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This action is funded by the European Union

ANNEX

of the Commission Decision on the on the individual measure in favour of Uganda to be financed from the 11th European Development Fund

Action Document for the "Contribution to the Development Initiative for Northern Uganda through the rehabilitation of the Tororo-Gulu railway"

1. Title/basic act/ CRIS number	"Contribution to the Development Initiative for Northern Uganda through the rehabilitation of the Tororo-Gulu railway" CRIS number: UG/FED/039-117 financed under the 11th European Development Fund (EDF)			
2. Zone benefiting from the action/location	East-Africa, Uganda The action shall be carried out at the following location: Northern Uganda region and neighbourhood countries (South Sudan and Democratic Republic of Congo), along the existing railway line passing through the main cities of Tororo, Mbale, Soroti, Lira and Gulu.			
3. Programming document	National Multi-annual Indicative Programme for Uganda 2014-2020, 11th EDF			
4. Sector of concentration/ thematic area	Transport Infrastructures	DEV. Aid: YES[1]		
5. Amounts concerned	Total estimated cost: EUR 34 600 000 Total amount of EDF contribution EUR 21 500 000			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the Republic of Uganda			
7 a) DAC code(s)	21030 - Rail Transport 100%			
b) Main Delivery Channel	1000 - Public sector institutions			
8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	X	☐	☐
	Aid to environment	☐	X	☐
	Gender equality (including Women In Development)	X	☐	☐

[1] Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	Trade Development	☐	☐	X
	Reproductive, Maternal, New born and child health	X	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	X	☐	☐
	Combat desertification	X	☐	☐
	Climate change mitigation	☐	X	☐
	Climate change adaptation	X	☐	☐

9. Global Public Goods and Challenges (GPGC) thematic flagships	Flagship 7: Trade integration for green and inclusive growth Flagship 12: Climate Change Mitigation: Supporting low carbon development
10. Sustainable Development Goals (SDGs)	Main SDG: 9, Build resilient infrastructure, promote sustainable industrialization and foster innovation. Secondary SDGs: 8: Promote inclusive and sustainable economic growth, employment and decent work for all; SDG 13: Take urgent action to combat climate change and its impacts; and SDG 10: Reduce inequalities within and among countries.

SUMMARY

The overall objective of the Action is to contribute to a better performance of the value chain for key products and the development of the private sector in Northern Uganda, through the improvement of an environmentally friendly transport infrastructure, complementary to the EU flagship Development Initiative for Northern Uganda (DINU) adopted in 2016, as well as to the EU Emergency Trust Fund programme targeting South Sudanese refugees and host communities in the region.

Northern Uganda has a very limited private sector and until it significantly develops, the region will continue to lag behind the rest of the country. Inadequate road and rail transport infrastructure is a main constraint to business and trade in Northern Uganda.

The Tororo-Gulu-Pakwach railway line used to be a pivotal economic artery along the Northern Corridor linking the port of Mombasa and Eastern Uganda to Northern Uganda, as well as the neighbouring countries of South Sudan and Democratic Republic of Congo. The line has been out of service since 1993 because of unrest in Northern Uganda– notably the Ugandan internal war with the Lord's Resistance Army – and unfair competition of overloaded trucks.

The Action consists in rehabilitating the existing non-operational railway line between Tororo and Gulu, fostering mutual benefit with the Gulu Logistic Hub (to be constructed under DINU) and building capacity of the agency in charge of the operation.

The Action is designed, in combination with the Gulu Logistic Hub, to help: (i) lower transportation costs, thus making the private sector (producers, shippers and traders…) more competitive and prone to investment and job creation ; (ii) increase capacities, allow economies of scale for transportation companies and thereby bring down costs of transport within Northern Uganda and neighbouring countries; (iii) support the value chains of Northern Uganda products notably those financed by DINU; (iv) attract a wide range of complementary economic activities in maintenance, repairs, packaging, and manufacturing; (v) generate new local jobs in the logistic sector and beyond, thus enhancing local

economy; and (vi) reduce greenhouse gas emissions and increase the life span of the roads in substituting road traffic with rail.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Northern Uganda, which has been suffering from the combined effects of conflicts, extreme weather conditions and insecurity, is still lagging behind the rest of the country in terms of most human development indicators. Still, years after the pacification of the region, and even though security is no longer an issue for its inhabitants, the affirmative action from the Government through special interventions and continued support from Development Partners has not yet profoundly changed the region.

Although starting from a low, conflict-affected base, and facing a number of structural weaknesses, the economic potential of the North is significant. Its key factor endowments (land for production, water for irrigation, energy and minerals, tourism) give the region real comparative advantage. If fully exploited, this potential could transform the North from a lagging region to an economically dynamic one. The region is also well positioned to be a key trading partner in both South Sudan and Democratic Republic of Congo emerging markets. Northern Uganda is the transit point for most cargo and a source of food imports.

1.1.1 Public Policy Assessment and EU Policy Framework

The overall development planning framework encompasses several policy documents. The action supports specific objectives of the following documents:

The National Development Plan (NDP) II[2] (2015-2020) aims at strengthening Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth. It prioritises three key growth priorities, agriculture, tourism and minerals, oil and gas and recognises the role of infrastructure as an important building block for value chains development, private sector development and job creation within those three main priorities, especially in the North where a high proportion of the agricultural potential lies. The NDP stresses also the need for a private sector-led growth and the development of Public/Private Partnerships (PPP) which is also a main focus of the Action.

The Peace and Recovery Development Plan 3[3]for Northern Uganda (2015-2020) set out the importance of the private sector as a catalyst for the transformation of Northern Uganda and as the prime contribution to socio-economic development. It puts a strong emphasis on business infrastructure, especially transport, for supporting the private sector and achieving its second objective of developing the economy: growing the economy, providing more jobs and increasing incomes.

The Ugandan Action Agenda for Green Growth[4]proposes to develop a Northern Uganda Agricultural Cluster that provides a regional hub for the growing economic activities in the North with Gulu as a core city. The emerging regional city of Gulu will service the large rural population located in the North of the country. It will become a hub for agricultural outputs to be assembled for agro-processing of maize, beans, cassava and other cash crops as well as light manufacturing. The Northern Uganda agricultural cluster will link the agricultural focused North to the rest of the country and East African region via rail and road.

2 Second National Development Plan (NDP II) 2015/16-2019/2020, Republic of Uganda, June 2015

3 Peace and Recovery Development Plan III 2015-2020, United Nations Development Programme, 2015

4 Achieving Uganda's development Ambition. The economic impact of Green Growth: an agenda for action. November 2016

According to Uganda National Climate Change Policy[5], the transport sector is the largest contributor of greenhouse gases (GHG), and the third most important sector in terms of environmental loading in the country. In this context, the climate change policy seeks to promote modes of transport that take GHG emission reduction into account. In addition, Uganda's Nationally Determined Contribution (NDC) identifies the need to ensure that infrastructure, including in the transport sector, are resilient to the impacts of climate change[6].The Action is aligned to the 2030 Agenda for Sustainable Development[7] and the new European Consensus on Development[8]. In line with the European Consensus, the rehabilitation will help increase trade relations between Uganda and its neighbours as a mean to contribute to peace and stability in the region (pillar 1 - Peace) and improve resilience of the refugee and host communities (pillar 4 - People). The investment would also create direct and indirect jobs (pillar 2 - Prosperity) and expand the objectives of the "Development Initiative for Northern Uganda" (DINU-Annual Action Plan (AAP) 2016), adding the export to the production step, as one additional link in the full supply chain of trade. In line with the soon-to-be-launched Uganda Green Growth Development Strategy 2017-2030, it also contributes to sustainable development (pillar 3 - Planet) by developing a less-polluting transport mode (see Appendix 3).

Furthermore, the Action contributes to the Comprehensive Refugee Response Framework (CRRF) and the Humanitarian-Development Nexus by providing both refugee and host communities with an opportunity to increase business and trade opportunities through improved and easily accessible transport infrastructure.

The proposed action fully subscribes to the principles of Trans-African Networks and corridor development as outlined in the Programme for Infrastructure Development in Africa (PIDA)[9].

1.1.2 Stakeholder analysis

The ultimate beneficiaries of the programme will be the population of Northern Uganda, the population of the districts along the railway line and the populations of the neighbouring countries (Democratic Republic of Congo and South Sudan), a broad total estimated at circa 38 000 000 people[10]. They shall benefit from a better access to cheapest imported goods and better opportunities for trade exports of their agricultural production. The Action, complemented by the DINU programme, shall also generate more employment opportunities for the youth and women.

