

**REPUBLIC OF UGANDA – EUROPEAN COMMUNITY**

**COUNTRY STRATEGY PAPER  
AND  
NATIONAL INDICATIVE PROGRAMME**

**2008 – 2013**

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The Government of Uganda and the European Commission hereby agree as follows:

- (1) The Government of Uganda, represented by Hon. Dr Ezra SURUMA, Minister of Finance, Planning and Economic Development, National Authorising Officer for EDF operations in Uganda, and the European Commission, represented by Mr. Vincent De VISSCHER, Head of Delegation, hereinafter referred to as "the Parties", held discussions in Kampala from April to November 2007 with a view to determining the general orientations for cooperation for the period 2008-2013.

Following these discussions the Country Strategy Paper and the Indicative Programme of Community Aid in favour of Uganda were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, and the revised Agreement signed in Luxembourg on 25 June 2005. These discussions complete the programming process in Uganda. The Country Strategy Paper and the Indicative Programme are annexed to this document.

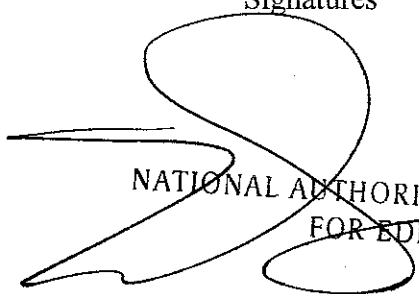
- (2) As regards the indicative programmable financial resources which the Community intends to make available to Uganda for the period 2008-2013, an amount of €439,000,000 is earmarked for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and of €21,900,000 for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is intended to cover macroeconomic support, sector policies, programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which Uganda benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is intended to cover unforeseen needs, such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives, and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership, but not before 1 January 2008. Financing Decisions for projects and programmes can be taken by the Commission at the request of the Government of Uganda within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Article 76 and Annex II of the Cotonou Agreement.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall hold annually an operational review of the Indicative Programme, and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF multi-annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of that period.

Signatures

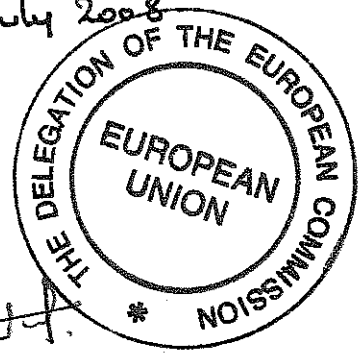
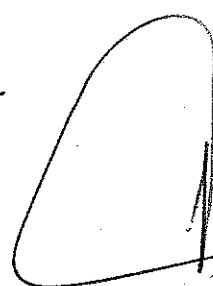


7th July 2008

NATIONAL AUTHORISING OFFICER  
FOR EDF

For the Government of Uganda

7th July 2008



THE DELEGATION OF THE EUROPEAN COMMISSION  
EUROPEAN UNION

For the Commission

Vincent DE VISSCHER  
HEAD OF DELEGATION

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## ACRONYMS

|               |  |
|---------------|--|
| <b>ACP</b>    | : African Caribbean Pacific                              |
| <b>ADF</b>    | : Allied Democratic Force                                |
| <b>AfDP</b>   | : Africa Development Bank                                |
| <b>APIR</b>   | : Annual PEAP Implementation Review                      |
| <b>APRM</b>   | : African Peer Review Mechanism                          |
| <b>BUDS</b>   | : Business Uganda Development Services                   |
| <b>COMESA</b> | : Common Market for Eastern and Southern Africa          |
| <b>CSO</b>    | : Civil Society Organisation                             |
| <b>CSP</b>    | : Country Strategy Paper                                 |
| <b>DUCAR</b>  | : District Urban and Community Access Roads              |
| <b>EAC</b>    | : East African Community                                 |
| <b>ECHO</b>   | : European Communities Humanitarian Office               |
| <b>EIDHR</b>  | : European Initiative for Human Rights and Democracy     |
| <b>EOM</b>    | : Election Observation Mission                           |
| <b>ESA</b>    | : East and South African                                 |
| <b>EPA</b>    | : Economic Partnership Agreement                         |
| <b>FDC</b>    | : Forum for Democratic Change                            |
| <b>FINMAP</b> | : Financial Management Programme                         |
| <b>FRMCP</b>  | : Forest Resources Management and Conservation Programme |
| <b>GBS</b>    | : Global Budget Support                                  |
| <b>GDP</b>    | : Gross Domestic Product                                 |
| <b>GOU</b>    | : Government of Uganda                                   |
| <b>HIPC</b>   | : Heavily Indebted Poor Country                          |
| <b>ICC</b>    | : International Criminal Court                           |
| <b>IDP</b>    | : Internally Displaced Person                            |
| <b>JLOS</b>   | : Justice Law and Order Sector                           |
| <b>LGSIP</b>  | : Local Government Sector Investment Plan                |
| <b>LRA</b>    | : Lord's Resistance Army                                 |
| <b>LRRD</b>   | : Linking Relief Recovery and Development                |
| <b>MDG</b>    | : Millennium Development Goal                            |
| <b>MDRI</b>   | : Multilateral Debt Reduction Initiative                 |
| <b>MFEDP</b>  | : Ministry of Finance, Economic Development and Planning |
| <b>MTEF</b>   | : Medium-Term Expenditure Framework                      |
| <b>MWT</b>    | : Ministry of Works and Transport                        |
| <b>NAADS</b>  | : National Agriculture Advisory Services                 |

|              |   |
|--------------|---|
| <b>NARS</b>  | : National Agriculture Research System                |
| <b>NDPM</b>  | : National Disaster Preparedness Management           |
| <b>NEMA</b>  | : National Environment Management Authority           |
| <b>NEPAD</b> | : New Partnership for African Development             |
| <b>NFA</b>   | : National Forestry Authority                         |
| <b>NGO</b>   | : Non Governmental Organisation                       |
| <b>NIP</b>   | : National Indicative Programme                       |
| <b>NRM</b>   | : National Resistance Movement                        |
| <b>NSA</b>   | : Non State Actors                                    |
| <b>NCR</b>   | : Northern Corridor Route                             |
| <b>OHS</b>   | : Occupational Health and Safety                      |
| <b>PEAP</b>  | : Poverty Eradication Action Plan                     |
| <b>PMA</b>   | : Plan for the Modernisation of Agriculture           |
| <b>PRDP</b>  | : Peace, Recovery and Development Plan                |
| <b>PSI</b>   | : Policy Support Instrument                           |
| <b>RAFU</b>  | : Roads Agency Formation Unit                         |
| <b>RIP</b>   | : Regional Indicative Programme                       |
| <b>RSDP</b>  | : Roads Sector Development Programme                  |
| <b>SPGS</b>  | : Sawlog Production Grant Scheme                      |
| <b>SBS</b>   | : Sector Budget Support                               |
| <b>SWAP</b>  | : Sector-Wide Approach Programme                      |
| <b>SWG</b>   | : Sector Working Group                                |
| <b>TCF</b>   | : Technical Cooperation Facility                      |
| <b>UCE</b>   | : Uganda Commodity Exchange                           |
| <b>UHRC</b>  | : Uganda Human Rights Commission                      |
| <b>UJAS</b>  | : Uganda Joint Assistance Strategy                    |
| <b>UNRA</b>  | : Uganda National Roads Authority                     |
| <b>UPDF</b>  | : Uganda People's Defence Forces                      |
| <b>UPTOP</b> | : Uganda Programme for Trade Opportunities and Policy |
| <b>WTO</b>   | : World Trade Organisation                            |



## SUMMARY

The 10<sup>th</sup> EDF Country Strategy Paper (CSP) and National Indicative Programme (NIP) contained in this document outline the framework for EC-Uganda cooperation for the years 2008-2013. The EC response strategy is in line with Uganda's Poverty Eradication Action Plan (PEAP) and is consistent with the principles and guidelines of the Uganda Joint Assistance Strategy (UJAS). The main objective of the programme is to alleviate poverty by fostering sustainable development through economic growth supported by sound governance and macroeconomic policies, improved connectivity of national and regional transport infrastructure, as well as by sustained impetus on the improvement of agriculture and livelihoods. Support for conflict resolution in Northern Uganda and Karamoja, and strengthening of multi-party parliamentary democracy, will be part of the cooperation.

The 2006 national and local elections, which were conducted in a peaceful manner, underlined the importance of further consolidating the multiparty democracy and governance institutions. Basic human rights and fundamental freedoms are protected by the constitution and an independent judiciary, as well as by the work of various institutions and organizations active in the relevant field. The media is exercising its functions without undue restrictions. The reconciliation agenda for Northern Uganda received a welcome boost from the formal commencement of peace talks between the Government and the LRA. Prospects for peace and security in the wider region are also encouraging. The improving governance environment in Uganda is expected to be reflected in the recently launched African Peer Review Mechanism exercise, to which Uganda recently subscribed.

The economy is demonstrating resilience to external shocks and to the serious challenges posed by the energy crisis in Uganda. This satisfactory performance is attributed to the sound macroeconomic policies and to the performing private sector. Firm international prices for agricultural products, a developing customs union in the East African Community and improving tourist receipts are having positive results. The prospect of peace in the north is bringing increased economic activities with South Sudan. The recent confirmation of commercially exploitable oil deposits in Western Uganda could contribute positively to the growth of the economy in the medium-to-longer term. The implementation of the Poverty Eradication Action plan is contributing positively towards meeting the MDGs, although increased sustained efforts are needed to achieve them in the allotted time. Due to its land-locked nature, Uganda is investing substantially in its national road network, especially the main corridors that provide links with the neighbouring countries. Investment by the Government and Development Partners is needed in order to tackle the challenging task of the recovery of Northern Uganda.

The areas of intervention for EC cooperation for 2008-2013 reflect these major challenges, building on the EC's comparative advantage both internationally and in Uganda, as well as ensuring coordination and harmonization with other development partners within the framework of UJAS and the Paris Declaration.

- **Budget Support: 55% of EC assistance will be provided in the form of budget support**, of which 40% is General Budget Support aimed at placing the emphasis on public finance management and economic growth as well as attainment of MDGs. The remaining 15 % will be provided as Sector Budget Support to the roads maintenance component of the first focal sector and also to the second focal sector, capitalizing on past experience with the Programme for the Modernisation of Agriculture.
- **Focal sector 1: Support to Transport sector.** The objective is to complete the rehabilitation and upgrading in Uganda of the Northern Corridor Route linking the port of Mombassa in Kenya and also serving Rwanda and East Congo, and to improve the maintenance of the national road network through rehabilitation and institution building (Road Authority, Road Fund).
- **Focal sector 2: Rural Development.** The specific objectives of this focal sector are to support agriculture development and productivity enhancement, including forestry development and livelihoods recovery in Northern Uganda. It will be complemented by a programme of conflict resolution and development assistance in Karamoja.
- **Non-focal areas** of support include assistance in the field of support to democratic governance and to Non State Actors, a TCF programme, and support to the NAO.

## PART 1: STRATEGY PAPER

### CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN PARTNERS

#### 1.1 General objectives of the EC's external policy

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role as a **global partner**, based on its core values, in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad range of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance, as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action, including the Common Foreign and Security policy, common trade policy and cooperation with third countries, provides a framework for integrating all EU instruments and for developing common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law, as well as its capacity to focus on the **fight against poverty**, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. The EU will thus achieve genuine coherence between its domestic and external agendas, contributing thereby to global security and prosperity.

#### 1.2 Strategic objectives of cooperation

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Uganda shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country concerned, and the essential elements and fundamental elements as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general development policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving the eradication of poverty. Therefore, the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multiannual programming based on partner countries' strategies and processes, common implementation mechanisms, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on the new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies should make a positive contribution to the developing countries' efforts to attain Economic Development and the **MDGs**.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts too thinly. In this context the Community will be active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed on an **EU Strategy for Africa**. The Strategy provides a long-term strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and achieve the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii) improving access to basic social services and protection of the environment to reach the MDGs.

### **1.3 Main bilateral agreements**

The **European Union** is bound to Uganda through the Cotonou Partnership Agreement. The EU's assistance to Uganda - provided under National Indicative Programmes - supports the country's poverty eradication plan. Aid delivery is provided through a variety of instruments: general and sector budget support, project approach, budget-funded operations, STABEX, ECHO, as well as under the Regional Support Programme.

An EU-EAC Economic Partnership Agreement was initialled in November 2007. This interim agreement was initialled by all members of the EAC (Kenya, Uganda, Rwanda, Tanzania and Burundi).

An Economic Partnership Agreement (EPA) was negotiated between the EU and the EAC partner states that make up the East African Community (Kenya, Tanzania, Uganda, Rwanda, and Burundi).

A number of EU Member States provide bilateral assistance to Uganda. The salient features of this cooperation are set out in Appendix 10.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **2.1 Analysis of the political, economic, social, and environmental situation**

#### **2.1.1 Political and institutional situation**

Since 1986 Uganda has made progress in restoring peace, security, and the rule of law. It has also undertaken many institutional reforms. Following a referendum in 2005, the framework for multi-party politics was re-introduced after twenty years of the Movement system (MS) 'democracy' also known as "No-party Democracy". The 2006 presidential and parliamentary elections marked the beginning of the return to the multi-party system. The main challenges are continuing the consolidation of multi-party democracy and respect for human rights, strengthening the separation of powers in government and deeper involvement of parliament, restoration of peace and security in Northern Uganda and conflict resolution in Karamoja, and the continued fight against corruption.

**Human Rights and the Rule of Law:** The Constitution of 1995 provides the legal basis for respect of civil, political, economic, social and cultural rights and established the Uganda Human Rights Commission (UHRC) to independently monitor, investigate and adjudicate human rights violations. National and international human rights organisations are generally free to carry out their activities, with the exception of those defending sexual minorities. Access to justice is limited, especially in

rural areas where legal aid services are not easily available. Cases of torture and illegal detentions are being brought before the UHRC. Recently, the institutions of the Justice, Law and Order Sector (JLOS), and in particular the Ugandan Police Force, have made some progress in resuming their activities in war-affected Northern Uganda, although the army still plays the lead role in the security field.

The JLOS provides a framework for strategic actions in this field. The Uganda People's Defence Forces (UPDF) plays an active role in political life, and has representatives in Parliament. The position of women is addressed and protected by the Constitution. Women are widely represented in political office, with special seats in Parliament and local council governments. A Domestic Relations and Sexual Offences Bill have been introduced in Parliament. Gender-based violence needs to be addressed nationwide.

**Functioning of Institutions:** Although the independence of the judiciary is guaranteed by the Constitution, it is nevertheless put under strong pressure at times. The Parliament exercises in principle all its main functions. Since the 2006 elections, the Parliament has operated under the multi-party system with the opposition parties chairing some of the key committees, such as the Public Accounts Committee, whose mandate is to hold the Executive accountable. The position of the Leader of the Opposition in the Parliament is recognised. In practice, however, the opposition parties are still weak and all political actors need to learn the rules of the democratic game in the new multi-party system. Some progress has been made in strengthening the legal and financial management systems to reduce opportunities for corruption. The Inspectorate of Government (IG), which is independent and answerable to Parliament, and the PPDA, are two of the important institutions in this area. However, corruption in the public sector continues to be a challenge. The anti-corruption agencies continue to be strengthened in terms of the capacity to carry out their mandate effectively. Recognising the central role of good governance to development, Uganda adopted the NEPAD strategy and acceded to the APRM in March 2003. In July 2004, the first Stakeholders' Forum was held to raise public awareness. In June 2005 an independent APRM National Commission was constituted. An MOU between Government and APRM Forum was signed in February 2005. The APRM is due to be completed in 2008.

The **decentralisation process** in Uganda is well advanced, with ample powers and service delivery responsibilities formally delegated to Local Governments. However, the abolition of the 'graduated tax' has reduced revenue to Local Governments and left them more dependent on transfers from central government. Also, the creation of many new districts (up from 56 to 80) in 2005-2006 has put a strain on the organisational and financial capacities of some districts to provide effective services. Meanwhile, the decentralisation process is strongly supported by the Development Partners who (including the Delegation) have signed an MOU for the implementation and monitoring of the LGSIP 2006-2016.

**Functioning of democracy:** The Government organised a referendum on the transition to multi-party politics in July 2005. A number of political parties were registered. During the same period, the Parliament also approved Constitutional amendments, which included abolishing the limits on the presidential term. President Yoweri Museveni won the 2006 presidential elections in February 2006 with 59% of the votes. The election process was contested by the opposition candidate, Dr Besigye. The Supreme Court ruled on the matter and upheld the result. These elections were observed by an EU Election Observation Mission (EU-EOM) that produced a report containing key recommendations aimed at strengthening multi-party democracy in Uganda. These include changes in the legal framework (i.e. electoral laws), civic education, strengthening democratic processes, independence of the judiciary, and electoral administration.

**Freedom of expression** is respected, but is put under pressure at times. There are thousands of registered Civil Society Organisations (CSOs). The NGO Registration Amendment Act was passed in 2006. The Government is endeavouring to develop a code of conduct for CSOs through consultations. In terms of **media**, several newspapers are published and hundreds of radio stations

have a wide coverage in most parts of Uganda. The Media Council, under the President's Office, regulates the activities of the media in Uganda.

**Conflict Resolution:** Uganda has experienced several conflicts since 1986 – the year in which the current Government took power. Peace negotiations are underway to resolve the serious conflict in **Northern Uganda** between the Government and the Lord's Resistance Army (LRA) which has lasted for twenty years. The conflict has had a disastrous effect on local populations, including many women and children who have been abducted and used as sex slaves and child soldiers respectively. Conflict and HIV/AIDS have created a large number of orphans. The ICC has indicted five top LRA leaders, while the local Northern Ugandan leaders are calling for the use of traditional legal mechanisms. Meanwhile, the **Karamoja region** is seriously affected by chronic environmental problems, small arms and cattle rustling. Special efforts are needed in order to restore structural stability in these conflict-affected regions, where poverty and social indicators seriously undermine the overall efforts of the GoU on poverty eradication and economic growth. The Government has explicitly recognised the link between security, conflict and development. It has presented its '**Peace, Recovery and Development Plan**' (PRDP) and the **Karamoja Integrated Disarmament and Development Plan** (KIDDP) which aim to address conflict resolution and recovery issues in the conflict-affected areas. A Conflict Situation Analysis is presented in Annex 13.

### 2.1.2 Economic and commercial situation

#### *Economic situation, structure and performance*

Since taking office in 1986, the NRM government has pursued policies promoting economic liberalization and **private sector-based, export-led growth**. It has successfully maintained macroeconomic stability, while steadily directing larger shares of public spending to investment, operations and maintenance, and public services targeting the poor. Uganda's average inflation rate has been below 5% for more than a decade. In recognition of this persistent strong macro-economic performance, the IMF decided in 2005 that Uganda could graduate to the status of a **Policy Support Instrument** (PSI) country. The banking sector has been reformed. Privatization of telecommunications has resulted in cheaper services and an expansion in the number of households and businesses served.

The government's policies have yielded **positive results**. Uganda's gross domestic product grew at an average rate of 6.9% during the 1990s. Economic growth in recent years appears to have slowed somewhat, but continues to be strong, averaging 5.7% during 1999/2000–2006/2007. Continued high population growth is impacting negatively on GDP growth, posing a challenge to the government as it strives to reduce poverty. The GDP per capita (\$394) indicates that Uganda still ranks amongst the poorest countries in the world. Gross domestic savings increased from 7.2% of gross domestic product (GDP) in 1999/2000 to 8% in 2006/2007, and exports increased from 11.2% to 15.7% of GDP over the same period. Foreign direct investment increased from US\$133 million in 2000/2001 to US\$434 million in 2006/2007.

In order not to lose the momentum in economic growth and poverty reduction, the government needs to build on past performance by addressing the **key economic challenges**:

- **Increasing mobilization of domestic resources.** Aid flows rose from 9.1% of GDP to over 12% of GDP during 95/96–2001/02 (comprising about 50% of government budget), financing large increases in public spending. Aid inflows have since stabilized, and the deficit before grants has fallen back. Despite a modest improvement in mobilization of domestic revenue, it still stands at 13.6% of GDP in 2006. New, sustainable sources of local revenue need to be identified.

- **Stimulating private investment.** The business climate in Uganda has improved significantly since the early 1990s, leading to growth of private investment. However, much more needs to be done if Uganda is to attract private investment equal to the 21 percent of GDP required under the terms of the PEAP in order for Uganda to achieve its target GDP growth rate of 7%. It will be critical to upgrade Uganda's transport and energy infrastructures. The current energy crisis calls for rapid investments in the sector.

- **Promoting exports.** Non-traditional exports - in particular fish, flowers and vegetables, and tourism - have been growing rapidly, while the value of coffee exports (traditionally Uganda's major export) has shown a modest recovery as international prices have rebounded. However, the overall export/GDP ratio of 15.7% in 06/07 is still low. Uganda's transport network needs upgrading to benefit further from regional trade opportunities. This is particularly important in the light of Uganda's landlocked position.

- **Strengthening implementation of the budget.** The government has operated a Medium Term Expenditure Framework (MTEF) for over 10 years. It is a transparent and participatory budget process, which is one of the most admired in Africa. The share of government's discretionary budget allocated to the Poverty Action Fund increased from 17% in 97/98 to 33% in 05/06<sup>1</sup>. However, expenditures on public administration and defence have exceeded initial allocations during the past few years.

- **Maintaining public debt** within manageable levels. Some indicators of external debt sustainability have deteriorated since Uganda reached the completion point of Heavily Indebted Poor Country (HIPC) in 2000. Although the external debt service ratio as a percentage of exports and of domestic revenues (about 10%) remains at levels well below critical benchmarks, the government is committed to maintaining public debt within levels that it can manage. The debt initiative, if implemented in full, will significantly reduce Uganda's debt burden. The Government has also recently committed to a national debt strategy, which should ensure that future levels of debt remain under tight control.

- Recent discoveries of potentially important **oil** reserves in western Uganda may considerably change the economic landscape of the country in the medium term.

### ***Structure and management of public finances***

As noted above, the government has been operating a Medium Term Expenditure Framework (MTEF) for over 10 years. The transparency, comprehensiveness and participatory nature of the budget process, and the relatively good aggregate fiscal performance in terms of budget deficit and budget execution, are its principal characteristics. However, significant concerns remain at the sector level, where discipline in executing approved budgets - particularly as regards public administration and defence expenditure - has been lagging behind.

Significant progress has been achieved in strengthening and updating the legal framework and regulatory environment for PFM, particularly in the areas of accounting, procurement and external oversight, whilst the quality of financial information has also improved. However, on account of the relative novelty of these legislative changes, it is recognised that fiduciary risks remain high in terms of: (i) enforcement of procurement and payroll rules and procedures; (ii) completeness of data on debt and contingent liabilities; (iii) effective independent oversight, and (iv) timeliness and effectiveness of legislative and public scrutiny. The incidence of corruption is another cause for concern. Efforts to strengthen accountability institutions have yet to yield tangible results in the fight against corruption. It is intended that strengthened legislation and capacity building of the anti-corruption agencies should provide an avenue for intensified efforts to curb corruption. This will be accompanied by intensified (high profile) case monitoring and cooperation with civil society.

Donor funding is projected to represent 10.4% of GDP and cover 43% of public expenditure in FY 2006/07. This marks a noticeable reduction from a couple of years ago, when more than half of public expenditures were funded through aid receipts.

### ***Assessment of the reform process***

#### ***Trade policy and external environment, in particular regional cooperation and EPAs***

Uganda is a member of the World Trade Organisation (WTO) and is negotiating a full Economic Partnership Agreement (EPA) with the EU as part of the 5-member **East African Community** (EAC) states. EAC is the most advanced of the regional groupings and is perceived as one of the most

<sup>1</sup> The Poverty Action fund was set up in 1997 as a virtual poverty fund within the MTEF to ensure that resources resulting from the HIPC were spent on core poverty programs.

dynamic regional groupings on the continent. EAC achieved Customs Union status in 2005, with a three-band tariff structure (0, 10 and 25%), plus a category for sensitive products.

Political commitment to regional integration, particularly with EAC, remains high in the Government's agenda. Uganda, as founding member of EAC, initialled the EU-EAC EPA Interim Agreement. The Interim Agreement foresees 100% liberalisation on the EU side and 82% by value on the EAC side. The main challenges for the country will be to mitigate possible economic/financial negative impact and to ensure taking the full benefits from the news opportunities.

### 2.1.3 Social situation, including decent work and employment

In step with good economic performance, **key social indicators improved** during the 1990s. The introduction of universal primary education has been followed by big improvement in the distribution of expenditures for primary education, largely in favour of the poor and of girls. Gross primary school enrolment increased from 71% of school age children in 1990 to 127% in 2003. Unsatisfactory primary completion rates remain a challenge. Ongoing efforts to improve the quality of education need to be strengthened. The longstanding efforts to bring health services closer to the poor, as well as the recent abolition of user fees, have also helped to improve access of the poor to public health services. As a result, under-five mortality declined from 180 per 1,000 live births in 1988/89 to 152 in 2000. These achievements enabled Uganda to improve its ranking in the UNDP's Human Development Report from 154 out of 173 countries in 1994 to 144 out of 177 countries in 2005.

As demonstrated in the table below, Uganda has made **substantial progress towards achieving the MDGs**, although more needs to be done if all of these goals are to be achieved.<sup>2</sup>

|   |  |
|---|--|
| <b><i>MDG goals that are likely to be attained, with continued good policies</i></b>              |  |
| MDG 1   | Eradicate extreme poverty                    |
| MDG 3   | Promote gender equality and empower women    |
| MDG 6   | Combat HIV/AIDS                              |
| MDG 7   | Ensure environmental sustainability          |
| MDG8  | Develop a global partnership for development |
| <b><i>MDG goals that may be achieved with intensified efforts</i></b>                             |  |
| MDG 2   | Universal primary education                  |
| <b><i>MDG goals for which strengthened policies, institutions and funding are necessary</i></b>   |  |
| MDG 1   | Hunger                                       |
| <b><i>MDG goals unlikely to be met, even with improved policies, institutions and funding</i></b> |  |
| MDG 4   | Reduce child mortality                       |
| MDG 5   | Improve maternal health                      |

It is notable that Uganda's economic growth and increases in **household income** have not been achieved through an expansion of employment in the manufacturing sector. Indeed, the share of this sector in total employment has remained virtually unchanged despite healthy growth of output in the sector and an increase in its share of GDP. The only notable change that has taken place in the structure of employment is a shift away from food crops to cash crops. This raises an important issue around the sustainability of the present rate of poverty reduction in Uganda. Agriculture, which is relatively more labour-intensive, (especially the food crop sector), still has the highest incidence of poverty. As long as this sector can continue its healthy growth without any increase in inequality (which should be possible in a smallholder-based production), poverty reduction can continue. However, one must remember the key factor that contributed to the impressive growth and poverty reduction in agriculture: namely sharp increases in prices. The cash crop sector achieved the most impressive rate of poverty reduction during the 1990s.

