup> For instance, Uganda has seen a reduction in its forest cover from 24% in 1990 to 8% today and wetland cover from 13% to 8% over the same period, while 80% of greenhouse gases are emitted in cities.

the Kampala municipal solid waste management value chain mapping recently carried out by GGGI, the Gulu Physical Development Plan 2015-2035 and other existing urban development documents.

As for the intervention's potential in terms of job creation, it is difficult to assess with any certainty at this stage but it is expected to be high. Green Cities were identified as the UGGDS strategic area with the highest potential in terms of permanent decent job creation<sup>9</sup>. To the largest extent possible and, as has been the case under a number of ongoing interventions (e.g. GIZ's International Water Stewardship Programme), the intervention will monitor direct, indirect and induced job creation, as well as job safeguarding. The impact on women, refugees, the youth and vulnerable groups is expected to be high as well<sup>10</sup>.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
The project does not reach viability criteria attractive enough for private sector investment, affordable tariffs for end-users of the vulnerable regions targeted or acceptable public-private partnerships.	Medium	Pre-feasibility studies have involved stakeholders and further engagement shall be carried out at inception stage to ensure a relevant level of public financing to make the interventions viable, affordable and attractive without distorting markets. Where possible, initiatives will be based on the successes and lessons of past pilots. Dialogue involving the private and the public sector as well as necessary financing will be provided to create a conducive business environment.
Implementing partners fail to provide adequate – financial – products to beneficiaries, leading the latter to either have low demand or to default loan payments.	Medium	In order to reinforce both supply- and demand-side capacities, technical assistance will be provided to assist both the financial intermediaries and the beneficiaries. This will lead to better projects but also better due diligence and monitoring of operations.
Implementation is delayed for policy reasons outside of the scope of the programme, such as, for instance, land acquisition and land governance.	Medium	The EU co-finances several initiatives complementary to this action, such as land management and infrastructure development, and retains a key policy

<sup>9</sup> Out of a total of 3 370 000 permanent and temporary decent jobs expected to be created by 2029/2030 across all 5 strategic areas under the UGGDS, some 1 250 000 permanent jobs fall under Green Cities. According to the Government's and the New Climate Economy Partnership's November 2016 *Better Growth Better Cities - Achieving Uganda's Development Ambition* report, *direct* job creation in the field of Green Cities will be in the order of 300 000 by 2040 (excluding those jobs to be created in other sectors of the economy more broadly).

<sup>10</sup> Not only will the intervention give special consideration to vulnerable populations, including in particular women, the youth and refugees, but women and the youth already make up the majority of the workers involved in some of the key links of the value chains targeted under the intervention (e.g. landfill scrap dealers, plastic waste street pickers, etc., see GGGI's *Kampala MSW value chain mapping*); as for refugees, they make up the whole of the population of the Nakivale and Oruchinga settlements as well as part of the population targeted under the intervention's slum upgrading and green economy partnerships components.

		dialogue with key stakeholders. Uganda National Roads Authority, Ministry of Lands, Housing and Urban Development or Kampala Capital City Authority, shall also be part of the relevant project Board to ensure timelines are aligned.
Coming up with an institutional setup agreeable to all relevant stakeholders turns out to be a challenge.	Low	An ongoing study as well as ongoing discussions with all relevant Government stakeholders will help select the most relevant institutional setup from the various options.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>- Government of Uganda operationalises the off-grid development strategy and promotes the development of mini-grids. Other stakeholder interventions, notably in distribution national grid extension, do not jeopardise the viability of off-grid projects including mini-grids;</li> <li>- Government of Uganda, in particular Uganda National Roads Authority, clearly recognise the importance of additional livelihood restoration measures and engage with other partners like National Housing for the relocation of people;</li> <li>- Macroeconomic environment is stable and banking sector experiences no major shock;</li> <li>- Government of Uganda remains supportive of the provision of water and sanitation services to refugee settlements and host community dwellers in Isingiro (as it has been so far, including through the Office of the Prime Minister's and the Ministry of Water and Environment's commitment to coming up with a <i>WASH Response Plan for Refugees and Host Communities</i> under the <i>Comprehensive Refugee Response Framework (CRRF)</i> umbrella;</li> <li>- Conduciveness of country's legal framework to private sector development does not deteriorate.</li> </ul>		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

Inclusive Green Economy is a relatively new sector worldwide, let alone for Uganda and the region. Nonetheless, the proposed intervention builds on the momentum, lessons learnt and opportunities created by successful pilot actions in the country.

**Energy access** activities are modelled on (i) the success of renewable energy generation projects developed by the private sector through a premium mechanism on Feed-in Tariffs (GET-FiT), (ii) the pilot implemented by GIZ to develop 25 mini-grids in Northern Uganda while improving the regulatory framework for off-grid/mini-grid schemes and (iii) other relevant ongoing projects<sup>11</sup>. They provide important lessons regarding feasibility of the bundled tender approach, level of Viability Gap Funding for tariffs to be acceptable to end-users, subsidy mechanism and disbursement milestones, distribution asset construction and ownership options, Programme Executing Agency to be supported, type of support for the promotion of productive uses and types of contractual agreements (concession, lease, implementation) to be signed. All those lessons have been analysed in the pre-feasibility study<sup>12</sup> for the project and taken on board for the design of this scale up, including a market

<sup>11</sup> E.g.: Access to energy services in rural and peri-urban areas in Northern Uganda (Teko Wa Project) – Church of Sweden and Lutheran World Federation.

<sup>12</sup> Pre-feasibility Study for Get Access: Mini-grid Systems. REA represented by KfW – Multiconsult- June 17<sup>th</sup> 2018.

study and lessons learnt throughout the East Africa region. Essential building blocks to allow for private investment in and operation of mini-grids are in place in Uganda, as long as the identified viability gaps are filled.