The refugee population, around 1.3 million people in Northern Uganda in October 2017 (out of which 86% are women and children[11]) will also benefit from reduced cost for transportation of food products. During the first years, the World Food Programme (WFP) may be one of the major users of the railway from Mombasa to Gulu.

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5 Uganda National Climate Change Policy, Republic of Uganda, Ministry of Water and Environment, April 2015

6 http://www4.unfccc.int/ndcregistry/PublishedDocuments/Uganda%20First/INDC%20Uganda%20final%20%2014%20October%20%202015.pdf

7 http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

8 OJ C 210 of 30.6.2017

9 Programme for Infrastructure Development in Africa (PIDA) – Interconnecting, Integrating and transforming a continent, African development Bank, 2012

10 The total population potentially directly and indirectly affected by the railway includes the two regions of Northern Uganda and Eastern Uganda, namely 7 188 139 and 9 022 422 inhabitants (2014 Census, Ugandan Bureau of Statistics) the total population of South Sudan being 12 340 000 inhabitants (World Bank 2015 (South Sudan is the main importer of Ugandan products, 40% of Ugandan exportation), the population of the 4 "provinces" of Eastern Republic Democratic of Congo (Ituri, Haut Uele, Bas Uele and Tshopo) being 9 870 578 people (Democratic Republic of Congo Ministry of internal affairs).

11 Uganda : South Sudan Refugee Situation (Info-Graphic), United Nation High Committee for Refugees

The private sector has a critical role to play in Northern Uganda and will directly benefit from lower transport costs. It is also the case for the private sector from the neighbouring countries, Democratic Republic of Congo and South Sudan. Together with the Gulu Logistic Hub, already approved within the DINU programme, the Action shall trigger business opportunities for logistics, traders, producers, farmers, manufacturers, shippers and forwarders. It is expected to improve the value chain performance for a number of products, both agricultural commodities and mining materials. All stakeholders have shown a strong interest for the revitalisation of the Northern railway line combined with the Gulu Logistic Hub. Additionally, it should be noted that maintenance and partial operation of the railway will be subcontracted and therefore also ensured by the private sector.

As part of the country’s privatization programs, Uganda’s and Kenya's Railway operations were conceded to Rift Valley Railways (RVR), a private operator in 2006 for a period of 25 years. Until recently, RVR was the Kenya-Uganda concessionaire with exclusive rights to operate the countries’ Meter Gauge networks concurrently. The targets set in the Concession Agreement were never met[12]. Following this failure, the concession was restructured in August 2010 and in April 2014 to cure the defaults[13]. The performance of RVR after the restructuring remained unsatisfactory as evidenced by declining freight volumes and revenues and increasing backlog in asset maintenance leading to poor asset availability and productivity. In 2014, the freight operations accounted for 5% of the international market against 15% in 2004. A third phase of restructuring was tried in 2017 but failed.

The above resulted in issuance by the Government of Uganda of a Notice of Defaults on 29th July 2016, a Notice of intention to Terminate on 12th April 2017 and finally a Notice to Terminate on 5th June 2017 after which the concessionaire or the lenders had 90 days to cure the defaults. The concession is in the process to be terminated.

In the meantime the Government of Kenya has also terminated the concession with RVR Kenya on the 30th June 2017 and Kenya Railway Corporation has taken over the operation of the Meter Gauge Railway that links Uganda (see annex 4).

Uganda Railway Corporation (URC)[14] is expected to take over the operation of the railway in Uganda. URC's board of Directors has adopted a five years Strategic plan for 2016/2021[15] and a Post Concession Business Plan (PCPB)[16] that gives the strategies and the means necessary to take over and operate the railway over the next five years[17].

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12 A key deliverable in the Concession Agreement was that RVR Uganda attains a freight volume growth of 75% by the fifth year of operation, and subsequently growth rates of 60% of GDP rates from the baseline of 217.3 million net ton km.

13 RVR managed to get, over that period, a USD 164 000 000 loan and equity from several Development Financier Institutions (International Finance Corporation (IFC), the German Development Bank, Belgium Investment Company for Developing Countries (BIO), the Dutch Development Bank, and the French Proparco) for an investment plan mainly focused on the main track between Mombasa, Nairobi and Kampala.

14 The Uganda Railways Corporation (URC) is the corporate body established by the Uganda Railways Corporation Act (1992) with mandate from the Government of Uganda for the construction, operation and maintenance of railway, marine and road services both in and outside Uganda for carriage of passengers and goods. URC is the lead agency on matters relating to railways both current and future developments. It regulates railway transport on the behalf of Ministry of Works and Transport and Project Management of government driven programs.

15 URC strategic Plan, 2016.

16 Post Concession Business Plan, URC, August 2017.

17 In order to achieve the vision and strategic objectives, URC is focusing its efforts on implementation of key initiatives including (1) reopening of the southern route based on a RO-RO system, (2) increase motive power and handling capacity, (3) improve efficiency of port operations, (4) reduction of temporary speed restrictions to speed up delivery of cargo on the main line, (5) reopening of the Tororo-

The financial plan of the PCPB requires a total of UGX 152 040 000 000[18] over 5 years out of which UGX 21 000 000 000 as emergency plan for the first four months. The plan shows a positive Net Present Value for the 5 years investment and a favourable cost benefit analysis. There is a strong political will to support this business plan from the Ministry of Works and Transport as well as from the Ministry of Finance, Planning and Economic Development, which will provide institutional finance. To show this support, in the Budget speech 2017/18, H.E. The President and the Minister of Finance, Planning and Economic Development and the Minister of Works and Transport all came down for the termination of RVR Uganda and the need for Government to fund URC.

The Governments of Uganda and Kenya are reverting to the Tripartite Railway Agreement for the Northern and Central Corridors[19] that was operational before concessioning and will ensure good interface with Kenya Railways to operate freight operations from Mombasa to Ugandan Border. With a view to encouraging private sector participation,

1.1.3 Priority areas for support/problem analysis

Northern Uganda has a very limited private sector and unless it significantly develops, the region will continue to lag behind the rest of the country. Businesses in Northern Uganda are insular and unintegrated. Only 3-7% of all businesses in Uganda are located in Northern Uganda, and a significant share of these businesses is informal, small and young. 9% sell their products to other businesses as part of a supply chain, while the North has 8% of all food processing firms in Uganda, even though agriculture is the main activity in the region. 5% of all Uganda's exports are produced in the North.[20]

Inadequate road and rail transport infrastructure is a main constraint to business and trade in Northern Uganda. Northern Uganda represents two-fifths of Uganda's land mass but has only 7% of its total tarmac roads while railway is not functional. The poor transport infrastructure increases transport times and costs which deters trade and reduces the region's competitiveness.

The Tororo-Gulu-Pakwach railway line, which was pivotal as an economic artery linking eastern Uganda to northern Uganda, as well as the neighbouring countries of South Sudan and Democratic Republic of Congo has been out of service since 1993 because of Northern Uganda unrest – notably the Ugandan internal conflict with the Lord Resistance Army – and unfair competition of overloaded trucks.

Uganda is considering the construction of a new Standard Gauge Railway in order to link different regions of Uganda, including the Northern region, to the port of Mombasa. But due to the huge financial amount required for such a project and the lengthy process in Kenya to reach the Ugandan border, the rehabilitation of the existing Meter Gauge Railway remains in the short and medium term, for the Northern route, the most realistic and relevant option to unlock Northern Uganda and to link it to the port of Mombasa.

The return of the train will improve transportation of agricultural products and other goods and services. This is expected to trigger growth in the neighbouring villages and trading centres as it was the case in the past when the line was functional. All stations such as Tororo, Mbale, Soroti, Lira and Gulu among others may experience a rapid boom in business.

Gulu line to handle delivery of oil production and refinery consignments and (6) expansion of the passenger services operations across the Greater Kampala Metropolitan Area and (7) Human Resource capacity and systems development.

18 EUR 35 400 000 million.

19 The Tripartite Agreement also includes Tanzania for the operation of trains along the Central Corridor to Port of Dar Es Salaam.

20 "Northern Uganda Economic Recovery Analysis" ("ERA") Oxford Economics, 2014.