**Education:** Over the last two years, Government has continued to give priority to education by increasing the total sector budget. Government policy has lent importance to basic education by

<sup>2</sup> It is important to note, however, that Uganda's long-term development objectives are set out in the PEAP and that the PEAP contains targets that are as ambitious, and in certain areas (HIV/AIDS), even more ambitious than the MDGS.

enhancing access and equity to primary education. It has continued to license, register and give grants and materials to community schools. Steps have also been taken to increase access to post-primary education for all children who complete their primary education. In addition, important steps have been taken to expand access to Vocational Education and Training. This is part of the Universal Post Primary Education and Training Programme, which is due to start in 2007. Plans for the roll-out of this initiative have had to be tempered in light of the fiscal implications. Challenges remaining include:

- persistent rural urban disparities and persistently high school fees in private schools;
- managerial limitations, particularly at the district and frontline facility levels;
- inadequate funding, especially for hygiene and sanitation, and for the teachers' wage bill;
- lack of school meals programmes;
- poor coordination of activities related to HIV/AIDS awareness;
- restricted distribution of books and lingering insecurity in certain parts of the country.

**Population:** The population of Uganda is estimated at 27 million persons, with an average population growth rate of 3.4% between the 1991 and 2002 censuses. This growth rate is one of the highest in the world. Health outcomes for Uganda are poor. The Uganda Demography Health Survey 2000 recorded the Infant Under-five mortality rate at 152 deaths / 1,000 live births, a Total Fertility Rate of 6.9 and Maternal Mortality Ratio at 505 deaths per 100,000 live births. The 2002 Uganda Participatory Poverty Assessment identified large families as a primary cause of poverty. High fertility has a particularly deleterious effect on maternal health, thus influencing a mother's ability to adequately care for her children. Persistent high population growth rates may undermine achievements in poverty reduction and would render provision of social and economic services unsustainable. Among the most important factors affecting fertility levels are, in order of importance: female education, female employment opportunities, higher incomes, and good access to reproductive health services. In addition, there appear to be societal influences that affect fertility decline, such as the role of the media in projecting positive images of small families. Reproductive and child health services are still inadequate and prevent families from reducing their number of children. Measures to assist households with alternative ways to smooth consumption over the life cycle would clearly assist in reducing fertility. Political leadership and action is perhaps the most critical median in this respect. However, the Government does not seem to be encouraging a public debate, at least at this stage, on this important issue.

**Health and HIV/AIDS:** The Health Sector Strategic Plan, finalized in October 2005, is the guide to the operations in the health sector for the next five years. Many of the HSSP I output targets have been achieved and in some cases surpassed. User charges were abolished in 2001 in all government health facilities except for private wings in hospitals. The combination of improved physical access, improved quality of care, and removal of major financial barriers for the poor, has resulted in a dramatic rise in utilization of public sector services. Significant gains were made in many of the priority programmes, notably the Expanded Programme on Immunization. No new cases of polio are being reported and only four deaths from measles were reported in the first half of 2004. However, mother and child healthcare remains one of the major challenges. Additional proven and cost-effective interventions for the **prevention and control of malaria** were introduced, including home-based management of fever, and vigorous marketing and distribution of insecticide treated bed-nets. However, malaria continues to kill approximately 100 000 people annually.

Human resource capacity in terms of numbers and skills poses a special challenge. Severe constraints still exist in under-funding, frequent running out of stocks of essential medicines, and lack of equipment. Access to basic emergency obstetric care also remains extremely low. The National Health Policy objective of making the non government sector a major partner in national health development has largely been achieved. The **HIV/AIDS epidemic continues to be contained effectively**. The Sero-Behavioural Survey that was conducted in 2005 reports the national prevalence rate at 6.4%. A successful policy of universal access to ARV has been introduced. Programmes for prevention, such as "Abstinence, Be Faithful, Condom Use", mother to child transmission (PMTCT), Voluntary Counselling and Testing (VCT), communication campaigns, and antiretroviral therapy



(ART) were successfully introduced and/or expanded. Despite the successes, challenges still include inadequate access to information and condoms in rural areas, limited coverage of VCT and PMTCT services and limited access to safe blood, especially in rural areas. There is also limited access to clinical, palliative, and home based care, as well as an inadequate supply of drugs, including those for opportunistic infections and ART. Male involvement and infant feeding have also been incorporated in PMTCT. Demand for VCT has increased, although this has resulted in inadequate counselling & laboratory facilities and personnel. Structures have been created for the **integration of HIV/AIDS issues into sector strategic plans**. These programmes have been relatively successful, although challenges remain, e.g. as regards the stigma against HIV-positive workers. There has been much emphasis on the introduction of HIV/AIDS awareness training in schools. This has made significant strides in raising awareness on HIV/AIDS transmission, prevention and mitigation. Equally, efforts are being stepped up to address HIV/AIDS prevention in the transport sector.

**Employment conditions:** Official unemployment is low, at 3.2 percent, but this statistic is of limited relevance in a country where about 80% of the working age population is engaged in agriculture. About 14% of the total labour force has never received any formal schooling. Uganda's labour market is characterised by significant under-employment and surplus rural labour, exacerbated by high population growth. This keeps wages in rural and unskilled urban sectors low. However, at the same time, significant skills shortages remain in the (largely urban) sectors employing scarce specialist skills. As a result, salaries in these sectors are relatively high. This underlines the importance of linking the education system to the skills required by the public and private sectors. The Ministry of Education has embarked upon a study to firm up these linkages. A number of initiatives to improve the employment situation in the country are at varying stages of design and implementation.

**Agricultural markets:** Agriculture is the mainstay of the Ugandan economy, providing a significant share of Gross Domestic Product, 85% of export earnings, 77% of total employment and the bulk of raw materials used by the agriculture-based industrial sector. In line with the structural transformation of the economy, agricultural output as a proportion of total GDP continues, and will continue, to decline. The main thrust of Government policy since 2001 has been on increasing the incomes of the poor through higher agricultural growth and increased non-farm employment, especially in the rural areas where the majority of the poor live. With the entry into force of the PEAP 2004, further efforts are geared towards intensifying agricultural production and productivity as a means of raising household incomes through the provision of public goods and services<sup>3</sup>. Achievements include: the introduction of several policies and strategies to enhance agricultural performance; significant improvements registered in the overall business environment, thus enhancing private sector competitiveness; a major increase in access to advisory services in the NAADS districts (National Agriculture Advisory Services); and on-going initiatives to enhance agricultural marketing and processing. The challenges include: widespread food insecurity in areas affected by conflict in north and north-eastern Uganda, resulting in high levels of malnutrition; agricultural statistics remain inaccurate and unreliable; and key infrastructure to enable private sector development remains largely inadequate. The crop sub-sector, from which the majority of the poor derive their livelihood, continues to perform poorly, with a high rate of environmental degradation that is adversely affecting agricultural production and household incomes. Access to finance – especially long-term financing – remains a major constraint on farmers and private sector firms.

**Food Security:** In spite of the generally food-secure status of the population there continue to be problems of malnutrition and pockets of famine and hunger in the country. The prevailing levels of childhood under- and mal-nutrition are high, accounting for 40% of all deaths of children before the age of five. Over 38% of children under 5 years of age are stunted (with the rural population being more affected than the urban), 4% wasted and 22% underweight. All these indicators reflect either

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<sup>3</sup> Including environmental resources; agricultural extension; research and technology; energy; physical infrastructure and services; financial services; marketing and agro-processing; and an enabling business environment.

chronic or acute malnutrition. In addition, 10 per cent of women are undernourished, and micronutrient deficiencies (particularly of Vitamin A) are common.

**Transport:** For Uganda, as a landlocked country, road transport is vital for trade, regional integration, security and political stability in the region. The Northern Corridor is the main route for Uganda's external trade flows, carrying an average of 88% of the traffic in the period 1998-2004, while 95% of Uganda's overseas imports and exports transited through Mombasa in 2003. Uganda's exports to Rwanda, DRC and Sudan have grown rapidly in the last six years, with exports to Sudan and DRC growing particularly fast, at annual rates of 98% and 95% respectively over the last two years.

Road continues to be the dominant mode of transport, carrying 90% of freight and passenger traffic. The road network comprises 10,800 km of national roads (2,500 km paved), 27,500 km of district roads, 4,300 km of urban roads and approximately 30,000 km of community access roads. The National Roads carry most of the road traffic and the network coverage caters for the major traffic demand streams. The overall condition of the National Road network as of June 2005 can be classified as 20% good, 62% fair, 17% poor, and 1% bad.

The Government of Uganda transport sector policy aims to provide strategic support and linkage to the Government Poverty Eradication Action Plan (PEAP) that seeks to enhance production. As a means of operationalising its policies, the GoU has a series of transport sector investment programmes covering roads, inland water transport and the railways. The various programmes are in the process of being aggregated under the National Transport Master Plan and the Master Plan for the Greater Kampala Metropolitan Area, a long-term investment plan for road, rail, water and air transport. The Road Sector Development Programme (RSDP) provides the framework for all interventions in the road sector. RSDP1 was initially formulated in 1996 and was subsequently revised as RSDP2 in 2002.

The major institutional reform in the sector to date has been the establishment of the Road Agency Formation Unit (RAFU) in 1998, and more recently its replacement - the Uganda National Roads Authority (UNRA). The second component of these reforms is the restructuring and right-sizing of the Ministry of Works to ensure a proper division of labour between UNRA and the Ministry. In its new role, the Ministry will focus on functions that are relevant to policy formulation, regulation and monitoring, while UNRA will be responsible for managing the National Road network. The third component of the reform is Government's decision to establish a Road Fund to finance UNRA's road maintenance activities. The challenges to improving the overall condition of the national road network include inadequate funding, weak management capacity and the poor quality of contractors. The budget outturn has been good for national roads but less so for District, Urban and Community Access Roads. Over the last five years, expenditure on maintenance of the national road network covered only about 50% of the budget needed to prevent roads in fair condition from deteriorating to poor condition. The budgetary allocations for maintenance fall short of the requirements, despite the Government's commitment to increase maintenance expenditure as demonstrated by the historical trend of maintenance funding over the past 10 years.

The road sector faces a number of challenges of a technical, legal, and institutional nature on top of those mentioned above: they include improvements to axle load control, data collection, road safety, road works delivery methods, local construction industry, planning and investment prioritization, strengthening stakeholder consultation, as well as the integration of cross-cutting issues into all aspects of implementation of the RSDP.

An analysis of the sector is contained in Appendix 12.

#### **2.1.4 Environmental situation**

Uganda depends heavily on environment and natural resources. Over 90% of the population directly or indirectly depends on the products and services from agriculture, fisheries, forest, wetlands, etc. Natural resources account for 85% of export earnings and more than 80% of the workforce is active in agriculture. The country is subject to several environment-related trends which put economic, environment and social development at risk. This includes soil degradation, deforestation, drainage of wetlands, and loss of biodiversity, pollution and unsanitary conditions. Many of the problems are

associated with poor management of water resources. About 96% of those below the poverty line live in rural areas. Access to land is increasingly becoming difficult, especially for the poorer segments of society. Land degradation, especially through soil erosion is the single largest contributor to the annual cost of environmental degradation. Loss of soil nutrients is the reason the country's adjusted net savings are negative, in the absence of other compensatory factors.

Lack of energy has increased pressure to the forest cover. The deficit in forest fuel supply amounts to 3.8 million tonnes per year and the demand for wood is expected to triple by 2025 which threatens to severely diminish the resources base and biodiversity. To increase forest cover and ensure increased supply of timber, the Sawlog Production Grant Scheme and other licensing measures including charging economic rents for timber are in place. Furthermore, to ensure that rural communities living adjacent to forest reserves receive equitable benefits, collaborative forest management is being promoted. In recognition of the scarcity of land and goods and services provided by trees, agro-forestry systems are also being promoted as integral aspects of farming practices.

Climate is an important resource. Of concern to Ugandans are issues of climate change and climate variability, both imposing adverse impacts on livelihoods, especially of the rural poor. Global research indicates that biodiversity is particularly sensitive to climate change. The country is a net sink for greenhouse gases. But atmospheric gases know no national boundaries; hence Uganda is also impacted adversely by increases and fluctuations in the earth's temperature. Increased frequencies of floods and droughts are manifestations of climate change. The erratic onset and cessation of rains as a result of climate variability makes it difficult for farmers to plan when to plant crops. There have been instances of frequent crop failures of late. Hence, to reduce vulnerability to the deleterious effects of climate change and climate variability, adaptation plans including early warning systems need to be put in place.

The report on Uganda's Progress towards achieving the Millennium Development Goals shows that there is room for improvement and the relevant target (Goal No 7 - ensure environmental sustainability) can be met if all the necessary interventions are made.

### **2.1.5 The country in the international context**

Uganda has been an actor in the conflict zone of the Great Lakes region due to the regionalisation of the LRA and ADF rebellions. Movements of LRA fighters between Northern Uganda, Southern Sudan and Congo DR have created tensions, as the Government of Uganda requested to be allowed re-entry into Congo DR. Uganda already has an existing agreement to pursue the rebels in Southern Sudan. The recent progress in the LRA-Government peace talks may have a positive impact on regional security. The **Karamoja pastoral region** also constitutes a point of tension and suffers from cross-border raids and proliferation of small arms. Uganda has adopted a National Action Plan on Arms Management and Disarmament and has a national focal point on small arms in order to address the security issues in a national and regional context. Uganda has taken on a strong role in the **regional integration process**. President Museveni is a staunch supporter of the East African Community. The President has also played a mediating role in the peace process in Burundi.

Uganda has ratified most of the key international human rights instruments and has made improvements in treaty reporting. There are no significant reservations to human rights treaties. Despite the progress in ratifying the international instruments, practical implementation of conventions remains a challenge, especially in the war-affected regions in Northern Uganda. Meanwhile, Uganda has ratified all fundamental ILO Conventions. Whereas Uganda ratified the Rome Statute of the ICC in 2002, it has also signed a bilateral agreement with the United States.

### **2.2 Poverty reduction analysis**

The proportion of the population living below the poverty line in Uganda fell from 56 percent in 1992 to 34 percent in 2000, thanks to strong growth in real private consumption, except in the conflict-afflicted northern region and in the arid eastern region. The depth and severity of poverty also declined, and non-income welfare measures improved. In addition, the proportion of households even in the lowest quintile owning bicycles and radios and other consumer durables increased.

Furthermore, households successfully managed to improve their welfare by earning more in their economic activities through diversification of income sources, increased education levels, and improvements in labour productivity. The most recent data suggest that the proportion of Ugandans with income below the poverty line further decreased from 34 percent in 1999/00 to 31 percent in 2005/06 (table 1). Poverty is often transitory for those with incomes outside of crop agriculture, but chronic for those who rely primarily on crop agriculture for their livelihood. The north remained the poorest region (with 63 percent of the population living in poverty). The most dramatic increase in poverty was in the east (from 35 percent to 46 percent). Rapid population growth in urban areas contributed to a rise in urban poverty.

**Table 1: Poverty and inequality trends, 1992/93–2002/03**

|   | 1992/93 | 1996/97 | 1999/2000 | 2002/03 | 2005/06 |
|---|---------|---------|-----------|---------|---------|
| <b>Proportion of the population living below the national poverty line*</b> |         |         |           |         |         |
| National  | 56      | 44      | 34        | 38      | 31      |
| Rural   | 60      | 49      | 37        | 42      | 34      |
| Urban   | 28      | 17      | 10        | 12      | 14      |
| <b>Inequality as measured by the Gini coefficient</b>                       |         |         |           |         |         |
| National  | 0.364   | 0.347   | 0.395     | 0.428   | 0.408   |
| Rural   | 0.326   | 0.311   | 0.332     | 0.363   | 0.363   |
| Urban   | 0.395   | 0.347   | 0.426     | 0.477   | 0.432   |

Excluding Kitgum, Gulu, Bundibugyo, Kasese and Pader. If these (except Pader) are included, poverty in 2002 will be 66 percent instead of 63 percent in northern Uganda and 39 percent rather than 38 percent at the national level. *Source:* PEAP 2004/05–2007/08

The Second Uganda Participatory Poverty Assessment Program, carried out 2003, identified several factors leading to high poverty levels. These include: a heavy burden of disease; limited access to land and other assets; insecurity; lack of control over productive resources by women; and high fertility rates. Uganda's high population growth rate of 3.4 percent per year (the third highest in the world) poses a significant challenge in terms of reducing poverty and inequality. High population growth creates a requirement for both rapid and widely-shared growth. Policies to increase the productivity of agriculture are particularly important. Striking the right balance between investing in areas that will support growth, and meeting the immediate demands of the poor for better services, is also important. Implementing programmes to promote girls' education, child survival, and access to family planning and reproductive health services is essential to reduce fertility rates over the longer term.

### 2.3 Uganda's development strategy

Uganda's current development strategy is set out in the third revision of the **Poverty Eradication Action Plan 2004-08**, which was approved by Cabinet in November 2004, following broad consultation over an 18-month period. The overall objective is to eradicate mass poverty and transform Uganda to a middle income country by 2015. The PEAP proposes to shift the focus of policy from recovery to sustainable growth and structural transformation. It identifies four core challenges: Restoring security, dealing with consequences of conflict, and improving regional equity;

- Restoring sustainable growth in the incomes of the poor;
- Human development; and using public resources transparently and efficiently.

These challenges are addressed through policies and measures grouped under five pillars:

**Pillar 1: Economic Management.** The government's strategy aims to maintain macro-economic stability and to facilitate export-led growth of the private sector. This will be achieved by continuing to control inflation and reducing the public sector deficit through improved mobilisation of domestic revenue. The Uganda Revenue Authority has been reformed and its performance is now measured against revenue collections. A reduced deficit is expected to reduce the debt stock; to lessen upward

pressure on the exchange rate, which has a negative impact on the competitiveness of Uganda's exports; and to cut the cost and increase the volume of private sector borrowing.

**Pillar 2: Enhancing competitiveness, production and income.** Government will continue to target the commercialisation of agriculture, which provides the majority of employment and the greatest opportunity for growth. This will be achieved through support for the comprehensive PMA. It will include the further roll-out of demand-led extension services; implementation of reforms to research institutions and funding to promote greater responsiveness and participation; improvements to market access roads and energy; promoting rural financial services; facilitating transparent functioning market services through price information systems and commodity trading exchange linked to a warehouse receipt system. Other sectors for support include tourism, mining and fisheries.

**Pillar 3: Security, conflict resolution, and disaster management.** This pillar is a significant addition to Government's policy agenda from the previous PEAP revision, since it acknowledges the close links between poverty and insecurity. The policies proposed include the promotion of conflict resolution, offering of amnesty, controlling small arms, strengthening defence and police services and establishing disaster management response systems.

**Pillar 4: Governance.** The major policy initiatives under this pillar are the transformation of the political system to multi-party politics, commitment to human rights, reforms to strengthen criminal and commercial justice systems, and actions to improve public accountability and control corruption. Other priorities include public service reform and revenue generation systems for local government.

**Pillar 5: Human Resource Development.** This pillar focuses on strengthening education and health services. Key priorities in education include quality and an increase in completion rates at the primary level; facilitating access to post-primary education (including skills development), and increasing the relevance and quality of higher education and adult literacy. In the health sector, government aims to improve the quality of and access to child and maternal health care; to continue with reforms; and to build on past success in reducing HIV prevalence. The Government also proposes to increase access to family planning and promote debate on the negative impact of high fertility rates and population growth on poverty. Investing in rural water and sanitation systems is also emphasised.

The PEAP highlights the need to improve the efficiency of **public expenditure**, and to enhance the quality of public services in the medium-term. It sets out specific criteria for prioritising expenditure with a focus on infrastructure and agriculture to achieve growth.

## 2.4 Analysis of the viability of current policies and the medium term challenges

The government has made substantial progress in incorporating the five core principles of poverty reduction strategies in its PEAP.

1. **Country ownership.** Preparation of the PEAP was clearly a government-driven process, and included broad participation by civil society, local government, and the private sector.
2. **Results orientation.** The PEAP results matrix contains clearly defined targets, with annual actions and outputs highlighted to create greater accountability. Efforts are ongoing to develop a more comprehensive results matrix that can be monitored annually and that will help to bring multiple monitoring and evaluation processes together into a single framework.
3. **Comprehensiveness.** The definition of poverty and the measures to address poverty are much broader and more comprehensive than in the past.
4. **Partnership focus.** The PEAP reflects a broad-based consultative process and identifies the important role of all stakeholders - technocrats, politicians, civil society and development partners - in defining, implementing and achieving the PEAP targets.
5. **Long-term outlook.** The PEAP builds on a strong MTEF with properly-costed activities linked to the targets, and defines actions over the long term for achieving the MDGs.

However, the PEAP could be further strengthened in the following areas:

- **Tackling insecurity and poverty in the north and east.** Insecurity in these regions is limiting the effectiveness of policies in lowering the average national poverty rate.
- **Strengthening the macroeconomic framework.** Better analysis of the sources of growth - especially analysis of the reasons for relatively low productivity gains in recent years - and further elaboration of measures required to increase productivity are needed. Development Partners must honour their promise to scale-up programs in order to reach the MDGs without jeopardizing macroeconomic stability.
- **Promoting growth.** This requires substantial investment in infrastructure and reform of policies. The PEAP recognizes the need to achieve an acceptable balance between resource requirement for investments and the expectations for improved access to quality services. The pressure to provide additional funding for services is exacerbated by the fact that over 50 percent of the population is in the dependent age groups, with the young requiring primary and secondary education and the old seeking health care. Hence, a long-term vision is needed on the best ways to deliver sustainable key social services. Investment in services targeted at smallholder agriculture and infrastructure is needed in order to bring about a structural transformation of the economy from one that relies heavily on the production of primary products to one that features industrial goods and services.
- **Improving service delivery.** Along with increasing access to services, more can be done to improve the quality of those services. Due to the vital role played in this respect by Local Governments, enhanced support for their capacity building, especially on procurement, should be provided.
- **Improving governance.** Uganda has made progress on governance, but more is required in order to reach the PEAP objectives. Improving political governance is a particular challenge. Steps are underway to define a credible "road map" towards consolidation of multi-party democracy in Uganda. On economic governance, more needs to be done to strengthen the relationship between the budgeting process and the PEAP. This relationship, as it stands, is weak. This is in part due to the fact that the PEAP is ambitious and universal in nature. A clearer distinction between sector performance, targets and allocated budgets should improve the chances of reaching these targets. The planned PEAP Implementation Review should provide an opportunity in this regard. On corruption, the slowness of Government procedures to prosecute public figures involved in cases of misuse of public funds is a cause of concern.

## **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION COMPLEMENTARITY AND CONSISTENCY**

### **3.1: Overview of past and present EC cooperation (lessons learned)**

EC cooperation with Uganda has evolved significantly over the past 10 years in order to respond to the country's priority need, namely to alleviate poverty by fostering sustainable development through economic growth supported by sound governance and macroeconomic policies, improved connectivity of national and regional transport infrastructure, as well as by providing a sustained impetus for the improvement of agriculture and livelihoods, especially in the northern regions.

During the 8<sup>th</sup> and 9<sup>th</sup> EDF, the EC contributed from EDF and STABEX funds to the financing of social sectors (education, health with special attention to HIV/AIDS, malaria, tuberculosis), rural development (agricultural extension services, research, forestry, fisheries), transport and water. Besides working with Government, cooperation with civil society (micro projects) and the private sector (tourism, environment, capacity building) was developed. The EC, with humanitarian aid from ECHO, helped local populations affected by the conflict in the North as well as in Karamoja. This was complemented by micro-projects managed by local government through the Acholi and Karamoja programmes. The Commission has gradually moved from projects/program approach to a sector-wide, budget support approach.

**A number of lessons have been learned from the implementation of these project/programmes.**

- The need for better alignment by development partners with the Government-owned strategy (PEAP) to increase aid absorption capacity and ownership
- Delays in implementing projects, particularly in infrastructure, call for improved preparation at the design phase and more realistic timetables in terms of implementation of accompanying government policy measures
- The need to concentrate support on a smaller number of well-defined sectors. This was highlighted in an external evaluation of the 8<sup>th</sup> EDF CSP/NIP in 2000
- The need for sectoral interventions to be accompanied by sufficient institutional strengthening activities
- The unsustainability of the previous donor policy of "topping-up" civil servants' salaries as an incentive
- General budget support has helped poverty reduction, leading to gains in budgetary and operational efficiency. It has also facilitated an increase in the funding of local government services and service delivery, which would not have happened to the same extent with alternative aid modalities. It has also had a positive impact on harmonization and alignment. The OECD/DAC evaluation of this instrument highlighted these lessons in 2006.

### 3.1.1 Focal sectors (and macroeconomic support)

#### ➤ Infrastructure

As Uganda is a landlocked country, transport is a vital sector for its development. Over the 8<sup>th</sup> and 9<sup>th</sup> EDF, the EC has emerged as a major development partner in the sector through the funding of rehabilitation, construction, upgrading and maintenance of road infrastructure, institutional support, and through policy dialogue with Government. EC interventions in the sector take place in the framework of the multi-donor funded Road Sector Development Programme (RSDP). In terms of funding, the EC has committed € 201 million under the 8<sup>th</sup> and 9<sup>th</sup> EDF, which consists mainly of three large road construction and rehabilitation projects along the NCR. In addition, a further € 15 million is earmarked to contribute towards reducing the **maintenance backlog**. EC support also includes € 2 million for technical assistance to RAFU. Furthermore, STABEX funds of nearly € 40 million have been used to support the transport sector. The implementation of projects has been subject to delays due to contractual disputes, lengthy procurement procedures, as well as delays by the Government in meeting its obligations and carrying out the agreed accompanying measures.

