



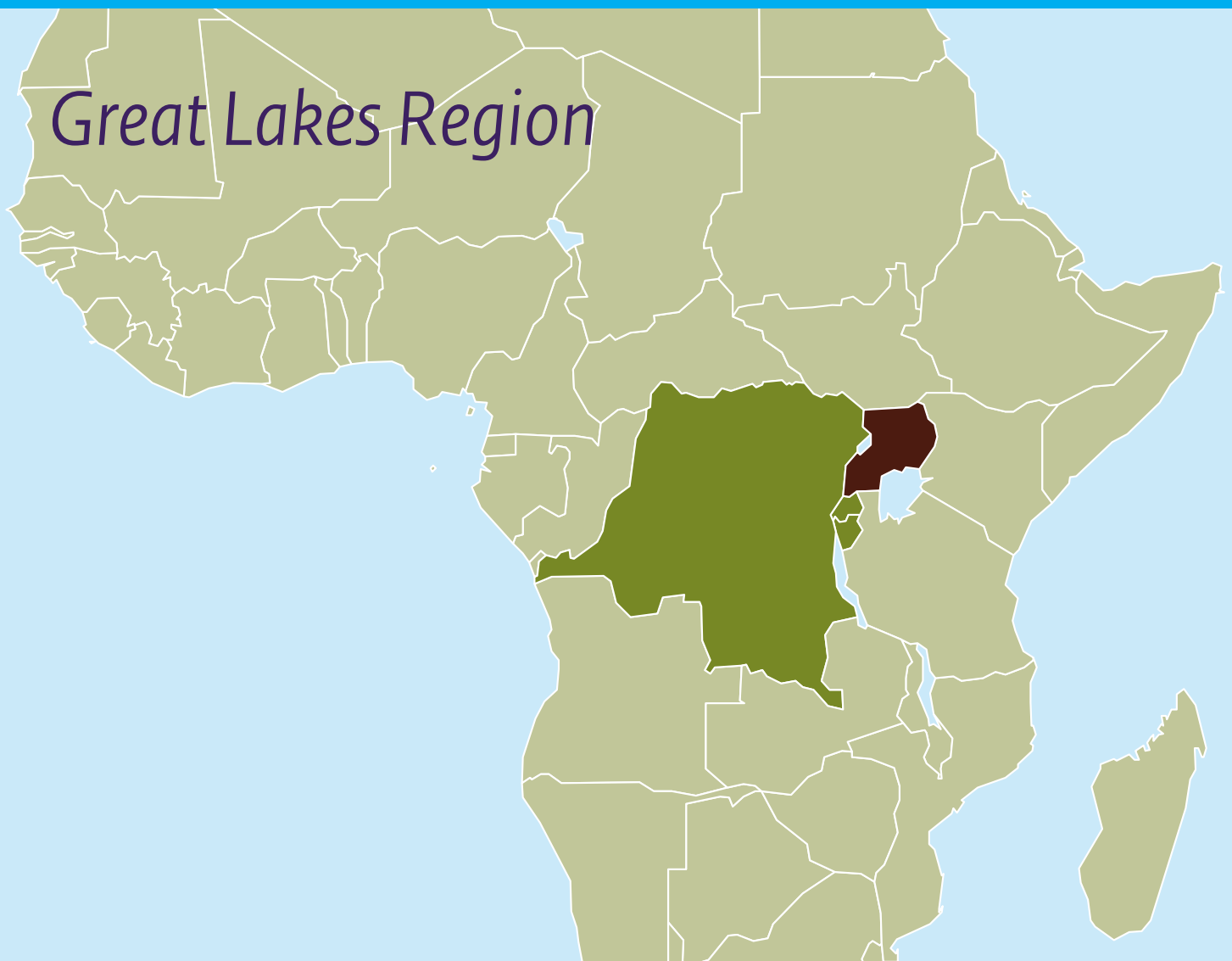
Kingdom of the Netherlands

# Multi-Annual Strategic Plan

2014 - 2017

## Uganda

Mali Benin Ghana Ethiopia Horn of Africa South Sudan Kenya Rwanda Burundi Uganda Grote meren Mozambique Palestinian Territory Yemen Afghanistan Bangladesh