In terms of cargo, beyond agricultural products and minerals, any kind of aggregates constitute typical merchandise for rail transportation. All the traffic forecast studies carried out since 2011 have shown that cement and steel could be major drivers together with vegetable oil and seed cakes and all kind of dry (including minerals) and general bulk cargo. Other goods aimed at refugees, such as World Food Programme (WFP) imports, for a period that still remains uncertain, would benefit from such a means of transport too. Eventually, equipment for oil extraction and refinery would be carried by rail, bringing an additional peak in the business model within the first 5 years. At 10% capture of the road freight transported on the corridor (conservative assumption), the tonnage would grow from 168 100 tons/year, at the lowest after the construction of the oilfields, to 316 980 tons/year in 2039. In the budget speech 2017 for fiscal year 2017/18, the Minister of Finance highlighted the critical role that the project shall play to facilitate first oil production in supporting delivery of equipment. He stated that development of the project should start within the same fiscal year.

The Action is designed in combination with the Gulu Logistic Hub, financed under DINU, to help (i) lower transportation costs, thus making the private sector (producers, shippers and traders…) more competitive and prone to investment and job creation ; (ii) increase capacities, allow economies of scale for transportation companies and thereby bring down costs of transport within Northern Uganda and neighbouring countries; (iii) support the value chains of Northern Uganda products, notably those financed by DINU; (iv) attract a wide range of complementary economic activities in maintenance, repairs, packaging, and manufacturing; (v) generate new local jobs in the logistic sector and beyond, thus enhancing local economy; and (vi) reduce greenhouse gas emissions and increase the life span of the roads in substituting road traffic with rail.

The Action will created 600[21] direct local low-skilled jobs for maintenance of the track (clearance, small repairs…), infrastructure and rolling stock maintenance and 56 staffs on board. There will also be employment in the logistical sector, in relation with the Gulu Logistic Hub, creation of jobs in local transport companies that should increase for the first mile or last mile transportation after/before transhipment from the train as well as in companies benefiting from lower transport costs. Even if it is very difficult to determine and figures are volatile, the new line will have a multiplier effect[22] generating indirect and induced jobs related to the new service, linked to logistics, oil and production sectors more broadly.

[21] The figure is based on the 25 teams along the line that were previously employed by RVR for the maintenance of the track. URC will be encouraged to hire women.

[22] The multiplier effect is estimated for transport project as 7 to 10 according the several sources, being 5 000 to 7 000 jobs created.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
The Standard Gauge Railway (SGR) comes on board rapidly and jeopardises the viability of the Meter Gauge operation	L	1) The SGR project is closely monitored. 2) It is unlikely that the SGR for the Northern route to South Sudan be developed in a short to medium term. In the East African Community, as regards new constructions, only the Mombasa-Nairobi section is economically viable. For example, the completion of the section between Kisumu in Kenya and Malaba (Ugandan border), although vital for Uganda, is unlikely to materialise soon because it is of little interest to and profitable for Kenya. 3) The Government of Uganda gave EU the guarantee that the Meter Gauge Railway (MTG) project is a priority for Northern Uganda compared to the SGR seen as a very long term project to connect with South Sudan. 4) Finally, still on the long-term perspective, the Northern Economic Corridor master plan on logistics recommends the operation of MTG and SGR in parallel for more competition on tariffs. It is already the case between Mombasa and Nairobi.
Uganda Railway Corporation (URC) does not have the technical and institutional capacity to properly operate or oversee operation of the railway in Uganda after hand-over from Rift Valley Railway	L	1) URC shall benefit from institutional support and capacity building within an EU support project approved in AAP 2016 (Capacity Building for Transport, in particular the development of a National Multimodal Transport Master Plan) 2) URC shall benefit from a Technical Assistance in the current Action (see point 4.2). 3) The URC's Post Concession Business Plan (PCBP) provides for capacity building and institutional framework development strategy in order to take over and manage the operations of the railway 4) Within the PCBP URC intends to recruit an additional work force of 407 personnel for operating the freight and passenger services. URC's strategy is to vet Rift Valley Railway (RVR) workforce as an immediate stop gap during the transit period to safeguard conceded assets and to ensure continuity of railway operations.
Potential resistance from RVR to hand back the conceded asset in case of termination	M	1) § M.11 of the Uganda Concession Agreement stipulates that the Concessionaire will provide the assistance reasonably required by URC (including transfer of employees), while handing back the Conceded Assets to URC including all updated data, files and software on the Termination Date. 2) URC has carried out a "Revaluation and assessment of the assets of URC" in order to facilitate this process.
The termination of the concession does not materialise	M	1) The EUD is closely monitoring the ongoing termination process and holds regular discussions with the Ministry of Works and Transport, the Ministry of Finance and URC on the subject. 2) In case the termination does not materialise, RVR would continue to operate the Ugandan railway lines under the current amended concession or under a new concession arrangement. The Technical Assistance provided within the project shall support URC and the GoU in developing and then monitoring the clauses and Key Performance Indicators of the amended or new concession. The amended or new concession shall allow a good maintenance of the infrastructure and the rolling stock. The project would therefore remain fully relevant.
The Government of	L	1) The EUD shall monitor and promote the strong engagement of the

Uganda does not provide the necessary funds for the Post Concession Business Plan financing and for the rehabilitation of Tororo-Gulu line		Government in case of taking over of the concession and the counterpart funding of the project. The strong political will to support the Post Concession Business Plan was already shown in the Budget speech 2017/18, H.E. The President and the Minister of Finance, Planning and Economic Development and the Minister of Works and Transport all came down for the termination of RVR concession and the need for Government to fund URC. In the budget speech 2017 for fiscal year 2017/18, the Minister of Finance also highlighted the critical role that the project shall play to facilitate first oil production in supporting delivery of equipment. He stated that development of the project should start within the 2017/18 fiscal year. The Government of Uganda has already officially committed UGX 22 300 000 000[23] for the project including the financing of the Resettlement Action Plan. Following the Detailed Design new cost estimate, the Government of Uganda is going to increase its commitment (see NAO request)
The rail does not capture the traffic forecasted in the feasibility assessment jeopardising the viability of the project	L	1) Uganda National Road Authority (UNRA) shall be supported and strengthened within the EU-funded capacity building to the transport sector to enforce the axle load control (AAP 2016). 2) The interest from the transporters, forwarders, traders,shippers as well as the oil companies for the revitalisation of the Tororo-Gulu line and for using the line for the transportation of their freight shall be promoted thanks for instance to the participation of representatives of the sector in the project's steering committee.
The Resettlement Action Plan (RAP) is not well implemented and delays the project	L	1) A comprehensive RAP study has been done and no major issue has been identified 2) The rehabilitation is designed follow the alignment of the existing railway reserve owned by URC, minimising the risks of delays due to land acquisition. 3) URC shall be supported for the quick implementation of the RAP and compensation
The rehabilitation works and private sector subcontracting for operation and maintenance activities lead to child labour, increase of prostitution and HIV prevalence	L	1) Capacity building for URC on Right Based Approach and Corporate Social Responsibility 2) Technical specifications for works' company to be selected capturing specific measures to mitigate this risk 3) Close monitoring of the Environmental and Social Management Plan (which recommend specific measures on that risk)

Assumptions

- The Standard Gauge Railway is not operational to Gulu within short and medium term.
- The Government of Uganda provides the necessary funds for taking over the operations of the railway network and the rehabilitation of Tororo-Gulu line.
- There is no major event jeopardising the logistic chain between Mombasa and Gulu.
- Kenya Railway Corporation operates the MTG for Mombasa to the Ugandan Border (it has committed itself to do so (see annex 4) and it would be profitable)
- There is already a fair interest from the transporters, forwarders, traders, and shippers as well as the oil companies for the revitalisation of the Tororo-Gulu line.
- The Gulu Logistic Hub is created and operational and the complementarity with the railway line is ensured.
- The axle load control on the roads in competition with the railway line is enforced.

[23] EUR 5 200 000

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The main lesson learnt, that drove the design of the Peace and Recovery Development Plan III (PRDP III) and that was taken on board within the Action, is that the revitalisation of the Northern Ugandan economy requires a broad approach with greater engagement with the private sector. "Agriculture has strong growth potential in the North but a key lesson for PRDP III is the need to develop agricultural value chains, increase agricultural productivity and support the development of more productive industrial and service activities which can absorb excess rural labour"[24]. PRDP III also acknowledges, based on past experience, that the private sector has a strong role to play in job creation and should be reinforced with business infrastructure especially transport infrastructure.

The literature shows that the well performing sub-Saharan railway concessions are the ones that have kept investment responsibility for the infrastructure assets and handed over the one for rolling stock management to an operator (see annex 6). In the Uganda-Kenya railway case, both responsibilities were conceded, which resulted in poor performance until termination. URC has initiated the process of taking over the all conceded asset for now but plans to concentrate only on rail infrastructure development and maintenance as a Government. Rapidly, in order to take full advantage of operating capacities developed, URC shall involve private sector more in service delivery up to and including third party operation and rolling stock leasing. It shall pursue transit oriented development with a strong focus on multi-modal logistics hubs developed around the major railway stations which sit on valuable and extensive land reserves. These hubs will mainly be developed on PPP basis.