**Past and present EDF involvement** in the road transport sector helps to rehabilitate important road links, both at national and at district level, as well as provide institutional support. However, the key lessons learned are that, in order to protect the substantial investments of the 8<sup>th</sup> and 9<sup>th</sup> EDF, a change in the management of the road network is necessary, more specifically in relation to the need for efficient institutions and the allocation of funding for and management of maintenance. Accompanying institutional support will remain necessary, since a key lesson learned from the experience gained with the institutional support to RAFU confirms the need for and the value of Technical Assistance. This was confirmed by the recently concluded Mid Term Review of the TA to RAFU.

#### **Rural Development**

Under the 9<sup>th</sup> EDF, EC Support to Rural Development (17.5 million) is channelled through the **Plan for Modernisation of Agriculture (PMA)**. The PMA lays out a set of guiding principles for the development of the rural sector. These are: (i) a clear delineation of public and private sector roles; (ii) involvement of civil society and beneficiaries in the planning, implementation and monitoring of public interventions; and (iii) appropriate co-ordination and linkages between the implementing ministries. The PMA identifies the priority intervention areas (pillars) that will require sustained and co-ordinated investment of public sector resources to achieve the transformation of the sector.

The implementation of the PMA is showing positive achievements. A number of policy reforms have been undertaken since the launch of the PMA and their successful implementation has been mainly

due to the single overarching strategy for the sector. A fundamental change has been in the role of the parent ministry, which has been redefined from providing direct support to the sector, to being a policy and regulatory body, with a number of key agricultural services divested to semi-autonomous bodies. Based on the **NAADS** Act of 2001, a new, successful extension system has been introduced to provide agricultural advice based on clearly-identified needs expressed by farmers at the sub-county level, using private service providers. The new **National Agricultural Research System (NARS)** is undergoing similar reforms. It promotes pluralism and privatisation of research services, and the empowerment of clients, including smallholder farmers, to articulate their needs.

The total contribution to rural development during the last 5 years amounts to about € 80 m. As a result of the PMA process, rural development has grown in importance in the GoU budget, which increased its allocation to Agriculture from around 2.5% to over 4%. The overall PMA expenditure in the budget has risen to over 10% in the 06/07 MTEF.

**Donor coordination** is well advanced in the form of a PMA Development partner group. Joint annual reviews take place for the PMA process as a whole, and for NAADS.

### ➤ **Macro-economic support**

About one third of the 9<sup>th</sup> EDF programme was implemented through **Global Budget Support** (€92 million). It specifically aimed at contributing to the maintenance of **macro-economic stability**, the strengthening of **public finance management** and the implementation of the **poverty reduction agenda**. Through the GBS operation, the EC has been an active partner in the policy dialogue with Government and with other Development Partners at both macro and sector level.

In the area of macro-economic support, good economic growth was achieved during the implementation of the 9<sup>th</sup> EDF programme. The overall macro-economic situation has been stable, and there is evidence that poverty levels have declined. There has been a significant increase in revenue collection. Taxes are projected to continue rising and to reach 14.2% of GDP. The target for the value of exports has been exceeded. The Poverty Action Fund as a share of the total budget has increased and has reached 36.5% of the discretionary budget in 2005/2006. Considering the latter targets related to education is being exceeded. On the other hand, those related to health are still lagging behind. As a result of the latter, as well as due to concerns about progress in the area of public finance reform which delayed the disbursement of the second fixed transfer, the disbursements under this project have been affected, with the first variable transfer disbursing at 82% of its maximum amount and an overall disbursement rate for the operation of around 54% (47 million). This, coupled with unforeseen needs for the energy sector, has ruled out significant increases in other poverty-related and productivity-enhancing expenditures. Problems with public administration have contributed to recent reduced disbursements by several development partners in the form of budget support. The capacity building components of the 9<sup>th</sup> EDF budget support operation are expected to be fully operational in the second half of 2006. The overall assessment at macro and sector levels through the GBS is positive. The EC's commitment towards **harmonization and alignment** suggests that, for the future, this instrument is likely to gain in importance.

### **3.1.2 Projects and programmes outside focal sectors**

#### ➤ **Governance**

Governance measures under the 9<sup>th</sup> EDF and community budget lines have focused on human rights, access to justice, fight against gender-based violence and child abuse, resolution of ethnic conflict, indigenous peoples' rights, civic education and democratic processes, and support to decentralisation. The total amount of governance support under the 9<sup>th</sup> EDF and Budget Lines is over 30 million. Particular attention has been paid to improving the functioning of key governance institutions (e.g. local government, justice, law and order institutions) and to strengthening the role of civil society in areas of Northern Uganda and Karamoja affected by the conflict. Close linkage with the 9<sup>th</sup> EDF Northern Uganda Rehabilitation Programme, funded under the B-envelope, has been ensured. Also, the EC supported the work of domestic election observers during the elections in 2006, in addition to the deployment of the EU Election Observation Mission (funded by the EU budget).



## **Support to decentralisation**

The EC has acquired experience in dealing with the poorest and most conflict-affected districts, where service delivery by Local Government is weak. The 8<sup>th</sup> EDF Micro projects programme (€15 million), and the Acholi Programme (€4 million), as well as the STABEX-funded Karamoja Programme (€4.7 million), are examples of the support provided in Northern Uganda. Experience has shown that coordination efforts amongst donors are needed in order to facilitate the transition from the emergency phase to the development phase, and to actively support the development of a national framework for rehabilitation and reconstruction in Northern Uganda. The 9<sup>th</sup> EDF Support to Decentralisation Programme aimed at building the capacity of local governments and enhancing local governance through poverty resource monitoring and downward accountability.

### **➤ Civil Society**

The 9<sup>th</sup> EDF Civil Society Capacity Building Programme (8 million) is being implemented to build the capacity of local NGOs in terms of both advocacy and service delivery. Over 50 local NGOs country-wide have benefited from capacity building and micro-projects. The advocacy capacity at national level has also been enhanced. This project is the first of its kind to be funded under the EDF in Uganda. The programme has enhanced the capacity of civil society to engage in the development process, especially in rural areas. Owing to positive MTR results, it is recommended that similar assistance be continued under the 10<sup>th</sup> EDF.

### **➤ Health and Education**

As part of the 7<sup>th</sup> and 8<sup>th</sup> EDF actions in the health sector, the EC has contributed to advances in the fight against **HIV/AIDS** with a specific focus on Northern Uganda and, through a separate ongoing intervention, to the creation of a conducive environment for the promotion of human resources for health. The latter action is addressing critical policy, planning and infrastructure interventions and is preparing the sector for sustained engagement. The EC is also involved in malaria, TB and HIV/AIDS through its funding to the Global Fund. The Delegation is an active member in the respective sector-wide group.

As regards past involvement of the EC in the education sector (7<sup>th</sup> and 8<sup>th</sup> EDFs) support was provided to primary and vocational education. As the EC had no comparative advantage in the sector, it discontinued its support under the 9<sup>th</sup> EDF. A key lesson learned is that capacity building interventions that are well planned and implemented can have a lasting impact.

### **➤ Water Supply**

Programmes in this sector under previous EDFs are completed or are nearing completion in 2007. Additional projects are now being funded from the EU-Water Facility. These interventions are contributing to the Government's efforts to meet the MDGs.

### **➤ Forestry**

Both EDF and STABEX funds have been used to support the National Forestry Authority and the private sector in commercial forestry. These projects will be completed in 2008.

### **➤ Tourism**

With EDF and STABEX funds, the sustainable development of the sector has been supported. A business development plan has been produced, and the Uganda Wildlife Authority has been supported, specifically in relation to its dealings with the private sector. These interventions have been instrumental in laying a solid foundation for the tourism sector to contribute to Uganda's economic growth.

## **Trade and Private sector development**

Uganda's capacity to improve the conceptualization and implementation of its trade policy has been improved through the assistance that is being provided in the context of the Uganda Programme for Trade Opportunities and Policy (UPTOP). This programme has also contributed to the creation of better trade negotiating capacities on the basis of institutionalized consultative structures. The total allocation to this project was € 4.5 million, entirely from STABEX resources. It will be important for

these efforts to be sustained, particularly in the context of the EPAs. At the same time, supply side constraints and trade facilitation aspects will need to be further addressed. The EC's support to the Medium Term Competitiveness Strategy – at macro and inter-sector level – and through the EIB and the Business Uganda Development Services (BUDS) at enterprise level have prepared the ground for future interventions. These will be important in terms of justifying the successful implementation of the EPA's and realizing Uganda's growth potential. The EC is also supporting the creation of a Warehouse Receipt System. The system aims at improving the quality and standards and the supply chain of tradable commodities. Success in this area will also largely depend on the ability to address the important challenges posed by Uganda's productive infrastructure, particularly in the energy and transport sector. Additional support from regional and global resources will be needed.

#### ➤ **Technical Cooperation Facility (TCF)**

This has proved to be a successful instrument due to its flexibility. It enables prompt and effective responses to requirements related to EC/Uganda development cooperation. Both the NAO and the Delegation are relying on its continuation for the proper preparation of the various actions planned under the forthcoming 10<sup>th</sup> EDF.

#### **3.1.3 Utilisation of the B-envelope**

The amount of the B-envelope has been reduced to €38.5 million. Funds have been used by ECHO for humanitarian activities, and for the Northern Uganda Rehabilitation Programme (€20 million). This latter project, which is ongoing, is based on the 'Linking Relief, Rehabilitation and Development' (LRRD) approach and it aims to link peace building and support to local governments and civil society to rehabilitation and reintegration activities in Northern Uganda and Karamoja.

#### **3.1.4 Other instruments**

##### **STABEX**

Funds under this facility are used in complementarity with EDF funds, thus enhancing effectiveness and viability. Operations funded under the STABEX are regularly audited to assess compliance with the rules. Steps are being taken for the transfer to Uganda of the last STABEX funds. Their use has already been agreed upon with the NAO, primarily for the completion of on-going activities. There will be only one new project (i.e. the Karamoja Roads).

##### **Regional Cooperation**

Three natural resources management projects are being implemented under the responsibility of the Delegation. In addition, a number of other projects benefit from this fund, especially road building. The NAO's office is cooperating with regional organizations involved in the preparation of the 10<sup>th</sup> EDF Regional Fund for the East and Southern Africa.

**International Scientific Cooperation:** 131 Ugandan research teams and other relevant partners have been included in proposals submitted under the 6th Research Framework Programme (FP6, 2002-2006). 27 obtained a total of about €4.7 million for their participation in research worth about €68 million. The themes addressed were predominantly contextualised in socio-economic conditions in East Africa focusing on the sustainable management of land and water ecosystems, food security and health. In addition, Ugandan teams participated in several research projects on wider environmental and health issues and other topics, including policy research and earth observation.

##### **Humanitarian Aid (ECHO)**

Humanitarian Aid funding level for Uganda in 2006 amounted to €19 million. An amount of €13 million is foreseen for 2007. In addition to these, Humanitarian Aid is implementing a €1 million scheme in Karamoja under its Regional Drought Preparedness Funding Decision. Interventions comprise basic life saving activities and aim at improving living conditions of Internally Displaced Persons in the North. Furthermore they focus on supporting primary health care, lifesaving water and sanitation interventions, whereas the remainder is being allocated to protection, especially of children. Assistance for reintegrating formerly abducted children and former rebels is also being provided. An

important food security component has recently been added to Humanitarian Aid's funding programme with a view to assisting IDPs to restart small-scale agricultural activities.

### **Food Security Budget Line**

A contribution agreement for this €4 million agricultural recovery and livelihoods programme was signed with the FAO and the first advance payment was processed. FAO has then signed agreements with implementing partners who will undertake food security interventions in the northern and eastern regions of the country. Consultations with stakeholders and preparatory activities are taking place with a view to commencing effective implementation in early 2008.

### **EIDHR Budget Line**

The amount of €3.15 million was granted in 2006. Five micro-projects were contracted, aiming at supporting conflict resolution and human rights activities in the Rwenzori region. Another project, with the UNOCHR, is active in Northern Uganda aiming at strengthening national human rights protection systems. A project on death penalty carries out activities assisting prisoners sentenced to death. Finally, Uganda is benefiting from some regional projects concerning also the DRC, Rwanda, Burundi, Sudan, and Sierra Leone.

### **European Investment Bank (EIB)**

The overview of the past and present EIB involvement in Uganda is shown in Appendix 10.

## **3.2 Information on programmes of Member States (complementarity)**

The total volume of the current programmes of aid to Uganda by the EU (EC + MS) amounts to around €1.2 billion (details in Annex 11). The EU is the largest donor in Uganda and provides more than half of the ODA excluding contributions to multilateral institutions. EU MS are supporting the Government's overarching development policy as outlined in the PEAP and there is dynamic collaboration with other development partners through their participation in UJAS and/or in SWGs. Other key bilateral donors include the USA, and Norway. Uganda also receives support from major multilateral organizations, including the WB, the AfDB, and the UN Agencies. Details of donor assistance to Uganda are shown, in summary form, in Annex 2. Efforts to improve donor coordination and harmonization are well advanced in Uganda (see chapter III.5 below).

## **3.3 Other EC policies**

The EC intends to make the 10<sup>th</sup> EDF a major vehicle for delivering on its political and strategic options regarding aid effectiveness (enhanced commitments towards the Paris Declaration on Aid Effectiveness), ODA (practical steps towards meeting relevant UN targets), the new Development Policy Statements (the MDG Package, the European Consensus), and - particularly in relation to Uganda - the Africa Strategy. In line with its strategic objectives, the EC will increase the share of aid delivered in the form of general and sector budget support, and it will work closely with other Development Partners to ensure that a variety of joint operations are undertaken, thus reducing transaction costs to Government. In cooperation with other Development Partners, the EC will concentrate on sectors where it is perceived to have a comparative advantage (i.e. road transport infrastructure), exploring in this connection the possibilities of enhanced synergies with the Regional Programme and with the EU-Africa Infrastructure Partnership. The MDG considerations will also be taken fully into account, in collaboration with the Government, when designing the budget support operations. The possibility of accessing the Stability Instrument when designing interventions in conflict areas that also involve neighbouring countries will be fully explored.

Synergies between the EC/EU policies and the proposed 10<sup>th</sup> EDF CSP/NIP are to be developed as outlined below:

On trade, current support for capacity building which is especially relevant to the EPA negotiations will continue. Technical assistance requirements by the Ministry of Trade will be defined, and expertise will be acquired with funding under the General Budget Support operation. The aim would be to contribute towards consolidating, and even enhancing, the progress in diversifying and expanding exports.

On fisheries, current assistance (under the Regional Programme) aimed at the sustainable exploitation of the resources of Lake Victoria will be extended. Cooperation with UNIDO in certifying compliance with relevant ISO requirements by fisheries processing factories will continue, in order to facilitate exports to the developed world.

On environment, EC-funded interventions will continue to require full compliance with relevant policies. The procurement of assistance from appropriate EC instruments, in order to support mitigation measures necessitated by climatic effects, will be explored.

Internal security issues are to be addressed through support to the on-going peace talks for Northern Uganda, as well as through effective assistance to the returnees from the IDP camps.

On agriculture, progress in research and extension services shall be consolidated and expanded, especially to areas that are emerging from chronic conflict situations.

The transport sector will be the main beneficiary of the 10<sup>th</sup> EDF assistance. The paramount importance of this sector for matters pertaining to economic development, to access to social services especially by the poor, and to regional integration through interconnectivity, makes it the focus of attention for a number of Developing Partners that are coordinating efforts for better results.

Finally, and as a cross-cutting issue, assistance to civil society in order to build up their capacities and make them effective advocates, and monitors, of good governance and of social justice, will continue under the 10<sup>th</sup> EDF.

### **3.4 Description of the political dialogue with the partner country**

The relationship between the European Union and Uganda is based on the ACP-EU Partnership Agreement signed in 2000. Article 9 of the Agreement on “essential and fundamental elements” and Article 8 on the political dialogue both focus on these elements. It covers issues of peace building and conflict prevention and resolution (Article 11). In the framework of the political dialogue under Article 8 of the Cotonou Agreement, regular meetings are held with the Minister of Foreign Affairs and other ministers. The agreed subjects of the dialogue include **democratisation** (transition to multiparty democracy, elections), **good governance** (rule of law, human rights, press freedom, corruption, decentralisation), and **conflict resolution** (in Northern Uganda and in Karamoja). There have also been EU declarations and other démarches. The EU Presidency and the EC have reviewed the current conduct of the Article 8 dialogue in Uganda, and they have discussed with the Minister of Foreign Affairs ways and means of making this dialogue more structured.

### **3.5 Description of the state of partnership and progress towards harmonization**

There have been significant efforts by the Government and Development Partners (DP) towards promoting donor coordination and alignment since the late 1990s, and especially during the last three years. The Government’s intentions for its relationship with donors have been set out in the overarching national development and poverty reduction strategy document, i.e. the **Poverty Eradication Action Plan (PEAP)**, which includes a detailed results and policy matrix that provides the framework for alignment. A set of partnership principles was signed by the Government and key donors in 2003.

The **Uganda Joint Assistance Strategy (UJAS)** was the natural step to further enhance donor harmonisation. The revision of PEAP in 2004 and its forthcoming review provide donors with the opportunity to start developing their assistance strategies in alignment with the Government’s own development programme. The European Commission and seven of the ten EU Member States with a presence in Uganda (Austria, Denmark, Germany, Ireland, the Netherlands, Sweden and the UK) are members of UJAS, along with the WB, AfDB and Norway. Belgium, France and Italy are considering joining. UJAS represents a significant step forward in terms of harmonization and overall aid effectiveness. It provides Development Partners with a vehicle to enhance their coordination around the Government’s stated poverty reduction strategy, and to achieve a better division of labour based on their respective comparative advantages. In this context, the establishment of a harmonised framework for the implementation of budget support operations should further enhance donor coordination while reducing transaction costs for the Government. UJAS is planning to guide the

Development Partners medium- to long term support to the PEAP by -focusing on certain areas deemed to be especially important for achieving the PEAP's overarching strategic results. These areas are: (a) strengthening the budget process and public sector management, (b) promoting private sector development and economic growth, (c) strengthening governance, (d) improving education and health outcomes, and (e) promoting resolution of the conflict in the north, and fostering the social and economic development of the region. Activities around joint actions are pursued in a positive manner, through active participation in joint sector working groups, the development of sector-wide approach programmes, and pooled funding mechanisms. Development partners are also pursuing joint missions, silent partnerships, joint analytical work and advisory services.

#### **CHAPTER IV: RESPONSE STRATEGY**

The overall objective of the EC strategy in Uganda is to support Uganda's Poverty Eradication Action Plan (PEAP) and Uganda's efforts to achieve the MDGs. The PEAP aims to reduce poverty through promoting pro-poor growth with better access to basic services, improved connectivity, agricultural reforms and livelihoods, and by fostering national reconciliation and justice.

In line with the principle of concentration, and on the basis of the analysis presented in Chapter II, as well as the outline of past EC/Uganda cooperation in Chapter III, and also based on the comparative advantage of the EC vis-à-vis the other donors, two clearly-defined focal sectors, and one non-focal area have been agreed in consultation with the Government and other donors. This strategy will be reviewed annually in accordance with the provisions of the Cotonou Agreement.

As for the method of aid delivery, the EC is committed to continuing and indeed increasing the share of the overall support provided through government systems, in terms of both general budget support and sectoral budget support. This is reflected in the two focal sectors where sectoral budget support is either being introduced (Focal Sector 1) or maintained (Focal Sector 2). As regards the provision of general budget support, the EC strategy is to increase the level of this type of support.

Cross-cutting issues such as democracy, good governance, gender equality, environment, conflict sensitivity, human rights, HIV/AIDS are all to be mainstreamed throughout the programme.

Acknowledging that the first requirement for the smooth integration of Uganda into the world economy is the achievement of regional integration, the EC's support is instrumental in strengthening the country's capacity to defend its interests in the EPA / WTO negotiations, and in providing reliable transport links to the neighbouring states, thereby enhancing competitiveness and facilitating trade development.

On the basis of the above, the following response is proposed:

##### **General Budget Support (42%)**

Uganda has enjoyed a stable macro-economic context for well over a decade and has developed sound public finance management systems, which have cemented a platform for providing budget support. A consolidation of dialogue structures and a consultative budget process would warrant the expansion of this instrument. It is proposed that 42% of overall NIP resources will be allocated to macroeconomic support, of which 40% will be channelled through general budget support.

The budget support operation supports the implementation of the long-term PEAP objectives and its related reform programme. In addition to providing external resources for the implementation of the national budget and the maintenance of macroeconomic stability, the programme supports the implementation of Uganda's poverty reduction reforms, with particular emphasis on improving public service delivery and public finance management.

Specifically, the budget support operation aims to create an environment that is conducive to economic growth and greater productivity, with an emphasis on competitiveness. The operation will also focus on those MDG's and PEAP targets where progress is lagging behind, particularly in the health and education sectors. Indicators will serve to reflect these objectives, with the final choice being determined on the basis of all relevant factors, such as the need to keep GBS focused to avoid overloading the instrument, the concentration on results and the complementarity of EC support in the

context of the ongoing division of labour exercise and the planned harmonised framework for GBS. Finally, the budget support operation will support the further strengthening of public finance management systems. Capacity building components may include the support of PFM systems through FINMAP (the national programme for reforms of public finances), the implementation of measures to prepare Uganda for the effects of the EPA at enterprise level and the fostering of trade facilitation. Supporting trade is essential as leverage for the sustainable economic growth of the country, and its progressive integration in the region and in the world markets. The areas of intervention will be selected to be consistent with the Diagnostic Trade Integration Study prioritised action matrix. They may include: support for standards and SPS issues, customs and budget planning and execution. Under the general budget support €7 million are initially foreseen for trade and EPA related activities.

The policy dialogue and the monitoring and institutional support mechanisms underpinning the operation will take into account the impact of government policies on the environment, the promotion of (gender) equality, good governance and HIV/AIDS.

The Commission will endeavour to implement its programme through a harmonised framework with other development partners, aligned with Government systems and centred on the planned Annual PEAP Implementation Review. Such joint budget support operations will be based on a Joint Assessment Framework, and will bring disbursement decisions more closely into line with the Government's financial calendar. The EC will retain discretionary decision powers.

### **Focal area 1: Transport Infrastructure (39%)**

In view of the challenges facing the Ugandan road sector - one of which is the substantial financial needs - and considering the key role the EC has played in this sector by allowing it to gain a comparative advantage (indeed, other Development Partners accept the leading role of the EC in the roads infrastructure field), there is a strong case for continued support to the sector. Furthermore, such support is in line with the Commission's overall development policy objectives, in particular the EU-Africa Partnership on Infrastructure, which is at the heart of the EU's Strategy for Africa.

The proposed response strategy is to support the Government in implementing its Road Sector Development Programme (RSDP), which is the framework for investment in the sector. The major objectives of RSDP are: i) to provide an efficient, safe and sustainable road network in support of market integration and poverty reduction; ii) to improve the managerial and operational efficiency of road administration; iii) to develop the local construction industry.

The overall objective of EC support is to contribute to the development of road infrastructure to support economic and social development, as well as to promote regional integration. This also entails building infrastructure that reduces the cost of doing business and linking isolated areas of the country to the broader economy. Also, the overarching objective of alleviating poverty will be facilitated by the proposed investment in road infrastructure due to the following factors: (a) the reduction of transport costs makes road transport more accessible to the poor; (b) road construction and maintenance works generate significant employment opportunities (in particular labor intensive routine maintenance); (c) reliable road infrastructure facilitates the access of agricultural produce to the markets; (d) motorable roads encourage the transport of products from the producing areas to the consumption centers; and (e) good roads facilitate the movement of food aid.

The specific objectives of EC support are designed to address needs that have been identified and based on the lessons learned through extensive involvement in the sector. They are also in line with the concerted efforts of the Development Partners active in the sector (WB, AfDB, and EC) to support the Government in rehabilitating the network of main roads and getting it into a "maintainable" state.

In this respect, the specific objective is to establish and strengthen the key road sector institutions and improve and sustain the condition of the road network. This will include improving capacity for road management, particularly road maintenance; increasing national funding of road maintenance; improving the condition and strengthening of the Northern Corridor Route; reducing the incidence and degree of vehicle overloading, and improving road safety.

In order to achieve these objectives and to consolidate the results achieved through the projects funded under the 8<sup>th</sup> and 9<sup>th</sup> EDF, interventions are proposed in the following three strategic areas:

- 1) Institutional support to the three institutions in the road sector: the recently established UNRA, the future Road Fund, and the Ministry of Works and Transport (to be restructured). The institutional support will include a specific component on improving axle load control and road safety.
- 2) Maintenance of the national road network.
- 3) Rehabilitation of the Northern Corridor Route.

All interventions will be implemented in the context of an improved policy dialogue. By closely engaging government working groups together with development partners, greater harmonization at the sector level can be achieved. This involves aligning development partner support (including through projects) with sector priorities agreed with Government, and pursuing the objective of moving towards achieving the conditions to facilitate sector budget support.

Environmental Impact Assessments will be carried out as required, and gender and HIV/AIDS considerations will be mainstreamed into all aspects of EC support, both at institutional and at project level. The impact of EC support will be measured with appropriate indicators included in the Intervention Framework annexed to the NIP. These will be assessed and updated during the annual operational reviews and during the planned mid-term review of the 10<sup>th</sup> EDF.

Concerning the detailed procedure for implementing the main interventions planned, a "twin track" approach is proposed, including both a project approach and sector budget support. The feasibility of sector budget support will be assessed in due course, particularly with regard to Government's commitments to implement the necessary measures to build a viable/sound sector programme.

In devising the above strategy, the Government is committing itself to the timely completion of the ongoing institutional reforms in the sector, and to ensuring that the annual funding level for national roads maintenance reaches \$75 million by mid-2009 and \$90 million by mid-2012.

Finally, and due to the fact that some of the future interventions in the road transport sector in Uganda will have direct relevance for the regional networks, i.e. improvement of sections of the NCR, supplementary funding from the resources of the 10<sup>th</sup> EDF's Regional Programme will be called upon.

