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This action is funded by the European Union

## ANNEX 8

of the Commission Decision on the Annual Action Programme 2016 for Uganda  
to be financed from the 11<sup>th</sup> European Development Fund

### Action Document for Contribution to the African Investment Facility: Support to Further Development of the Northern Corridor Road Axis in Uganda - Kampala-Jinja Expressway

<b>1. Title/basic act/ CRIS number</b>	Contribution to the African Investment Facility: Support to Further Development of the Northern Corridor Road Axis in Uganda - Kampala-Jinja Expressway CRIS number: UG/FED/039-115 financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/location</b>	Uganda The action shall be carried out at the following location: Eastern region of Uganda and Kampala the capital city of Uganda.	
<b>3. Programming document</b>	Uganda - 11th EDF – National Indicative Programme (NIP) 2014-2020	
<b>4. Sector of concentration/ thematic area</b>	Transport sector	DEV. Aid: YES <sup>1</sup>
<b>5. Amounts concerned</b>	Total estimated cost: EUR 650 000 000 <sup>2</sup> Total amount of EDF-NIP contribution EUR 60 000 000 <sup>3</sup>	
<b>6. Aid modality(ies) and implementation</b>	Project Modality This action regarding this Regional Blending Facility shall be implemented through the African Investment Facility (AfIF) in indirect management by entities to be indicated in complementary financing	

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

<sup>2</sup> This cost relates to the first phase of the project. The full scale including the second phase is estimated at EUR 1 000 000 000

<sup>3</sup> Additional funding may come from the EA-SA-IO RIP through AfIF

<b>modality(ies)</b>	decisions to be adopted at the end of the Regional Blending Facilities award procedure			
<b>7 a) DAC code(s)</b>	21020 – Roads Transport( 100%)			
<b>b) Main Delivery Channel</b>	Recipient Government (12000)			
<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"/>	X	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
	Reproductive, Maternal, New born and child health	X	<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	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A		
<b>10. Sustainable Development Goals (SDGS)</b>	<p>Main SDG Goal</p> <p>Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation</p> <p>Secondary SDG Goals</p> <p>Goal 1: End poverty in all its forms everywhere.</p> <p>Goal 5: Achieve gender equality and empower all women and girls</p> <p>Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all</p>			

## SUMMARY

The overall objective of the proposed action is to contribute to sustainable and inclusive economic development in Uganda and the East African Community (EAC). On the basis of the 11<sup>th</sup> EDF NIP and the relevant Regional Indicative Programme (EA-SA-IO RIP), the specific objective of the proposed action is to support improvements in multimodal transport infrastructure along the East Africa Northern Corridor route. This strategic corridor serves as

a trade link to the Indian Ocean (Mombasa port) for landlocked EAC member countries Uganda, Burundi, Rwanda, South Sudan, and Eastern Democratic Republic of Congo (DRC).

Uganda's "Vision 2040" long-term development strategy emphasizes infrastructure investments along the designated regional development corridors as critical for economic development. In alignment, the Second National Development Plan (NDP II) for the fiscal period 2015/16 to 2019/20 identifies a series of transport projects to be implemented through Public Private Partnerships (PPP). The proposed action will be the first roads PPP project in East Africa. It entails the private sector to Design, Build, Finance, Operate, and Transfer (DBFOT) the road asset back to Government.

The proposed project aims to improve inter-urban connectivity as part of the Corridor while improving also intra-urban transport within the Kampala Metropolitan Area. It will reinforce the sustainability of the national transport system while leveraging the development of an efficient and gender responsive multimodal transport network.

The proposed European blending package (combining EU grants from the NIP and the RIP and European Development Finance Institutions (DFI) loans) is of particular relevance in contributing to Uganda's transport sector development goals at affordable terms. The EU package is expected to leverage transparent private sector participation in the project, thereby lessening the project fiscal burden on the Government of Uganda. As a pioneer project under the new Ugandan 2015 Public Private Partnership (PPP) Act, the project will provide a good benchmark for pipeline projects in the sector and beyond.

## **1 CONTEXT**

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

Uganda is a member of the East African Community<sup>4</sup>, comprising of five other countries; Burundi, Kenya, Rwanda, Tanzania and, since 2016, South Sudan. In the EAC, only Tanzania and Kenya have access to the Indian Ocean and are therefore the two exclusive entry points for maritime transport for the whole region. Uganda is land-locked but has an important transit function for South Sudan, eastern DRC and Rwanda along the "Northern Corridor" route, offering the main access route to the sea port in Mombasa. This "Northern Corridor"<sup>5</sup> route crossing Uganda is part of a wider set of Northern Corridor Integration Projects (NCIP)<sup>6</sup> meant to enhance sub-regional integration among the Northern EAC members.