**Access to affordable finance** and technical support for small businesses was identified early as an important priority. Development partners dedicated substantial resources to support a large number of financial intermediaries (incubators, accelerators, advisory services, mentoring, investor networks, business plan competitions, etc.) crowding the financial intermediaries' landscape in Uganda. Agricultural Business Initiative, African Development Bank's credit lending experience, Uganda Development Bank's deep structural knowledge in the country and Adelphi's understanding of green economy as a business bring cumulative assets and lessons from the past. While using this experience and acknowledging existing opportunities, it is important to combine capacity building with hard credit support particularly tailored to the smallest businesses.

Individual initiatives to promote **inclusive growth and environmental sustainability in cities** have been implemented in Uganda for some time, inviting to a scale-up of the most promising opportunities for inclusive green economy with the private sector. These experiences include (i) GIZ's International Water Stewardship Programme, which has established a number of Public Private Partnerships in Kampala to leverage investments towards green economic growth in such areas as solid waste management and water stewardship<sup>13</sup>, (ii) Cities Alliance's expertise in slum upgrading and alternative livelihoods promotion and (iii) AFD's extensive experience in water and sanitation programmes in Uganda, co-financed with the EU, and in the same sector for refugees in a number of other countries<sup>14</sup>.

### 3.2 Complementarity, synergy and donor coordination

The action is complementary to flagship programmes such as the Development Initiative for Northern Uganda (targeting in particular agriculture and energy in 5 Northern regions), the Market Access Upgrade Programme (focusing on **job creation** in the coffee and cocoa value-chains in Uganda), a number of pilot projects financed under the Switch Africa Green initiative, the Kampala-Jinja Expressway (major public-private investment in a first partnership of this kind in the region but coming with **social challenges in Kampala** which the current programme proposes to address). The **access to finance** proposed in the current programme will complement and reinforce existing EU-funded initiatives, such as the Yield Uganda Fund (supporting small and medium agribusiness through the provision of loans, equity and advisory services) and the Support to Agricultural Revitalization and Transformation facility (providing grants to small farmers). The current intervention will also complement activities aimed at providing economic opportunities to **refugees and host communities**, as well as capacity strengthening of local governments in West Nile, Kampala and South-Western region, funded from the EU Trust Fund. It has a significant synergy potential with ECHO's significant programming nationally (EUR 88 million in 2017 and 2018) and in south-western Uganda in particular in health, education and especially in WASH and livelihoods. More specifically, there are clear potential for complementarity with the UNHCR Multi-Purpose Cash Transfer [MPCT] pilot, the World Food Program's vulnerability

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<sup>13</sup> See <http://www.iwasp.org/where-we-work/where-we-work/uganda>, <https://www.kcca.go.ug/pollution-control-task-force>

<sup>14</sup> Including increased water supply for host communities and refugees in Irbid and Ramtha cities in Jordan (2016-2020), increased educational and health services to Syrian refugees and host communities through international and local NGOs in Lebanon and Jordan (2013-2017), improved access to water, sanitation and hygiene for host communities and Central African refugees in Chad (2011-2013).

target pilot and the Cash programming. In addition, there will be synergies with EU-funded support to business environment through private and public sectors dialogue.

The intervention is fully complementary and will contribute to a policy green mainstreaming exercise led by the National Planning Authority (with possible EU support on the drafting of **urban development guidelines**<sup>15</sup>) as well as a number of Governmental and/or UN-led programmes (including the Decent Work Country Programme and the Green Jobs Programme). It also finds synergies with other urban development projects led by AFD, GIZ, UN HABITAT, the Global Green Growth Institute and other agencies (including the IFC-facilitated *Kampala Waste Treatment & Disposal PPP Project*) notably to provide improved services and to upgrade slums in line with the *National Urban Policy*, the EU-funded *National Housing Policy*, the *National Slum Upgrading Strategy* and the *Sustainable Urban Development Plan*. In the energy sector, it is aligned to the electricity masterplan commissioned by the Rural Electrification Agency (REA) and the National Rural Electric Cooperative Association. A national task force comprising of REA, the Electricity Regulatory Authority and the Ministry of Energy and Mineral Development has been set up to **develop mini-grids**, supported by Development Partners including KfW (EUR 15 million already earmarked) and France (likely commitment in 2019 through the EU-funded Africa Renewable Energy Scale Up Facility). Moreover, the intervention was developed in close coordination with other development partners including the World Bank, AfDB, Japan, the United Kingdom and the United Nations. It is also complementary to such projects as Barefoot Africa's Women Increasing Sustainable Energy access and use (WISE) project.

Finally, it should be noted that the intervention's components complement each other directly (with for example the access-to-finance component to support income generation in the value chains to be targeted under the Planned Inclusive Green Cities component).

### 3.3 Cross-cutting issues

Most cross-cutting issues are at the core of the current programme, considering its inclusiveness and sustainability objectives. The Action will specifically target vulnerable populations (rural poor, slum dwellers, refugees, women, youth). Households and small businesses affected by possible land and tenure evictions will be able to benefit from basic economic and social services in an inclusive and environmentally sustainable manner. To make sure the gender aspect remains at the forefront of the action, a non-governmental organisation, such as Women in Informal Employment Globalising and Organising, will be mobilised in support to the affected small businesses run by women to continue their enterprise or adapt to a new opportunity. The Action will also empower rights-holders to claim their rights and support all people's rights to access to secure, quality, available, affordable, accessible and appropriate water or electricity or road services depending on the Action component.

In terms of environmental protection, the programme will have a positive impact on the restoration/conservation of critical environmental areas like wetland areas which provide ecological services to all urban population in Uganda and in particular in Kampala as the city lies on an important network of wetland. As for equipment and infrastructure provided by the project, they will be designed so as to be climate-proof and proper waste management measures will be in place (e.g. for spent solar plant batteries).

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<sup>15</sup> To be financed outside this intervention.