### **Focal Area 2: Rural Development (14%)**

The overall objective of interventions under this focal sector is to support production and productivity enhancement in agriculture and the improvement of rural livelihoods and incomes. The focus of support will be double-pronged: on the one hand, helping smallholder farmers in their shift to a more commercially oriented agriculture, including forestry; on the other hand, promoting agricultural recovery and livelihoods with a view to facilitating the return of displaced communities to their places of origin in Northern Uganda. Interventions in Northern Uganda, including Karamoja, will need to be structured around conflict resolution principles – such as natural resource protection – to address some of the root causes of conflict in the longer term.

The proposed support is coherent with previous EC interventions in rural development and environmental protection. Short term agricultural interventions will be combined with investment in the creation of forest resources that address and mainstream longer term environmental and climate change concerns. The specific objective in this focal area is to enhance smallholder agriculture productivity and incomes, as well as improving agricultural livelihoods of returning IDPs in Northern Uganda. Special emphasis will be placed on the revitalisation of agriculture and the rural economy, both through area-based interventions and improvement of agriculture related public service delivery. The first will focus on restoring the productive capacity of rural communities, increasing the natural resource (forest) base, and assisting in the establishment of viable private sector-based financial, supply and marketing systems. The second will seek to strengthen agricultural services delivery along commodity value chains.

Implementing agricultural recovery investments in Northern Uganda will depend upon the progress made in reaching a sustainable peace agreement, the Government's commitment to the PRDP

including the funding and restoration of basic public services and on improving stability in the Karamoja region. Appropriate contingency plans will be developed in case of a worsening security situation. The specific objective of the conflict resolution intervention is to address the issues of peace and stability in Northern Uganda with emphasis on Karamoja. The intervention will use development as an incentive for peace. Community reconciliation and conflict resolution activities are accompanied by concrete efforts to address the problems of natural resource management and service delivery in pastoral societies; to improve civil-military liaison; to promote alternative livelihoods, and to counter the negative effects of cross-border small arms trafficking. The planned support to the Juba Talks and to Karamoja conflict resolution under the Stability Instrument will pave the way for the conflict resolution actions under the 10<sup>th</sup> EDF.

### **Non-focal areas (5%)**

#### **Democracy and Civil Society Support Programmes**

The overall strategy here is to support the consolidation of the multi-party parliamentary system of government that has been reintroduced and, in particular, to support the government's electoral reform programme. Support will focus on key areas of the Governance pillar of the PEAP, e.g. enhancing a credible system of representation in the context of multi-party democracy; strengthening an electoral system that guarantees free and fair elections; creating a vibrant civil society able to monitor government and to provide alternative forms of political participation and supporting media. Consequently, the interventions will concentrate on civic education, support to electoral systems, parliament, and election observation.

Support to civil society organizations, which began under the 9<sup>th</sup> EDF, will continue. Following the review of the relevant 9<sup>th</sup> EDF programme, the new intervention will focus on strengthening civil society capacity, especially in rural areas, in engaging in the development process and in holding government entities accountable.

#### **Technical Cooperation Facility and NAO support**

A Technical Cooperation Facility will cater for studies and analytical work in support of the overall programme. There will also be a provision to undertake seminars and workshops and to support stakeholders through training in fields that are relevant to the CSP.

The National Authorizing Officer will be supported with the technical and non-technical resources necessary to exercise his functions. The level and format of this assistance shall take into consideration the further concentration of project support and the increased use of budgetary support.

#### **Incentive Tranche**

An incentive tranche of € 88 million (25% of the initial financial allocation for Uganda of € 351 million) has been allocated on the basis of the present level of governance and the Government's commitments reflected in Appendix 9: the incentive tranche top up the focal and non-focal sectors.

#### **Regional Cooperation**

The Regional Indicative Programme aims at contributing towards regional integration through enhanced economic cooperation and improved interconnectivity. The RIP is expected to complement the thrust of the proposed cooperation with Uganda under the National Indicative Programme. Special emphasis will be placed on coordinating activities with neighbouring countries in the field of achieving EPA as well as in road transport infrastructure, so that a balanced use of funds earmarked in the RIP for improved interconnectivity could then be made. Whereas priority would be given to the coordination of interventions along the Northern Corridor Route, which is vital for the EAC, the feasibility of linkages with Southern Sudan could also be assessed. Efforts will be made to achieve closer regional cooperation, especially within the EAC group of countries, with a view to achieving optimum synergy between the RIP and the NIPs concerned.

#### **EIB response strategy**

The EIB's proposed response strategy is shown in Appendix 10.



## PART 2: NATIONAL INDICATIVE PROGRAMME

### 1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV of the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sectors and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad-hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision will be required in the form of an addendum to the strategy document.

### 1.2 Financial instruments

The implementation of the EC's cooperation with Uganda will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

#### 1.2.1 10<sup>th</sup> EDF – A- Envelope: € 439 million

This envelope will cover long-term programmable development operations under the strategy, and in particular support to some key government priority areas.

| NATIONAL INDICATIVE PROGRAMME<br>A – ENVELOPE                              | BUDGET<br>SUPPORT<br>(in Mio €) | PROJECT<br>APPROACH<br>(in Mio €) | TOTAL<br>(in Mio €) | As % of<br>total |
|--|---------------------------------|-----------------------------------|---------------------|------------------|
| <b>BUDGET SUPPORT FOR ECONOMIC GROWTH AND<br/>POVERTY REDUCTION (MDGS)</b> |                                 |                                   | <b>186</b>          | <b>42%</b>       |
| General Budget Support   | 175                             |                                   |                     |                  |
| Institutional Support & Capacity Development                               |                                 | 11                                |                     |                  |
| <b>FOCAL SECTOR 1: TRANSPORT INFRASTRUCTURE</b>                            |                                 |                                   | <b>172</b>          | <b>39%</b>       |
| Institutional support & capacity development                               |                                 | 10                                |                     |                  |
| Rehabilitation of Northern Corridor Route                                  |                                 | 122                               |                     |                  |
| Sector Budget Support (Road Fund)  | 40                              |                                   |                     |                  |
| <b>FOCAL SECTOR 2: RURAL DEVELOPMENT</b>                                   |                                 |                                   | <b>60</b>           | <b>14%</b>       |
| Sector Support to Agriculture  | 15                              |                                   |                     |                  |
| Rural Recovery and Forestry  |                                 | 30                                |                     |                  |
| Karamoja Peace and Development   |                                 | 15                                |                     |                  |
| <b>NON FOCAL AREAS</b>   |                                 |                                   | <b>21</b>           | <b>5%</b>        |
| Support to Democratic Governance and to<br>Civil Society                   |                                 | 12                                |                     |                  |
| Technical Cooperation Facility   |                                 | 7                                 |                     |                  |
| Support to NAO   |                                 | 2                                 |                     |                  |
| <b>GRAND TOTAL</b>   | <b>230</b>                      | <b>209</b>                        | <b>439</b>          |                  |
|  | <b>52.5%</b>                    | <b>47.5%</b>                      |                     | <b>100%</b>      |

### **1.2.2 10<sup>th</sup> EDF – B- Envelope: €21.9 million**

This envelope will cover unforeseen needs such as emergency assistance, where such assistance cannot be financed from the EU budget and contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

### **1.2.3 Investment Facility**

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10<sup>th</sup> EDF also includes an Investment Facility (IF), which is an instrument managed by the European Investment Bank (EIB). The IF is not part of the NIP. Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

### **1.2.4 10th EDF Regional Indicative Programme**

This allocation will cover long-term programmable development operations under the regional strategy for the East and Southern Africa (ESA) region. The allocation is not part of the Indicative Programme but may have repercussions at national level, depending on whether Uganda takes part in the regional framework. Areas where regional resources could be deployed include transport (completion of the Northern Corridor, linking Uganda with Kenya and with DRC and Rwanda and improving linkages with Southern Sudan), trade facilitation (including the improvement of customs and transit procedures and facilities) and strengthening sanitary and phytosanitary infrastructure.

### **1.2.5 Other financial instruments**

Specific activities may be supported by external actions funded by the general budget of the Commission carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes “investing in people”, “non state actors in development”, “migration and asylum”, “environment and sustainable management of natural resources”, and “food security” for which calls for proposals are made annually, as well as actions funded from other instruments such as the stability instrument, the instrument for promotion of human rights and democracy or the instrument for humanitarian and emergency assistance for which calls for proposals are made regularly.

### **1.2.6 Cross-cutting issues**

It is intended that the designs of the new interventions envisaged under the NIP will be required to pay particular attention to the need for mainstreaming adequately cross-cutting issues. Such issues will include environmental aspects (EIAs, NEMA guidelines and regulations, etc), Disaster Preparedness considerations, Gender and Children’s rights as well as protection of indigenous peoples and minorities, HIV-AIDS, and employment opportunities where feasible (for example through labour intensive road maintenance interventions).

### **1.2.7 Monitoring and evaluation**

Monitoring of results and evaluations of impact of individual activities under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financing Agreement prepared to implement this CSP.

The results and impacts of the Community’s cooperation with Uganda, implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. The EC commits itself to joint country level evaluations, in conformity with the Paris Declaration.

### 1.3 General Budget Support

The Commission will support the Government's macroeconomic reform programme through general budget support. Special attention will be paid to the objective of promoting growth and competitiveness and to poverty reduction (MDGs), particularly with a view to ensuring equitable access to social services. The programme will also pay particular attention to the improvement of Public Finance Management systems. It is intended that budget support will be delivered in the form of a six-year programme. Funds will be disbursed on an annual basis.

If feasible, the EC's general budget support will be delivered through a Joint Budget Support (JBS) operation with other development partners, which is being designed at the moment. Such joint budget support operations will be based on a Joint Assessment Framework – a sub-sector of the PEAP policy matrix – and will better align disbursement decisions to the Government's financial calendar. The EC will retain discretionary decision powers. The joint assessments in the context of the JBS will be carried out through the Annual PEAP Implementation Review, if the latter is considered sufficiently sound.

As an indicative amount, **€186 million** will be set aside for this type of support. Part of this amount, €11 million, will be delivered in the form of capacity building support. The type and content of this capacity building will be decided upon taking into account ongoing work on harmonization and alignment. One component that may be considered is specific support to FINMAP, a comprehensive partnership programme to improve Public Finance Management for an amount of €7 million. The other component of capacity building, for an amount of €4 million, is to address EPA related challenges, indicatively through the provision of support for trade facilitation (customs, standards), a supply-side constraints facility and technical assistance to the Ministry of Tourism, Trade and Industry in the area of strategic planning and budgeting. A study should identify the details of this component.

The Government will continue to implement policies required to remain eligible for general budget support, namely a well defined national poverty reduction strategy (development of a new National Development Plan, with a clear results framework), a stability-oriented macroeconomic policy covering the period of the CSP, and a credible and relevant programme to improve public finance management. Government is committed to improving Public Finance Management in order to ensure adherence to public finance regulations is achieved. For the purpose of the GBS programme, the Government and EC will agree on the indicators included in the Joint Assessment Framework, which will determine disbursements. These will be derived from the PEAP/NDP.

### 1.4 Focal Sector I: Transport infrastructure

Translating the proposed response strategy for this focal area into a programme of actions, an indicative amount of **€172 million** will be set aside for this sector.

The main actions proposed are:

1. Institutional support and capacity development of the key road sector institutions, namely Uganda National Roads Authority, Road Fund, and the Ministry of Works and Transport. The institutional support and capacity development project will focus on improving capacity for road management, in particular monitoring of road condition and axle load control, planning and prioritization of road works, as well as improving road safety.
2. Rehabilitation of sections of the Northern Corridor Route. This component will be implemented using a conventional project approach.
3. Maintenance of the national road network. It is proposed to finance this intervention through sector budget support. It is expected that the conditions conducive to implementing this programme will be in place by 2009. An independent assessment of the progress in institutional reforms in the sector shall be carried out in 2008/2009 in close cooperation with the Government agencies concerned.

The main sector policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are:

- Uganda National Roads Authority (UNRA) becoming fully operational by end-2008.
- Restructuring of the Ministry of Works and Transport (MWT) by mid-2011.
- Transfer of road development and maintenance activities from MWT to UNRA.
- Establishment and functioning of the Uganda Road Fund by mid-2009.
- Increase of the funding for national road maintenance to \$75 million by mid-2009, and to \$90 million by mid-2012.
- 40% of the national road network in good and 55% in fair condition by end-2010.
- 60% of the national road network in good and 40% in fair condition by end-2013
- Number of fatalities and injuries reduced to 2004 levels by end-2010

Crosscutting issues are to be mainstreamed in the development activities of the sector. To this end the Government will be supported by the Development Partners active in the sector to:

- Ensure all road projects comply with stipulations in the National Environmental Statute (1995), and to strengthen the role of NEMA (the national environment watchdog).
- Ensure that both the road sector institutions and contractors in the sector address gender issues through Gender Management Plans on the basis of the National Gender Policy (1997) that provides the operational framework.
- Ensure that road users and workforces are made aware of issues related to HIV/AIDS and Sexually Transmitted Infections (STI) through information campaigns, as well as the implementation of programmes specific to each of the road construction projects.
- Ensure that Occupational Health and Safety (OHS) issues are mainstreamed into the road sector institutions and the private sector, and ensure that OHS Management Plans are developed and implemented.

The envisaged intervention framework and monitoring indicators are shown in Appendix 1.7.2.

## 1.5 Focal Sector II: Rural development

The overall objective of interventions under this focal sector is to support production and productivity enhancement in agriculture and the improvement of rural livelihoods and incomes. The focus of support will be double-pronged: on the one hand, helping smallholder farmers in their shift to a more commercially oriented agriculture, including forestry; on the other hand, promoting agricultural recovery and livelihoods with a view to facilitating the return of displaced communities to their places of origin in Northern Uganda. For indicative purposes approximately **€60 million** shall be reserved for this sector. The major interventions foreseen are: (i) Support to agricultural development and productivity enhancement including, forestry, agriculture recovery and livelihoods; (ii) Support to conflict resolution and reconciliation in Karamoja. Interventions will, in principle, be through both project mode and a sector budget support programme.

Support to the recovery of agricultural livelihoods in Northern Uganda (€20 million) will be designed around a scenario that assumes: (i) a successful conclusion of the peace talks, (ii) Government commitment to peace and recovery in Northern Uganda and the implementation of the PRDP, and (iii) adequate security situation that allows movement of people out of IDP camps and access to land. Agricultural potential in the area is good, with adequate and reliable rainfall in most parts of the region, generally fertile soils and abundant land for both cropping and ranching. Emerging markets in South Sudan provide a natural outlet for agricultural surpluses. Supporting agricultural recovery in Northern Uganda will depend both on the security situation and on the performance of Government's recovery programme, especially in terms of local government capacity. Prospects remain uncertain, however, and it is crucial to integrate contingency planning in any future recovery intervention, in particular measured by the level of access to land by former IDPs.

Two scenarios need to be considered in case of a deteriorating security situation:

(i) Insecurity is geographically uneven: this would require a geographical retargeting of interventions to more secure areas (such as Teso and Lango or south Pader and Gulu) where returns to home

communities are unaffected. Activities would remain essentially the same, with a focus on agricultural revival of areas further away from conflict zones.

(ii) Insecurity is widespread: if no access to land is possible and market routes are too insecure, no large scale agricultural recovery will be possible and the nature of interventions would need to be fundamentally modified to meet the needs of people remaining in IDP camps. Some small scale support to agricultural production activities would be possible, but subsumed under a humanitarian rationale rather than forward looking development.

The consolidation of the Sawlog Production Grant Scheme (€10 million) will take into account a longer term perspective that seeks to address the diminishing natural resource base and mitigate the effects of climate change. This second phase will be a consolidation of the first and successful intervention and an expansion to previously uncovered areas of Uganda. Multiple benefits are expected, including filling the timber supply gap over the coming decades, promoting the development of private sector planters and the creation of over 15,000 rural jobs.

Support to agricultural services (€15 million) will use a sector budget support modality. Detailed activities under this intervention will be developed in tandem with the progression of the National Development Plan, under the general principle of more commercially oriented agriculture and greater private sector involvement as advocated by Government.

The Karamoja peace and development's intervention (€15 million) will focus on restoring peace and stability especially in Karamoja region with the view to countering potential negative effects of the Karamoja instability in the neighboring regions. Community reconciliation and conflict resolution activities are accompanied by concrete efforts to address the problems of natural resource management and service delivery in pastoral societies (i.e. water, social services, land); to improve civil-military liaison; to promote alternative livelihoods and to counter negative effects of cross-border small arms trafficking. The conflict resolution interventions will combine peace and development approaches.

## **1.6 Other programmes (Non focal sectors)**

An indicative amount of **€ 21 million** is set aside for the following actions:

### **1.6.1 Democratic Governance and Civil Society Programme: € 12 million**

The proposed democracy programme will build on the achievements and experiences of the governance interventions under the 9<sup>th</sup> EDF and budget lines. The envisaged programme will actively support the governance commitments agreed by the GoU and the EC, namely strengthening the framework for multi-party democracy and promoting peace, security and recovery in Northern Uganda. Special attention will be paid to the strengthening of key governance institutions and promoting human rights. The role of civil society in development will be enhanced through continued support to their capacity building in advocacy and service delivery. The strategic areas of intervention are the following: 1) *Democratic participation* with a special focus on the 2011 Elections with a long term approach, covering the whole of the electoral cycle and seeking synergies with other areas of democratic governance; and 2) *Civil Society Capacity Building Programme II* (i.e. strengthening the role of civil society in policy advocacy and service delivery).

### **1.6.2 Technical Cooperation Facility including support to NAO: €9 million**

A Technical Cooperation Facility will cater for studies and analytical work in support of the overall programme. There will also be a provision to undertake seminars and workshops and to support stakeholders through training in fields relevant to the CSP. The National Authorizing Officer will be supported with the technical and non-technical resources necessary to perform his duties. The level and format of this assistance shall take into consideration the further concentration of project support and the increased share of budgetary support.

## 1.7 Intervention Framework & Performance Indicators

### 1.7.1 General Budget Support

|                            | Intervention Logic  | Objectively Verifiable Indicators  | Sources of Verification  | Assumptions  |
|----------------------------|---|--|--|--|
| <b>Overall Objective 1</b> | Macro-economic stability consistent with rapid private-sector led growth  |  |  |  |
| <b>Program Purpose</b>     | <ul style="list-style-type: none"> <li>• To strengthen revenue collection</li> <li>• To rigorously prioritise public expenditure to fund poverty reducing programmes and ensure value for money</li> <li>• To maintain a prudent monetary policy consistent with low inflation</li> <li>• Maintain low levels of external debt</li> </ul> | <ul style="list-style-type: none"> <li>• Revenue-to-GDP ratio</li> <li>• Allocation, Education and Health and Public Administration</li> <li>• Inflation rate</li> <li>• Annual non-concessional borrowing</li> </ul>  | <ul style="list-style-type: none"> <li>• Monthly MoFPED Economic performance reports</li> <li>• Budget speech, Annual Budget performance report</li> <li>• Monthly MoFPED Economic performance reports</li> <li>• Policy Support Instrument (PSI)</li> </ul>   | <ul style="list-style-type: none"> <li>• Tax administration reform pursued</li> <li>• Government priorities towards poverty reduction</li> <li>• Prudent monetary policy stance maintained</li> <li>• Current stated policy to cap new-borrowing maintained</li> </ul> |
|                            | <ul style="list-style-type: none"> <li>• Increased private sector competitiveness</li> <li>• Reduce the cost of doing business through the removal of supply side constraints</li> <li>• To strengthen the development and implementation of regional and multilateral trade arrangements (EPA, WTO)</li> </ul>                           | <ul style="list-style-type: none"> <li>• Non-traditional exports-to-GDP ratio</li> <li>• Private investment-to-GDP ratio</li> <li>• Private sector credit</li> <li>• Active participation in regional trading arrangements (COMESA and EAC CU) and WTO translated into relevant policy and regulatory reforms</li> <li>• Signing of EPA and progress on EPA implementation indicators</li> </ul> | <ul style="list-style-type: none"> <li>• Bank of Uganda (Annual report on the state of the Economy)</li> <li>• Ibid</li> <li>• Ibid</li> <li>• Reports on competitiveness and business costs (e.g., global competitiveness survey, Investment climate assessment, Doing Business).</li> <li>• RIO policy organ meeting reports</li> <li>• EPA implementation monitoring mechanisms (at regional, ACP and EC/ACP levels)</li> </ul> | <ul style="list-style-type: none"> <li>• Continued Government commitment to private sector-led growth and regional integration</li> </ul>  |
| <b>Results</b>             | <ul style="list-style-type: none"> <li>• Higher and more stable economic growth</li> <li>• Increased intra-regional trade</li> </ul>  | <ul style="list-style-type: none"> <li>• Annual real GDP Growth</li> </ul>   | <ul style="list-style-type: none"> <li>• Budget speech</li> </ul>  | <ul style="list-style-type: none"> <li>• GoU policy stance on Macro-economic stability consistent with rapid private-sector led growth maintained</li> </ul>   |

|                            | <b>Intervention Logic</b>   | <b>Objectively Verifiable Indicators</b>  | <b>Sources of Verification</b>  | <b>Assumptions</b>  |
|----------------------------|---|---|---|---|
| <b>Overall Objective 2</b> | Improved delivery of social services  |   |   |   |
| <b>Programme Purpose</b>   | <ul style="list-style-type: none"> <li>• Improve the quality of primary health care services and maternal and child care</li> <li>• Improve the quality of Education at primary and Post Primary levels</li> <li>• Improve access to Post Primary education and training</li> </ul> | <ul style="list-style-type: none"> <li>• Deliveries in health care centres</li> <li>• Completion rates at primary level and O-level.</li> <li>• New curriculum at primary and O-level</li> <li>• Modularised BTVET curriculum in place</li> <li>• Increase in enrolment at BTVET &amp; Secondary level</li> </ul> | <ul style="list-style-type: none"> <li>• Annual Health Sector report and annual sector review aide memoire.</li> <li>• Annual Education Sector performance report and annual sector review aide memoire.</li> </ul> | <ul style="list-style-type: none"> <li>• Continued GoU commitment to the achievement of the MDGs.</li> </ul>                                      |
| <b>Results</b>             | <ul style="list-style-type: none"> <li>• Increase in Population literacy rates</li> <li>• Reduced infant mortality</li> </ul>   | <ul style="list-style-type: none"> <li>• Population literacy rate (disaggregated by gender)</li> <li>• Infant mortality rate</li> </ul>   | <ul style="list-style-type: none"> <li>• Education sector review Aide memoire</li> <li>Health sector review Aide memoire</li> </ul>   | <ul style="list-style-type: none"> <li>• Continued GoU commitment to the achievement of the MDGs.</li> <li>• Population growth reduced</li> </ul> |

|                            | <b>Intervention Logic</b>  | <b>Objectively Verifiable Indicators</b>  | <b>Sources of Verification</b>   | <b>Assumptions</b>  |
|----------------------------|--|---|--|---|
| <b>Overall Objective 3</b> | <ul style="list-style-type: none"> <li>Strengthen public expenditure/financial management</li> <li>Strengthen the capacity of accountability institutions</li> <li>Strengthened public sector HR management</li> </ul> | <ul style="list-style-type: none"> <li>Stock of CCS arrears</li> <li>budget execution (overall budget, PAF, Public administration, Defense)</li> <li>% of local governments rated as performing satisfactorily by the LGDP Annual Assessment<sup>4</sup></li> <li>Local Government revenue as % of total government revenue</li> <li>% Clean audits</li> <li>Backlog of Audit reports (number/avg. months)</li> <li>% GoU budget allocation to Accountability institutions (PPDA, IGG, DEI)</li> <li>Number of procurement audits per year</li> <li>Civil servant first year accountant salary as % of private sector first year accountant salary.</li> <li>Average time for new primary school teacher to access pay roll (months)</li> </ul> | <ul style="list-style-type: none"> <li>PSI</li> <li>Background to the Budget (BttB)</li> <li>Decentralisation annual review report</li> <li>Budget speech/BttB</li> <li>Auditor General annual report of GoU accounts</li> <li>Ibid</li> <li>Ibid</li> <li>Budget speech/BttB</li> <li>PPDA annual report</li> <li>PEAP Results Matrix</li> <li>PEAP Results Matrix</li> </ul> | <ul style="list-style-type: none"> <li>Credibility of budget process re-established.</li> <li>GoU commitment to enforcing Public Finance regulations strengthened.</li> <li>New tax measures for the collection of local revenue introduced</li> <li>Capacity of accountancy units in line ministries strengthened.</li> <li>High level commitment to fighting corruption strengthened.</li> <li>PPDA funding and human resource capacity strengthened.</li> <li>Pay reform implemented, IPPS introduced</li> </ul> |
| <b>Programme Purpose</b>   | Reduced corruption   | <ul style="list-style-type: none"> <li>Average perception of corrupt practices</li> <li>Average perception of corruption in procurement practices</li> </ul>  | IGG National Integrity Survey<br>National Procurement Integrity Survey   | <ul style="list-style-type: none"> <li>High level commitment to fighting corruption strengthened.</li> </ul>  |
| <b>Results</b>             | <ul style="list-style-type: none"> <li>Enhanced credibility of national budget</li> <li>Improved planning and management of civil service human resource</li> <li>Reduced corruption</li> </ul>                        | <ul style="list-style-type: none"> <li>Aggregate expenditure outturn compared to original approved budget</li> <li>Composition of expenditure outturn compared to original approved budget</li> <li>Wage budget outturn compared to approved budget</li> <li>International perception of corruption in Uganda</li> </ul>  | <ul style="list-style-type: none"> <li>PEFA report (indicator PI 1)</li> <li>PEFA report (indicator PI 2)</li> <li>Background to the budget</li> <li>TI index</li> </ul>   |   |

<sup>4</sup> Or successor programme.