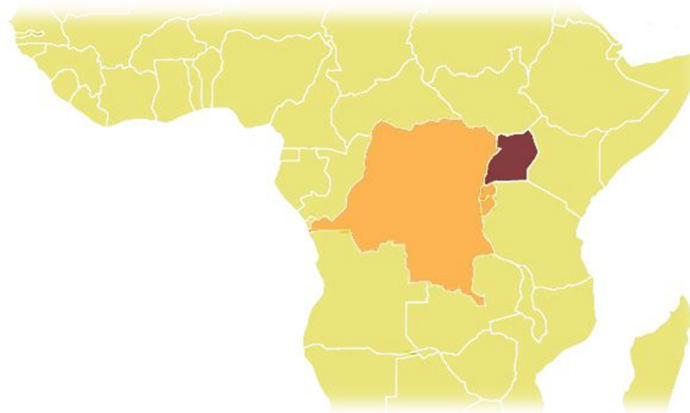
# 2014- 2017

## Embassy of the Kingdom of the Netherlands Kampala

Embassy of the Kingdom of the  
Netherlands Kigali

Embassy of the Kingdom of the  
Netherlands Bujumbura

Embassy of the Kingdom of the  
Netherlands Kinshasa



## Multi Annual Strategic Plan



## **CAPITALISING ON PROVEN STRENGTH**

(inclusive growth by rule of law and sustainable entrepreneurship)

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**DISCLAIMER**

*In this revised Multi-Annual Strategic Plan (MASP), the principles of the policy paper "A world to gain: a new agenda for aid, trade and investments" have been elaborated. The MASP applies for a period of four years (2014-2017), but interim adjustments are possible: for example, in the case of major political or other changes, or to improve alignment of Dutch initiatives with the EU Joint Programming.*

## CHAPTER 1 MANAGEMENT SUMMARY

Uganda lies smack in the middle of Africa; it is connected to regional security issues like the Horn of Africa and the Great Lakes Region. As a part of the latter, Uganda is faced with many of the challenges prevailing in this region: an imperfect functioning system of rule of law, political and ethnic tensions, poverty and overpopulation, complications around land access and ownership, access to resources for exploitation or energy, and the underlying problem of oppressive gender roles.

Although the regional picture might be bleak at first sight, there are opportunities as well. The countries themselves differ with respect to governance, stability and economic growth. Uganda puts a lot of effort in internal and regional stability and security and it is an important player in regional economic cooperation. Geographically and economically, Uganda forms a transit hub between the regional economic powerhouse of Kenya and a fast growing market of middle class consumers in South Sudan, Rwanda and the DRC.

The focus of Uganda on regional stability and its drive to market based economic growth makes Uganda play a pivotal role in key elements of Dutch foreign policy, economic interests and development partnership. Therefore the Netherlands is involved in Uganda at two different levels. From a regional perspective through the regional multi annual strategic plan for the great Lakes Region, and through this bilateral multi annual strategic plan which translates the regional agenda in bilateral action.

As a partner in development the Netherlands has built a solid reputation in Uganda. Through a focus on security, rule of law and governance programs, approached in a multi donor way, it supports key activities underpinning the transition of Uganda towards its social-economic goals. The security and rule of law program will focus on legal inclusion, human rights (including women's rights and LGBT rights) and democratic governance (2016 is an election year).

As a first implementing step in tapping into the opportunities for economic transformation the embassy over the last two years built the food security program. The food security program aims at raising incomes of small farmers, in particular youth and women. This program also facilitates inroads for Dutch expertise, technology and investments in a vast and commercially undiscovered area; an example how trade and aid can come together.

While maintaining the continuous investments in security, rule of law, governance and food security, the embassy will use its experience and credibility as a stepping stone to increasingly focus on economic and commercial cooperation, giving substance to the long term goal of Uganda to reach middle income status, and implementing the Dutch 'transitional status' for Uganda from development to trade partner.

Through economic cooperation it will focus on the promotion of Dutch investment, facilitating market access, linkage with the food security program and the promotion of Dutch business instruments. Within economic cooperation a thematic focus on logistics and energy (oil, gas and renewables) will be added. Knowledge and experience deriving from increased economic cooperation will also be used in the fostering of regional economic cooperation with the context of the regional multi annual strategic plan for the Great Lakes region.