It has also been observed in previous experiences that the incentive for shippers and forwarders to use rail instead of road had to be supported by strict enforcement of axle load control so as to ensure the comparative advantage of the rail with regards to transport costs. The EU institutional support to the transport sector in Uganda, especially to the Ministry of Work and transport and the Uganda National Road Authority, includes capacity building on axle load control.

3.2 Complementarity, synergy and donor coordination

The Action will complement the value chain approach of the Development Initiative for Northern Uganda (DINU) in completing the transport, supply and trade chain with an additional export/import component to the DINU transport activities: (i) rehabilitation of district roads to connect producers to market/trading centres, (ii) rehabilitation of connecting road to link the remote districts/trading centres to the main transport network and (iii) construction of a logistic/intermodal platform for the consolidation and distribution of products before import/export, the Gulu Logistics Hub (GLH), with which the action has an immediate synergy and mutual benefit (see map in annex 3).

The implementing partner of the GLH will be the United Kingdom's Department for International Development through Trademark East Africa (TMEA). The Action is indeed fully complementary to TMEA's activities on "reducing barriers to trade", in particular for an "improved efficiency and capacity of transport and logistics networks" as well as on "enhancing private sector markets for trade"[25].

The Action shall also have a critical positive impact on the EU support to South Sudanese refugees and host communities in Northern Uganda through the EU Emergency Trust Fund[26] and

[24] PRDP III

[25] Uganda Country Programme 2017-2023: Strategy 2: second draft, 20 May 2016, Trademark East Africa.

[26] Support Programme for Refugees Settlements in Northern Uganda (SPRS-NU).

complementarity shall be sought with the Office of Prime Minister which will sit in the steering committee of the Action.

The mutual benefit with others initiatives in Northern Uganda shall be ensured through the Northern Uganda Development Partners Group chaired by the EU.

The private sector-led activities of the action (logistics, maintenance, induced operations) shall contribute to job creation and may also be supported with access to finance, capacity building and a more conducive business environment, through the External Investment Plan. Job generation and cleaner transport are consistent with the revised 11th EDF National Indicative Programme and the recently drafted Jobs and Growth Compact for Uganda.

3.3 Cross-cutting issues

The Action shall have a main benefit on climate change mitigation in substituting the road trucks with rail haulage. A substantial positive impact of the Action is the reduction of Greenhouse Gas emission estimated as 10,225 T per year for a capture rate of 10% [27](which can be considered quite conservative compared to previous studies). Based on the traffic observed and the projection of rail capture at 10 %, the feasibility study has shown that 13,800 trucks could be avoided every year on that spur of the Northern corridor equivalent to external savings costs of USD 25 390 000[28]. This action, in line with the Uganda Green Growth Development Strategy, aims at contributing to the broader objective of providing clean transport, as a building block of a greener economy.

In 2017, National Environmental Management Authority extended until 2020 the validity of the approved Environmental and Social Impact Assessment (ESIA) conducted in 2013. The ESIA confirmed that the proposed rehabilitation of the railway line would be undertaken on existing line alignments. There will indeed be minimal impact on surrounding lands and no threat for biodiversity. To a large extent, most of the effects of this project will be beneficial and are expected to lead to improved quality of life, particularly for the communities who live close to the railway line. However, there will also be some adverse effects resulting from the rehabilitation works and they will be mitigated through the implementation of the measures outlined in an Environmental and Social Management Plan[29].

The Resettlement Action Plan studies have identified 4,960 Project Affected People (PAP) households with crops/trees and structures that are subject to compensation. The study identified the following vulnerable groups among the PAPs within the corridor: Elderly Household heads (over 60 years – 11%); Female headed households (31%); Household heads who cannot read and write (16, 3%). The

27 Based on https://www.cn.ca/en/repository/popups/ghg/ghgcalculatortool; assumptions, Mombasa-Gulu = 1335 km, average cargo per year 276,000 T and 20 T per truck.

28 Based on RAILPAG methodology adapted to Uganda: Railway Project Appraisal Guidelines (RAILPAG), European Commission, EIB, 2005. The methodology compares external saving unit costs between and Heavy Goods Vehicle and Diesel Rail considering the following aspects: accidents, Noise, Air pollution, Climate change, Nature and landscape, Up/ Downstream and Urban effects. Assumptions: average cargo per year 276,000 T and 20 T per truck, Mombasa Gulu by road = 1,335 km, by rail = 1,464 km.

29 The key monitoring indicators is the ESMP are: Number of sensitization meetings to mobilize the communities held; Soil erosion and sedimentation control measures put in place by the contractor; Number of trees planted in specified areas in the project; Number of rehabilitated and graded sites at quarries and borrow pits; HIV/AIDS Sensitization Programme put in place; Dust suppression measures instituted and implemented by the contractor; Records of number of Project Affected People identified and compensated; Personal Protective Equipment procured; Plans to manage histo-cultural areas; Plans for waste management instituted; and Records of workers issued with the Protective Personal Equipments materials.

RAP proposes special considerations for the identified vulnerable groups through the following provisions: representation for each vulnerable group at Compensation Unit and at the grievance committees; Additional assistance in the form of: counselling services; help in the filling of any relevant form for the elderly and the illiterate; Assistance in logistics planning for the elderly and female headed households.

The railway line at level crossings and bridge crossings has been turned into pedestrian community roads important for access to markets. A special attention shall be paid to the safety of local people and the installation of pathways along the bridges to avoid any obstruction on the line by people activities.

With the re-opening of the line, URC shall partner with local companies for maintenance activities and provide jobs to more than 600 disadvantaged people, mostly women and youth. In general, the logistics industry employs lower skills when compared to manufacturing and yet the average salaries in the logistics industry are similar to those in manufacturing. The reopening activities of the rail combined with the Gulu Logistic Hub will typically provide accessible jobs for the youth and for women.

Currently, women face more challenges than men in Northern Uganda in starting, managing and growing their enterprises notably due to more limited access to education, land and finance as well as to unequal power structures prevalent in rural areas. The majority of business owners are male (61%)[30] and women are concentrated in very small scale businesses. With regards to the main value chain products[31], the major hurdles are: issues of post-harvest management; lack of storage facilities; middlemen controlling the transport from field to market; high transport costs. The project will contribute to the reduction of the costs of import and export but also because bigger volumes will be exchanged, it will also contribute to transport costs reduction from the field to the market and together with the Gulu Logistic Hub, provide storage facilities for products. It will therefore directly impact women businesses.

The Gulu Womens's Economic Development and Globalization (GWED-G) organisation gathering 600 women groups in several districts of Northern Uganda has been very positive towards the project that should improve women businesses in Northern Uganda. The GWED-G shall be part of the steering committee of the programme.

The critical question of refugees in Northern Uganda will be taken into account. They shall directly benefit from the reduction of the transport costs notably if World Food Programme confirms the transportation of the food by rail as expected. The Action may also increase business possibilities for refugees and host communities in a humanitarian/development nexus.

30 Quantitative survey/mapping of businesses in Gulu district, Northern Uganda", Gulu Women's Economic Development & Globalization (GWED-G) in partnership with integrated funds for Gulu (IFG) and Geneva Global, January 2016.

31 The pre-feasibility study for Gulu Logistic Hub highlights the growing importance of key value chains especially sunflower, sesame, maize and Soya beans in Gulu that employ more than 40% of women.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 9: *Build resilient infrastructure, promote sustainable industrialization and foster innovation*, but also promotes progress towards SDG 8: *Promote inclusive and sustainable economic growth, employment and decent work for all*, SDG 13: *Take urgent action to combat climate change and its impacts* and SDG 10: *Reduce inequalities within and among countries*. This does not imply a commitment by the Government of Uganda benefiting from this programme.

The overall objective is to <u>contribute to a better performance of the value chain for key products and the development of the private sector in Northern Uganda, through the improvement of an environmentally friendly transport infrastructure, complementary to the Development Initiative for Northern Uganda (DINU).</u> The need to ensure climate resilience of the rehabilitated infrastructure will also be considered.

The specific objective of the Action is to <u>reduce the transport costs with origin or destination in Northern Uganda, South Sudan and Eastern Democratic Republic of Congo</u> <u>and transfer of a significant part of transported cargo from truck to rail</u>. The project also aims at reducing/avoided emissions of greenhouse gases from the transport sector.