## 1.7.2 Road Transport Infrastructure

|                           | Intervention Logic  | Objectively Verifiable Indicators   | Sources of Verification   | Assumptions  |
|---------------------------|---|---|---|--|
| <b>Overall Objectives</b> | To support economic and social development, alleviate poverty, and promote regional integration   | Increase of traffic volumes of agricultural and industrial goods by using 2007 data as baseline figures.  | Survey of industrial and agricultural product flows carried out by Consultants.   | Political and economic stability in the country is maintained.<br>Natural catastrophes do not occur.   |
| <b>Programme Purpose</b>  | A safe and sustainable road network   | Reduction in travel time, vehicle operating costs and transport prices (freight tariffs and passenger fees) by using 2007 data as baseline figures.   | Studies on travel time and vehicle operating costs, as well as transport price surveys (haulage and bus companies) carried out by Consultants.  | Government remains committed and implements all institutional changes in the road transport sector including:  |
| <b>Results</b>            | <p>Improved condition of the national road network</p> <p>Strengthened road management (e.g. monitoring of road condition and axle load control, planning and prioritization of road works)</p> <p>Improved Road safety</p> | <p>By the end of 2010, 40% in good condition, and 55% in fair condition for the national road network</p> <p>By the end of 2013, 60% in good condition, and 40% in fair condition</p> <p>UNRA fully operational by mid-2008; Revised RSDP approved by end-2008</p> <p>Road Fund fully operational by mid-2009</p> <p>Number of fatal accidents reduced to 2004 levels by end-2010</p> <p>MWT reform completed by end-2011</p> <p>EIA, gender, HIV/AIDS, employment, mainstream at institutional level by end-2011</p> | <p>Road condition surveys, supervision of works reports, MWT technical audits</p> <p>UNRA annual reports</p> <p>Road Fund annual reports</p> <p>MWT mission statement</p> <p>Relevant statistics and surveys carried out by Consultants.</p> <p>Policy statements and operational manuals</p> | <p>- Prioritisation of expenditure on the basis of road condition, traffic surveys, and life-cycle costing</p> <p>- Increased allocation and expenditure on road maintenance</p> <p>- Enforcement of axle load control and road safety</p> |

### 1.7.3 Rural Development

|                           | <b>Intervention Logic</b>  | <b>Objectively Verifiable Indicators</b>   | <b>Sources of Verification</b>  | <b>Assumptions</b>  |
|---------------------------|--|--|---|---|
| <b>Overall Objectives</b> | To support production and productivity enhancement in agriculture and the improvement of rural livelihoods and incomes   | Agricultural income levels, poverty level indicators in Northern Uganda  |   | The PRDP is adopted and implemented by the Government of Uganda and other stakeholders.   |
| <b>Programme Purpose</b>  | To enhance farm incomes, support the reintegration of IDPs through an agricultural recovery and livelihoods programme in Northern Uganda, and to promote peace and stability in NU and Karamoja.   | Number of Internally Displaced People returning to their communities   | NGO and PRDP implementation reports   | Peace in the North is maintained  |
| <b>Results</b>            | <p>1) Agricultural recovery through restoration of productive capacity and markets</p> <p>2) Improved livelihoods and self-reliance of local communities</p> <p>3) Research and extension services strengthened</p> <p>4) Forest resources sustainably managed and partly filled timber supply gap.</p> <p>5) Structures for conflict resolution and community reconciliation strengthened, especially in Karamoja</p> | <p>Average yield rate of food crops</p> <p>% of communities with access to market information</p> <p>% of rural population below poverty line</p> <p>Average income / expenditure</p> <p>Effective roll out of NAADS in Northern Uganda – Number of Districts participating.</p> <p>10,000 Ha of new forests planted by communities and private planters</p> <p>Reduction in conflict related incidents in Karamoja and neighbouring areas</p> | <p>NARO / Statistical abstracts</p> <p>Socio-economic surveys and NGO reports</p> <p>PMA reviews</p> <p>NGO and KIDDP reports</p> | <p>Enabling socio-economic environment</p> <p>Appropriate land use policy in place</p> <p>NFA integrity and autonomy protected</p> <p>Commitment to peace and development by key stakeholders</p> |

## 1.8 Indicative timetable for commitments and disbursements

### 1.8.1 Indicative timetable of global commitments

|  | Indicative allocation | 2008 |                     | 2009 |                     | 2010                |
|--|-----------------------|------|---------------------|------|---------------------|---------------------|
|  |                       | 1    | 2                   | 1    | 2                   |                     |
| <b>Transport Infrastructure</b>  | <b>€172,000,000</b>   |      |                     |      |                     |                     |
| - Sector Budget Support including Institutional Support and Capacity Development | € 50,000,000          |      | € 50,000,000        |      |                     |                     |
| - Rehabilitation of the NCR (project approach)                                   | € 122,000,000         |      |                     |      | €122,000,000        |                     |
| <b>Rural Development</b>   | <b>€ 60,000,000</b>   |      |                     |      |                     |                     |
| - Sector Support to agriculture  | € 15,000,000          |      |                     |      | €15,000,000         |                     |
| - Support to agricultural recovery and forestry                                  | € 30,000,000          |      | € 30,000,000        |      |                     |                     |
| - Conflict resolution activities   | € 15,000,000          |      | €15,000,000         |      |                     |                     |
| <b>Macroeconomic Support</b>   | <b>€186,000,000</b>   |      |                     |      |                     |                     |
| - General Budget Support   | €175,000,000          |      | €175,000,000        |      |                     |                     |
| - Institutional Support & Capacity Development (EPA)                             | € 11,000,000          |      | € 7,000,000         |      | €4,000,000          |                     |
| <b>Non Focal Sectors</b>   | <b>€ 21,000,000</b>   |      |                     |      |                     |                     |
| - Democratic Governance and Support to NSA Programme                             | € 12,000,000          |      | € 12,000,000        |      |                     |                     |
| - Technical Cooperation Facility   | € 7,000,000           |      | € 4,000,000         |      |                     | €3,000,000          |
| - Support to NAO   | € 2,000,000           |      |                     |      |                     | €2,000,000          |
| <b>Total Commitments</b>   | <b>€439,000,000</b>   |      | €293,000,000        |      | €141,000,000        | €5,000,000          |
| <b>Total Cumulative Commitments</b>  |                       |      | <b>€293,000,000</b> |      | <b>€434,000,000</b> | <b>€439,000,000</b> |

### 1.8.2 Indicative timetable of disbursements

|   | Indicative allocation | 2008 |   | 2009                |                     | 2010                 |                     |
|---|-----------------------|------|---|---------------------|---------------------|----------------------|---------------------|
|   |                       | 1    | 2 | 1                   | 2                   | 1                    | 2                   |
| <b>Transport Infrastructure</b>                 | <b>€172,000,000</b>   |      |   |                     |                     |                      |                     |
| - Institutional Support and Capacity Building   | € 10,000,000          |      |   |                     | € 1,000,000         | € 1,500,000          | € 2,000,000         |
| - Rehabilitation of the Northern Corridor Route | € 122,000,000         |      |   |                     |                     |                      | €30,000,000         |
| - Sector Budget Support                         | € 40,000,000          |      |   |                     | €20,000,000         |                      | €20,000,000         |
| <b>Rural Development</b>                        | <b>€ 60,000,000</b>   |      |   |                     |                     |                      |                     |
| - Karamoja Peace and Development                | € 15,000,000          |      |   | € 1,000,000         | € 2,000,000         | € 2,500,000          | € 3,500,000         |
| - Sector Support to agriculture                 | € 15,000,000          |      |   |                     |                     | €5,000,000           |                     |
| - Agricultural development and forestry         | € 30,000,000          |      |   | € 2,000,000         | € 3,000,000         | €4,000,000           | € 4,000,000         |
| <b>Macroeconomic Support</b>                    | <b>€186,000,000</b>   |      |   |                     |                     |                      |                     |
| - General Budget Support                        | €175,000,000          |      |   | €30,000,000         |                     | €30,000,000          |                     |
| - Capacity Building                             | € 11,000,000          |      |   | € 1,500,000         | € 1,500,000         | €1,000,000           | € 1,000,000         |
| <b>Non Focal Sectors</b>                        | <b>€ 21,000,000</b>   |      |   |                     |                     |                      |                     |
| - Democratic Governance and NSA Programme       | € 12,000,000          |      |   |                     | €3,000,000          | €2,000,000           | €2,000,000          |
| - Technical Cooperation Facility                | € 7,000,000           |      |   |                     | € 500,000           | € 500,000            | € 1,000,000         |
| - Support to NAO                                | € 2,000,000           |      |   |                     |                     |                      |                     |
| Total Disbursements                             |                       |      |   | € 34,500,000        | € 31,500,000        | € 48,000,000         | €69,000,000         |
| <b>Total Cumulative Disbursements</b>           |                       |      |   | <b>€ 34,500,000</b> | <b>€ 65,500,000</b> | <b>€ 112,500,000</b> | <b>€177,500,000</b> |

### 1.9 Chronogram of activities

|  | Indicative allocation | 2008 |    |    |       | 2009           |    |    |       | 2010 -         |    |    |       |
|--|-----------------------|------|----|----|-------|----------------|----|----|-------|----------------|----|----|-------|
|  |                       | Q1   | Q2 | Q3 | Q4    | Q1             | Q2 | Q3 | Q4    | Q1             | Q2 | Q3 | Q4    |
| <b>Transport Infrastructure</b>                  | <b>€172,000,000</b>   |      |    |    |       |                |    |    |       |                |    |    |       |
| - Sector Budget Support and Capacity Development | € 50,000,000          | PIF  | AF |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| - Rehabilitation of NCR (project)                | € 122,000,000         | PIF  |    |    |       |                | AF |    | FD/FA | IMPLEMENTATION |    |    |       |
| <b>Rural Development</b>                         | <b>€ 60,000,000</b>   |      |    |    |       |                |    |    |       |                |    |    |       |
| - Sector support to agriculture                  | € 15,000,000          |      |    |    | PIF   |                | AF |    | FD/FA | IMPLEMENTATION |    |    |       |
| - Karamoja Peace and Development                 | € 15,000,000          | PIF  | AF |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| - Agricultural Development and Forestry          | € 30,000,000          | PIF  | AF |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| <b>General Budget Support</b>                    | <b>€186,000,000</b>   |      |    |    |       |                |    |    |       |                |    |    |       |
| - GBS and TA to EPA                              | €182,000,000          | PIF  | AF |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| - TA to PFM                                      | € 4,000,000           |      |    |    |       | PIF            | AF |    | FD/FA | IMPLEMENTATION |    |    |       |
| <b>Non Focal Sectors</b>                         | <b>€ 21,000,000</b>   |      |    |    |       |                |    |    |       |                |    |    |       |
| - Democratic Governance / NSA                    | € 12,000,000          | PIF  | AF |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| - TCF I  | € 4,000,000           | PIF  | FP |    | FD/FA | IMPLEMENTATION |    |    |       |                |    |    |       |
| - TCF II   | € 3,000,000           |      |    |    |       |                |    |    |       | PIF            | AF |    | FD/FA |
| - Support to NAO                                 | € 2,000,000           |      |    |    |       |                |    |    |       | PIF            | AF |    | FD/FA |

## APPENDIX 1: "COUNTRY AT A GLANCE" TABLE

| People  | 2000           | 2004           | 2005           |
|---|----------------|----------------|----------------|
| Population, total   | 24.3 million   | 26.9 million   | 27.8 million   |
| Population growth (annual %)  | 3,1            | 3,4            | 3,5            |
| Poverty headcount ratio at national poverty line (% of population)        | 33,8           | 37,7           | ..             |
| Life expectancy at birth, total (years)                                   | 45,1           | 47,8           | 48,9           |
| Fertility rate, total (births per woman)                                  | 7,1            | 7,1            | 7,1            |
| Mortality rate, infant (per 1,000 live births)                            | 85             | ..             | 80,2           |
| Mortality rate, under-5 (per 1,000)                                       | 145            | ..             | 137,8          |
| Births attended by skilled health staff (% of total)                      | 39             | ..             | ..             |
| Malnutrition prevalence, weight for age (% of children under 5)           | 23             | ..             | ..             |
| Immunization, measles (% of children ages 12-23 months)                   | 61             | 82             | 91             |
| Prevalence of HIV, total (% of population ages 15-49)                     | ..             | 6,8            | ..             |
| Primary completion rate, total (% of relevant age group)                  | ..             | 61,1           | 57,1           |
| School enrolment, primary (% gross)                                       | 127,3          | 134,2          | 125,4          |
| School enrolment, secondary (% gross)                                     | 15,9           | 18,8           | 18,6           |
| School enrolment, tertiary (% gross)                                      | 2,5            | 3              | 3,4            |
| Ratio of girls to boys in primary and secondary education (%)             | 92,8           | 96,7           | 97,1           |
| Literacy rate, adult total (% of people ages 15 and above)                | ..             | ..             | 66,8           |
| <b>Environment</b>  |                |                |                |
| Surface area (sq. km)   | 241.0 thousand | 241.0 thousand | 241.0 thousand |
| Forest area (sq. km)  | 40 590,00      | ..             | ..             |
| Agricultural land (% of land area)  | 62,3           | 63,2           | ..             |
| Improved water source (% of population with access)                       | ..             | ..             | 60             |
| Improved sanitation facilities, urban (% of urban population with access) | ..             | ..             | 54             |
| <b>Economy</b>  |                |                |                |
| GDP (current US\$)  | 5.9 billion    | 6.3 billion    | 6.8 billion    |
| GDP growth (annual %)   | 5,6            | 4,4            | 5,6            |
| GDP per capita, (current US\$)  | 260            | 230            | 250            |
| Inflation, GDP deflator (annual %)  | 3,8            | 10             | 6,1            |
| Agriculture, value added (% of GDP)                                       | 37,3           | 32,4           | 32,2           |
| Industry, value added (% of GDP)  | 20,3           | 21,2           | 21,2           |
| Services, etc., value added (% of GDP)                                    | 42,4           | 46,4           | 46,6           |
| Exports of goods and services (% of GDP)                                  | 11,2           | 12,4           | 13,7           |
| Imports of goods and services (% of GDP)                                  | 23             | 26,6           | 27,5           |
| Gross capital formation (% of GDP)  | 20             | 20,5           | 22,5           |
| Revenue, excluding grants (% of GDP)                                      | 24,4           | 33,7           | ..             |
| Cash surplus/deficit (% of GDP)   | -2             | -3,8           | ..             |
| <b>States and markets</b>   |                |                |                |
| Time required to start a business (days)                                  | ..             | 36             | 36             |
| Military expenditure (% of GDP)   | 2,3            | 2,5            | 2,5            |
| Fixed line and mobile phone subscribers (per 1,000 people)                | 7,8            | 31,2           | 44,4           |
| Roads, paved (% of total roads)   | ..             | 23             | ..             |
| <b>Global links</b>   |                |                |                |
| Merchandise trade (% of GDP)  | 33,7           | 28,8           | 32             |
| Net barter terms of trade (2000 = 100)                                    | 100            | 90,3           | 87,8           |
| Foreign direct investment, net inflows (BoP, current US\$)                | 161.0 million  | 202.0 million  | 222.0 million  |
| Long-term debt (DOD, current US\$)  | 3.1 billion    | 4.2 billion    | 4.5 billion    |
| Total debt service (% of exports of goods, services and income)           | 7,8            | 7,2            | 6,9            |
| Official development assistance and official aid (current US\$)           | 819.4 million  | 977.0 million  | 1.2 billion    |
| Workers' remittances and compensation of employees, received (US\$)       | 238.0 million  | 285.0 million  | 347.0 million  |

Source: World Development Indicators database, April 2006

## UGANDA MDG AND PEAP TARGETS AND STATUS

| Uganda: MDG and PEAP Targets and Status  |                                   |                                  |                             |                             |                       |  |  |
|--|-----------------------------------|----------------------------------|-----------------------------|-----------------------------|-----------------------|--|--|
|  | 1990<br>(or closest<br>available) | 2005<br>(or latest<br>available) | 2007/2008<br>PEAP<br>Target | 2013/2014<br>PEAP<br>Target | 2015<br>MDG<br>Target | Target<br>possible at<br>current<br>trend? | Target possible with<br>better policies,<br>institutions, and<br>additional funding? |
| <b>1 Eradicate extreme poverty and hunger</b>  |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>   |                                   |                                  |                             |                             |                       |  |  |
| Poverty headcount ratio (%)  | 56                                | 38                               |                             | 28*                         | 28                    | yes  | yes  |
| Prevalence of child malnutrition (% of children under 5)   | 23                                | 23                               |                             |                             | 12                    | no   | yes  |
| <b>2 Achieve universal primary education</b>   |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = net enrollment, etc. to 100</i>   |                                   |                                  |                             |                             |                       |  |  |
| Net primary enrollment ratio (% of relevant age group)   | 58 boys<br>48 girls               | 87 boys<br>86 girls              | 90 boys<br>89 girls         | 100*                        | 100                   | yes  | yes  |
| Primary completion rate (% of boys and girls)  |                                   | 56                               | 69                          |                             | 100                   | no   | yes  |
| <b>3 Promote gender equality</b>   |                                   |                                  |                             |                             |                       |  |  |
| <i>2005 target = education ratio to 100</i>  |                                   |                                  |                             |                             |                       |  |  |
| Ratio of girls to boys in primary education (%)  | 83                                | 99                               | 100*                        | 100*                        | 100                   | met  | yes  |
| <b>4 Reduce child mortality</b>  |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>   |                                   |                                  |                             |                             |                       |  |  |
| Under 5 mortality rate (per 1,000)   | 177                               | 152                              |                             |                             | 53                    | no   | uncertain  |
| Infant mortality rate (per 1,000 live births)  | 98                                | 88                               | 68                          |                             | 32                    | no   | uncertain  |
| Immunization, DPT3 (% of children)   | 45                                | 83                               | 90                          |                             | n/a                   |  |  |
| <b>5 Improve maternal health</b>   |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = reduce 1990 maternal mortality by three-fourths</i>   |                                   |                                  |                             |                             |                       |  |  |
| Maternal mortality ratio (modeled estimate, per 100,000 live births)   |                                   | 505                              | 354                         |                             | 126                   | no   | uncertain  |
| Deliveries in health care centers (% of total)   |                                   | 24                               | 50                          |                             | n/a                   | met  | yes  |
| <b>6 Combat HIV/AIDS, malaria and other diseases</b>   |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = halt, and begin to reverse, AIDS, etc.</i>  |                                   |                                  |                             |                             |                       |  |  |
| Prevalence of HIV, total (% of adult population)   | 20                                | 6.2                              | 5*                          |                             | <20                   | met  | yes  |
| <b>7 Ensure environmental sustainability</b>   |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 target = integrate into Gov. policies, reverse loss of environmental resources, halve proportion of people without access to safe water and sanitation</i> |                                   |                                  |                             |                             |                       |  |  |
| Forest area (% of total land area)   |                                   | 24                               | 27*                         | 30*                         | >24                   |  |  |
| Access to safe water (% of population)   | 45                                | 65 urban<br>55 rural             | 100* urban<br>90* rural     |                             | 90                    | yes  | yes  |
| Access to improved sanitation (% of population)  |                                   | 65 urban<br>56 rural             | 100* urban<br>80* rural     |                             |                       |  |  |
| Tilled land (% of land)  |                                   | 13                               | 17                          | 25                          |                       |  |  |
| <b>8 Develop a Global Partnership for Development</b>  |                                   |                                  |                             |                             |                       |  |  |
| <i>2015 targets = sustainable debt, make available benefits of new technologies</i>  |                                   |                                  |                             |                             |                       |  |  |
| Debt service (% of exports of goods and services)  |                                   | 305                              | 238                         | 187                         |                       | yes  | yes  |

\* PEAP Targets more ambitious than MDGs

Sources: 2004 PEAP, Demographic and Health Surveys, National Household Survey

| Million € (current programme) |                             | Funding Agency |              |              |              |               |             |              |               |              |              |               |              |               |              |               | Grand Total     |
|-------------------------------|-----------------------------|----------------|--------------|--------------|--------------|---------------|-------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|--------------|---------------|-----------------|
| Type                          | Sector                      | AfDB           | Austria      | Belgium      | Denmark      | DFID          | Germany     | France       | Ireland       | Italy        | Netherlands  | Sweden        | Norway       | UN Agencies   | USAID        | World Bank    |                 |
| Economic Development          | Budget Support              | 34.72          | 6.30         | 0.79         |              | 152.4         | 15.00       |              | 53.15         |              | 25.20        | 72.44         |              | 4.33          |              | 472.44        | 1,020.95        |
|                               | Economic Policy             |                |              | 0.55         |              | 5.21          | 11.2        |              |               |              |              |               |              | 7.09          |              | 16.00         | 21.19           |
|                               | Enabling Environment        |                | 0.79         | 0.63         |              |               |             |              |               |              |              |               | 8.93         |               | 25.75        | 80.42         | 131.80          |
|                               | Public Sector<br>Tax Policy | 42.60          |              |              |              | 6.31<br>3.96  |             |              | 11.81         |              |              |               |              |               |              | 65.00         | 121.89<br>1.18  |
| Economic Development Total    |                             | 77.32          | 7.09         | 1.97         |              | 167.88        | 26.20       |              | 64.96         |              | 25.20        | 72.44         | 8.93         | 11.42         | 25.75        | 633.86        | 1,297.01        |
| Productivity Sector Activity  | Agriculture                 | 38.85          |              |              | 8.11         |               |             | 1.90         | 5.24          |              | 5.24         |               |              | 5.43          | 13.39        | 10.47         | 92.41           |
|                               | Energy                      | 40.51          |              |              |              |               |             |              |               |              |              | 14.49         | 14.80        |               |              | 40.00         | 109.80          |
|                               | Infrastructure              | 46.30          |              |              | 27.72        |               | 10.5        |              |               |              |              |               |              |               |              | 61.49         | 135.51          |
|                               | MTCS<br>Tourism             |                |              | 0.79         |              |               |             |              |               |              |              |               |              |               |              |               | 0.79            |
| Productivity Sector Total     |                             | 125.66         | -            | 0.79         | 35.83        |               | 10.5        | 1.90         | 5.24          |              | 5.24         | 14.49         | 14.80        | 5.43          | 13.39        | 111.96        | 338.51          |
| Social Development            | Education                   | 18.57          |              | 3.15         |              |               | 4.0-        |              | 15.55         |              |              | 19.21         | 7.56         | 17.32         | 14.49        | 29.70         | 127.44          |
|                               | Health                      | 23.15          |              | 3.15         | 31.50        | 5.45          | vocati.tra  | 8.50         | 22.44         | 19.30        | 5.04         | 4.09          |              | 48.58         | 22.99        |               | 193.78          |
|                               | Population<br>Refugees/IDPs |                |              |              | 0.31         | 4.56          |             | 0.45         |               |              |              |               |              | 6.10          |              |               | -               |
|                               | Water/Sanitation            | 28.66          | 1.57         |              | 11.97        |               | 13.3        | 15.00        |               |              |              |               |              | 5.31          |              |               | 6.86<br>62.51   |
| Social Development Total      |                             | 70.38          | 1.57         | 6.30         | 43.78        | 10.01         | 17.3        | 23.95        | 37.99         | 19.30        | 5.04         | 23.30         | 7.56         | 77.31         | 37.48        | 29.70         | 390.59          |
| Cross-cutting Issues          | Civil Society               |                | 12.60        | 5.04         |              | 11.13         |             | 2.80         |               |              | 50.39        |               |              |               |              |               | 143.27          |
|                               | Cultural Co-oper            |                |              |              |              |               |             | 2.20         |               |              |              |               |              |               |              |               | 2.20            |
|                               | Environment                 |                |              | 5.59         |              |               |             |              |               |              |              |               | 4.72         | 4.09          |              |               | 17.86           |
|                               | Gender                      |                |              |              |              |               |             |              | 1.06          |              |              |               |              | 1.06          |              |               | 2.12            |
|                               | Good Governance             |                | 2.52         | 0.31         | 11.34        | 12.89         | 1.0         | 0.35         | 1.57          |              | 0.60         |               | 2.52         | 16.14         | 1.97         |               | 39.53           |
| HIV/AIDS                      |                             |                |              | 3.15         |              |               |             |              |               |              |              | 0.47          | 39.37        | 9.45          |              |               | 52.79           |
| Human Rights                  |                             |                |              |              |              |               |             |              |               |              |              |               | 6.30         |               |              |               | 6.30            |
| Cross-cutting Issues Total    |                             |                | 15.12        | 10.94        | 14.49        | 24.02         | 2.0         | 5.35         | 2.63          |              | 50.99        |               | 7.71         | 66.96         | 11.42        |               | 264.07          |
| <b>Grand Total</b>            |                             | <b>273.36</b>  | <b>23.78</b> | <b>20.00</b> | <b>94.10</b> | <b>201.91</b> | <b>56.0</b> | <b>31.20</b> | <b>110.82</b> | <b>19.30</b> | <b>86.47</b> | <b>110.23</b> | <b>39.00</b> | <b>161.12</b> | <b>88.04</b> | <b>775.52</b> | <b>2,290.18</b> |



## APPENDIX 3: COUNTRY ENVIRONMENTAL PROFILE

### EXECUTIVE SUMMARY

#### STATE OF THE ENVIRONMENT

##### Physical Environment

- 1.1 Land degradation is one of the main environmental issues facing Uganda. Over 80 percent of the country's population lives in rural areas and population is doubling every 20 years at the current rate of growth.
- 1.2 The key land degradation issues are soil erosion, decreasing soil fertility, agrochemical pollution and a tendency towards desertification. The main causes are population pressure, inappropriate land management practices and, on rangelands, over-stocking.
- 1.3 The main water environment concerns are the issues of quality and access. The main threats to quality include eutrophication, pollution, and the proliferation of invasive plants.
- 1.4 Tropical high forest has declined from a total of 13 percent of the total area (35,000 km<sup>2</sup>) in 1900 to about 7,000 km<sup>2</sup> in 2005. The Central Forest Reserve (CFR) currently covers some 12,000 km<sup>2</sup> and includes about half of the tropical high forest. Overall 70 percent of the nation's forests are not protected; they act as the nation's main fuel source and are becoming increasingly degraded.
- 1.5 Encroachment, involving the conversion of gazetted forest land to agriculture, has become a major problem throughout the nation and per capita forest has declined from 0.3 ha in 1990 to 0.1 ha in 2004. A fuel wood crisis is looming as demand exceeds supply with rising population. The average distance travelled to collect firewood has risen from 0.06 km in 1992 to 0.73 km in 2000.
- 1.6 Uganda's wetlands support a rich diversity of plants and animals and serve an important natural role for sediment, nutrient and toxin retention, stabilisation of the hydrological cycle, harbouring biodiversity, biomass production and water supply in rural areas. They are under threat in many ways including from encroachment, brick production, drainage and pollution.
- 1.7 As a consequence of civil strife Uganda has about 1.5 million Internally Displaced Persons (IDPs) located in six districts. In addition there are a further 190,000 refugees from wars in neighbouring countries are being accommodated in camps.