Cross cutting issues as gender, climate change, corporate social and environmental responsibility and environmental sustainability are an integrated part of programmes within this approach.

A strong focus on economic cooperation, mutually reinforced by an integrated support on rule of law and governance to facilitate inclusive growth, ensure that the Netherlands can offer a strong coherent package in Uganda and the region. The more so as the government in Uganda increasingly focusses on new opportunities in agri-business, oil and gas, transport and logistics, areas well covered by Dutch top sectors.

Our package will be supported by communicating the core values of being Dutch in Uganda. The embassy is an active manager of the Dutch brand. However, it is by far not the only brand ambassador. Companies, churches, sports clubs, schools, development Non-Governmental Organisations (NGOs) and others contribute on a daily basis to an increased awareness of 'Dutchness'. Dutch companies must be seen as an example for the business sector in general through their sustainable and socially and culturally responsible way of doing business. The embassy will offer a

platform by connecting on- and offline activities and by integrated public diplomacy where different forms of social media support and reinforce each other.

Focussing entails making choices. Within a framework of decreasing funds and personnel the embassy will concentrate even more on its core tasks in the region and in Uganda. It will focus on the integrated mix of security and rule of law, food security and economic cooperation. This does not mean that topics like education, health and sexual reproductive health rights will be neglected. Those fields however are covered by a great number of NGO's, most of them with programs funded by central funds of the Dutch Ministry of Foreign Affairs. The embassy will, within the priorities of the regional and bilateral MASP, support their endeavours where possible.

## **CHAPTER 2 LOOKING BACK ON THE PREVIOUS MULTI ANNUAL STRATEGIC PLANS (MASPS)**

### ***2.1 The context in the past four years***

Although Uganda forms part of the Great Lakes region, is has not as badly affected by the instability in this region as Rwanda, Burundi and the Democratic Republic of Congo (DRC). Uganda was directly involved as the lead host and facilitator in the peace talks between the government of the DRC and M23 rebels and it hosts refugees arriving from the DRC. Uganda, and especially President Museveni, has increasingly taken up a regional leadership role in maintaining peace and stability in the Horn of Africa and in the Great Lakes Region. Uganda leads in troop contribution for the African Union Mission in Somalia.

In the 2011 national elections, President Museveni and his National Resistance Movement (NRM) convincingly renewed their hold on power. His re-election resulted in the continuation of a policy of economic liberalisation, transformation and regional integration policies. Uganda positioned itself to take advantage of its unique 'landlinked' location in the centre of a fast growing regional market by strengthening its role in the East African economy with the private sector as the motor of development. Uganda now envisions attaining middle income status in the coming 25 years and consequently prioritizes infrastructural developments in energy, road and railway networks. However, on-going threats to its middle income aspirations are Uganda's embedded inequities, especially for women, its high population growth rates, its unsatisfactory regulatory framework for doing business, its lack of social sector investment, and its ineffective governance institutions.

As part of the economic transition, Uganda is attracting substantial foreign investments. In 2012, Foreign Direct Investment (FDI) in Uganda (primarily for oil and energy) amounted to USD 1.7 billion, higher than the FDI in Kenya and in Tanzania. An increasing number of investors also originate from Asia, Africa and Latin America. The Government of Uganda considers non-Western investors as a good alternative to reduced bilateral and multilateral aid with its strings and / or conditions for transparency and accountability.

Reflecting the changes in the Uganda economy and its strengthened role in the East Africa region, it is fitting that the Dutch government now categorizes Uganda as a transitional country in which there will be an increasing focus on trade and investment. In the last two years, well known Dutch companies have invested in Uganda. Furthermore, ca. 100 Dutch or Dutch related SMEs are established in Uganda, ranging from animal feed, veterinary drugs to tourism.

Uganda's government's budget continues to be relatively small when compared to other countries in the region. The budgets for the security sector, State House and infrastructure are prioritised over investments in education, agriculture, and other productive and enabling sectors. Only 13% of its Gross Domestic Product (GDP) are administered as taxes. The Ugandan budget is 80% self-financed and for 20% financed by donor programs. The 'domestication' of revenue mobilisation (and reduced aid dependency) could have positive effects on the fight against leakages, waste and inefficiencies as civil society has increased its demand for accountability and effective delivery of services.