The expected outputs are:

Output 1: <u>Tororo Gulu Railway is rehabilitated and is effectively operational</u>;

Output 2: <u>The Uganda Railway Corporation and related authorities have obtained sufficient skills and tools to operate, maintain and develop the railway</u>.

4.2 Main activities

Linked to output 1, the transfer of a significant part of transported cargo from road to rail is effective:

- the <u>rehabilitation of the railway line between Tororo and Gulu (indirect management)</u> shall revamp the infrastructure to standards enabling transportation of freight[32]: axle load of 13.5 tons, commercial speed of 40 km/h, train's pay load up to 900 tons, 20 (for bulk) to 22 (for container) wagons per train up to Gulu and 32 per train down to Mombasa hauled by class 82 locomotives. The main components of the works shall comprise: improvement of drainage, construction and rehabilitation of culverts, stabilisation of slopes, earthworks and rehabilitation of pavement layers, rehabilitation of existing bridges and construction of pedestrian walkways, rehabilitation of level crossings, supply and installation of track components (rails, sleepers), installation of sidings in the main stations and rock ballasting[33]. The rehabilitation will be carried out in such a manner as to ensure the resilience of the railway line to current and future climate change impacts.
- the <u>supervision of the rehabilitation works</u> (indirect management) shall provide support to the Uganda Railway Corporation for supervising and monitoring the works.

[32] No passenger transportation is foreseen initially.

[33] Detailed Engineering Design, Detailed Implementation Plan and Engineering cost estimate have been completed in September 2017 by PLANET SA. Final Resettlement Action Plan, Tender dossiers for Works and Supervision are due for Mid-October 2017.

Linked to output 2, operation and maintenance of the railway line by the Ugandan Railway Corporation are made sustainable:

- the technical assistance to the Uganda Railway Corporation (indirect management) shall provide capacity building to this institution in the fields of: long term strategy for infrastructure and rolling stock investment and maintenance; climate risks and vulnerability assessments and climate-proofing of infrastructure; human resource management; permanent way maintenance and inspection, railway operations and signalling; mechanical, electrical and civil engineering; transport economics and logistics management; procurement procedures; marketing strategy and provision of survey, measuring and digitalisation equipment;
- the Government of Uganda financed implementation of the Environmental and Social Management Plan shall mitigate the adverse social and environmental impacts of the works and trains operation;
- the Government of Uganda financed implementation of the Resettlement Action Plan shall provide compensation and livelihoods restauration for the Project Affected People within the Right of Way of the project.

4.3 Intervention logic

The rehabilitation of the railway between Tororo and Gulu will revitalise this important economic artery and the regions crossed and strengthen the link between Northern Uganda, the rest of the country and the closest opening to the international market, the port of Mombasa. The good maintenance of the railway line leading to good performance of operations in terms of safety, rotation time, limitation of incidents and the intermodal complementarity with the Gulu Logistic Hub is expected to improve the logistical chain for import and export and therefore attract new customers and shippers for the rail. This will enable a shift from road to rail transportation, estimated at 10 to 20% in a short time, releasing at the same time the burden on the road network.

The direct impact of this shift will be a reduction of the transport cost from and to Northern Uganda which is considered as a main constraint for the development of the private sector in that region. The cost of the rail transportation, on Mombasa-Kampala route as a proxy, is USD 0.09 per ton-kilometre significantly cheaper than using the road which has an average cost of USD 0.16 per ton-km[34]. In addition, emissions of GHG will be avoided (see cross-cutting issues section).

The combination of the logistical improvements (faster transport, transhipment, turnaround of containers, custom clearance, storage facilities) and enhanced resilience to climate change, with the reduction of the transport cost will boost the performance of the key value chains in Northern Uganda whose transport is a major building block. For instance, logistics costs accounts for nearly 60% of commodity value for rice (and other cereals) while the logistics costs penalty on high value items like electronics are considerably lower[35]. This will foster the development of the private sector in the key value chains in Northern Uganda, in particular the ones supported by the EU-Development Initiative for Norther Uganda (DINU). High logistical costs impact the poor considerably more than other sections of the society. Reducing these costs, therefore, is likely to have the highest positive impact on the poor. This will have a positive impact on food security for the refugees and their host communities in Northern Uganda. Thanks to the distribution role of the Gulu Logistic Hub, the reduction of

[34] Post Concession Business Plan, URC, August 2017.
[35] Gulu Logistic Hub Pre Appraisal Report, Trademark East Africa, July 2017

transport cost will also yield positive impact on private sector development and reduction of poverty in South Sudan (40% of the Ugandan exportation) and Eastern Democratic Republic of Congo.

The revitalisation of this missing link to the port of Mombasa will finally complete the trade logistical chain already improved through the rehabilitation of feeder roads, the upgrading of main connectors and the Gulu Logistic Hub under DINU and therefore facilitate imports of goods as well as imports of products from the key value chain of Northern Uganda and beyond of South Sudan and DRC (see Appendix 3).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in 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 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 authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute 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 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Rehabilitation of the Railway line between Tororo and Gulu	Works	1	Q2 - 2018
Supervision of the works and Technical assistance for Capacity Building to Uganda Railway Corporation	Services	1-2	Q2 - 2018

5.4.2 Indirect management with the partner country

A part of this action with the objective of contributing to a better performance of the value chain for key products and to the development of the private sector in Northern Uganda, through the improvement of an environmentally friendly and climate-resilient transport infrastructure, complementary to the Development Initiative for Northern Uganda may be implemented in indirect management with the Republic of Uganda (in particular the Ministry of Finance, Planning and Economic Development, the NAO in Uganda) in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures. Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012.

5.4.3 Changes from indirect to direct management mode due to exceptional circumstances

If for circumstances outside of the Commission's control, the NAO cannot fulfil its role for indirect management as listed above, it is proposed to follow procurement under direct management for the abovementioned components targeted (5.4.1.1 Procurement (direct 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.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement; the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: India. The supplies originating there shall also be eligible.

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

	EU contribution (amount in EUR)	Indicative third party contribution (EUR)
5.4.2 Indirect management with the Partner Country		
Output 1 "the transfer of a significant part of transported cargo from road to rail is effective" composed of	**18 550 000**	**10 500 000**
– Works contract (s) Rehabilitation of the railway line between Tororo and Gulu (indirect management)	17 050 000	10 350 000
- Service contract (s) Supervision of the rehabilitation of the railway line between Tororo and Gulu (indirect management)	1 500 000	150 000
Output 2 " operation and maintenance of the railway line by the Ugandan Railway Corporation are made sustainable " composed of	**1 000 000**	**1 600 000**
- Service contract Technical Assistance and Capacity Building for Uganda Railway Corporation (indirect management)	1 000 000	100 000
- Implementation of the Resettlement Action Plan and the Environmental and Social Management Plan		1 500 000
5.9 – Evaluation, 5.10 - Audit	200 000	N.A.
5.11 – Communication and visibility	50 000	N.A.
Contingencies	1 700 000	1 000 000
Totals	**21 500 000**	**13 100 000**

5.7 Organisational set-up and responsibilities

The programme shall be implemented mainly by Indirect Management. The overall responsibility for the implementation lies with the National Authorising Officer, who is the Contracting Authority.
The current Action has strong linkages with other initiatives focusing on Northern Uganda, mainly the EU-Development Initiative for Northern Uganda (DINU, including the development of the Gulu Logistic Hub - GLH) and the EU Emergency Trust Fund targeting the South Sudanese refugees. Aiming at the revitalisation of a main economic artery, the Action will also affect, beside the public sector in charge of the infrastructure, the private sector that will fully benefit and be involved in maintenance and partly operation of the infrastructure. It is therefore critical to set up a steering committee as inclusive as possible in order to include any potential beneficiary of the Action and take into consideration all stakeholders affected by the Action. It shall oversee and validate the overall direction, policy and implementation of the project.

The following organisational set-up is therefore proposed for a steering committee to be held every 6 months:

- Permanent Secretary of Ministry of Works and Transport: chairman
- Representative of Uganda Railway Corporation: Project manager/secretary

Other members: Representative of the Office of the Prime Minister (general coordination of DINU, overall response and coordination of assistance related to refugee crisis); Representative of the Ministry of Trade ; Representative of the National Authorising Officer, Ministry of Finance, Planning and Economic Development (MoFPED); Representative of Uganda National Road Authority (interface at level crossings and axle load control on the roads); Representative of Trademark East

Africa (implementing the GLH); Representative of the National Logistic Platform (Enhancing Uganda's logistics performance by facilitating and accelerating critical reforms in the logistics sector); Representative of the Gulu Women's Economic Development & Globalization (coordination of 600 groups of women in Northern Uganda); Representative of the EU (co-financing the Action, co-financing DINU, including the GLH, funding the EU Emergency Trust Fund) as observer.