## 4 DESCRIPTION OF THE ACTION

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to progressive achievement of SDGs 1 (No poverty), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth) and 11 (Sustainable Cities and Communities) but also promotes progress towards Goals 5 (Gender Equality), 9 (Industry, Innovation and Infrastructure), 12 (Sustainable Consumption and Production), 13 (Climate Action). This does not imply a commitment by the Republic of Uganda benefiting from this programme.

### 4.1 Overall and specific objectives, and expected results

The **overall objective** of this project is to contribute to Uganda's transition towards an inclusive, green and competitive low carbon economy and the creation of green jobs in all 5 sectors laid down under the *Ugandan Green Growth Development Strategy*, amongst them sustainable energy, sustainable agricultural production and value chains, planned green cities, and natural capital management and development, notably providing access to finance.

The **specific objectives** are<sup>16</sup>:

1. Access to Energy: to improve quality of life of remote households and to support private businesses through better access to affordable clean energy sources.
2. Access to finance: to contribute to develop green businesses and eco-entrepreneurship, with a particular focus on women and youth, through fostering access to finance and helping improve the country's policy and legal conduciveness to business.
3. Planned Inclusive Green Cities: to contribute to sustainable working patterns in several Ugandan urban areas, especially for the most vulnerable populations, as well as improve quality of life with a value chain approach so as to engage the private sector in sustainable urban development and wetlands conservation/restoration.

The **expected results** are:

1. Access to Energy: (i) Populations of 125 to 150 villages, especially in Northern Uganda, are electrified, benefiting from the services of a reliable, clean and affordable electricity; (ii) Business development initiatives and employment are boosted in the affected villages in key value chains; (iii) Support is provided to improve the regulatory framework enabling private sector investment in mini-grid development in adherence with the Ugandan off-grid strategy is improved.
2. Access to Finance: (i) MSMEs have better access to credit, in a more conducive business environment; (ii) Green agribusinesses performance and sustainability are improved; (iii) Professionalisation for scale-up and replication of selected green and inclusive MSMEs in agriculture and non-agriculture green sectors is promoted and green jobs are created.
3. Planned Inclusive Green Cities (Kampala, Gulu, Nakivale settlement): (i) Local planning is improved (housing, water) and reliable social and economic services (water, sanitation, waste management) are provided in a planned and sustainable manner; (ii) Living and working conditions of vulnerable groups and businesses are improved, their awareness to green economy is raised and the wetlands where they lived are restored; (iii) Private sector investments in green interventions/value chains (including solid waste management, wastewater treatment and urban wetlands) are leveraged.

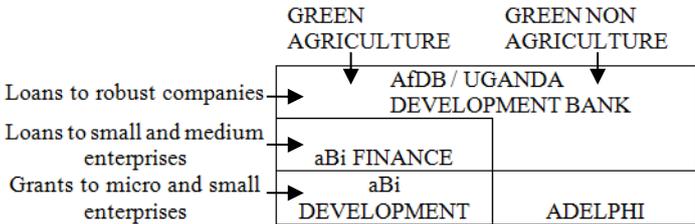
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<sup>16</sup> For monitoring purposes, specific objectives, expected results and indicative activities has been split in three distinct components. They are however mutually reinforcing and cross feed each other, toward the achievement of the same overall objective. For instance, access to finance may support private sector in operating mini-grids in Northern rural area as well as micro-enterprises in Kampala slums or Nakivale refugee settlement.

**4.2 Main activities**

1 Access to Energy: (i) Develop 125-150 mini-grids based on clean/renewable energy technologies of a total capacity of 3 395 kWp for an annual electricity sold of 5 166 MWh to provide some 16 700 new connections in remote rural areas especially in Northern Uganda; (ii) Strengthen the regulatory framework and test the market under the bundled tender approach to allow more private investment in the sector and later the development of unsolicited/decentralised/negotiated mini-grid deals; (iii) Provide a per-connection subsidy on energy tariff top-up mechanism to allow end-users affordable tariffs; (iv) Provide high risk financing to the private sector for corporate capital expenditure; (v) Develop Productive Uses of Energy activities and funding: appliance financing and business mentoring; and (vi) Provide technical assistance (TA) and capacity building to the Regulatory Electricity Agency and/or Rural Electrification Agency.

2. Access to Finance: (i) Credit lines to UDB, combined with guarantees to protect exchange rate losses from AfDB lines of credit in USD to UDB loans in local currency, and TA to UDB and beneficiaries. (ii) Grants and loans to green Agriculture related micro and small enterprises by the



*Agricultural Business Initiative (aBi):* through DANIDA, provide aBi with a combination of grants in the form of small capital and matching grants to aBi Development for micro and small or new green enterprises that do not currently have access to mid-term capital. Through the AIP Blending operation (DFI to be decided), a capital contribution to aBi Finance (Endowment Fund) under the form of loans and guarantees will also be provided, as well as TA to commercial banks and micro-finance institutions that will provide loans; (iii) *Grants to green micro and small non-agricultural companies by Adelphi:* Provide Adelphi with an annual grant scheme (small capital and matching grants) to manage and implement for Ugandan green and inclusive micro- and small enterprises that do not currently have access to mid-term capital, focusing on eco-innovation, job creation and green growth potential, with the objective to create a demonstration effect for replication for eco-entrepreneurs across Uganda while following best-practice selection procedures applying online scoring systems and expert jury panels. Grants used by aBi Development and Adelphi will be targeted, for a limited duration, and will also support incubators and business development services focussing on graduation and access to mid-term capital on commercial terms.