In the field of democratization and human rights, there have been positive developments, but not all concerns have been addressed. On the positive side, the Ugandan Human Rights Commission successfully continues to address human rights inadequacies through its increased outreach and Justice Law and Order Sector institutions generally gathering strength, as do civil society organisations. At the same time, democratic space has narrowed due to a number of factors including

suppressive policing of political opposition and new legal and administrative restrictions on the civil society organizations and media.

Corruption levels in Uganda remain high. In November 2012, the Office of the Auditor General uncovered the embezzlement of millions of euros in donor funds in the Office of the Prime Minister. Donors subsequently froze all budget support. In order to re-establish confidence in the public finance management donors demanded a refund by the government of all misappropriated funds, improved and strengthened security of the Public Finance Management, full constitution of the Office of the Inspector General of Government and criminal investigations in the affected ministries, departments and agencies. These demands are (being) implemented through a high level action matrix.

## **2.2. Results achieved and lessons learnt in the sectors and cross-cutting issues**

### **Security and Rule of Law**

The long term Dutch involvement in this sector has been visible and pronounced, giving the Netherlands and its embassy influence and profile in a sector which is the corner stone for inclusive social economic development in Uganda. The Netherlands coordinates its efforts in the Security and Rule of Law Sector with other development partners. Activities were undertaken in the context of two major multi-donor programmes:

1. The first programme is support to the Justice Law and Order Sector (JLOS), focussing on the "supply side" of justice. Work has been done on both political and technical levels. Most results have been reached at the technical level although some JLOS institutions, especially the police, continue to pose challenges. Progress has been made as well at the political level, especially in terms of legislation, policy formulation and key appointments. Examples of legislations include the:
  - Female Genital Mutilation Act;
  - Domestic Violence Act;
  - Sentencing guidelines;
  - Legal Aid Policy

On the technical level professionalism and accountability have been enhanced albeit at a slower pace than planned. Examples include:

- Increased capacity of the courts;
- Deployment of Regional Human Rights Monitors by the Uganda Police Force to address deficiencies in human rights observance;
- Improvement of conditions and human rights on inmates in prisons
- Increased access to justice for the poor and vulnerable groups, through physical deconcentration of JLOS services;
- Improved capacity to prevent and respond to crimes.

Less successful were the activities with regard to the complex issues of land rights which still give rise to many disputes and murder, trespassing and theft. Also, the development of Transitional Justice Policy implementation mechanisms lagged behind.

2. The second programme is the Democratic Governance Facility (DGF), focussing on the "demand side" of justice. The embassy along with seven other donors initiated this facility in 2011. The DGF supports Ugandan initiatives to promote democratic governance. About 20% of the funds go to government institutions, while 80% goes to civil society organizations.

Within the DGF sub groups are working on gender, climate change and oil/extractive industries. Its three programme components are:

- deepening democracy;
- rights justice & peace;
- voice and accountability

Although the narrowing of democratic space over the past two years had a negative influence on the impact of the DGF, the DGF has succeeded in strengthening civil society organizations and the government institutions it supports. Progress has been made in the area of civic education, promoting citizens and Parliament's monitoring role of government's performance at local and national levels; legal aid is now provided to 350,000 poor, marginalized and vulnerable men, women and children in 58 districts.

Lack of capacity of civil society organisations remains a challenge. Another hampering factor is the lack of cooperation between civil society organisations and the government.

*Lessons learned:* Over the past two years, the embassy has learnt that the government of Uganda is responsive but it takes a long term perspective to reach structural progress on issues related to security and the rule of law. Considerable work still has to be done on addressing corruption and human rights through JLOS and DGF structures; JLOS and DGF however are strategic entry points for political engagement with the government to advance critical issues emerging from the embassy's partnerships.

### **Food Security**

The embassy's food security program was launched in 2012. It aims to increase agricultural productivity, income generation, regional trade and investments, with a strong link to the Netherlands. The program is aligned with the Ugandan government policy on agriculture and food security in the Development Strategy and Investment Plan 2011-2015 (DSIP). It supports adaptive interventions that farmers of both genders can engage in to adjust to climate change and environment pressures. Addressing both development cooperation and facilitating investments by companies has been from the onset an important driver of the food security/economic cooperation program. As such, the embassy has integrated the economic diplomacy work in the program to enable the long term transition from aid to trade.