Road freight continues to account for over 75% of the traffic on the current Northern Corridor route, underlining the indispensable function of road transport for economic activity and trade in the region. The existing road capacity is considered as insufficient, with too long transit

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<sup>4</sup> Uganda is also a member of the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD), all of them fully mandated for the European Development Fund (EDF).

<sup>5</sup> The main Northern Corridor arterial road is 2,038 km long. It links the four capitals of the original North Corridor Transit Agreement (NCTA) signatories (Burundi, Rwanda, Uganda and Kenya) and terminates at the port of Mombasa on the Indian Ocean.

<sup>6</sup> On 25 June, 2013, the Tripartite Infrastructure Initiative between Kenya, Uganda and Rwanda was then renamed to the Northern Corridor Integration Projects (NCIP) with the inclusion of South Sudan who had graduated from observer status to active member.

times and related high costs. This is particularly true for the stretch between the Ugandan border with Kenya (Namataba) and the Ugandan Capital (Kampala), of which the Kampala-Jinja Expressway proposed under this action would cover a large and particularly vulnerable part.

Transport infrastructure development is, therefore, a critical element in the economic development policy of Uganda (see Section 1.1.1.) as a land-locked country. The transport investment needs in Uganda remain vast, with only 20% of the national road network paved at present. In terms of its infrastructure assets, Uganda was ranked 129 out of 144 countries in the 2014/15 Global Competitiveness Report (with 122 as overall ranking). While the country increasingly sees the need to invest in a multi-modal transport system that would rehabilitate and expand also water transport, rail, and aviation, road infrastructure is still seen as the backbone and continues to receive the largest share of sector investments. Large parts of the "Northern Corridor Route" going through Uganda have already been rehabilitated and upgraded over the last years, with significant support from the EDF (approximately 300 road km between Masaka and the border with Rwanda in Katuna).

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

At the regional level, the EAC ten year Infrastructure Investment Strategy approved in 2014 emphasizes the close relationship between regional integration, socio-economic development and transport infrastructure. Regional transport corridors are envisaged to be a key organising principle for transport and development, vectors for attracting industrial and utility investments. EAC members coordinate closely and frequently on their infrastructure investments, albeit not always consistently and lately with more disagreement than at earlier stages (e.g. railway, petroleum pipelines). A master plan for Northern Corridor development is still rudimentary.

At national level, the Uganda Vision 2040 emphasizes infrastructure investments along designated development corridors by 2040 in order to stimulate industrialisation/urbanisation and to reduce transport cost. The Second National Development Plan (NDP II) for the fiscal period 2015/16 to 2019/20 - the second of the six five-year NDPs to be implemented under Vision 2040 - gives prominence to regional infrastructure development as one of the major areas of cooperation to facilitate the movement of traffic within the EAC. Roads investments are poised to remain dominant over the medium term, accounting for around 18% of the annual budget appropriations. External financing is projected to account for 40-50% of the sector budget over the NDP period. The NDPII identifies a number of Public-Private Partnership (PPP) road expressways to be constructed during its implementation period; most prominently the Kampala-Jinja Expressway (KJE) in conjunction with the Kampala Southern Bypass (KSB), the Kampala-Entebbe Expressway (KEE) and the Kampala-Bombo Expressway. These projects are in line with the National Transport Master Plan, the Greater Kampala Metropolitan Transport Plan (GKMP) as well as the Kampala Physical Development Plan. This national priority for transport infrastructure is consistent with the Pan-African

Infrastructure Development Plan (PIDA) endorsed by the African Union (AU) and the guidelines of the Road Management Initiative advocated by the Sub-Saharan Africa Transport Policy Programme which is supported by the World Bank and the EU, as well as other development partners.