##### Biological Environment

- 1.8 Uganda's biodiversity is one of the highest on the continent and is estimated by the National Environment Management Authority NEMA to be worth about USD 1,000 million per annum. The main causes of biodiversity loss are habitat decline, over harvesting and introduction of alien species. Many of the sectors targeted for future economic growth depend directly on the country's biological resources.
- 1.9 Most of Uganda's most important biological assets are now protected in designated areas. Thus rare vegetation, a variety of large mammals and tropical forests provide a source of pride for the inhabitants and also a source of revenue through tourism.

- 1.10 Fisheries are under threat from land degradation causing excessive silt loads in lakes and rivers. There are questions of sustainable catch and threats from drought and pollution and floating weed.

#### **Socio-economic Environment**

- 1.11 Access to healthcare facilities is limited to about half the population but healthcare infrastructure is dilapidated and in need of modernisation. Life expectancy is 52 and malnutrition, malaria and HIV/AIDS are the most serious diseases. Malaria remains the principal public health problem but HIV/AIDS is also an extremely serious threat. Thanks to a massive publicity campaigns the overall prevalence has dropped from 30 percent in 1992 to 6.5 percent in 2001 but the situation remains precarious, leaving many families without their main wage earners.
- 1.12 Although addressed by the Land Act 1998 land ownership remains confused in many areas and plots fragmented and small. There is no easy solution to this problem which is likely to have a major impact for years to come but the absence of an overall land use policy is a significant omission.
- 1.13 Water and sanitation are major problems in all urban centres with the majority of the population in most towns unable to gain access to clean water. Slums and squatter communities are also a problem in bigger towns and in Kampala in particular.
- 1.14 Uganda's main energy source is from biomass accounting for about 93 percent of demand (including about 5 percent charcoal) while petroleum products account for six percent and electricity one percent of demand respectively. Just under half the biomass production is obtained from protected areas.

#### **Environmental Indicators**

- 1.15 NEMA is developing natural resource indicators for Uganda and recognises five basic types. Given the considerable thought that has already gone into the process of identifying indicators for Uganda by NEMA and the diligent participatory planning that has helped to build consensus on these, the NEMA work-in-progress is an appropriate basis for future comparisons.

### **ENVIRONMENTAL POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORK**

#### **Policy**

- 1.16 The National Environment Management Policy gave rise to the National Environment Statute (NES) 1995, which brought together all the sectoral agencies involved in the management of the environment. Although the NES has assured a bottom-up approach from the lowest level in the environmental, decision-making process and implementation, some challenges still remain; the need to build capacity of the judiciary, the need to balance between conservation and development - often weighted to the latter, the lack of sectoral support and the need to develop and adopt guidelines for public access to public domain environmental documents.
- 1.17 Uganda has many plans and strategies in place including; Vision 2025, Poverty Eradication Action Plan, Medium Term Expenditure Framework, District and Sub-County Development Plans, Plan for Modernisation of Agriculture etc. The second

PEAP is effective in terms of transparency and accountability, communication and public awareness and in assigning implementation responsibility. The main areas for improvement include: social and poverty issues, international commitments, high-level government commitment, co-ordination with donors and budgetary provision.

- 1.18 Land use, tenure and access, though managed via the Constitution and the Land Act 1998, suffer from nominal protection. In practice, absent land ownership, land grabbing, de-gazetting, illegal building etc all contribute to a confused ownership. Several potentially good environmental initiatives are thwarted and compromised by the land tenure issue.
- 1.19 Although there are a number of policy initiatives to deal with water resources, forests, wetlands, wildlife and so on, several challenges remain including: population pressure and poverty levels which trigger land use conflicts, poaching and encroachment. Burgeoning population growth and associated poverty will only compound policy weakness.

### **Legislation**

- 1.20 A good environmental legislative framework is in place although there are aspects that lead to implementation weakness including; institutional rivalry, inadequate policy implementation, lack of clear guidelines and budgets for inter-sectoral activities, poor monitoring system in biodiversity conservation, political interference, weak enforcement and law enforcement capacity, and lack of balancing economic needs against biodiversity conservation and social needs.
- 1.21 Whilst there is a body of law with a robust basis for environment protection, much of the implementation relies on under-resourced and poorly funded institutions such as the FID, and WID at central government level, and the district offices, locally. Consequently, whilst the legislative basis is available, the enforcement basis is not.
- 1.22 Uganda has entered into several international and regional environmental conventions and, as a result, has played an active part in regional environmental management.
- 1.23 Of the existing legislation, land tenure and access has nominal provision but this has to be reconciled with existing concerns of; small and non-viable holdings, rights to gazetted areas and natural resources, declining land productivity, women's land rights, urban land and lack of land use planning. The management of natural resources is provided for under several legislative instruments but the resources are under considerable pressure and require full rigour of enforcement to achieve the aspirations of the protecting laws.
- 1.24 Central government continues to devolve power to local government and has provided some resources for the preparation of parish, sub-county and district environment action plans, which eventually should be incorporated into their respective development plans. Fisheries decentralisation has provided good opportunities for community participation but still suffers from capacity issues. In general decentralisation has had a negative effect on biodiversity.

### **Institutions**

- 1.25 Institutional weaknesses for environmental protection were identified during the NEAP process. Subsequently, the National Environment Management Policy advocated a new institutional structure, the National Environment Management

Authority (NEMA) which was provided for in the NES. NEMA is located under MWLE and is the principal agency for the management of the environment with the express mandate to coordinate, monitor and supervise all activities in the field of the environment. It is horizontally linked to the lead agencies in the environment sector, and vertically to the local government structure, the private sector, and civil society. NEMA is not sustainably funded.

- 1.26 NEMA is in the process of developing natural resource indicators. Macro-economic indicators which measure development policy/strategy impact have been developed for; wetlands, forests, water, fisheries, wildlife and land, tend to reflect PEAP criteria.
- 1.27 The Local Government Act 1997 provides for the devolution of governance from the centre to the districts and lower levels. The District Council is the highest level of governance at sub-national level. One of its roles is to ensure the integration of environmental issues in the development planning process. Environment committees are also established at sub-county, parish and village levels, although the lowest level of government is the sub-county.
- 1.28 The district environment committees are expected to ensure that environmental concerns are integrated into district plans and projects, formulate bye-laws, promote dissemination of environmental information and prepare the district state of environment reports annually. Most districts have formed environment committees and prepared their first and subsequent state of environment reports with the technical assistance of NEMA. However, the capacity of the environment committees at various levels of local government is still weak.
- 1.29 There are a number of active NGOs including ACODE, CARE, Clean Up Uganda, Environmental Alert, Greenwatch, and the Ugandan Wildlife Society.

## **EC AND OTHER ENVIRONMENTAL DONOR CO-OPERATION**

### **EC Co-operation from an Environmental Perspective**

- 1.30 Several EC-funded interventions in environment have been undertaken during the last five years. Currently there are no programmes planned, though an extension to the Sawlog Production Grant Scheme under the FRMCP is under consideration (within the 10th EDF).
- 1.31 Relatively little information is readily accessible about the EC interventions other than those captured under the FRMCP. The FRMCP Mid-Term Review (July 2004) identified issues that have applicability for other EC projects – participatory approaches and ensuring relevant skill development. General experience indicates that interventions have to overcome institutional rivalry and inconsistent policy implementation in lead agencies.
- 1.32 The primary effects of EC interventions occur in the Districts where monitoring capability is weak. As a result, the environmental impacts of EC cooperation, other than those directly envisaged as part of the intervention, are rarely recorded within the institutional memory.
- 1.33 Over the last four years, donor aid, generally, to GoU has been shared approximately equally between budget support and project aid. GoU prefers budget support over project aid, and general budget support over sector budget support. Sector expenditure ceilings are determined centrally on the basis of the government's strategic spending priorities, not by how much sector support donors are promising to favoured certain

sectors. The implications for future EC interventions in the field of environment are that a much closer co-operation and alignment between donors will be necessary to optimise interventions. There is an opportunity therefore to strengthen tiers of government that are not typical recipients of aid whilst addressing the pervasive challenge of weak governance at lower tiers.

- 1.34 For the Country Strategy Paper, development harmonisation with other donors via the Uganda Joint Assistance Strategy (UJAS) is a possibility, though it is not yet clear how the UJAS could be aligned with the 10<sup>th</sup> EDF CSP. The UJAS and increased donor harmonisation is in line with PEAP principles; the PEAP remains the guiding policy document.

### **Co-operation Funded by Other Agencies from an Environmental Perspective**

- 1.35 A number of programmes and projects with an environmental focus or anticipated impact have been funded by donors other than the EC (including EU member states). Co-ordination between donors and the EC is primary via the ENR Donor Group. In principle this should offer an effective mechanism for donors to align their interventions. In practice, some donors may prefer to use the group merely to remain updated on ENR donor activity generally, rather than as a proactive tool with which to guide or harmonise specific donor interventions.
- 1.36 With few exceptions, donors have increased the share of programme aid notably SWAPs, basket funding and budget support. These modalities have facilitated harmonisation and have a strong potential to reduce donor transaction costs in the long run.
- 1.37 Budget support and basket programme support strengthen the government ownership and changes its quality. Budget support and SWAPs are long-term commitments and have the potential to avoid the traditional go-stop-go situations. This is emphasised in the PEAP by stating that a shift from the magnitude of aid to changes in the composition of aid; its predictability and in the manner in which donor aid programmes are articulated with the government budget, is crucial.
- 1.38 In line with the PEAP priorities GoU envisages an increase in the sector shares of the budget for agriculture, roads and works, education and health. Strengthening budgeting at the sector level will be crucial to achieving the PEAP objectives. SWAPs, which have already generated important benefits for budget planning, will be extended to cover all areas of the budget. All budget submissions by line ministries and other spending agencies must be consistent with the relevant sector expenditure plan. All projects will have to satisfy a range of criteria, including affordability within the relevant sector ceiling.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

- 1.39 There are five main conclusions as follows:

Conclusion 1: The issue of population growth and its associated poverty has the potential to undermine all interventions in the environment

Conclusion 2: A significant hurdle to the successful implementation of policies, regulations and institutional responsibility is the process of decentralisation

Conclusion 3: The institutional strength at district level is weak

Conclusion 4: The key pressures on the natural resources are already well-described in the many State of Environment reports; and,

Conclusion 5: The natural resource policies are, in general, written and available and entirely capable of protecting the relevant assets.

### **Recommendations**

- 1.40 Interventions should be facilitated by adopting budget support and SWAps as the primary method of aid delivery rather than any non-SWAps, project-based intervention. In particular, it is recommended that SEA is undertaken of the transport, agriculture, forestry, health, water and sanitation sector programmes prior to any future intervention. NEMA has done useful development work on the national environmental indicators.
- 1.41 Conclusions 2 and 3 recognise that a pervasive, and potentially undermining, issue that seriously threatens environmental improvement in Uganda is the lack of capacity and resources at the District level. This is largely due to the pace of de-centralisation outstripping local government capacity to operationalise the District level, commensurate with its task. Modalities of budget support and SWAps are ideally suited to engaging and energising institutional capacity weakness at this level of local government. A strong District environmental capability is necessary to safeguard sectoral interventions and it is recommended that direct interventions at local level are undertaken.
- 1.42 No further additional studies are needed to better understand policy-environment relationships in order to enhance the degree of environmental integration. The principles of environmental integration are well-understood and merely require active application prior to and during intervention. The matrix in Fig 5.1 provides guidance on mainstreaming environmental concerns in priority development areas. Intervention in the forestry sector would be appropriate via the NFA.
- 1.43 For each District office, the Environment Officer should be provided with computing facilities and transport.
- 1.44 The capacity in the Ministry of Water, Land and Environment need developing particularly additional human resources for WID and FID.
- 1.45 A central repository of environmental information would be beneficial to GoU, parastatals, local government, NGOs and donors - such a facility could be web-based. The lack of such a repository was a considerable handicap for the mission.

## APPENDIX 4: COUNTRY MIGRATION PROFILE

Total number of residents: 28,816,000

Of which: Own nationals:

Immigrants:

### Immigrants

#### Status of immigrants:

Refugees: 208,480

Labour migrants/permanent:

Labour migrants/seasonal:

Internally displaced persons: **approximately 1,826,906**

#### Immigration trend:

Number of arriving immigrants in 1995/2005:

Number of arriving immigrants 2005: 23,863 (Status as of June 06)

#### Education:

Main country of origin: Rwanda, DRC, Sudan, Somalia, Burundi

Rate of return/number of immigrants leaving Uganda: 2,488

#### Finance:

Amount of outgoing migrant remittances:

Remittances as % of GDP

### Emigrants

Total number of emigrants in 2005: 518,158

#### Status emigrants:

Refugees: 260,885

Labour migrants/permanent

Labour migrants/seasonal

#### Legal situation of emigrants:

Documented: 518,158

Undocumented

#### Trend:

Border crossings into Uganda in 2005

Record of returns from outside Uganda in 2005

#### Educational level of emigrants:

Main country of destination: Kenya, South Africa, United Kingdom

#### Rate of return:

#### Finance:

Amount of incoming migrant remittances (2005)

Remittances as % of GDP: 5% (2004 figure)

#### Any other comments:

#### Sources:

- Global Economic prospects: Economic implications of remittances and migration
- Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat: Trends in Total Migrant Stock: the 2005 Revision

## APPENDIX 5: CSP DRAFTING PROCESS

The drafting of the CSP, on the basis of the common format, commenced in April 2006 after meetings with interested stakeholders.

- These included the NAO's office, EU Member States, Civil Society and the private sector. In parallel, the Ministry in charge of local authorities has also been informed about the process. The dialogue with the NAO has been a continuous exercise with regular meetings during which relevant issues were debated. At the same time, technical meetings were also held with the Ministries concerned in relation with the main activities of EC/Uganda cooperation. Input was requested, discussed, and amended accordingly.
- **Civil Society** has been an active partner in the CSP dialogue. They were provided with the relevant guidelines, and in fact submitted a short paper with their ideas on a variety of development fields. Subsequently, they were also given a copy of the outline CSP and again commented. Continuation of their involvement in the overall development cooperation is envisaged through support under the allocations to non-focal sectors and to the focal sector on conflict resolution.
- Extensive discussions have been held with the **EU Member States**. Different chapters of the CSP have been forwarded to them with requests for comments. Any comments have been duly taken into account. The EU Member States also provided input concerning their bilateral cooperation with Uganda. Subsequently, the draft CSP was forwarded to the Member States and was discussed. Comments submitted were incorporated in the draft.
- Lastly, other **Development Partners** were also informed of the CSP exercise.

The CSP was drafted making maximum use of the **UJAS** document. The latter, aimed at translating the Paris Declaration principles into the Ugandan context, is based on the PEAP, the Government's comprehensive development document. Some Member States were in favour of adopting the UJAS as the CSP. However, this was not possible since UJAS is not a Government document. The CSP contains the detailed country diagnosis carried out jointly with the Member States, including a comprehensive analysis of the political, economic, social and environmental situation in the country. It also includes the EC's response strategy, based broadly on the preliminary results of the division of labour (amongst Development Partners) exercise, and aims at assisting Uganda's efforts in fighting poverty, making progress towards attaining the MDGs, and also laying a sound foundation for achieving sustainable development. Close cooperation has been maintained with the Government throughout the process of drafting the response strategy, in order to ensure that the whole exercise is led by Uganda. They have been assisted in this respect by Consultants providing valuable expertise to the key government institutions involved. Our view is that the above outlined process for drafting the CSP has produced a document which has taken account of present policies and priorities. It is expected that the envisaged Mid-term Review of this CSP will look critically at the objectives of the cooperation, and deliberate on adaptations which may, at that time, be considered appropriate.



## APPENDIX 6: THE HARMONIZATION ROAD MAP

In May 2005, EU Member States present in Uganda decided to assess the possibility of harmonising EU assistance through their participation in the UJAS. Seven of the ten Member States present, and the EC, have become UJAS members. The other three are currently assessing the possibility of joining the UJAS. However, this does not exclude them from participating in the on-going harmonisation process.

The envisaged EU road map consists of the following elements:

### ➤ *Division of Labour*

UJAS members have embarked upon a division of labour exercise with a view to rationalising and concentrating support around the PEAP pillars. This implies that development partners are expected to disengage from certain sectors, and that agreement is reached on the criteria to determine the lead and active agencies in the specific (sub-) sectors under the PEAP pillars. This exercise is being undertaken at the level of the respective agencies (self-assessment), but is also based on a peer review of strengths and weaknesses by the respective development partners and in consultation with government counterparts, mainly through the Sector Working Group mechanism. EU Member States and the EC will strive for a balanced representation at the level of the respective sectors and sub-sectors. The selection of areas of engagement shall be guided by the European Consensus. In the same vein, Member States and EC will explore possibilities to conclude silent partnerships where possible.

### ➤ **Updating UJAS**

The EU envisages a comprehensive revision of the UJAS in anticipation of the Mid Term Review of the CSP. The aim of this revision should not only be to update the analysis and response strategy already contained in the UJAS, but also to complement the analysis with areas covered by the current CSP – the proposed joint programming format – which are not reflected in the UJAS. EU Member States and EC will jointly make resources available to undertake this analytical work. The revised response strategy shall integrate this complementary analysis.

### ➤ **APIR**

EU Member States and EC have agreed to realign their programmes and projects with the Annual PEAP Implementation Review (APIR). In practical terms this means that:

- EU Member States and EC will, for the purpose of their own programmes, use agreed PEAP indicators and targets and support the implementation of the related policy actions. EU Member States and EC will also support the Government to keep the PEAP itself and the PEAP policy matrix updated.

- EU Member States and Commission will use the APIR as the main event to take stock of progress towards a PEAP agenda and will harmonise missions and reporting around the APIR.

- The APIR will notify BS allocations/decisions to those EU Member States and EC who are involved in General Budget Support (see below).

The above is conditional on the quality of this APIR – the EU will actively contribute to ensuring that the quality of the review satisfies mutual requirements.

### ➤ **Joint BS operations**

EU Member States and EC who are involved in General Budget Support operations or who are planning to be so involved, will endeavour to reform their operations around a joint budget support procedure. (This will obviously not be an exclusive EU undertaking.) The following are some of the elements that will define joint budget support operations:

- The budget support agenda will be set by the Government's agenda and will be based on the indicators, targets and related policy actions laid down in the PEAP policy matrix. The agenda will be commonly agreed and will be pursued by all BS donors, where possible through their respective involvement in the Sector Working Groups. However, the BS agenda should not be identical for all agencies.
- A joint analysis of achievements will be undertaken in the context of the APIR. This will form the basis of joint allocation/disbursement decisions. However, the decisions themselves will not be taken jointly.

## Timeline

| Activity  | 2006 | 2007 | 2008 | 2009 and onwards |
|---|------|------|------|------------------|
| Division of labour                                |      |      |      |                  |
| • Self assessment                                 | ☒    |      |      |                  |
| • Peer review                                     | ☒    |      |      |                  |
| • Agreement by Sector Working Groups              | ☒    | ☒    |      |                  |
| • Implementation                                  |      | ☒    | ☒    |                  |
| Updating of the UJAS                              |      | ☒    | ☒    |                  |
| Annual PEAP Implementation Review                 | ☒    | ☒    | ☒    | ☒                |
| • Review and select PEAP indicators/policy matrix | ☒    | ☒    | ☒    | ☒                |
| Joint Budget Support operations                   |      |      |      |                  |
| • Finalise concept                                | ☒    |      |      |                  |
| • Design full-fledged operations                  |      | ☒    |      |                  |
| • Implement and make operational                  |      |      | ☒    | ☒                |

**APPENDIX 7: TABLE INCLUDING PARTNER COUNTRY POSITIONS IN RELATION TO  
KEY INTERNATIONAL CONVENTIONS**

| <b>Status of Ratifications of the Principal International Human Rights Treaties (As of July 06)</b> |  |                  |                     |
|---|--|------------------|---------------------|
|   |  | <b>Signature</b> | <b>Ratification</b> |
| 1.  | International Covenant on Economic, Social and Cultural Rights (CESCR)   |                  | 21 / 4 / 1987*      |
| 2.  | International Covenant On Civil and Political rights (CCPR)  |                  | 21 / 9 / 1995*      |
| 3.  | Optional Protocol to the International Covenant on Civil and Political Rights (CCPROP1)  |                  | 14 / 2 / 1996       |
| 4.  | Optional Protocol to the International Covenant on Civil and Political Rights, aimed at the abolition of the death penalty (CCPROP2)       |                  | Not yet ratified.   |
| 5.  | International Convention on the Elimination of All Forms of Racial discrimination (CERD)   |                  | 21 / 12 / 1980*     |
| 6.  | Convention on the Elimination of All forms of Discrimination against Women (CEDAW)   |                  | 21 / 8 / 1985       |
| 7.  | Optional Protocol to the Convention on the Elimination of All forms of Discrimination against Women (CEDAWOP)                              |                  | Not yet ratified.   |
| 8.  | Convention against Torture and Other Cruel, Inhuman or Degrading Treatment of Punishment (CAT)   |                  | 26 / 6 / 1987       |
| 9.  | Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment of Punishment (CAT-OP)                 |                  | Not yet ratified.   |
| 10.   | Convention on the Rights of the Child (CRC)  |                  | 16 / 9 / 1990       |
| 11.   | Optional Protocol to the Convention on the Rights of the Child (CRCOPAC) on the involvement of children in armed conflict                  |                  | 6 / 6 / 2002        |
| 12.   | Optional Protocol to the Convention on the Rights of the Child (CRCOPSC) on the sale of children, child prostitution and child pornography |                  | 18 / 1 / 2002*      |
| 13.   | International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (CMW)                        |                  | 1 / 7 / 2003*       |

\*: Accession – Legally binding after ratification / accession

## APPENDIX 8: DEBT SUSTAINABILITY ANALYSIS

In April 1998, Uganda became the first country to benefit from debt relief under the original HIPC Initiative. Reaching the decision point under the Enhanced HIPC Initiative in February 2000, Uganda was also the first country to benefit from the Enhanced HIPC Initiative in recognition of the effectiveness of the PEAP and the authorities' continued commitment to macroeconomic stability. Uganda graduated from the Enhanced HIPC Initiative with a net present value of external debt to 3-year average of exports ratio of 171 percent in fiscal 2001.

This ratio increased to 229 percent by the end of June 2005 - 32 percent higher than had been projected in a 2002 debt sustainability analysis. However, the deterioration in the debt to export ratio reflects changes in exogenous factors, in particular lower international interest rates and a weaker U.S. dollar than had been projected. Higher-than-projected borrowing contributed marginally to an increase in the ratio. In addition, Uganda's exports actually outperformed projections, largely due to strong growth in non-coffee exports between 2002/2003 and 2004/2005. If the debt to export ratio for this period is recalculated using a 1-year average of exports ratio instead of a 3-year average, Uganda's debt to export ratio amounts to only 179 percent.

In accordance with current practice, debt thresholds for countries should be established in line with the quality of a country's policy and institutions, suggesting that countries which are performing strongly can sustain higher debt ratios. Uganda is considered a strong policy performer, with the upper threshold of debt distress currently at 200 percent of debt to exports. While debt service seems manageable, Uganda's net present value of debt to exports ratio is only slightly below this level. Given Uganda's vulnerability to exogenous shocks, its probability of debt distress will be moderate before the Multilateral Debt Relief Initiative (MDRI). The MDRI will substantially reduce Uganda's debt burden, which could lower Uganda's net present value of debt-to-exports to 46 percent in 2006/07.<sup>5</sup> However, it remains a joint responsibility of both the government and the development partners to prevent the debt burden from climbing again.

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<sup>5</sup> Assuming that debt relief under the MDRI is provided on debt outstanding as of end-2004 for IMF and Africa Development Fund and as of end-2003 for IDA. In addition, it is assumed that the MDRI will be implemented by the IMF and the Africa Development Fund in January 2006 and by IDA in July 2006.