Other institutions might be invited like the National Environment Management Authority (NEMA) in relation with the Environment and Social Management Plan, the Ministry of Land, Housing and Urban Development as well as affected local governments in relation to the Resettlement Action Plan, oil companies and other relevant private companies.

The current monthly Infrastructure meetings, which are co-chaired by the Commissioner – Development Assistance and Regional Cooperation of the MoFPED and the Section Team Leader (EU Delegation) will be used for reviewing the implementation of projects in the Sector and agreeing on follow up actions if needed.

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. 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, an ex-post evaluation will be carried out for this action or its components contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that it is crucial to measure the impact of the transport building block in the performance of the key value chains the EU wants to support in Northern Uganda.

The Commission shall inform the implementing partner at least 30 days 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.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in second semester 2023.

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.

Indicatively, one contract for audit services shall be concluded under a framework contract in fourth semester 2022.

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.

6 PRE-CONDITIONS

In order to ensure a successful implementation of the Action, the Government of Uganda shall commit for the funding of the Ugandan counterpart of the Action.

The Resettlement Action Plan implementation shall be completed before the start of the works.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)[36]

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.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Contribute to a better performance of the value chain for key products and the development of the private sector in Northern Uganda, through the improvement of an environmentally friendly, climate-resilient, transport infrastructure and complementary to the Development Initiative for Northern Uganda (DINU)	1. Number of companies in the key value chains[37] (sex, age and migratory status disaggregated data with regards to the owner) using the train as main mean of transport for import and export (** RF Level 1 #8#26#29) 2. Volume of sample products exported (** RF Level 1 #8#26#29) 3. Ratio of key value chains products exported transported by rail compare to trucks (** RF Level 1 #8#26#29) 4. Gas emission reduction – greenhouse gases on Mombasa Gulu (** RF Level 1 # 21)	1. = 0 (2017) 2. Will be drawn at inception phase DINU (2018) 3. = 0 (2017) 4. = 0 (2017) 5. 0 (2017)	1. = 30% (2023) 2. Increase of 20% (2022) 3. 20% by (2022) 4. 10,225 T CO2 per year [38] (2022) 5. USD 25,116,000 per year[39] (2022)	- Uganda Bureau of Statistics - URA, Customs - Gulu Logistic Hub statistics - Uganda Railway Corporation - DINU inception report and following	

[36] Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'

[37] Key value chains will be defined during inception phase of the Development Initiative to Uganda (DINU) programme

[38] Based on https://www.cn.ca/en/repository/popups/ghg/ghgcalculatortool ; assumptions, Mombasa-Gulu = 1335 km, average cargo per year 276,000 T and 20 T per truck.

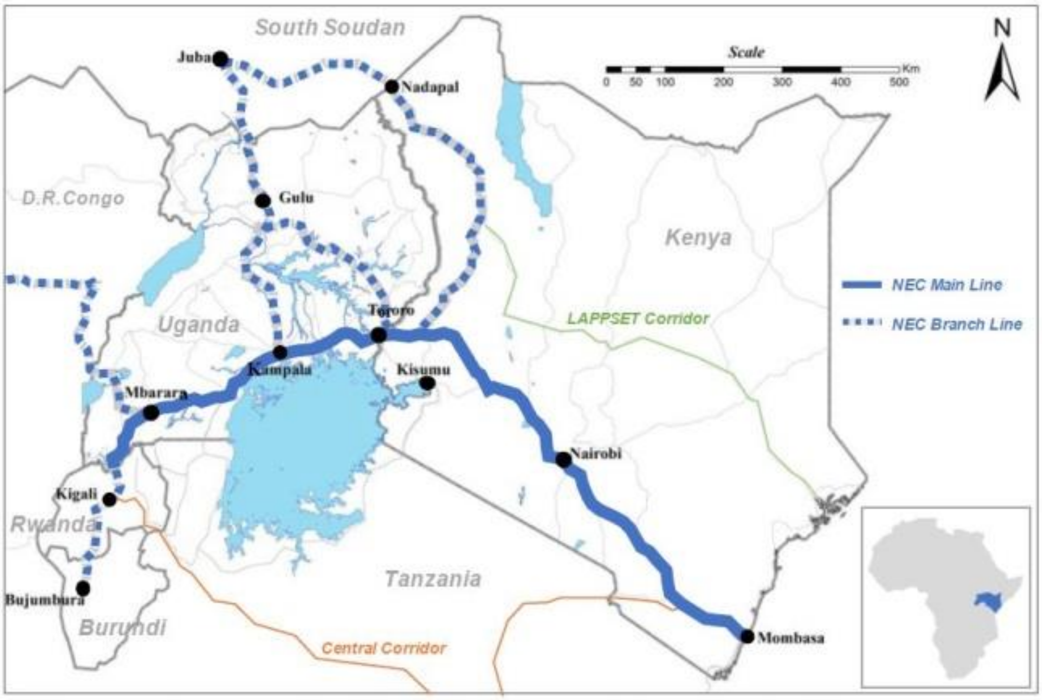
[39] Based on RAILPAG methodology adapted to Uganda: Railway Project Appraisal Guidelines (RAILPAG), European Commission, EIB, 2005. The methodology compares external saving unit costs between and Heavy Goods Vehicle and Diesel Rail considering the following aspects: accidents, Noise, Air pollution, Climate change, Nature and landscape, Up/ Downstream and Urban effects. Assumptions average cargo per year 276,000 T and 20 T per truck, Mombasa Gulu by road = 1,335 km, by rail = 1,464 km

		5. External saving costs ((** RF Level 1 # 21)				
Specific objective: Outcome	Reduce the transport costs with origin or destination in Northern Uganda, South Sudan and Eastern Democratic Republic of Congo and transfer of a significant part of transported cargo from truck to rail	1. Transport rate for Mombasa to Juba (*) 2. Transport rate from Mombasa to Gulu (*) 3. Share of cargo truck/rail, (** RF Level 2 #26) 4. Volume of cargo transported on the Mombasa Gulu line (outbound and inbound) (** RF Level 2 #26#29)	1. USD 7,000 - 4753 (march 2016 – Sept 2016) 2 USD 5,000 – 2753 (march 2016 – Sept 2016) 3 = 100/0 (2017) 4. = 0	1. Reduction of average 20% (2023) 2. Reduction of average 20% (2023) 3 = 80/20 (2025) 4. Up to 273 000 T (2023)	- Northern Corridor Transit and Transport Authority/ Northern corridor Transport Observatory - Associations of forwarders and shippers - URA - National Logistic Platform - UNRA, - URC, - Customs - Gulu Logistic Hub statistics - East Africa Logistic performance survey	- The Standard Gauge Railway is not operational to Gulu within the short and medium term - There is no major event jeopardising the logistic supply chain between Mombasa and Gulu
Outputs	Tororo Gulu Railway is rehabilitated and is effectively operational	1. Kilometres of railway rehabilitated, (*) 2. Number of direct employment (sex, age and migratory status disaggregated data) (** RF Level 2 #28) 3. Number of small enterprises in charge of operation and maintenance of the line created (** RF Level 2 #28#29) 4. Locomotives' availability (*) 5. Wagons' availability (*)	1=0 2.=0 3=0 4.=0 5.=0 (All 2017)	1 = 375 (2021) 2. = 600 (including 20% of women) 3=25 4. =85% (2022) 5. > 90% (2022)	- URC - Gulu Logistic Hub statistics	- The axle load control on the roads in competition with the railway line is enforced - The Gulu Logistic Hub is created and operational and the complementarity with the Gulu Logistic Hub is ensured - Kenya Railway Corporation operates the MTG for Mombasa to the Ugandan Border