The Kampala Jinja Expressway (KJE) project comprising of the Kampala-Jinja mainline (77km) and the Kampala Southern Bypass (18km) has been identified as the first PPP project to be realised from this pipeline list, attributed to the high potential of economic benefits including traffic toll revenues from this project. The proposed concession period including the five to seven years construction period<sup>7</sup> is 30 years. The 2015 PPP Act and the ongoing concerted efforts to operationalise the law provide a framework to attract private sector contributions. This Act is complemented by the 2015 Public Finance Management Act, particularly PART VI and PART VII that respectively provide for public debt management and accounting and auditing of public funds. The Draft Roads Bill, when passed into law and the new tolling regulation (yet to be approved), will provide the necessary legal and policy framework for the collection of toll revenue.

The PPP modality has prospects of bringing long term value to the Government of Uganda quantitatively and qualitatively through effective risk transfer and financial burden sharing, lessening the fiscal burden of the project on Government Debt Sustainability and availability payments liabilities.

Environmental and Social Impact Assessments (ESIAs) are mandatory for all road development projects and need to be approved by National Environment Management Authority (NEMA).

In addition, this intervention will also follow the policy guidelines from the Communication on "Gender Equality and Women's Empowerment: Transforming the lives of Girls and Women through EU External Relations 2016-2020".

The ongoing ESIA and Resettlement Action Plan (RAP) updates, expected to be at international high quality standards, include inter alia cross-cutting issues such as Gender Equality and Women Empowerment (GEWE), children's rights, and environmental sustainability/climate change. The RAP action plan is expected to take into consideration the different mobility and accessibility needs of women. Appropriate measures will be put in place to ensure women's participation in all aspects of the project.

The EU "Agenda for Change" identifies transport infrastructure as one of EU's highest priorities, critical for inclusive and sustainable growth. In the 11<sup>th</sup> EDF NIP for Uganda, transport is one of three focal areas, receiving about 40% of total NIP funding with two specific objectives: (1) to reinforce sustainability of the national transport system, ensuring the necessary regulatory framework and financial means and applying low cost sealing technology to reduce maintenance costs in rural areas; (2) to develop an efficient multimodal transport network including waterways, with particular attention to the connection with the neighbouring countries, urban access and optimisation of intermodal linkages. This priority continues earlier support from the 8<sup>th</sup> to 10<sup>th</sup> EDF. It is complemented by the regional

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<sup>7</sup> Five years for Phase 1 and two years for Phase 2.

infrastructure financing envelope in the 11<sup>th</sup> EDF EA-SA-IO RIP with its specific objective of improved connectivity and efficiency and resilience of regional infrastructure networks.

### *1.1.2 Stakeholder analysis*

The ultimate beneficiaries of the project will be the Member States of the EAC either directly or indirectly. The main direct beneficiaries will be the citizens of Uganda. The proposed project has, and seeks to engage with, a range of different stakeholders:

a) EAC neighbours: this project has been identified under the NCIP framework, where the respective Heads of State provide the political impetus necessary for the implementation of the projects in a faster and more efficient way. This project will be monitored through the periodic heads of state summits and specific infrastructure meetings.

b) Government of Uganda: the main players are Ministry of Works and Transport (MoWT), Uganda National Roads Authority (UNRA) and Ministry of Finance, Planning and Economic Development (MoFPED). The capacity of these actors to prepare and implement major PPP projects is varying. At policy level, there is strong will to drive policy and regulatory reforms both at MoWT and MoFPED levels. MoWT is mandated to formulate policies, plans, set standards, build capacity, carry out advocacy, regulate, monitor and evaluate the Works and Transport Sector, but is also responsible for the coordination of the overall sector policy dialogue with the different stakeholders. MoFPED, the champion for the 2015 PPP Act, is committed to the establishment of a fully-fledged PPP unit mandated with the technical quality review of the PPP projects. The unit will also serve as a secretariat and technical arm for the PPP Committee, which should be comprised of multiple stakeholders including private sector and academia representatives.

UNRA is currently undergoing a major institutional restructuring, following the appointment of a new Executive Director in June 2015. UNRA will be in the lead<sup>8</sup> on the KJE project and has dedicated a team of in-house experts for the management of the project. It has also undertaken within its restructuration process a reinforcement of the environmental and social safeguards and procurement unit. UNRA has already embarked on a stakeholder engagement process to ensure that all Project Affected Persons (PAPs) along the proposed alignments are fully aware of their resettlement options. The Update of the ESIA and RAP is ongoing and expected to be concluded in 2017. The Ministry of Justice and Constitutional Affairs, the Ministry of Lands, Housing and Urban Development, in addition to the Ministry of Works and Transport and the Ministry of Finance, Planning and Economic Development, will be part of the Steering Committee of the project. Other agencies – specifically the Ministry of Gender, Labour and Social Development (MGLSD), the Ministry of Water and Environment (MoWE) and the National Environmental Management Authority (NEMA) – are important stakeholders in the process, particularly following up Environmental and Social Standards including child rights and gender issues.