## APPENDIX 9: LIST OF GOVERNANCE COMMITMENTS

|   | Challenges  | Commitment  | Time-frame  |
|---|---|---|---|
| <i>1. Political democratic governance</i>                         |   |   |   |
| <b>Human Rights/Fundamental freedoms</b>                          | Need to address human rights abuses                                       | <p>The Government of Uganda established the Ugandan Human Rights Commission (UHRC) as an autonomous agency mandated to monitor and follow up on reported cases of human rights abuses. The UHRC makes an annual report to Parliament on human rights abuses over the previous year. In this context the Government remains committed to the following:</p> <ul style="list-style-type: none"> <li>• Ensure that human rights principles are respected throughout Uganda.</li> <li>• Will continue to strengthening the capacity of UHRC to undertake its mandate as an autonomous body.</li> <li>• To take action against documented reports of human rights abuses where there is sufficient evidence for prosecution.</li> <li>• Implementation of the Karamoja Integrated Disarmament and Development Plan (KIDDP), which emphasises the importance of development combined with disarmament</li> </ul>                      | Ongoing   |
|   | Need to ensure freedom of expression by media and civil society           | <p>The Government of Uganda recognises the importance of freedom of expression and an independent and vibrant media. The Government is committed to:</p> <ul style="list-style-type: none"> <li>• Further develop the regulatory framework for an independent and responsible media</li> <li>• Restrict the freedom of the media and freedom of expression only in cases where there is a clear threat to the country's security</li> </ul>   | Ongoing<br><br>From 2007<br><br>From 2007                         |
| <b>Principles of Constitutiona l Democracy / Electoral system</b> | Need to strengthen framework for the functioning of multi-party democracy | <p>The Government remains committed to strengthening the systems for multi-party politics. It will ensure that the framework for free and fair elections is in place before the next elections (2011). As a first step in this process the Government has initiated a dialogue with relevant stakeholders including Parliament, the Election Commission and the Human Rights Commission. The objective of the dialogue is to prepare a Road Map of actions to be implemented before 2011 based on recommendations of the EU and other Election Observation Mission Reports. The Government is committed to:</p> <ul style="list-style-type: none"> <li>• Preparation of the Road Map to strengthen the arrangements for multi-party politics and free and fair elections</li> <li>• Implementation of an effective civic education programme</li> <li>• Improvements in the arrangements for management of elections</li> </ul> | By end 2008<br><br>Before 2011 elections<br>Before 2011 elections |

## 2. Political Governance/Rule of Law

|                               |   |   |  |
|-------------------------------|---|---|--|
| <p><b>The Rule of Law</b></p> | <p>Need to ensure the independence of the judiciary and adequate capacity of law enforcement agencies</p> | <p>The Government recognises the importance of an effective and independent judicial system. The process of undertaking reforms in this area is managed under the Justice, Law and Order Sector. A sector wide approach has been developed involving all relevant Ministries and institutions as well as other stakeholders including civil society and development partners. The Government aims to:</p> <ul style="list-style-type: none"> <li>• Further improve the staffing and capacity of law enforcement agencies, in particular the judiciary and the police in Northern Uganda.</li> <li>• Speed up the rehabilitation and construction of facilities such as courts, prisons, police stations and related staff accommodation to ensure effective coverage of these institutions in Northern Uganda.</li> <li>• To replace the military with police for law enforcement activities in Northern Uganda as part of the conflict resolution strategies as the security situation improves</li> </ul> | <p>From 2007</p> <p>From 2008</p> <p>From 2007</p> |
|-------------------------------|---|---|--|

## 3. Control of Corruption

|                                     |  |   |   |
|-------------------------------------|--|---|---|
| <p><b>Control of Corruption</b></p> | <p>Need to reduce the level of corruption in the public Sector</p> | <p>Government is committed to continue and enhance implementation of its anti-corruption strategy as follows:</p> <ul style="list-style-type: none"> <li>• Vigorously pursue prosecution in cases of breaches of the Public Finance Accountability Act and enforce relevant regulations.</li> <li>• Vigorously pursue the prosecution in cases of breaches of the Public Procurement and Disposal of Public Assets Act and enforce relevant regulations.</li> <li>• Process new legislation including a Whistleblowers Bill, the Leadership Code Amendment Bill, and the revised Prevention of Corruption.</li> <li>• Continue and enhance dialogue with development partners and other stakeholders on improvements to and implementation of the anti-corruption strategy</li> </ul> | <p>From 2007</p> <p>From 2007</p> <p>2008-2010</p> <p>From 2007</p> |
|-------------------------------------|--|---|---|

## 4. Government Effectiveness

|   |   |   |   |
|---|---|---|---|
| <p><b>Public Finance Management</b></p> | <p>Enforcement of laws concerning use of public resources</p> <p>Unauthorised expenditures leading,</p> | <p>Government is committed to improving Public Finance Management in order to ensure adherence to public finance regulations is achieved. In this respect Government undertakes to:</p> <ul style="list-style-type: none"> <li>• Continue diminishing the stock of Domestic Arrears</li> <li>• Carry out an exercise to identify the stock of arrears in Local Governments, and develop a strategy to clear those arrears to be incorporated in the 2009/10 budget</li> <li>• The Accountant General to ensure mandatory control of payroll deletions/additions</li> <li>• Regular audits of payroll systematised</li> <li>• Full integration of payroll with IFMS realised</li> <li>• Systematic incorporation of Procurement plans in sector</li> </ul> | <p>From 2008</p> <p>Mid 2009</p> <p>From 2008</p> <p>Mid 2008</p> <p>Mid 2009</p> |
|---|---|---|---|

|  |  |  |   |
|--|--|--|---|
|  | inter alia, to high levels of domestic arrears | <p>expenditure programs for all procuring entities at central and local government level is ensured</p> <ul style="list-style-type: none"> <li>• Continue to incorporate key findings from Public Expenditure Reviews into Sectoral Budget Framework Papers</li> <li>• Improve fiscal discipline in the execution of sector budgets and strengthen the relation between the budget process and sector outputs, through reforming the sector review processes in conjunction with the Annual PEAP Implementation Reviews.</li> <li>• Strengthen the capacity and role of Parliament in approval and monitoring of the budget process</li> </ul> | <p>Mid 2009</p> <p>Ongoing</p> <p>From end 2007</p> <p>From 2007/2008</p> |
|--|--|--|---|

### 5. Economic Governance

|  |  |  |   |
|--|--|--|---|
| <p><b>Road sector management:</b></p> <p><b>-Institutional Capacity in the Roads Sector</b></p> <p><b>-Funding Adequacy Strategy</b></p> | <p>- Absence of an effective Road Authority</p> <p>- Need to re-organize Ministry of Works and Transport due to the establishment of UNRA and the Road Fund</p> <p>Need to ensure that sufficient funds are available to carry out the required level of maintenance of national roads</p> | <p>Government committed to improving economic governance in transport sector to ensure cost-effective and timely construction/maintenance of road network. In order to achieve this the Government will undertake the following reforms:</p> <ul style="list-style-type: none"> <li>• Operationalise new institution (UNRA) responsible for management of national roads and effect transfer to it of development and maintenance responsibility.</li> <li>• Establish a Road Fund to be financed by road users and ensuring the funding level for road maintenance is adequate.</li> <li>• Submission of detailed plan for restructuring of Ministry of Works and Transport to Cabinet and complete implementation of restructuring of the Ministry.</li> </ul>   | <p>By mid-2008</p> <p>By mid-2009</p> <p>Submission of plan by end-08</p> <p>Complete restructuring by mid-2011</p> |
| <p><b>Private Sector/ Market Friendly Policies</b></p>   | <p>Corruption in Government procurement and tendering processes</p>  | <p>The Government recognises the importance of a transparent and open public tendering system to support the development of a vibrant private sector. The Public Procurement and Disposal of Public Assets Act passed in 2003 introduced a professional and more transparent approach to Government procurement. The autonomous Public Procurement and Disposal of Public Assets Authority (PPDA) have been established to regulate and support effective public procurement. New Contract's Committees have been established in Ministries and agencies along with procurement units with qualified staff. PPDA is empowered to scrutinise tendering processes and take action where procedures have not been followed. The Local Government's (Amendment) Act passed in 2006 has introduced similar requirements for Local Government and the PPDA is currently rolling out the new system with training and other support in the Districts. In this context the Government is committed to the following actions:</p> <ul style="list-style-type: none"> <li>• Implementation the Local Government Amendment Act on procurement requiring establishment of transparent and fair procurement procedures at the District level including appointment of a full Contracts Committee.</li> <li>• Provide training and capacity building support to Local Governments so that professional procurement expertise is developed.</li> <li>• To ensure that information on Government tenders is adequately advertised and made available to the public to</li> </ul> | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>  |

|  |  |  |  |
|--|--|--|--|
|  |  | ensure transparency and equal opportunity.   |  |
| <b>Management of natural resources</b>   | Need to ensure respect of adequate legal procedures in the natural resource management   | <p>The country has passed a Forestry Act for the establishment of the National Forestry Authority (NFA) and there is also a National Forestry Policy in place. In addition, the National Environment Management Authority (NEMA) is an autonomous body responsible for reviewing the environmental impact of both public and private interventions and ensuring the protection of the environment from harmful impacts. In this context the Government is committed to:</p> <ul style="list-style-type: none"> <li>• Continue strengthening the capacity of both the NFA and NEMA to implement their mandates</li> <li>• Uphold the semi-autonomous legal status of NFA and NEMA</li> <li>• To ensure that the provisions of the Forestry act are adhered to in the management of national forestry resources</li> <li>• Improve monitoring capacity of forest produce from source to market</li> <li>• Reaffirm the commitment to prevent further illegal encroachment into national forests</li> </ul> | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>From 2007</p> <p>From 2007</p>               |
| <b>6. Internal and External security</b> |  |  |  |
| <b>Internal stability /conflict</b>      | <p>Need to promote a peaceful resolution of conflict in Northern Uganda and Karamoja</p> <p>Need to support peace, recovery and development in Northern Uganda</p> | <p>The Government is committed to conflict resolution and implementation of a recovery and development programmes in Northern Uganda. To achieve this the Government will:</p> <ul style="list-style-type: none"> <li>• Participate actively to the Juba peace process between the GoU and the LRA</li> <li>• Launch the Peace, Recovery and Development Plan for Northern Uganda and related appeal for support</li> <li>• Facilitate the resettlement of the IDPs and provide support for the re-establishment of productive agriculture for livelihood of the returnees</li> <li>• Strengthen the capacity of local governments in the north for effective decentralisation of service delivery and the participation of the local population in identifying development priorities</li> <li>• Strengthen civil institutions for justice, law and order including police and the judiciary in Northern Uganda</li> </ul>  | <p>From 2007</p> <p>By End 2007</p> <p>By mid-2008</p> <p>By mid 2009</p> <p>By mid 2010</p> |
| <b>7. Social Governance</b>              |  |  |  |
| <b>HIV/AIDS</b>                          | To maintain the momentum in responding to the spread of HIV/AIDS   | <p>The Uganda Government has developed an effective National Strategic Framework for the implementation of HIV/AIDS policy following a multi-sector approach. This has been successful in reducing the spread of HIV/AIDS. However, further efforts are required to sustain and reduce the incidence of the disease. The Government is committed to:</p> <ul style="list-style-type: none"> <li>• Continue and strengthen the implementation of the HIV/AIDS policy.</li> <li>• To continue working with development partners in improving and implementing strategies to combat HIV/AIDS</li> </ul>   | <p>Ongoing</p> <p>Ongoing</p>  |



| <b>8. International and Regional Context</b> |  |  |   |
|--|--|--|---|
| <b>Regional integration</b>                  | East African Community   | The Government reaffirms its commitment to: <ul style="list-style-type: none"> <li>Enhanced regional integration as a member of the East African Community including the full implementation of the customs union</li> </ul>   | Ongoing                                     |
|  | Economic partnership Agreement   | The Government of Uganda is fully committed to: <ul style="list-style-type: none"> <li>The ongoing negotiations on the Economic Partnership Agreement with the European Union</li> <li>Further enhancing the participation of private sector and civil society organisations in the dialogue on international trade issues including the Economic Partnership Agreement</li> </ul>   | Ongoing                                     |
|  |  |  | Ongoing                                     |
| <b>9. The Quality of Partnership</b>         |  |  |   |
| <b>Political dialogue</b>                    | To ensure a systematic dialogue on the essential elements of the Cotonou Partnership Agreement | Government is committed to engage actively in the dialogue required by the Agreement. To this effect the Government undertakes to: <ul style="list-style-type: none"> <li>Participate, at a high level, to regular Article 8 dialogue meetings</li> <li>Be ready to discuss, in a constructive manner, issues pertaining to democratization, rule of law, and accountability</li> </ul>  | From 2007<br>From 2007                      |
| <b>Programming dialogue</b>                  | To ensure participatory approach involving key stakeholders.                                   | <ul style="list-style-type: none"> <li>Government undertakes to continue the effective involvement of Parliament and Local Authorities in the finalization of the CSP/NIP, as well as in the annual, mid-term, and end-of-term reviews.</li> </ul>   | From 2007                                   |
|  | To ensure aid effectiveness  | Government is committed to ensuring ownership of aid coordination by: <ul style="list-style-type: none"> <li>Adopting a results-oriented framework for the cooperation with Development Partners through the PEAP and UJAS reviews</li> <li>Leading the UJAS process and encouraging DPs to become members of UJAS</li> <li>Ensuring that all project aid is integrated into the MTEF,</li> <li>Striving to ensure that all aid is planned in the context of the relevant sector strategies</li> </ul>             | From 2007<br>From 2008<br>From FY 2008/2009 |
| <b>Non State Actors</b>                      | To ensure the effective participation of the civil society in the national development process | Government recognizes the important role of Non State Actors as vital interface between the centre and rural communities and undertakes to: <ul style="list-style-type: none"> <li>To support actions aiming at building the capacities of the NSAs</li> <li>To utilise NGO registration requirements only for the purposes of protecting the public against terrorism and other harmful activities</li> <li>To put in place the right enabling environment for the uninhibited functioning of the NGOs</li> </ul> | From 2007<br>From 2007<br>By mid-2008       |

## APPENDIX 10: EIB OVERVIEW OF COOPERATION AND RESPONSE STRATEGY

### Overview of past and current involvement

EIB's financing operations in Uganda have been focusing on indirect lending to support small and medium-sized private investment projects. Since 1995, the Bank has granted several **Apex global loans** for on-lending, through Bank of Uganda, to selected commercial and development banks. These lines of credit provided the partner banks with the long-term funds needed to make loans matching the economic lifetime of private enterprises' fixed assets. In total, the EIB provided €110 million for private investment projects aimed at furthering Uganda's economic reconstruction and private sector growth. The majority of funds were made available in Shillings. In 2002, **private schools and clinics** became eligible. The most recent global loan of €30 million was allocated to finance a total of 59 projects, among which **hotels, private schools and projects in the manufacturing industry** figured most prominently. The projects financed resulted in the creation of about 1,400 permanent jobs. Following the exhaustion of the most recent Apex global loan in September 2006, the EIB is studying the possibility of a new credit line from resources of the **Investment Facility** under the Cotonou Agreement. This operation would be concluded directly with the participating banks with no Government involvement. The EIB has already granted two lines of credit totalling €15 million on comparable terms in 2004 and 2006. Apart from supporting small and medium-sized projects, EIB is currently studying a contribution of €100 million to finance the **Bujagali Hydroelectric Project**, a major infrastructure development which will significantly enhance electric power generation in Uganda and thereby improve businesses' operating conditions.

### Response strategy

Within the general development strategy for Uganda, interventions by the EIB, in the form of senior loans or various venture capital instruments from the Investment Facility, or of senior loans from its own resources, will remain essentially demand-driven. The focus will continue to be on the provision of long-term financial resources for sound and productive investments in revenue generating sectors, which will promote private sector development and economic growth. The Bank is prepared to examine financing requests emanating from both private and public entities. It will offer a wide range of financial instruments, from straightforward equity to ordinary loans and guarantees, or a combination of those, depending on the specific features of each individual project and on the outcome of a detailed appraisal, which will be carried out in compliance with the rules and procedures of the Bank. Particular attention will be given to compliance with sound environmental standards in accordance with international directives and guidelines, as well as NEMA requirements.

Considering the specificities of Uganda's economic situation, as well as the Bank's past experience in the country, the following areas of possible intervention for the Bank have been identified:

- close cooperation with local financial intermediaries through global loans, to broaden the offer of term finance and to support small and medium-sized investment projects;
- Support to microfinance institutions to extend micro-loans and other services, promoting the ability of poor people to develop small-scale business activities, which will help to alleviate poverty;
- Financing infrastructure projects in the power, water/sanitation, transport and telecommunications sectors, where the emphasis will be on helping to increase the efficiency of public utilities and encouraging private sector participation where appropriate;
- Direct funding of large industrial projects as they arise, where the Bank can add value to the technical and/or financial structuring of the investment.

However, the level of future interventions in the area of large private sector projects is difficult to predict, as the projects depend on investors' reactions to business opportunities.

Under the EU-Africa Infrastructure Partnership, the Bank would be prepared to consider trans-border infrastructure projects in Uganda that could be eligible for Trust Fund support. These projects will be carefully selected according to the EIB's standard eligibility criteria, and the eventual financing decision by the Bank will be subject to the outcome of a detailed appraisal carried out in compliance with its rules and procedures.

## APPENDIX 11: EU MEMBER STATES BILATERAL ASSISTANCE

**Belgium:** Assistance is provided under Indicative Bilateral Cooperation Programmes. Several projects that are currently being implemented date from the previous programme (1995-2004). The current programme (2005-2008) earmarks a total of €24 million for interventions in the areas of decentralization (€4 million), health (€8 million), environment (€2 million), education (€1 million), private sector development (€1 million), and good governance (€2 million). The implementation of these interventions will run until 2011. In the first half of 2008, a new Indicative Cooperation Programme, probably for around another €24 million for a three-year period, and focusing on fewer sectors, will be discussed and agreed. Belgium is supporting the division of labour exercise and plans to concentrate in future on sectors in which are believed to have a comparative advantage, i.e. health, decentralization, and environment. Belgium is looking to become a member of UJAS?

**Denmark** has had a general bilateral agreement for technical cooperation with Uganda since 1991. Other specific agreements for development cooperation between the two countries are signed at the start of each phase of the sector programme support. These agreements stipulate the programme development objectives and expected outputs, funding, and the obligations of both parties. The present Country Strategy for Development Cooperation covers the period 2004-2008. It focuses on targeted efforts to combat poverty and on enhancing the integration of cross-cutting issues in the sector programmes, further enhancing national ownership by aligning Danish support to PEAP, promoting private sector development, and good governance. Its aim is to complement the EC focal areas of intervention, and especially rural development, including rural roads.

**Germany:** Bilateral cooperation began in 1964 with the conclusion of the Technical Cooperation Agreement. Uganda is a Priority Partner of the German Government. German bilateral assistance to Uganda since 1964 is in excess of €500 million. In bilateral Government negotiations in April 2007 the Ugandan and German Government agreed on a new commitment of 56 Mio. € for a three year period. The Ugandan-German Development Cooperation covers three focal areas: a) Water & Sanitation Supply with a focus on urban areas; b) Promotion of Renewable Energies and Energy Efficiency; c) Strengthening the Financial Sector. Germany also provides General Budget Support. Germany is a founding member of UJAS.

**France** provides bilateral assistance to Uganda in the form of project support. The current appropriation, amounting to €9.4 million, covers the period 2001-2006. The sectors concerned are water and sanitation (€7.6 million), rural development (€1.2 million), and civil society (€0.6 million). These operations are managed by AFD. In addition, France provides budget support as part of the debt relief initiative (€11.3 million). A new appropriation, covering the period 2007-2011, is expected to be approved in 2007. Significant credit support is also provided to Uganda through PROPARCO, the private sector development group within AFD.

**Ireland** has a main bilateral agreement with Uganda dating back to 1994. This sets out the general terms and conditions for the provision of economic, technical and related assistance. It is based on respect for democratic values. Under each Country Strategy a MOU is signed for Poverty Action Fund (PAF) ring-fenced and sector-earmarked budget support. The MOU 2004-2006 sets out the financial obligations of Ireland, the management and accountability systems, the obligations of Uganda, and the triggers for the release of funds. Performance targets are in line with those agreed between Government and Development Partners. In addition to the MOU, individual agreements have been signed with various institutions and CSOs. The total value of Ireland's current programme is €99 million. Of this, approx. €76 million is provided under the Poverty Action Fund through ring-fenced and sector-earmarked budget support, and €23 million through projects and basket funds. The PAF support amounts to €28.3 million. The budgeted amounts are as follows: Education €23.5 million, Health €14.7 million, Governance (JLOS, Local Government and governance institutions and NGOs) €23 million, Agriculture €3 million and HIV/AIDS €6.5 million. Humanitarian assistance to Northern Uganda is provided directly from Dublin through the UN agencies (WFP, UNICEF) and through NGOs.

**Italy** signed a Memorandum of Understanding on development cooperation with the Government in 1997 amounting to €19.3 million. The MOU highlights the sectors to be supported, namely health, water, education and training, agriculture, and emergency aid. Support is also provided to the Uganda National Health System through the Public Private Partnership in Health (€0.73 million). There are also plans to provide technical assistance to improve public health education. In 2002, Italy and Uganda signed the "Agreed Minutes" on a Development Cooperation Partnership for a three year period. This partnership is based on the Ugandan development priorities as outlined in the MTEF and within the PEAP. It stresses the importance of strengthening democracy, and promoting human rights and respect for the rule of law. Furthermore, in April 2003, an agreement was signed concerning Italy's support to the Poverty Action Fund in the form of a conditional grant of €3.09 million to be paid in three instalments. Under the HIPC Initiative, Italy cancelled 100% of Ugandan debt (US\$130 million) in 2002.

**Austria:** Cooperation is based on an agreement concluded in the early 1990's. Since then, a MoU has been signed every three years outlining the main areas of cooperation. The last MOU expired at the end of 2005, but continues to guide Austria/Uganda cooperation. Following its recent entry into the UJAS, Austria is deliberating on the areas of future cooperation with Uganda, who will also be consulted with other Development Partners.

**Netherlands** has no formal bilateral agreement with Uganda. Instead, there are contracts regulating the different forms of development aid granted by Netherlands. These are of an administrative nature, and do not cover policy issues. Netherlands provides aid of around €42 million per year. Just over half of the portfolio is in the form of general budget support with the emphasis on education (€10.9 million) and JLOS (€5 million), with tranches that are both earmarked (linked to satisfactory reviews of sectors concerned) and un-earmarked. In the last two years there have been cuts (of €6 million) in this form of aid, diverted to humanitarian aid for Northern Uganda. Support is also provided to decentralization (€4 million), to the revenue authority (€0.7 million), to the public procurement agency (€1 million), to agriculture services (€1 million), to a bursary scheme for the North (€2 million), and to NGOs (€1.7 million). In addition, humanitarian aid (of €9.3 million) is also provided (via UN agencies and NGOs).

**Sweden** has a Development Cooperation Programme in Uganda covering the period 2001-2006 which amounts to around €119 million. It is implemented through annual country allocations. In addition, there are allocations for humanitarian assistance, research, and support to Swedish NGOs working in Uganda, amounting to around €85 million. About 70% of aid (€30.7 million) is provided as Sector Programme Support. The project support is concentrated mainly on health (€45.5 million), with significant interventions also in human rights/democracy/peace (€22.2 million), education (€20.1 million), water and sanitation (€21.2 million), energy (€15.9 million), and trade/business (€9.5 million). Sweden is in the process of developing a business plan within the framework of UJAS for the period 2007-2010. The outcome of this exercise is expected to influence the amount of future aid, as well as the priority sections to be supported.

**UK** has provided over £1,200 million in development assistance to Uganda since 1986. The allocation for 2005/2006 is £70 million. An additional £1.67 million has been allocated from the Africa Conflict Prevention Pool. Uganda's aid framework is projected to remain constant in the medium term. The UK strategy of assistance to Uganda prioritises the use of Poverty Reduction Budget Support (€46 million) in support of the Government's implementation of the PEAP. A new PRBS arrangement was agreed with Government in December 2004. Project activities are also being implemented (support to civil society and private sector - €2 million, to public service reform and public finance management - €7 million, to anticorruption institutions and improved revenue mobilization - €2 million) as well as projects in health (€5.7 million), education (€19.8 million), and water and sanitation (€3.1 million). DFID maintains a substantial programme of humanitarian assistance and support for conflict resolution in Northern Uganda. Around €30 million have been allocated in 2005/2006 for humanitarian assistance.

## APPENDIX 12: CONFLICT SITUATION ANALYSIS

The Northern and North Eastern parts of Uganda remain the least economically developed in the country. In Western Uganda, the Ruwenzori region has also suffered from conflicts. The reasons are rooted in the history of Uganda since colonial times. Addressing the regional and cross-border dimension of Ugandan conflicts is essential. Different regions have experienced the conflicts differently:

### *West Nile – North-Western Uganda*

The West Nile region has experienced conflict and insecurity in the past decades after the fall of Idi Amin, who originated from the region. The first **Uganda National Rescue Front** was formed to oppose Milton Obote during his second term (1980-1985) as president of Uganda. The UNRF was comprised of former supporters of Idi Amin, and headed by Brigadier Moses Ali, formerly Amin's Minister of Finance. After the fall of Obote in July 1986, over 1000 of the UNRF joined Yoweri Museveni's government. Moses Ali has held many different positions in Museveni's government. The **Uganda National Rescue Front II** was a group that broke away from the **West Nile Bank Front**, another rebel group, in 1996, and included members of the original UNRF that did not make peace with the Government. It operated mostly in Aringa County, Arua District, out of bases in Southern Sudan, and received support from the Sudanese government (the National Islamic Front), in retaliation for the Ugandan Government's support for the Sudan People's Liberation Army. It was led by Major General Ali Bamuze. In December 2002, the UNRF II signed a formal ceasefire with the Government. Terms included a battalion of UNRF II soldiers being incorporated in the Ugandan army, and 4.2 billion Shs being distributed to the group. For a long time, promises made at the signing of the peace agreement were not met, which has created frustration in the region. The West Nile Conference in 2005, financed by the Development partners, aimed at addressing the development needs in the West Nile region. The region also hosts a sizeable population of Sudanese and Congolese refugees whose development needs have to be addressed. The European Commission, through the 8<sup>th</sup> EDF Micro-projects Programme, has supported the delivery of local government services in some of the West Nile districts.

### *The Rwenzori Region – Western Uganda*

In the Rwenzori region, near the border of the Republic of Congo, incursions by the **Allied Democratic Forces (ADF)** caused disruption of the livelihoods of local populations in the late 1990s. The ADF allied itself with another obscure group, the **National Army for the Liberation of Uganda (NALU)**. Although most of the ADF leaders come from areas in central Uganda with strong Islamic ties and possible support from the Government of Sudan, the group appears to have decided to fight the Government in Western Uganda because of the mountainous terrain at the Rwenzori area, the proximity of Congo and the ability to exploit existing ethnic conflicts in the area. They coerced some local people to help them, especially the Bakonjo people, who have extensive knowledge of the mountains. The indigenous Batwa have also suffered as a result of the conflict. This led to a massive displacement of populations and disruption of livelihoods in the region. Also, the ADF was responsible for terrorist bomb attacks in Kampala in the late 1990s. It is believed that the Uganda People's Defence Forces (UPDF) managed to defeat the rebellion and restore relative stability and the return of most displaced persons by 2004, although no formal peace settlement was reached.

The Rwenzori region is recovering only slowly from the conflict, with sporadic insecurity across the border in Congo where the ADF and NALU still have some bases. Ethnic conflict resolution, natural resource management and land issues, restoration of livelihoods and demining remain a challenge in the Rwenzori region. The European Commission, through the micro-projects under the European Initiative for Democracy and Human Rights (EIDHR), is addressing the issues of conflict resolution and rights of indigenous peoples in the Rwenzori region.

In December 2005, United Nations and Congolese troops launched Operation North Night Final, in order to destroy the rebel group and bring peace to the troubled Ituri district. Also, the GoU has reported alleged activities of an unknown rebel group (**the People's Redemption Army - PRA**) with links to the Uganda opposition across the Congolese border. It is alleged that the Lord's Resistance Army (LRA) established contact with the ADF in Eastern Congo in 2006. Meanwhile, some ADF fighters have expressed an interest in being repatriated back to Uganda through the Amnesty Commission.