3. Planned Inclusive Green Cities: (i) Sustain livelihoods, facilitate resettlement and restore economic opportunities of informal settlement hotspots inhabitants and businesses (e.g. Nakawa Market) affected by infrastructure development of the Kampala-Jinja Expressway, through the development of slum upgrading and investment plans and improved ecosystem services, inter alia with community sensitisation and the conservation/restoration of the Kinawataka wetland. (ii) Support economic opportunities for Nakivale and Oruchinga refugee settlement dwellers and Isingiro district host communities, notably through the provision of basic services such as water (distribution systems), improved sanitation (including a faecal sludge treatment plant) and awareness-raising activities in support of hygiene, green economy, green business opportunities, with a link to the "Access to Finance" component of the programme. (iii) Generate decent jobs in Greater Kampala Metropolitan Area and Gulu in leveraging private sector investments in key urban value chains such as waste, water management and wetland conservation/restoration (including structured public-private partnerships to green selected industrial value chains, e.g. plastic). (iv) Provide green

economy capacity building and knowledge in such areas as policy, planning and methodologies (e.g. strategic environmental assessment) to local authorities and relevant Government agencies.

### 4.3 Intervention logic

The high priority given by the Government to employment and the recent launch of Uganda Green Growth Development Strategy set a solid and comprehensive strategic framework for green investment and job creation. The European Union pioneers this approach in Uganda and supports, through this intervention, an inclusive green economic model that (i) focuses on vulnerable groups (rural poor, slum dwellers, refugees, women, youth), (ii) supports micro, small as well as more robust green businesses and (iii) focuses its contribution on sustainability of natural resources (biomass, waters, wetlands) currently under serious strain, due notably to haphazard development of cities and high refugee influxes. As analysed in § 1.1.3, the various constraints in development of the private sector appear to be access to finance, country-wide, access to energy, dramatically needed in rural areas whereas specific value-chains offer opportunities in cities mainly, where reliable social and economic facilities (housing, water) are also essential to provide a conducive investment climate. Those different enabling "services" are not independent and mutually exclusive but much on the contrary would benefit from cross-feeding and synergies. More specifically, in the following areas:

- Energy: with a subsidy on connexions cost, the intervention aims to demonstrate the progressive viability of private investments in rural areas so that markets may be able to sustain growth in the future, even though risks and costs are too high in the short-term. Gradual phasing-out of grants and scaling-up of privately owned mini-grids are expected to bring attractive prospects for the future. Those grants will be carefully calibrated to fill the viability gap without creating windfall profits or distorting the market – although the latter are inexistent in the area of intervention. With support from an ElectriFI national window (short-term debt and mainly equity to attract more players), the approach would combine private sector investments to public funding and thus reach scale. Those investments will be complemented by a strengthened regulatory framework to reduce financial and political risks, an adequate tariff structure reflecting affordability for the customers and guidelines for the regulator.

- Access to finance: No single Development Finance Institution or bank currently active in Uganda is able to meet once our two-fold goal of (i) targeting the whole "green economy" area and (ii) financing all sized companies, from start-ups to robust ones. Because of their diverging business strategies, three different partners have indicatively been identified: the African Development Bank/Uganda Development Bank, able to finance the more robust companies, the Agricultural Business Initiative, focused on MSME agri-business, and Adelphi, only relevant manager of green grants to micro and small enterprises. Financing of local banks will be determined by the respect of environmental and social safeguards – with support of technical assistance. As for the grants/loans beneficiaries, their selection will follow a due diligence procedure, with a set of criteria such as the green nature of the business, number of jobs created, women leadership and participation, youth involvement, ethics (including corporate social responsibility), synergies with other green actions, etc. Last but not least, as part of the Sustainable Business for Africa Platform of the External Investment Plan, the programme aims to enable and scale up structured dialogue with the private sector, the banks, the Government and other key players in the field of decent job creation for youth and women and investment climate improvement.

- Cities: out of the priority cities identified under Uganda Vision 2040, the programme proposes to focus on Kampala, main contributor to growth, jobs but also waste and greenhouse gas emissions, and Gulu, major hub of Northern Uganda with a strong potential,

also benefiting from other EU-funded support. The Nakivale/Oruchinga refugee settlement in Isingiro district, bigger than most Ugandan cities (over 100 000 dwellers) and one of the oldest settlements, has also been selected: this proposal derives notably from the April 2018 EU and Member States "Nexus workshop" and the importance of putting in practice the transition from humanitarian assistance to development. Although located in three different geographical areas, the interventions are coherent in the sense that they all (i) address local planning needs, (ii) target vulnerable groups and businesses, (iii) favour green private sector investment and partnerships in urban value-chains – to be identified by the action – and (iv) aim at wetlands restoration/conservation<sup>17</sup>. The proposed activities will capture and showcase practical solutions to the variety of Uganda's urbanisation challenges by setting examples of proper planning, safeguards for future infrastructural development projects, nexus approach for donor interventions and how preserving the environment and generating growth and decent jobs may be mutually reinforcing. The intervention links to the wider strategic framework through a number of activities embedded within the project (e.g. the institutional and capacity development component of the green economy partnership action), and/or to be carried out under complementary EU-funded interventions<sup>18</sup>, and/or through securing the direct participation of key Government stakeholders<sup>19</sup>.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

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

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 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 Decision and the relevant contracts and agreements.

### **5.3 Implementation of the budget support component**

N.A.

### **5.4 Implementation modalities**

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review

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<sup>17</sup> The latter also answers the request received from Ugandan authorities to support the President's Initiative on Wetlands. Worth noticing is the fact that all 3 components of the Planned Green Cities intervention are to (directly or indirectly) target wetland areas. Through providing the Isingiro district dwellers with a sustainable access to water, the intervention will contribute to preventing local communities from fetching water from Lake Nakivale, thus help conserve the (Ramsar-classified) Lake Mburo-Nakivale Wetland System. As for Kampala's Kinawataka and Kasokoso slums, they are located in the Kinawataka wetland, hence will benefit from both slum upgrading activities and wetland conservation/restoration activities (which in turn means benefitting from the ecosystem services provided by wetlands, e.g. flood prevention and waste water treatment).

<sup>18</sup> Including a possible technical assistance support to the National Planning Authority in drafting urban development guidelines for the country's regional and strategic cities (as per their request).

<sup>19</sup> Worth noting here is the fact that the action targeting slum upgrading in Kinawataka/Kasokoso it to be entrusted to Cities Alliance, whose country representative is a Commissioner and acting director at the Ministry of Housing, Land and Urban Development (MLHUD).

procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation<sup>20</sup>.