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<sup>8</sup> The UNRA Act and PPP Act empower UNRA to act as the contracting counterparty to the PPP Agreement

c) Development Partners: overall the transport sector has benefitted from institutional strengthening support from several DPs. The World Bank aims at strengthening environmental and social (E&S) impact monitoring and mitigation strengthening, the UK Department for International Development (DFID) is targeting improved procurement, and the EU supports overall sector capacity enhancement. This support has been critical for this project development. The EU delegation and European DFIs already have an established coordination and working mechanism with other partners that are interested in the public sector funding of the project, particularly World Bank and African Development Bank (AfDB).

The action may be implemented in partnership with an eligible European lead financier. The AfDB is also considering bringing parallel public sector funding to the project. Other funding partners may emerge as project nears commercial close.

The International Finance Corporation of World Bank Group (IFC) is the transaction advisor, and is expected to, among others, provide the Government of Uganda and UNRA with guidance on the entire project development value chain including the procurement process. Since 2014, IFC has been advising UNRA in the successive due diligence steps towards the feasibility of the project and the engagement of partners around the project: legal due diligence, technical and traffic due diligence, environmental and social due diligence, project structure and risk sharing matrix, financial analysis and structuring, economic and affordability analysis, value for money analysis, tax and accounting treatment, stakeholder engagement and market sounding, drawing up procurement strategy, drafting of tender documents including Concession agreement, project output specification and procurement/tender assistance including negotiation leading up to financial close. All documents produced so far are listed in annex.

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

Transport development needs on the Northern Corridor remain wide ranging, constraining trade, investment and socio-economic development. Uganda's road network consists of approximately 78,000 km of roads, including 20,800 km of national roads, 17,500 km of district roads, 4,700 km of urban roads and 35,000 km of community access roads. The roads sector in Uganda carries over 90% of passenger and freight traffic, making it the most dominant mode of transport. The national road network (20,800 km, 27% of road network), carries well over 80% of the total road traffic.

The existing 72km Kampala-Jinja single carriageway is the most heavily utilised national roads in Uganda with some sections experiencing up to 70 000 vehicles per day in a single direction. The all-purpose single carriageway is approaching the end of its structural life and further substantial maintenance and expansion work would be required.

The Greater Kampala Metropolitan Area (GKMA) has about 2.3 million inhabitants and it is estimated that 3.5 million people enter the city for employment every day. The main mode of transport is by road (Kampala city has approximately 600 km of road surface), of which about

50% is tarmac. Most of the transport infrastructure in Kampala has limited or dilapidated provisions for pedestrians and cyclists.

Investment in this infrastructure will, therefore, offer visible improvements in line with citizens’ expectations and the Government’s vision. Road users will experience greater time savings and reduced vehicle operating costs. The expressway is expected to interface with ongoing road developments, particularly the Entebbe Expressway and the Kampala Northern Bypass (the latter funded from the 8<sup>th</sup> to 10<sup>th</sup> EDF).

The proposed Kampala-Jinja Expressway is expected to improve the interurban connectivity as part of the Corridor while improving urban transport. It is also expected to have wide ranging social economic benefits, inter alia: decongestion of Kampala and thereby reduction of carbon emissions; improved commercial viability of Greater Kampala Metropolitan Area as well as the industrial zones of Kampala, Namanve, Mukono, and Jinja; efficient passenger and freight operations; improved mobility; reduced travel times, vehicle operating costs and accident rates for both regional and national traffic.

The PPP model offers the potential for transparent execution of the project along with high environmental and social standards complying with IFC benchmarks. The 2015 PPP Act should leverage for credible private sector partners. The initial private sector interest at the project investors’ workshop held on the 30<sup>th</sup> September 2015. However the capacity of different transport public entities to initiate, supervise and manage PPPs remains limited.

Significant progress has been made over the last couple of years to address some substantial sector policy and legal gaps that existed at the works and transport sector level. The draft roads bill and a draft national road tolling policy have been developed to guide the development of this and other projects to come. The draft roads bill provides for the right to impose tolls, collect toll revenue (and the delegation thereof), retain toll revenue and use toll revenue for expenses in relation to the road on which the tolls were collected. When passed, this will overcome a number of issues during the legal due diligence.