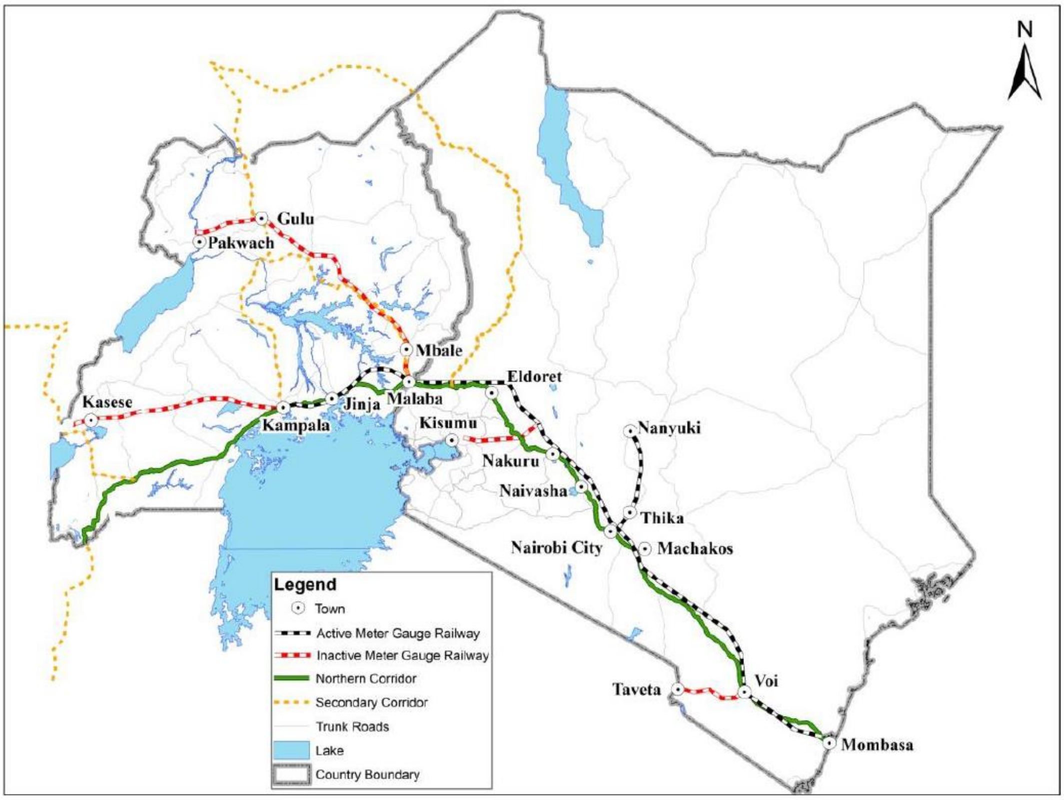
						There is already a fair interest from the transporters, forwarders, traders, and shippers as well as the oil companies for the revitalisation of the Tororo-Gulu line.
	The Uganda Railway Corporation and related authorities have obtained sufficient skills and tools to operate, maintain and develop the railway	1. Temporary Speed restriction on Tororo-Gulu and other lines(*) 2. Net ton kilometres (*) 3. Resettlement Action Plan (RAP) status: number of Project Affected People compensated (**RF Level 2 #1) 4. Environment and Social Management Plan (ESMP) Status: number of ESMP monitoring indicators achieved[40] 5. Long term strategy for infrastructure and rolling stock investment and maintenance 6. Provision of trainings in three focus sector: track inspection and maintenance, railway operation and signalisation; Mechanical, Electrical and Civil Engineers (including climate change resilience of infrastructure) 7. Grievance redress mechanism status: number of grievance redress committees (GRC) put in place	1. =0 for Tororo-Gulu and >10 % for other lines 2. =0 3=0 4=0 5=Non adopted 6=0 (All 2017) 7=0	1. <= 10% of the line's length in km (2023) 2= 92 167 323 (2023) 3= 4869 (2018) 4=10 (2020) 5=adopted (2019) 6=3 (2020) 7= 60 local GRC at sub-county level and 15 intermediate GRC at district level	- URC	The GoU provides with the necessary funds for taking over the operations of the railway network and the rehabilitation of Tororo-Gulu line and capacitating URC.

40 l. Number of sensitization meetings to mobilize the communities held; 2. Soil erosion and sedimentation control measures put in place by the contractor; 3. Number of trees planted in specified areas in the project; 4. Number of rehabilitated and graded sites at quarries and borrow pits; 5. HIV/AIDS Sensitization Programme put in place; 6. Dust suppression measures instituted and implemented by the contractor; 7. PPE procured; 8. Plans to manage histo-cultural areas; 9. Plans for waste management instituted; and 10. Records of workers issued with the PPEs materials.

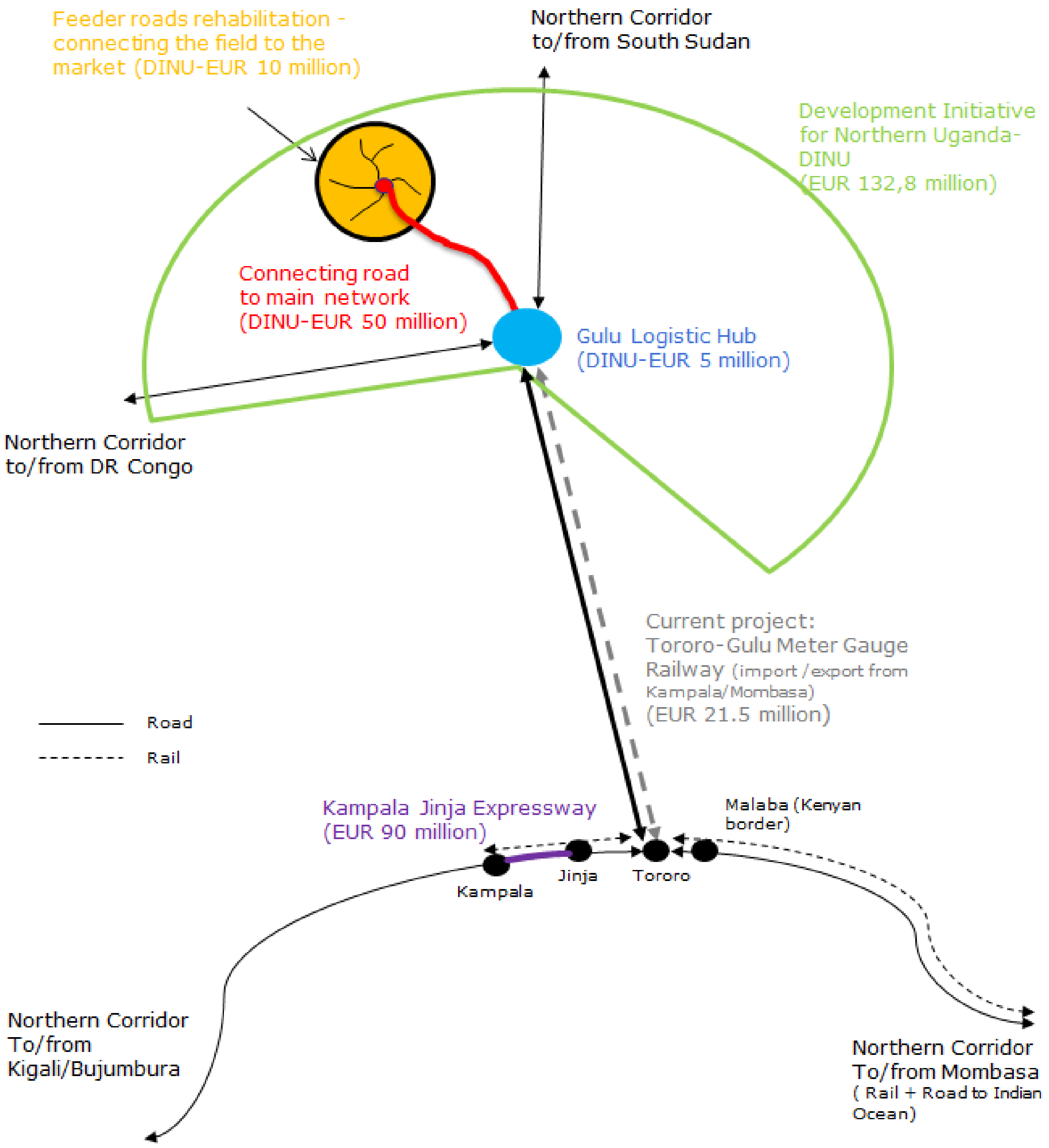
Appendix 2: map of the Northern Economic Corridor and Meter Gauge Railway



Northern Economic Corridor Connecting East African Countries



Appendix 3: Trade logistic and supply chain 11th EDF



Appendix: Post concession Meter Gauge operation in Kenya

P.O. Box 30121-00100, Nairobi, Kenya
Tel: 0709-907 114, 0709-907 000
Cell: 0728-603 581, 0728-603 582
E-mail: md@krc.co.ke
Website: www.krc.co.ke

KENYA RAILWAYS
right on track

Ref: CAC 4

August 22,2017

Mr. Charles A. Kateeba
Managing Director
Uganda Railways Corporation
P.O Box 7150
KAMPALA UGANDA

MANAGING DIRECTOR
RECEIVED
12 SEP 2017
UGANDA RAILWAYS COR
KAMPALA

Dear Charles

RE: POST CONCESSION METRE GAUGE RAILWAYS OPERATION

Reference is made to your letter dated July 17, 2017 in which URC requested assurance from Kenya Railways on the status of metre gauge operations after exit of Rift Valley Railways Ltd.