#### 5.4.1 *Grant: direct award to Adelphi - Grants to green micro and small non-agricultural companies (direct management)*

##### (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

A part of this action will be implemented through direct grant with an overall objective of implementing financial and advisory support to micro and small enterprises that do not currently have access to mid-term capital for graduation, scale-up and replication of selected green and inclusive Micro and Small Enterprises in non-agriculture green sectors. There is an evident advantage, in order to remain inclusive and from an environmental point of view, of having these sections of the private sector also covered by the action.

##### (b) Justification of a direct grant

In order for the proposed action to be successful, it is vitally important to actively promote the inclusion of micro and small enterprises and to have these sections of the private sector fully covered by the action. Enquiring the whole segment in Uganda and assessing the capacity of the potential fund managers led to the conclusion that only one realistic option for the awarding of grants to eco-inclusive MSMEs in all five sectors as defined under the Ugandan Green Growth Development Strategy, and that is Adelphi.

Adelphi is a so-called Think-and-Do-Tank with a not for profit status that has a specialised competence on climate, environment and development. It aims to improve global governance through research, dialogue and consultation. It is the only structure that can claim to have the twofold approach of knowledge production and sharing through its research department and a hands-on experience of grants provision. This exceptional competence qualifies for the use of direct award for grants without call for proposals: actions with specific characteristics that require a particular type of body on account of its technical competences, its high degree of specialisation or its administrative power (Prior Approval 20.f). As a consequence, under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without call for proposals to Adelphi because of its specialised competence.

Adelphi has more than 15 years of experience in supporting SMEs with a green as well as social impact, is entitled to avail grant projects from national governments and multi-lateral organisations, and is currently also hosting the International Carbon Action Plan, the German Task Force on Emission Trading and the Climate Diplomacy Initiative. Under the EU-funded Switch Africa Green Programme, Adelphi is implementing the SEED programme, with a successful approach to promoting private sector led eco-inclusive entrepreneurship, and has a significant experience in awarding grants in the field of eco-innovation and job-creating business models inclusive of vulnerable target groups in Uganda.

##### (c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

##### (d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%. The rate may be higher if the auto-financing capacity of the targeted beneficiaries is weak.

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<sup>20</sup> [https://eeas.europa.eu/sites/eeas/files/restrictive\\_measures-2017-04-26-clean.pdf](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf)

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management

(e) Indicative trimester to conclude the grant agreement

The grant agreement will be concluded by 2nd semester of 2019.

#### 5.4.2 *Indirect management with the Member State Organisation Kreditanstalt für Wiederaufbau (KfW)*

A part of this action may be implemented in indirect management with KfW. This implementation entails the overall management of the scaling up of mini-grids in Uganda : draft, sign and manage all specific agreements necessary for the implementation of this part of the action, provide technical assistance to this Programme Implementing Agency; support the PIA in procuring for the selection of the private company in charge of the construction and the operation of the mini-grids, procure intermediaries for the provision of financial support to the productive users of electricity.

This implementation is justified because of their successful experience on renewable energy generation within GET-FiT programme co-financed by the EU and their involvement in the Energy Sector in Uganda in the generation, transmission and distribution component and their tight knowledge and relation with the two potential Programme Implementing Agencies, the Rural Electrification Agency and the Electricity Regulatory Authority.

The entrusted entity would carry out the following budget-implementation tasks: procurement of technical assistance services, grant to the Programme Implementing Agency for the subsidy per connection, grants for the promotion of productive uses.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in indirect management with the "Agence française de développement" (AFD). The implementation by this alternative entity would be justified because of important capacity and experience of AFD in the electricity distribution in Uganda and is tight links with the potential PEA

#### 5.4.3 *Indirect management with the international organisation United Nations Office for Project Services (UNOPS)*

A part of this action may be implemented in indirect management with the UNOPS. This implementation entails: (i) drive the different parts of the project as a synergized whole ensuring that all aspects are undertaken within time, cost and quality using acceptable policies and procedures; (ii) ensure that the monitoring and evaluation plan is implemented and evidence-based reports are submitted in accordance with the grant agreement; (iii) constantly seeks synergies with other partners and financial institutions to leverage into the programme. This implementation is justified because of their huge experience in informal development community development and slum upgrading, their capacity to mobilise highly skilled expertise within their partners' organisation and their capacity to leverage additional funding for further development of the project.

The entrusted entity would carry out the following budget-implementation tasks: procurement of technical assistance services, procurement of equipment, grants to civil society organisations and Public Private Partnerships with private operators.

The Commission authorises that the costs incurred may be recognised as eligible as of 1 August 2018 because the organisation has started working on that date due to the tight

timeline to ensure communities have been empowered and supported before acquisition of the Kampala Jinja Expressway's Right of Way.

#### 5.4.4 *Indirect management with the international organisation Food and Agriculture Organization of the United Nations (FAO)*

A part of this action may be implemented in indirect management with the FAO. This implementation entails work to be undertaken by the FAO Investment Center for technical assistance to support SMEs on project development and the Uganda Development Bank on value chain development. This implementation is justified because of the substantial added value the Investment Center has in doing this type of work, based on a 20-year collaboration between the FAO Investment Center and the EBRD on developing agrifood value chains through technical assistance and policy dialogue.

The entrusted entity would carry out the following budget-implementation tasks: procurement of services and procurement of equipment.

#### 5.4.5 *Indirect management with the Danish International Development Agency (DANIDA)*

A part of this action may be implemented in indirect management with DANIDA. This implementation entails work to be undertaken by DANIDA to manage a matching grants scheme to the micro and small green agriculture enterprises through aBi Development. This implementation is justified because evaluations of various DFIs lines of credit to commercial banks through intermediary lending show that those lines of credit do not reach micro and small enterprises in the agricultural sector, whereas recent evaluations of aBi demonstrate that it succeeded in improving their access to finance.