The pace of institutional reforms at UNRA has been elated over the last year, also exhibited by enhancement of capacity at the institution and the considerable progress on this project development. UNRA is expected to launch the Request for Pre-Qualification competitive procurement process in the second half of 2016.

**2 RISKS AND ASSUMPTIONS**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Political risks including interference and lack of political will to pursue sector reforms.	M	(1)Linkage of sector-level dialogue with the National Partnership Forum dialogue, i.e. high-level policy dialogue between Government and development partners, to

		<p>raise critical issues if necessary.</p> <p>(2) For the EU: regular review of political relations and impact on EU-Uganda cooperation as part of the Article 8 Cotonou Agreement dialogue.</p>
<p>Financial risk that may arise due to the size of the project, resulting into a risk of private sector not being able to raise the required funds to meet the gap.</p>	M	<p>1) Continued dialogue on an appropriate Project structure with a viable financial structure before pre-qualification stage of the project.</p>
<p>Environmental and social risks in particular usually related to the large infrastructure projects, and limited capacity to implement and monitor by the government counterparts. The project will require highly and complex resettlements to over 7500 households.</p>	M	<p>1) Continued dialogue with the update of the ESIA and the RAP, ensuring compliance with IFC standards.</p> <p>2) The continued advisory of IFC is highly impeccable.</p> <p>3) Multi sectoral stakeholder monitoring of the agreed ESIA implementation plan.</p>
<p>Poor accountability and limited transparent procurement heighten the reputational risks- the possibility that public resources will be used inappropriately and result in the loss of credibility and standing for the EU</p>	M	<p>1) Supporting the transparent open competitive bidding procurement of the Special Purpose Vehicle.</p> <p>2) strong linkage of the action with the 11<sup>th</sup> EDF transport capacity building project implemented in parallel</p> <p>3) Strong linkage with the 11<sup>th</sup> EDF governance activities, e.g. Strengthening Uganda Governance Accountability Reforms (SUGAR) on general compliance and accountability issues.</p>
<p><b>Assumptions</b></p>		
<p>The project will be phased in a most favourable position for the key players, Government, DFIs and the Private sector.</p> <p>Acquiring the land is given an immediate priority and a large chunk is conclusively acquired by the time of Financial close.</p>		

The legal pending bills and policies are passed in to law and operationalised.

Political will to support the implementation of the project is in place

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

#### 3.1 Lessons learnt

***Sector policy and capacity:*** during the implementation of the transport programmes under the 9th and 10th EDF, the EU has, as much as other development partners, encountered weak implementation capacity of the relevant sector institutions and a series of policy and planning gaps that still need to be closed. The EU has provided technical assistance in this respect in the past, but in hindsight these measures appear to have been highly specific and sometimes isolated, without a common framework. One key lesson to take is, therefore, to provide a more coherent and coordinated approach to sector capacity building which will have to complement further infrastructure grant provisions. This is envisaged under the 11<sup>th</sup> EDF support package for the sector (see also 3.2). One specific bottleneck is securing access to land and the right of way for new transport projects in an efficient and transparent manner. Policy gaps are in the areas of procurement, PPP management, and road tolling.

***Sector governance:*** the sector has encountered wide governance challenges specifically in procurement and execution of projects. The Auditor General's report 2014/15 highlights, e.g., a trend of large infrastructure projects contracted in avoidance of relevant provisions of the Public Procurement and Disposal Act (PPDA) 2003 which require open and transparent, often international bidding. While the EU has in the past and present safeguarded grant contributions on basis of EDF procedures and strong, detailed financial control mechanisms, future blending operations would rely more on national systems and government procedures. The proposed action, therefore, needs to establish strong coherent linkages with EU support in the governance sector and for strengthened public finance management, as much as Ugandan civil society demand for accountability (see also 3.2).