#### *Acholiland, Lango and Teso regions: Lord's Resistance Army (LRA) affected areas*

In 2005, the United Nations humanitarian coordinator, Jan Egeland, branded the conflict in Northern Uganda as one of the major 'forgotten wars' in the world. Uganda is situated in the "epicenter" of the Great Lakes 'regional conflict zone' where three major humanitarian emergencies (i.e. Congo DR, Sudan, and Northern Uganda) converge. The conflict in Northern Uganda which opposes **the Lord's Resistance Army (LRA)** and the Uganda People's Defense Forces (UPDF) has been going on since 1986 when the National Resistance Army/Movement (NRM) took power. After a failed negotiation attempt in 1994 and the first establishment of the IDP camps in 1996, the conflict has continued over the years. In 2001, the GoU started an offensive, named "Operation Iron Fist", which extended the military operations to Southern Sudan. In 2003, there was a tremendous increase in the number of IDPs and growing insecurity as a result of the geographical expansion of LRA incursions beyond the three districts in Acholiland to the Lango and Teso sub-regions. Teso region has traditionally suffered from cattle raids by the Karamoja. In 2004, the situation with regard to the LRA conflict improved and some IDPs started returning to the Teso region. In December 2004, there was also a temporary improvement in the situation in Acholiland, with the declaration of a ceasefire and mediation efforts by former minister of state, Betty Bigombe. The conflict has focused particularly on Acholiland, where an ethnic group, the Acholi, have been both the victims of the LRA - as a result of abductions and recruitments, as well as through the original uprising due to the economic and political grievances in 1986 - and also the main 'contributors' to the LRA. Other neighbouring regions, such as Teso and Lango, have also suffered from the LRA attacks.

The conflict has caused the displacement of some 1.7 million people into 'protected camps', the abduction of over 20,000 children, killings and massive human rights violations in the absence of the rule of law in Northern Uganda. Conflict and insecurity have disrupted traditional livelihoods and coping mechanisms, and denied access to land by the IDPs, who have become dependent on the food aid provided by the World Food Programme (WFP). At the same time, the IDP camps have become targets for rebel attacks. Continued abductions have led to the phenomenon of "night commuters", with thousands of women and children seeking refuge in towns and hospitals during the night. The Uganda People's Defence Force (UPDF) has been providing security and protection to IDPs in the absence of an effective civilian administration.

The NRM Government has deployed multiple strategies, ranging from amnesty and peace negotiations to military options; traditional and religious leaders have looked for reconciliation and mediation; civil society organizations have engaged in the reintegration of returnees; the **International Criminal Court (ICC)** has investigated the human rights abuses and finally issued arrest warrants for the LRA leadership; the international community has called for a 'peaceful solution' to the conflict. It is also providing humanitarian aid and other more development-oriented support to Local Governments, civil society and NGOs. The regional dimension of the conflict is evident with the LRA presence in Sudan and Congo DR. In July 2006, the Government of Southern Sudan initiated the mediation of a peace process between the GoU and the LRA which led to the Cessation of Hostilities Agreement in August 2006. The parties have accepted a five-stage negotiating framework including the following: 1) cessation of hostilities; 2) comprehensive

solutions to the conflict; 3) reconciliation and accountability; 4) formal ceasefire; and 5) disarmament, demobilisation and reintegration (DDR). The LRA rebels are supposed to assemble in the two designated areas in Southern Sudan. Despite the fact that negotiations have brought relative stability in Northern Uganda, allowing the gradual return of some IDPs, the negotiating process remains extremely fragile and requires targeted support for conflict resolution, justice mechanisms and reconciliation at different levels.

There are many causes of the Northern Uganda conflict. Also, there are many good analyses<sup>6</sup> explaining the origins and the causes of the LRA conflict in Northern Uganda. For example, the recent study by the Human Rights and Peace Centre (HURIPPEC), Faculty of Law, Makerere University<sup>7</sup> has mentioned several causes of conflict in Northern Uganda.

Among the 'anthropological explanations' are the perceptions of ethnic communities about relative deprivation and the loss of self-esteem and creation or amplification of 'enemy images' by one side politically and psychologically distancing itself from the 'other'. Also, there is selective interpretation of history to enhance the vision of one's role and responsibility in the pivotal scheme of things, while denigrating or denying that the 'other' has made a meaningful contribution (the 'Luwero triangle narrative' illustrates this point).

There are also political explanations, including the issue of 'new wars of modernity'. In these new wars, rebels are seen as warlord bandits instead of 'classic insurgents', which still define the era of 'freedom fighters' during the decolonisation. This new style of rebellion focuses on child abductions and 'shock and awe' methods, instead of winning the 'hearts and minds' of the population. In these wars, violence is itself a form of political mobilisation and it is directed more against civilians than against another army. The aim seems to be to capture territory through political control rather than military success.

The economic approach to conflicts focuses on calculated rational choices by actors, and states that conflicts are more likely to be sparked off by economic opportunities than by grievances. In addition, the political economy approach also recognises the reciprocal influence of political and economic factors. Complex political emergencies are characterised by various factors, including war economy, the collateral impact of war (macro-national, intermediary and micro level disruptions) and economic strategies of war. There are also many structural factors, including the use of ethnic division ('divide and rule') by the colonial administrations.

The Refugee Law Project<sup>8</sup> and International Crisis Group<sup>9</sup> have also contributed to the in-depth analysis of the LRA from a political and military perspective and of the prospects for a negotiated solution.

During the joint donor training in conflict resolution in September 2006, the key areas to be addressed were identified as the following: 1) Need to **restore state system to provide protection and the rule of law** (i.e. Justice, Law and Order institutions); 2) Need to address **regional and**

<sup>6</sup> For a literary review, see for example, *'Behind the Violence: Causes, Consequences and the Search for Solutions to the War in Northern Uganda'*, Refugee Law Project Working Paper 11, February 2004.

<sup>7</sup> *'Listen to the People: Peace and Reconciliation in Northern Uganda'*, the Human Rights and Peace Centre (HURIPPEC), Faculty of Law, Makerere University. See also, International Crisis Group: *'Northern Uganda: Understanding and Solving the Conflict'*, IGC Africa Report n. 77, Nairobi/Brussels, April 2004.

<sup>8</sup> *'Behind the Violence: Causes, Consequences and the Search for Solutions to the War in Northern Uganda'*, Refugee Law Project Working Paper 11, February 2004.

<sup>9</sup> International Crisis Group: *'Northern Uganda: Understanding and Solving the Conflict'*, IGC Africa Report n. 77, Nairobi/Brussels, April 2004 and *'A Strategy for Ending Northern Uganda's Crisis'*, IGC Africa Briefing N' 11 January 2006.

international influences, such as small arms trade; 3) Need to address **political and economic marginalisation in Northern Uganda** through restoration of local government service delivery, infrastructure, economic recovery, community rehabilitation and agricultural livelihoods and 4) Need to restore relations between the Government and Northern Uganda, the LRA and Acholi, as well as among different ethnic groups, through **conflict resolution and national reconciliation**.

### Scenario building

What will the context look like?

- A. If the cessation of hostilities agreement holds?
- B. If the cessation of hostilities agreement does not hold?

| Scenario        | 6 months   | 2 years   | 5 years  | Comments  |
|-----------------|--|---|--|---|
| Agreement Holds | <ul style="list-style-type: none"> <li>• Resettlement coordination challenge</li> <li>• Hesitation to return as farmers (youth)</li> <li>• Crime due to a lack of policing</li> <li>• Battle for resources, land disputes, resettling into unprepared areas with scarce resources</li> <li>• Price increase</li> <li>• More land under cultivation; more food produced</li> <li>• Less dependence on food aid</li> <li>• High expectations for peace dividend</li> <li>• Service delivery difficulties</li> <li>• Increased commercial activities</li> <li>• Increased remittances + construction (long-term)</li> <li>• Improved security on the ground – withdrawal UPDF; Police presence</li> <li>• ICC Indictments still valid</li> <li>• &lt;60% IDPs still living in camps/commuting; partial return to villages</li> <li>• IDPs return – permanent; “decongestion”</li> </ul> | <ul style="list-style-type: none"> <li>• Land conflicts ongoing</li> <li>• Peace agreement signed and in implementation</li> <li>• Full re-settlement and re-integration</li> <li>• Investments, Infrastructure, Economic</li> <li>• Reform of army</li> <li>• Disoriented Youth &amp; related problems</li> <li>• Struggle for resources, land disputes</li> <li>• Implementing peace agreement – re-integration &amp; resettlement</li> <li>• Rehabilitation of Infrastructure: schools, health, courts, roads, water points</li> <li>• Rehabilitation &amp; (re)integration of Ex-combatants/other LRA</li> <li>• Failed DDR</li> <li>• Transitional justice (reconciliation/truth commission/trials)</li> <li>• Influx of donors</li> <li>• Increase in trade &amp; market opportunities</li> <li>• Self-sufficiency</li> <li>• NGOs shift from emergency to</li> </ul> | <ul style="list-style-type: none"> <li>• Change in balance of support/aid: Humanitarian, Infrastructure</li> <li>• Reduced dependence on food aid</li> <li>• Growth in commercial farming</li> <li>• Increased corruption</li> <li>• Absorption capacity of Local Government</li> <li>• Recovery of service delivery: increased enrolment, medical care, water</li> <li>• Poverty rates decline, reduced disease burden</li> <li>• Increased national economic growth</li> <li>• Re-building infrastructure (physical/social)</li> <li>• Opportunities for political participation increased</li> <li>• Diversified livelihoods</li> <li>• Problems with UPDF’s role &amp; size</li> <li>• Decrease in birth rate</li> <li>• Expanding regional/national trade</li> <li>• Increase in environmental</li> </ul> | Donor Coordination needs to be addressed across the board |



|               |  |  |   |  |
|---------------|--|--|---|--|
|               | <ul style="list-style-type: none"> <li>• PRDP launched and implementation process starting</li> <li>• Peace talks continuing; peace agreement signed</li> <li>• Formal ceasefire</li> <li>• Increased amnesty claims (reporters)</li> <li>• Demobilisation of LRA</li> <li>• Re-integration difficulties</li> <li>• Increased donor spending</li> </ul>  | <p>development with difficulties</p> <ul style="list-style-type: none"> <li>• Increase in HIV/AIDS</li> <li>• Increases in tension due to donor money influx + increased corruption</li> <li>• No IDP camps turned into urban/trading centres</li> </ul>   | <p>degradation</p>  |  |
| Does not hold | <ul style="list-style-type: none"> <li>• Potential of increased fighting &amp; deterioration of security situation</li> <li>• Re-displacement of IDPs into neighbouring districts</li> <li>• Lower returnee rates</li> <li>• Prolonged (possibly) increased dependency on aid</li> <li>• UPDF enters DRC – international outcry; UN Security Council</li> <li>• DRC/S. Sudan chase LRA - Kony caught; sent to the Hague</li> <li>• Destabilisation of S. Sudan, DRC</li> <li>• Increased strain on the economy</li> <li>• Increased return of IDPs (less in scale)</li> <li>• Increased amnesty claims (reporters)</li> <li>• Slower implementation of PRDP</li> <li>• No peace agreement</li> </ul> | <ul style="list-style-type: none"> <li>• More abductions</li> <li>• Increased militarisation &amp; defence budget</li> <li>• Humanitarian relief</li> <li>• Small rebel groups undermine security by lightning strikes</li> <li>• Increased crime</li> <li>• Increase in North/South divide</li> <li>• More deployment of UPDF in the North</li> <li>• Regional instability</li> <li>• Strain on the economy</li> <li>• Conflict continues</li> <li>• N. Sudan continues to support LRA</li> <li>• Burden of diseases increases</li> <li>• New hostilities - LRA/other groups</li> <li>• Reduced international attention</li> <li>• ICC indictments remain in place un-enforced</li> </ul> | <ul style="list-style-type: none"> <li>• Increased international support/presence (regional instability)</li> <li>• UN/AU Peace-keeping force</li> <li>• Further economic stagnation or deterioration</li> <li>• Conflict spreads in connection with 2011 elections</li> <li>• Impact on/of next elections</li> <li>• Continued marginalization</li> <li>• Affirmative action</li> <li>• Increased regional &amp; International support to fight the LRA – AU, UN, ICC</li> </ul> |  |

The strategic focus on the Conflict Resolution and Agricultural Recovery focal sector will depend on which of the two scenarios prevails in the coming years.

*Karamoja – North-Eastern Uganda*

The situation in the Karamoja region is characterised by inter-ethnic conflict based on access to grazing land and a warrior culture within a pastoralist tradition. In Karamojong, cattle rustling have led to displacement and disruption of livelihoods in neighbouring districts, in the Teso and Acholi regions. The GoU has made several attempts at disarmament, but so far these have all failed. The latest disarmament initiative, which started in November 2004, has caused concern because it does not seem to address the root causes of conflict, such as continued insecurity with cross-border attacks by the Kenyan pastoralist tribes, a lack of pastoralist development, environmental degradation, rapid population growth and a number of cultural factors related to the warrior tradition. The Karamoja Integrated Disarmament and Development Plan (KIDDP) are currently under review in order to better address the situation in Karamoja.

In Karamoja, the pastoral conflict is associated with the struggle for food, income, security and resources<sup>10</sup>. What seems at first to be a simple resource-based conflict proves, on closer study, to be much more complex and multifaceted, and is directly associated with environmental degradation, poor governance, poverty, marginalisation and underdevelopment in the region. Without peace and security there can be no meaningful development, and poverty eradication, food and income security of the pastoralists are the keys to establishing peace and security there.

Environmental degradation, causing poverty and food insecurity, is a root cause of conflicts in the Karamoja region. The changes in weather patterns, soil fertility, water availability and deforestation have altered the complex patterns of resource allocation, and the uncertainties and growing scarcity of those resources has led to conflict over them. Previously, pastoralists could have moved on to other lands and adapted their pastoralism through such shifting patterns. In an age of formal national and district borders, however, this is not so easy without equally formal agreements on compensation for resource use.

There are, moreover, strong cultural and historical traditions which, in many Karimojong minds, reinforce and justify the present violence, the impact of which has been exacerbated by the acquisition of guns since the 1950s. As food has become scarce, and as pastoralists steal cattle to sell them and buy food, the violence has escalated.

There have been decades of negative social, political, economic and cultural trends, including:

- Isolation, marginalisation and exclusion of pastoralists from mainstream decision-making and development processes;
- Non-acceptance of pastoralism by outsiders, and misunderstanding of the suitability of pastoralism as a viable mode of production in Karamoja's semi-arid lands. This has reinforced stereotyping and negative policies and practices by state and non-state actors;
- Inappropriate land tenure systems in a pastoralist area (such as boundary fixing, wildlife conservation in fertile areas, and promotion of development projects centred on 'resettlement' and consequent settled agriculture), have created new forms of vulnerability and poverty in areas unsuited to settled agriculture;
- Disempowerment of pastoralist women in the cycle of violence;
- Lawlessness, disorder and conflicts in the Horn of Africa and Great Lakes Region, which feed the small arms trade in Karamoja, with no state controls;
- Failure to provide adequate security and to maintain law and order, creating self-styled 'warlords' and opportunistic leaders among pastoralists, thus reducing the calming influence of elders.
- Poor infrastructure and poor social service provision for pastoralists in terms of healthcare, education and food security.

Within *causal dimensions*, two types of conflict can be identified:

- Structural conflicts
- Resource conflicts.

Within *time dimensions*, a further two types of conflict can be identified:

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<sup>10</sup> This analysis was provided during a design study for Northern Uganda commissioned in 2005.

- Transient conflicts
- Inherent conflicts.
- **Structural conflicts:** Structural conflicts refer to the differences in ideologies and practices among the many actors in the conflict arena. There are two forms of this type of conflict in Karamoja:
  - Between the mobile herders and settled farmers;
  - Between the herders and formal institutions.

The differences in perception and behaviour are key causes of conflict.

- **Resource conflicts:** Conflicts over key resources, which are vital for the survival of pastoralists. These include water points, pasturelands, salt leaks and disease-free cattle grazing corridors. Resource conflicts involve both formal and informal institutions of governance in cases of access to grazing lands and water, as well as in maintaining law and order during the processes of acquiring these key resources. Resource conflicts often involve individuals, clans and age groups among the pastoralists.
- **Transient Conflicts:** Alliances and wars between pastoralists are based on a historical inventory. Patterns of conflict and antagonism have developed and are analysed by the pastoralists; on this basis decisions are made either to fight or make alliances.
- **Inherent Conflicts:** Inherent conflicts derive from the different pastoral groups asserting their rights and identities, and antagonisms can be traced back to the historical origin of different pastoral groupings. In the case of the Jie, for example, they are bound by their historical links with the Turkana and this is beneficial for alliances against common enemies, and for raiding livestock.

### **Territorial Conflicts**

Territorial conflicts involve larger territorial groupings of pastoralists, such as the Jie against the Dodoth, Matheniko, Bokora, Toposa and Didinga. The main causes of conflict between the groups are struggles over:

- Water;
- Pasture,
- Livestock,
- Arms;
- Revenge;
- Traditional obligations, such as periodic ceremonies, with initiation attacks.

They are manifested in extensive raids, which target livestock and have increasingly led to destruction of property, looting, killing, rape, etc. They occur not only between Karimojong groups, but also across district boundaries.

### **Cross-border /Cross District conflict**

Some Karimojong raid their neighbours in other districts in Uganda, as well as in Sudan and Kenya. The search for resources is associated with these cross-border conflicts, resulting in large-scale displacement of people, killings, burning, looting, abductions, rape, etc. Some elements of the Karimojong use the excuse of searching for resources to inflict gratuitous violence on the populations of Kitgum, Katakwi and other districts, as well as upon other countries, and such cross-border raids have led to the impoverishment of those districts.

The assertion of power rights and struggles over resources have increasingly changed the traditional activity of raiding with spears, bows and arrows, encouraged by elders, into the establishment of large armies of warriors with automatic weapons, commanded by powerful and younger kraal leaders, who also double as warlords, in militaristic organisations known locally as 'ajore kati'.

### **Key causes of conflict**

*Environment and pastoralism:* Pastoralism is a viable livelihood strategy, practised in arid and semi-arid environments where other economic activities are not viable. Recent years have seen this way of life increasingly threatened by man-made changes and natural disasters:

- Deforestation;
- Water deficits;
- Demographic pressure;

- Abstraction of land, and Restriction on land use

These factors have led to increased competition for resources between pastoral groups and farming communities.

**Deforestation** has reduced the effectiveness of water management systems. There Flash floods are more regular, and soil degradation has increased as water run-off has removed topsoil. **Climate change** has also exacerbated the situation, by changing the predictability of seasons and challenging agricultural certainties. This has created **food insecurity**, and there are constant food deficits. There is no clear strategy in Karamoja for preparing communities to respond to disasters such as drought, famine and raids. The ready availability of automatic weapons, and absence of effective internal security, allows this competition to escalate into violence, leaving many pastoralists and agro-pastoralists destitute and vulnerable. In Karamoja, drought is a major cause of food insecurity. **Chronic drought** stress leads to recurrent drawing on livelihood assets and, in the absence of either appropriate insurance mechanisms or long-term development strategies, these losses prove hard to recover. Prolonged drought has consistently resulted in famine, deaths and loss of livestock. In severe food shortages, a barter system for guns and bullets, exchanged for livestock and cereals, is a lucrative livelihood strategy for many pastoralists. Guns and bullets are sourced from the LRA operational area, Southern Sudan and Kenya. There are defined **small arms** trafficking routes, which are busy at times of food insecurity in Karamoja, but which are outside the control of legitimate authorities.

**Poverty** is central to the problems of insecurity and conflict in Karamoja. It is a symptom of vulnerability and a cause of insecurity. The eradication of poverty in the region would be a major contribution to security in the region, and in reducing conflict between the pastoralists and their neighbours. Pastoralists have to endure the following problems:

- No agricultural support;
- Poor access to inputs for production;
- Poor access to credit facilities;
- Poor access to water sources;
- Prevalence of livestock diseases;
- Vulnerability to drought; and
- Poor access to markets for their livestock and cereals

All these are priorities for poverty eradication. Previously, mobility was characterised by peaceful co-existence with the farming communities of neighbouring districts; but now, since the mobile herders have obtained guns, mobility is closely linked to conflict.

*Parallel governance systems:* **Weakening of traditional governance systems** and weak local institutions have prevented pastoralists from reaching their full potential, while extreme poverty prevails. Pastoralists are poorly integrated in the political process and are highly suspicious of it. Historically, colonial governments imposed order by hut-burning, judicial execution and confiscation of livestock. The colonial administration imposed a hierarchical system of chiefs, based on a model used in southern Uganda. This was alien to the traditional system, where decisions were reached by elders based on consensus, and the changes proved unpopular and unsuccessful (the first chief, Achia, was killed in 1923, when he defied elders). Although some chiefs and Local Councils have been pro-active peace builders, the ill-defined and anachronistic role of chiefs has contributed to confused governance in Karamoja. Under the Obote and Amin regimes, **government forces** committed repeated **acts of atrocity** against the people of Karamoja through militia operations by neighbouring tribes and national armies. Not surprisingly, there is a **lack of respect for established laws** in the Karamoja region.

Despite efforts to reform by decentralising there are major **concerns over the quality, performance, transparency and accountability of decentralisation systems**. Formal systems of governance run parallel to the traditional systems of governance in Karamoja.

*Erosion of traditional authority and culture:* There is a strong, cultural antipathy to selling or eating one's own cattle in Karamoja, considered the equivalent of 'selling the family jewels', and an act of shame, which impoverishes later generations by denying them the herds which have been built up over many generations. Raiding and selling neighbours' cattle, on the other hand, is a method of overcoming food insecurity, enriching the family, asserting power relationships and maintaining the raiders' herds. Selling neighbours' cattle is acceptable, and the trade in stolen cattle feeds families. For those who drop out of pastoralism there are few other alternatives, so **raiding** continues to be a key livelihood strategy. Traditional tribal authority has been overturned as elders, who were previously vested with the authority over survival strategies, have become impotent spectators as young men with guns have taken power into their own hands. It is now a conflict of behaviour, in which armed, mobile, kraal-based Karimojong pastoralists exert power over unarmed victims in neighbouring, settled communities. The balance of social power has been changed by the presence of small arms.

*Pastoralist policy:* There is **no well defined national policy** which defines government priorities and objectives in relation to pastoralism in Uganda. Although current national policies on poverty eradication, such as the PEAP and the PMA, mention pastoralism, they do not emphasize sufficiently the importance of pastoral livelihoods or the fact that pastoralists are amongst the poorest and most marginalised in the country. This vacuum contributes to the marginalisation of pastoralists and ensures the continuation of conflict.

*Feeling of marginalisation:* Pastoralism receives limited coverage in national policies, programmes and planning frameworks. This failure to develop pastoralism contributes to poverty and predisposes the Karimojong to raiding. They feel that they have been abandoned, and that their efficient methods of resource use, whilst different from others, are resented.

*Disarmament:* Over the years, Government pacification policies and practices on security in the region have included **forcible disarmament**. These have not borne fruit as expected. In the absence of effective security to protect pastoralists, disarmament alone is unlikely to reduce violent conflict in the region. The main concern is the absence of civilian courts; the UPDF has taken on the role of enforcing law and order without any civilian checks and balances. In 2006, the conflict between the UPDF and the Karimojong warriors has escalated.

*Absence of law and order:* Karamoja is poorly served in terms of **policing and justice systems**. There are only 149 fully trained police in all three districts, and there is only one court, in Moroto, with one Magistrate who does not have authority to judge cases involving arms. The gaps in judicial provisions have alienated the Karimojong still further, and exacerbated the **use of traditional methods of justice, including extra-judicial killings, counter-raids and revenge raids**. The open space for criminals to cross between international boundaries without immigration checks also makes it impossible to enforce law and order in the region.

*Service delivery:* Adapting policies on **service provision** to the pastoral environment has proved difficult. Health services are confined to clinics and hospitals designed for settled communities, many of which are under-resourced and therefore under-performing. Community coverage is low, and there are no **mobile** services adapted to pastoralists. There has been some success with novel education policies such as ABEK, a boarding school programme geared to pastoralists' needs. However even though demand is high, access to this programme is limited, so currently only a minority of school age children are attending school. The lack of access to services has direct adverse impacts on human capital, and the exclusion of pastoralists from basic services also marginalises them, making them more likely to engage in raids. The quality of state investment in

these basic services continues to be threatened by expenditure cuts and methods more suited to settled communities. Access to goods and services for animal health is essential for pastoralists, and there have been several promising initiatives by civil society to provide community animal health services via a Community Based Animal Health System. This system has provided a small number of kraal-based pastoralists with knowledge and skills on the control of tick-borne diseases. However, the lack of an enabling policy constrains their adoption and use. High livestock loss to diseases is also an incentive for replacement of stock, through raiding.

### **Response strategies**

In terms of strategies to address pastoral conflict, disarmament as a 'stand-alone strategy' for conflict prevention and resolution falls short of addressing the fundamental issue/root cause of the presence of small arms in the hands of the Karimojong – the root causes of conflict being:

- Environmental degradation;
- Land use changes;
- Poverty;
- Poor governance;
- Lack of support structures.

Extreme poverty and a lack of development interventions are key reasons for social unrest. Disarmament alone will resolve neither the conflicts nor the underlying causes. The Karimojong are likely to re-arm themselves as quickly as the weapons are removed. Disarmament alone will only increase the vulnerability of those who have been disarmed, without providing incentives or means for the adoption of improved and peaceful livelihoods.

A holistic model of development and related conflict management strategies, such as disarmament, within a broader development framework, is therefore crucial in resolving pastoral conflict in Karamoja. A development-oriented, participatory approach is required, with a specific focus on the role of local leaders in conflict resolution. The European Commission's interventions in Karamoja aim to use 'development as an incentive for peace', by allocating resources specifically to areas of Karamoja where the local leaders show a willingness to resolve their conflict peacefully. An effective conflict management and development model must establish and strengthen the linkage between the formal and informal systems of governance in Karamoja society. Security and the development of alternatives for income and food security among pastoralists in Karamoja will reduce the demand for small arms and is the only viable means to stop the small arms trade. Programmes such as the present disarmament process must be accompanied proactively with governance, food security and income generation programmes, as well as with the establishment of law and order institutions, in order to persuade the Karimojong pastoralists that their guns are unnecessary.