The entrusted entity would carry out the following budget-implementation tasks: procurement of technical assistance services, grants to small and medium enterprises.

The entrusted international organisation is currently undergoing ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

#### 5.4.6 *Indirect management with the Member State Organisation Gesellschaft für Internationale Zusammenarbeit (GIZ)*

A part of this action may be implemented in indirect management with GIZ. This implementation entails the overall management of an action under the Planned Inclusive Green Cities intervention, aiming to leverage private sector investments in key urban value chains and provide green economy capacity building and knowledge. This implementation is justified because of their unique experience in terms of waste and water stewardship in Uganda (under the International Water Stewardship Programme) and a track record to our knowledge unequalled in terms of brokering partnerships between the public sector, the private sector and civil society.

The entrusted entity would carry out the following budget-implementation tasks: grants to public and/or private organisations as well as local non-governmental organisations, procurement of services contracts and procurement of equipment.

#### 5.4.7 *Contribution to the Africa Investment Platform (AIP)*

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, and for amounts identified in Appendix 2 of this action document. The entrusted budget-implementation tasks consist in the implementation of procurement,

grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it. The Lead Financial Institutions expected to implement this Action are listed in the appendix. A complementary Commission decision will be adopted following AIP Board approval.

Certain entrusted entities are currently undergoing ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

### 5.5 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.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.6 Indicative budget

	<b>EU contribution (in EUR)</b>	<b>Indicative third party contribution (in EUR)</b>
<b>Access to Energy comprised of:</b>	<b>10 000 000</b>	<b>15 000 000</b>
5.4.2 Indirect management with the Member State Organisation Kreditanstalt für Wiederaufbau (KfW)	10 000 000	15 000 000
<b>Access to Finance composed of:</b>	<b>14 000 000</b>	<b>15 200 000</b>
5.4.4 Indirect management with the international organisation Food and Agriculture Organization of the United Nations (FAO)	2 000 000	200 000
5.4.5 Indirect management with the Danish International Development Agency (DANIDA)	6 000 000	15 000 000
5.4.1 Grant: direct award to Adelphi - Grants to green micro and small non-agricultural companies (direct management)	6 000 000	0
<b>Planned Green Cities composed of</b>	<b>7 000 000</b>	<b>1 400 000</b>
5.4.3 Indirect management with the international organisation United Nations Office for Project Services (UNOPS)	2 000 000	200 000
5.4.6 Indirect management with the Member State Organisation Gesellschaft für Internationale Zusammenarbeit (GIZ)	5 000 000	1 200 000
<b>5.4.7 Contribution to the Africa Investment Platform</b>	<b>29 000 000</b>	<b>115 750 000</b>

5.9 Evaluation, 5.10 Audit	will be covered by another decision	N.A.
Communication and visibility (cf. section 5.11)	N.A.	N.A.
Contingencies	N.A.	N.A.
<b>Totals</b>	<b>60 000 000</b>	<b>147 350 000</b>

## 5.7 Organisational set-up and responsibilities

A **Programme Steering Committee (PSC)** shall be set up to provide strategic and management oversight. The possible permanent members of the Steering committee will be: Ministry of Finance, Planning and Economic Development, National Authorising Officer (chair), EU Delegation (co-chair), the Ministry of Water and Environment; the Ministry of Energy and Mineral Development; the Ministry of Trade, Industry and Cooperatives; the Ministry of Lands, Housing and Urban Development; the Ministry of Agriculture, Animal Industry and Fisheries; the Ministry of Tourism, Wildlife and Antiquities; the Ministry of Works and Transport; the Ministry of Local Government and all district local governments in Uganda; the Ministry of Gender Labour and Social Development and the National Planning Authority. Quorum shall be ensured when both co-chairs and at least two other members are present.

The PSC will notably have the following responsibilities: review and validate work plans, budgets, programme performance of the programme in terms of the foreseen targets; ensure overall coherence amongst the different components and implementing agencies; inform the programme about relevant and complementary activities implemented in the framework of other donor-funded programme or government initiatives. The PSC will meet at least twice a year. A representative from the Uganda Local Government Association; relevant agencies – including the Kampala Capital City Authority, the Gulu Municipality and Insingiro District, donors/international organisations and representatives from the civil society can be invited to attend steering committee meetings as deemed necessary by the full members of the PSC.

Technical Management Committees (TMC) will be created for each of the intervention's three components and will be chaired by a National or local-level counterpart having a key role in the implementation of the relevant component. The TMCs will meet regularly (at least quarterly) and will report progress regularly to the PSC.

## 5.8 Performance and Results monitoring and reporting

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

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 quarterly short progress reports with an annual comprehensive report 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, using as reference the logframe matrix.

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.

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).

## **5.9 Evaluation**

Having regard to the nature of the action, mid-term, final and ex-post evaluations will be carried out for this action or its components via contracted by the Commission.

A mid-term evaluation may be carried out subject to the decision of the PSC in agreement with the Commission. In such case, the mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to investments under the inclusive green economy sectors.

A final and an ex-post 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 is an innovative action.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen 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. 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.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

## **5.10 Audit**

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 audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

## **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that a contract for communication and visibility may be committed under a framework contract to be financed under Technical Support Programmes.

**6 PRE-CONDITIONS**  
N/A

## APPENDIX 1- INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>21</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes.