***Environmental and social impact analysis and mitigation:*** UNRA has in the past faced capacity challenges in executing large projects timely and in compliance with high Environmental and Social standards (E&S). Ugandan authorities have also not always managed well in analysing and mitigating the impacts larger infrastructure developments can have, particularly for rural communities, which in consequence led the World Bank to a suspension of several transport sector loans in 2015/16. For the proposed action, a key lesson to take is to ensure Environmental and social impact analysis and mitigation in a two-pronged approach: at project level, highest international standards need to be ensured, in concertation between government and all private and public partners; beyond project level, the EU capacity building programme for the transport sector (see 3.2. will address specifically the environmental and social monitoring capacity of UNRA, together with other development partners. In this context, community feedback mechanisms like public consultations, a telephone hotline, and victim and whistleblower protection mechanisms need to be

strengthened. The set-up of the present NIP allows for more coherent linkages between and within the priority focal sectors to address cross-cutting issues (see also 3.3).

***EU added value and visibility in blending operations:*** under the 10<sup>th</sup> EDF, the EU has already supported infrastructure projects using blending instruments, in transport, but also in the energy and water sectors. Possibilities for active participation in project implementation from our side of the grant donor, as much as visibility of the EU contribution, have not always been optimal. A strong coordination mechanism, therefore, needs to be established with the loan funders under this action, particularly the lead applicant for the AfIF, giving the EU a stronger position than in past blending operations to participate in dialogue and decision making with the partner government throughout the project management cycle. Enhanced visibility specifically for EU blending operations under the 11<sup>th</sup> EDF will be established under a new comprehensive visibility programme as part of the National Authorising Officer (NAO) support.

***Infrastructure financing and debt sustainability:*** this action project will be one of the largest roads project for the Ugandan government under the present 5-year plan. It is also the first to be undertaken under a PPP framework. The 2015 International Monetary Fund (IMF) debt sustainability assessment underlines the need for a cautious sequencing of all infrastructure projects in Uganda. The Government appears to be committed to implementing the project in two phases, with a careful assessment of economic viability of the second phase in light of emerging traffic. European development partners will understand it as part of their mandate to advise the government on a prudent and sustainable financing architecture for this project.

### **3.2 Complementarity, synergy and donor coordination**

This action is a continuation of the support provided by the EU to transport infrastructure development along the Northern Corridor in Uganda under the 8<sup>th</sup>, 9<sup>th</sup> and the 10<sup>th</sup> EDF. This includes ongoing EU support to road improvements on the Kampala Northern Bypass route.

It is coherently linked with continued EU support to institutional capacity building in the transport sector and complementary to continued EU support to rural transport infrastructure development under the 11<sup>th</sup> EDF. Continued technical support to the transport sector will have a strong focus on sector policy and support to the Ministry of Works and Transport in its guidance and coordination role for the sector. It also aims at enhancing UNRA staff in contract management (with specific focus on PPP projects), procurement, and environmental and social safeguards in line with international best practice. Parallel EU institutional capacity building support to the transport sector will also target MoWT, particularly addressing the development of capacities in Gender Equality and Women Empowerment (GEWE) mainstreaming in transport policy formulation, sector planning and budgeting, and project implementation consistent with the Gender Policy Statement (2008) as well as Guidelines for Mainstreaming Gender in the Road Sub-Sector (2008).

A new instrument under the EU Technical Support Programme for the NAO will offer the possibility to mobilize demand-driven technical assistance on short notice in all focal areas of the EU NIP, including in the transport sector. This will be complementary to sector-level

technical assistance and can be useful in supporting new policy areas where it is more difficult to anticipate all technical assistance needs.

This project will be the first transport project implemented under the Ugandan 2015 PPP Act. The transport sector is receiving institutional strengthening support from several DPs. The World Bank (WB) is providing Technical Assistance (TA) to UNRA directed towards safeguards management in conformity with WB environmental and social standards and practices guidelines, road safety, and axle load control and enforcement. DFID is supporting UNRA in building the capacity of the Directorate of Procurement, ending in August 2016, by training staff, reviewing procurement checklists, guidelines and the standard bidding documents. DFID is also providing a Policy Advisor to the MoWT to support their policy function until October 2016.

The African Development Bank (AfDB) emerges as a parallel financing partner for the EU for the Kampala-Jinja Expressway, with a need for closer coordination with European financing partners. A joint E&S working group and procurement working group for KJE has already been set up to effectively monitor progress of the respective project developments.

At sector level, donor coordination is relatively strong. The Transport Donor Working Group is presently chaired by European Union Delegation and has a wide range of membership; Japan International Cooperation Agency (JICA), Danish International Development Agency (DANIDA), Trade Mark East Africa (TMEA), AfDB, DFID and World Bank. The partners in the transport sector group take into account the commitments of Paris and Accra High Level Fora on Harmonization and Aid Effectiveness. While, the group is open to all donors with an interest in transport and meets monthly, non-DAC funding partners remain absent so far despite major involvement in the sector.