This is to confirm that Metre Gauge operation will continue uninterrupted even after exit of RVR. KR has put adequate measures to take over operation from RVR.

A.K. Maina
MANAGING DIRECTOR

KEBS

All correspondence should be addressed to the Managing Director

Appendix 5: Government of Uganda financing commitment for the project

Telephone : 256 41 4707 000
: 256 41 4232 095
Fax : 256 41 4230 163
: 256 41 4343 023
: 256 41 4341 286
Email : finance@finance.go.ug
Website : www.finance.go.ug

In any correspondence on
this subject please quote No. UG/FED/2016/039-117

THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
PLot 2-12, Apollo Kaggwa Road
P.O. Box 8147
Kampala
Uganda

25th May 2017

The Head of Delegation,
Delegation of the European Union,
Crested Towers Building,
15th Floor, Plot 17-23 Hannington Road
P.O.Box 5244
Kampala

Your Excellency,

Project: **FED/2016/039-117 Rehabilitation of the Tororo-Packwach Railway Line**

Subject: **Impact of Notice of Intention to terminate the Uganda Railways Freight Concession Agreement with Rift Valley Railways Uganda**

Reference: **EU Letter ARES(2017)KS/ld 2085773 dated 25th April 2017**

On 12th April 2017 Government of Uganda issued an intention to terminate the freight concession with Rift Valley Railways Uganda (RVRU) due to a number of default events. This notice gave RVRU 30 days to remedy the default which implied that on 13th May 2017, GoU had the right to issue the Notice to terminate which runs for 90 days if the Lenders do not intervene.

Following the issue of the notice of intention to terminate, a meeting was held on the 15th of May 2017 between Uganda Railways Corporation (URC), Ministry of Works and Transport and this Ministry. The meeting discussed, among others, the implications of the termination on the project development process with EU for the rehabilitation of the Tororo-Gulu section of railway line.

The following were agreed:

a) That termination of the RVRU Concession Agreement should proceed as advised by the Solicitor General.
b) Once the cancellation process of the RVRU freight concession commences, all assets of the railway formerly managed by RVRU such as the permanent way, locomotives, workshops e.t.c should revert to URC. Therefore the roles

Mission
"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

of RVR on the rehabilitation of the MGR (Tororo-Gulu) project to be funded by EU shall be played by URC.

c) With the URC Board now in place, URC should be in position to manage the Railway for the foreseeable future. Any capacity and technical gaps within URC shall be addressed in close collaboration with Ministry of Works and Transport. A detailed technical paper is expected from MoWT & URC within two weeks from the date of this letter highlighting the Government plans for the short term and long term operations of the Railway. The paper shall also contain information on the intentions of the Kenyan Government regarding the operations of the MGR now that the section of the SGR between Mombasa and Nairobi is complete. NAO shall share this report with your services once it's finalized.
d) On the matter of the financial contribution previously programmed in the project as a contribution from RVRU, an equivalent of EUR 5 million in UGX shall be provided in the 2017/18 and subsequent budgets to cater for the rehabilitation of the project-line for start-up activities.
e) Since the termination of the freight concession will imply that RVRU concedes all assets back to RVRU, the passenger service contract shall be extended within the termination period of the freight concession. A detailed URC readiness plan is being compiled and shall be shared with you for information.

The purpose of this communication is to reiterate government commitment to the rehabilitation of the Tororo-Packwach metre gauge railway. By copy of this letter, Ministry of Works and Transport and the Uganda Railways Corporation are requested to provide all relevant information to EU to complete the project development process.

Keith Muhakanizi
PERMANENT SECRETARY/SECRETARY TO THE TREASURY AND DEPUTY NATIONAL AUTHORIZING OFFICER OF EDF

Copy to: -The Hon. Minister of Finance, Planning and Economic Development
-The Hon. Minister of Works & Transport
-The Permanent Secretary Ministry of Works &Transport
-The Managing Director, Uganda Railways Corporation

General :0414-320101-9
Minister :0414-235730 / 255028
Minister of State (Works) :0414-349487
Minister of State (Transport) :0414-320026
Permanent Secretary :0414-259139 / 322
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In any correspondence on this subject
please quote No. FIN 86/107/01

THE REPUBLIC OF UGANDA

Ministry of Works and Transport
Plot 57-59 Jinja Road
P.O. Box 7174
Kampala - **UGANDA**

MANAGING DIRECTOR
RECEIVED
23 MAY 2017
UGANDA RAILWAYS CORPORATION
KAMPALA

Monday, May 22, 2017

The Permanent Secretary/Secretary to the Treasury
Ministry of Finance, Planning and Economic Development
KAMPALA

REHABILITATION OF THE TORORO–PAKWACH RAILWAY LINE

Reference is made to the letter Ref: UG/FED/2016/039-177 dated May 16, 2017 advising the Ministry to re-allocate an equivalent of EUR 1.3m in UGX from Standard Gauge Railway Project to Rehabilitation of Tororo–Pakwach Railway Line in the FY 2017/18.

The purpose of this communication is to submit to you the corrigenda to the Draft Estimates for FY 2017/18 to that effect and further request for a project code from where the funds will be expended. In addition, UGX 2.25bn is required to prepare the Resettlement Action Plan for the rehabilitation of Tororo–Pakwach railway line.

Attached is the multiyear commitment for the project

Bageya Waiswa
PERMANENT SECRETARY

Copy to: Managing Director, Uganda Railways Corporation
Director Budget, MoFPED

Mission: To promote adequate, safe and well maintained Works and Transport Infrastructure and Services for Socio-Economic Development of Uganda.

MULTIYEAR COMMITMENT

Project Name	2017/18 UGX (Bn)	2018/19 UGX (Bn)	2019/20 UGX (Bn)	Total UGX (Bn)
Rehabilitation of Tororo–Pakwach Railway Line	**7.496**	**9.273**	**5.550**	**22.233**

CORRIGENDA TO THE DRAFT ESTIMATES FOR FY 2017/18

VOTE	VOTE NAME	PROG	PROJECT CODE	OUTPUT	ITEM	DESCRIPTION	EXISTING Ushs '000 (a)	REDUCE Ushs '000 (b)	INCREASE Ushs '000 (c)	REVISED TOTAL Ushs '000 d= a+b+c	DETAILS
16	Ministry of Works and Transport						475,541.0	(5,245.5)	5,245.5	475,541.0	An equivalent of EUR 1.3m in UGX has been re-allocated from development of the SGR line to start-up activities for rehabilitation of the Tororo - Packwach Railway Line (EUR 1 = UGX 4035)
		02	1097	040254	263104	Transfers to other govt. units	113,500.0	(5,245.5)		108,254.5	
						Rehabilitation of Tororo - Packwach Railway Line	-	-	5,245.5	5,245.5	

Appendix 6 : Performance of concession in Sub-Saharan Africa

No	Concession	Countries	Year of Concession	Current performance		Investment responsibility		Canceled Concessions
				Operational	Financial	Infrastructure	Rolling Stock	
1	Sitarail	Côte d'Ivoire, Burkina Faso	1995	A	C	Public	Private	
2	Camrail	Cameroon	1999	B	A	Public	Private	
3	CEAR	Malawi	2000	D	D	Private	Private	
4	RSZ	Zambia	2002	C	C	Private	Private	X
5	Madarail	Madagascar	2003	B	C	Public	Private	
6	Transrail	Senegal, Mali	2003	C	D	Private	Private	
7	CCFB (Beira)	Mozambique	2005	C	D	Private	Private	X
8	TransGabonais	Gabon	2005	B	C	Public	Private	
9	Nacala	Mozambique	2005	C	D	Private	Private	
10	**KRC-URC**	**Kenya-Uganda**	**2006**	**C**	**D**	**Private**	**Private**	
11	TRC	Tanzania	2007	D	D	Private	Private	X
12	SNCC	DR Congo	2011	D	D	Public	Private/Public	

Source : SSATP Africa Transport Policy Program, Working Paper No. 94, March 2013