	<b>Results chain: Main expected results (maximum 10)</b>	<b>Indicators (at least one indicator per expected result)</b>	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Impact (Overall Objective)</b>	Contribute to Uganda's transition towards an inclusive, green and competitive low carbon economy and the creation of green jobs in all 5 sectors laid down under the <i>Ugandan Green Growth Development Strategy</i> , amongst them sustainable energy, sustainable agricultural production and value chains, planned green cities, and natural capital management and development.		Uganda Development Green Growth Strategy	<i>Not applicable</i>
<b>Outcomes (Specific Objectives)</b>	<p>1) Improve quality of life of remote households and to support private businesses through better access to affordable clean energy sources.</p> <p>2) Contribute to develop green businesses and eco-entrepreneurship, with a particular focus on women and youth, through fostering access to finance and helping improve the country's policy and legal conduciveness to business.</p>	<p>1.1) Number of employees (disaggregated by sex and age) and length of business hours worked for already existing businesses**</p> <p>1.2) Number of households (head disaggregated by sex and age) with income-generating activities**</p> <p>1.3) Number of the lines of businesses (owner disaggregated by sex and age) with local value adding*</p> <p>1.4) Number of schools providing electricity dependent educational services**</p> <p>1.5) Number of health centres that offer key electricity-dependent health services**</p> <p>2.1.) Number of full-time (equivalent) green jobs sustained/created.</p> <p>2.2) Number of MSMEs that obtain financial services.</p> <p>2.3) Number of beneficiary farmers who moved up at least one income level</p> <p>2.4) Number of employment positions created by beneficiary agribusinesses and commercialising farmers</p> <p>2.5) % loan volumes of beneficiary FIs from <u>own resources</u> oriented towards agriculture</p> <p>2.6.) Conditions conducive for green and inclusive SMEs to become the spearheads of green growth within Uganda and East Africa.</p> <p>2.7) percentage of women and girls leading/ co-leading or owning/co-owning eco-inclusive SMEs;</p> <p>2.8) percentage of women and girls among all key beneficiaries</p>	<p>1) Field surveys, KfW bi-annual reporting, Developers</p> <p>UDBL Quarterly and Annual financial statements;</p> <p>AfDB supervision reports.</p> <p>Quarterly progress reports (financial and narrative) submitted to Boards.</p> <p>Annual audit for the preceding year</p>	<p>Stable macroeconomic environment.</p> <p>No banking sector shocks.</p>

<sup>21</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

	<p>3) Contribute to sustainable working patterns in several Ugandan urban areas, especially their most informal neighbourhoods, as well as improve quality of life with a value chain approach so as to engage the private sector in urban development (solid waste, wastewater, slum upgrading etc.) and wetlands conservation/restoration.</p>	<p>of the eco-inclusive SMEs;  2.9) percentage of female employees and suppliers among all participating SMEs;  2.10) percentage of women and girls empowered as consumers, and in jobs or employment with producers or as women traders.</p> <p>3.1) Percentage of total targeted households and businesses in Kinawataka, Kasokoso and Nakawa (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure...]) relocated with secure tenure.  3.2) Number of vulnerable households in Kinawataka, Kasokoso and Nakawa (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure...]) that have increased their livelihoods.  3.3) Percentage of targeted households and businesses in Kinawataka, Kasokoso and Nakawa (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure...]) that have increased income.  3.4) Percentage reduction in non-legal activities incurring in the Kinawataka wetland.  3.5) Quantity of water used per capita per day in the Isingiro district / in the Nakivale and Oruchinga refugee settlements  3.6) Percentage of population using hygienic sanitation facilities in the Isingiro district / in the Nakivale and Oruchinga refugee settlements  3.7) Percentage of recurrent costs for water supply services provided by community in the Nakivale and Oruchinga refugee settlements  3.8) Number of direct / indirect / induced jobs created in the medium term within the framework of the supported green economy partnerships</p>	<p>submitted to Boards.</p> <p>3) Field surveys; Cities Alliance's, AFD's and GIZ's reporting; feedbacks from the members of the green economy partnerships</p>	
<p><b>Outputs</b></p>	<p>1.1) Population of 125 to 150 villages especially in Northern Uganda electrified through the project benefit from the services of a reliable, clean and affordable electricity;  1.2) The business development and employment are boosted in the affected villages especially in key local value chains;  1.3) An improved regulatory framework enables the private sector investment in mini-grids development in adherence with the Ugandan off-grid strategy</p>	<p>1.1.1) Number and size of villages electrified  1.1.2) Capacity installed (MWp) and an annual generation (MWh)  1.1.3) Number of new connections (Households and Businesses)  1.1.4) Electricity consumption of households billed per half year (MWh)  1.1.5) Affordability of the Electricity for household and businesses  1.2.1) Number of Productive Uses of Electricity project supported through appliance financing and mentoring  1.2.2) Electricity consumption of commercial customers billed per half year (MWh)  1.3.1) Tariff regulation and subsidy regulation for mini-grids are consolidated and formalised  1.3.2) A consistent institutional framework which clearly delineates the roles and responsibilities of the Electricity</p>	<p>1.1) Field surveys, bi-annual reporting KfW; Electricity Regulatory (ERA) Authority, Rural Electrification agency (REA) and developers  1.2) Developers, Local Councils and KfW bi-annual reporting  1.3) ERA, REA and Ministry of Energy And Mineral development policies and regulation</p>	<p>1) The GoU operationalise the off-grid development strategy and promote the development of mini-grids. China intervention in distribution national grid extension doesn't jeopardise the viability of off-grid projects including mini-grids.</p>