### **3.3 Cross-cutting issues**

Cross cutting issues will be addressed in all activities implemented under the project. Regional organisations, partner countries and eligible financial institutions will ensure that all projects financed with EU resources respect EU principles in terms of environmental and social impact (e.g. gender issues, indigenous people's rights, governance, etc.), public procurement, state aid, and equal opportunities. All activities must also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as good governance and human rights (applying the Rights Based Approach Toolbox). In particular, gender-mainstreaming shall be undertaken in reflection of the 2015 Joint Staff Working Document on gender equality and women's empowerment through EU external relations, to ensure that both men and women benefit equally and equitably from EU funded programmes, as well as making it possible to measure progress in those sectors.

Environmental and social issues will be a key part of the project designs in terms of reducing and mitigating the negative environmental and social impact of infrastructure projects, as well as climate-proofing the proposed projects. The proposed project foresees to include specific activities related to the promotion of the principles of human rights, core labour standards, and women empowerment. These cross activities including gender and child protection will

be addressed in the update of the RAP) and ESIA as well as their implementation. The ESIA update provides for a biodiversity scoping and assessment including the description and mapping of major habitat types and land uses (forests, wetlands, agricultural areas). This includes Lake Victoria and Mabira forest reserve. It will also cover the physical environment aspects inter alia topography, land cover, geology, climate and meteorology, air quality, noise quality, and hydrology. All projects will be subject to an Environmental Impact Assessment as per the AfIF guidelines and gender analysis guidelines and tools provided in the 2015 Joint Staff Working Document on gender equality and women's empowerment through EU external relations (GAP-II 2016-20), in order to identify their potential environmental impacts and measures to integrate in their design to ensure they will not result in significant adverse impacts on the environment during their construction, operation and decommissioning.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

This action is relevant for the Agenda 2030<sup>9</sup> and highly relevant for the attainment of Sustainable Development Goals (SDGs). Seven of the 17 Sustainable Development Goals (SDGs) include one or more targets that address transport, both rural and urban. The action project specifically contributes primarily to the progressive achievement of SDG target 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation, but also promotes progress towards Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, Goal 5: Achieve gender equality and empower all women and girls with an overall objective of Goal 1: end poverty in all its forms everywhere.

The overall objective of the proposed action is to contribute to sustainable and inclusive economic development in Uganda and the East African Community (EAC).

The specific objective of the action is support improvements in multimodal transport infrastructure along the East Africa Northern Corridor route.

Expected results are:

- Improved inter-urban connectivity as part of the Northern Corridor axis
- Improved intra-urban transport within the Kampala Metropolitan Area

### **4.2 Main activities**

Consistent with the Pan-African Infrastructure Development Plan (PIDA), the proposed action aims at contributing towards improved efficiency of the regional transport corridors in the EAC region. The main activity will be the establishment of a bankable Northern Corridor

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<sup>9</sup> The EU Agenda for Change adopted in 2011 stresses the importance of choosing the right mix of policies, tools and resources to be effective and efficient in the fight against poverty in the context of sustainable development.

roads project in accordance with continental and regional strategies. Specifically, the action is expected to:

- Support the development of an efficient and gender responsive multimodal transport network to ensure shifting transport demands towards more socially acceptable modes of transport.
- Use the EU grants to leverage innovative ways for public project financing at affordable fiscal terms.

### **4.3 Intervention logic**

The approach of this action in Uganda is two-fold: providing a European financing package to the public sector for the critical roads infrastructure project while leveraging the private sector to increase efficiency and value for money gains. This approach rests on the premise of ongoing own government institutional, regulatory and reforms that would encourage private sector participation and a Lead EU DFI. The positioning of the EU as the lead development partner in the sector should continue to leverage effective policy dialogue with the established Sector wide approach (SWAP).