	<p>2.1.) Enhancing financing capacity of UDBL.</p> <p>2.2) Availability of appropriate financing availed by UDBL to enterprises in target sectors.</p> <p>2.3) Beneficiary green agribusinesses business performance and sustainability improved</p> <p>2.4)Smallholder green farmers and agribusiness access to serviceable financial services increased</p> <p>2.5.) Fostering professionalization and access to finance for scale-up and replication of selected green and inclusive SMEs in non-agriculture green sectors.</p> <p>3.1) The Kampala Jinja Expressway Right of Way in</p>	<p>Regulatory Authority and the Rural Electrification Agency is formalised</p> <p>1.3.3)The compensation mechanism for grid arrival is finalised and institutionalised</p> <p>1.3.4) Grid extension planning and implementation predictability and transparency is improved and quantitative and time-bound targets for mini-grids are set and truly owned by the Ministry of Energy and Mineral Development</p> <p>2.1.1) UDBL has access to long term resources to finance its activities</p> <p>2.2.1) Total no. of loans extended by to Enterprises/projects in the target sectors over the life of the LOC facility.</p> <p>2.2..2) Average tenor of loans to enterprises under the LOC</p> <p>2.3.1) Improvements in standard financial performance indicators</p> <p>2.3.2) Number of beneficiary agribusiness that comply with aBi's ESG minimum standards</p> <p>2.3.3) Sales receipts for inputs and output</p> <p>2.4.1) USh additional agribusiness loan <u>volumes</u> by beneficiary FIs by gender, age, location, business type and usage</p> <p>2.4.2.) Number of additional new savings <u>clients</u> in beneficiary FIs by gender, age, location and business type</p> <p>2.4.3.)Number of loans and loan volumes as % of total additional loans and loan volumes accessed by women and youth</p> <p>2.5.1) Number SMEs annually SMEs over a 4-year period are selected to receive small grants to fund effective scale-up and/or replication measures matched with tailored additional technical support for business and scale-up/replication planning as well as eco-inclusive impact planning and monitoring.</p> <p>2.5.2) Annual (4) peer-learning and ecosystem-building workshops implemented including all selected SMEs and relevant BDS providers and annual (4) national multi-stakeholder events implemented</p> <p>3.1.1) Number of resettled people (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure...]) and businesses in</p>	<p>UDBL Quarterly and Annual financial statements;</p> <p>AfDB supervision reports.</p> <p>Quarterly progress reports (financial and narrative) submitted to Boards.</p> <p>Annual audit for the preceding year submitted to Boards.</p>	<p>Stable macroeconomic environment.</p> <p>No banking sector shocks.</p>
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	<p>Nakawa Market and Kasakoso/Kinawataka informal settlements in Kampala is cleared for construction while all affected targeted households and businesses in the focused areas are better off than before with the preconditions in place for longer term neighbourhood incremental upgrading.</p> <p>3.2) Some 320,000 inhabitants of the Isingiro district, including 110,000 refugees, are provided with an access to water and sanitation facilities, and their awareness on hygiene raised. The capacities of the stakeholders in charge of operating water and sanitation services in the Isingiro district are reinforced.</p> <p>3.3) A number of private sector investments in urban green growth targeting a number of specific sectors (including solid waste management, wastewater treatment and urban wetlands) have been leveraged. Green jobs have been generated. Improved awareness and capacities of policy makers and stakeholders on IGE issues. Improved institutional coordination on economic, business and environmental policies</p>	<p>Kinawataka, Kasakoso and Nakawa</p> <p>3.1.2) An inter-ministerial committee on resettlement and land is formed</p> <p>3.1.3) In-situ upgrading plan for Kasokoso and Kinawataka developed</p> <p>3.1.4) Number of households (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure ...]) and businesses supported for livelihood restoration</p> <p>3.1.5) Number a people from neighbourhoods communities trained and sensitised on wetland preservation (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure...])</p> <p>3.1.6) An organised local solid waste management system ins developed in Kasokoso and Kinawataka</p> <p>3.2.1) Percentage of households with year-round access to improved water source in the Isingiro district / in the Nakivale and Oruchinga refugee settlements</p> <p>3.2.2) Percentage of households with year-round access to a sanitation facility in the Isingiro district / in the Nakivale and Oruchinga refugee settlements</p> <p>3.2.3) Length of the distribution network built (km)</p> <p>3.2.4) Number of awareness/capacity building events organised in the Isingiro district / in the Nakivale and Oruchinga refugee settlements (Number of events)</p> <p>3.2.5) Number of people whose awareness/capacity is reinforced (disaggregated by sex, age, ethnicity and vulnerability) in the Isingiro district / in the Nakivale and Oruchinga refugee settlements (Number of people)</p> <p>3.2.6) New organisational setup for water management in the Nakivale and Oruchinga refugee settlements operational (Y/N)</p> <p>3.3.1) Amount of the investments secured or leveraged within the framework of the supported green economy partnerships (EUR)</p> <p>3.3.2) Number of policy related events organised within the framework of the supported green economy partnerships (Number of events)</p> <p>3.3.3) Number of knowledge products and tools developed within the framework of the supported green economy partnerships (Number of products/tools)</p> <p>3.3.4) Number of actors whose awareness/abilities have been raised within the framework of the supported green economy partnerships (disaggregated by sex) (Number of actors)</p> <p>3.3.5) Number of institutional coordination mechanisms established and number of actors engaged in these mechanisms (disaggregated by sex, age, ethnicity and vulnerability [economic status, household head, disability, business, land tenure ...]) (Number of mechanisms/actors engaged)</p>	<p>3) Project M&amp;E system</p> <p>Project M&amp;E system</p> <p>Project M&amp;E system, feedbacks from the members of the green economy partnerships</p>	<p>UNRA and GoU clearly recognise the importance of additional livelihood restoration measures and engage with other partners like National Housing for the relocation of people.</p> <p>GoU remains supportive of the provision of water and sanitation services to both refugee settlements and host community dwellers in the Isingiro district</p> <p>GoU remains supportive of private sector investments to help achieve its green growth development targets</p>
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**APPENDIX 2 : AFRICAN INVESTMENT PLATFORM, LIST OF IDENTIFIED LEAD FINANCE INSTITUTIONS**

Lead Finance Institution	Indicative Intervention	Indicative amount (EUR)
Agence française de développement	Support to sustainable urban development for refugee and host communities in Isingiro, in full complementarity to the Planned Inclusive Green Cities component herein	8 000 000
European Development Finance institutions involved in ElectriFI	Support to energy access activities in full complementarity to the Access to Energy component herein	5 000 000
African Development Bank	Support to access to finance in full complementarity with the Access to finance component herein	6 000 000
DFI to be decided	Support to access to finance in full complementarity with the Access to finance component herein	10 000 000