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it may be foreseen to conclude a financing agreement with the partner country, referred to in EDF-ACP States Article 17 of Annex IV to the ACP-EU Partnership Agreement

### **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 84 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute EDF non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

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

N/A

### **5.4 Implementation modalities**

#### ***5.4.1 Contribution to the African Investment Facility***

This contribution may be implemented under indirect management with the entities called Lead Financial Institutions, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 EDF applicable in accordance with Article 17 of Regulation (EU) 2015/323. 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 are not definitively known at the moment of adoption of this Action Document. A complementary financing decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

Certain entrusted entities are currently undergoing the ex-ante assessment in accordance with Article 61(1) and 140(13) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Article 140 of 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 (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified<sup>10</sup></b>
5.4.1 – Contribution to the African Investment Facility	60 000 000 <sup>11</sup>	Financing partners contribution to be identified at a later stage
5.9 – Evaluation, 5.10 - Audit	To be covered by another measure constituting a financing decision	N.A.
5.11 – Communication and visibility	N.A.	N.A.
Contingencies	N.A.	N.A.
Totals	60 000 000	

## 5.7 Organisational set-up and responsibilities

The organisational set-up and responsibilities are those put in place in the context of the African Investment Facility.

The contribution will be implemented under the governance of the **EDF blending framework** with a **decision-making process** organised in a two level structure:

<sup>10</sup> The action may be implemented through an eligible lead financier .

<sup>11</sup> Additional funding to come from the EA-SA-IO RIP through AfIF (decision FED/2016/038-537)

- opinions on projects will be formulated by the Board, held whenever possible back to back with EDF committee meetings;
- such opinions will be prepared in dedicated Technical Meetings, where the project application forms completed by the lead finance institution are assessed, in full coordination with the relevant EU Delegation and the European Commission.

The activities will be implemented under indirect management by the Lead Financial Institution.

A Steering Committee composed of representatives of the EU (as observers), the Government of Uganda and other stakeholders involved in the implementation of the project will be established and will meet at least once a year to ensure adequate monitoring of all the activities of the various projects.

### **5.8 Performance 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, using as reference the logframe matrix for project modality. 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 importance and the nature of the action, **a final evaluation and possibly a mid-term evaluation and an ex-post evaluation** will be carried out for this action or its components via independent consultants contracted by the Commission.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

A mid-term evaluation will be carried out for problem solving if need emerges during implementation.

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 such 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 Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Communication and visibility measures will be implemented by the Lead Financial Institutions responsible for implementing the respective projects. These measures will be described in the project proposal submitted by the Lead Financier to the African Investment Facility. Care will be taken that substantial visibility will be given to all activities described in this Action Document

## APPENDIX1 - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>12</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. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. 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. Note also that indicators should be disaggregated by sex whenever relevant.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Contribute to sustainable and inclusive economic development in Uganda and the East African Community (EAC)	1) Average Global Competitiveness score (Uganda) 2) Maintaining net present value of total public debt to GDP below 50%	1) 3.9 (2014/15) 2) 22.7 % (2014/15)	1) To be done (TBD) 2) < 50%	1) Global Competitiveness Index 2) International Monetary Fund country reports	1. Political will for regional integration in place 2. Sound macro-economic management framework remains in place ahead of oil production envisaged 2020
Specific objective(s): Outcome(s)	Improvements in multimodal transport infrastructure along the East Africa Northern Corridor route.	1) Increase of freight volume on the Northern Corridor route by road (1,000 MTs) 2) Average travel time taken to drive on the selected on northern Corridor road sections of Malaba-Kampala-Katuna and Kampala - Nimule Road ( travel 1km in minutes) * 3) Number of people (men and women) receiving support for livelihood restoration during the RAP implementation	1) 130 750(2014/15) 2) 1.15 (2014/15) 3) TBD ( The update of RAP and ESIA to carry out gender profiling)	1) TBD 2) TBD 3) TBD	1) Government Annual Performance Reports 2) Government Annual Performance Reports 3) ESIA and RAP final reports	Construction completed on time

<sup>12</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

<b>Outputs</b>	Result 1: Improved interurban connectivity as part of the Northern Corridor	Average travel time taken to drive on the selected on Kampala – Jinja ( Minutes)	120 ( 2015)	50 (2030)	Project feasibility and annual performance report	Construction completed on time
	Result 2 : Improved intra-urban transport within the Kampala Metropolitan Area	Average Travel time taken per Km in Kampala	TBD	TBD	Project Implementation reports	

**APPENDIX 2: INDICATIVE LIST OF PROJECTS/PLAN FOR FUNDING**

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	AfIF estimated Request (M€)
East Africa	Uganda	Agence Française de Développement (AFD)	Kampala Jinja Express way(Northern Corridor Project)	Transport	650	60