Prior to the selection of specific projects and implementing partners, the embassy agreed on a comprehensive set of criteria for the program:

- Aiming at higher incomes for market-oriented small farmers, with focus on youth and women;
- For a manageable portfolio, support to medium-sized projects of reputable implementing partners; a mix of local, regional, international and Dutch partners;
- Where possible, projects should lead to strengthening the bilateral economic relations;
- Preference for activities with a high added value, preferably complementary to other donors and with linkages to regional development (essential for attracting FDI);
- The program needs to be extensive in terms of network to facilitate partnerships with Dutch businesses and knowledge (the "shining diamond"; cooperation between government, companies, knowledge institutions and civil society).

Complementing the crops selected by other development partners, the embassy supports the development of certain value chains: Irish potatoes, rice, cassava, dairy and seed. The embassy invests in high potential areas with proximity to growing markets; south-west, west-Nile and northern post-conflict areas linked to South Sudan, and eastern regions linked to Kenya. The embassy is also enabling the business environment, in particular skills development for women and youth, agro-finance and regional trade facilitation. The embassy is both allocating its own financial resources and monitoring the projects financed by central funds.

By the end of 2013, the food security program supports the following partners and activities:

- aBi-Trust, a Ugandan multi-donor trust, for dairy value chain development;
- WUR/CDI, a Dutch institution, for integrated seed sector development;
- IFDC, an international institution, for rice, potato, cassava and sunflower value chains;
- ICCO-Alliance, the locally-registered Dutch NGO, for agri-skills development;
- TradeMark EA, a regional institution, for improving border posts and East African Community (EAC) customs union;
- IITA, for policy actions for agricultural intensifications;
- The embassy-managed Policy Support Fund for market scans, reviews and consultations;
- DFCU/Rabo Development, a matching fund for financial inclusion (in November 2013).

*Lessons learned:* In the first two years of the food security program the embassy learnt that for Uganda it is perfectly feasible and appropriate to integrate agro-economic diplomacy into the food security program. It also learnt that current programs can be scaled up relatively quickly for successfully targeting a significant increase in economic cooperation. However, these investments require facilitation through diplomacy and investment subsidies. Technical assistance and civil society engagement will promote development oriented investments. In addition, the embassy will facilitate economic cooperation through the development of specific 'enabling' fields such as financial services, land governance and (public) regulatory enforcement.



### **Economic diplomacy**

Two years of economic diplomacy indicated that the business community predominantly demands help with accessing machinery, other capital goods and agro-logistics. In Uganda, the quality of these capital items usually is poor and relatively expensive. Normally, capital items are financed by loans but term-financing is extremely scarce and relatively over-priced as compared to inflation. The most strategic investments are increasingly in a few 'top sectors', agro-food, logistics and energy, and in banking. To facilitate bilateral economic cooperation the embassy implemented the following services:

- **Market scan** in livestock and investor guide in energy;
- **Missions:** President Museveni visited the Netherlands, as well as the Ugandan Ministers for Foreign Affairs, Agriculture and Water. Three outgoing agro trade missions related to agribusiness, potato and dairy. Minister Ploumen visited Uganda, as well as two incoming trade missions (agribusiness and livestock);
- **Market intelligence.** The number of trade and investment enquiries has increased to 200 per year. The questions are very diverse. Some questions are shared with the Agri-Hub for its input;
- **Investment facilitation.** The embassy facilitates contacts for Dutch investors, including for those in agri-business with good results in banking, dairy, animal feeds, hydro-power and water-transport;
- **Business Conflict mediation.** The embassy intervened a few times on behalf of Dutch companies when tender awards decisions were delayed, delivery/payment disputes and internet fraud. The embassy continues to engage the relevant Government institutions to find lasting solutions to such issues;
- **Dutch Business Instruments.** The embassy promotes Dutch business instruments (MMF, PSI, ORIO and PUM) on request and pro-actively. The recently established Netherlands Uganda Trade and Investment Platform (NUTIP) serves as a useful platform and network.

*Lessons learned:* Over the past two years, the embassy has learnt that Uganda's growing economy offers numerous opportunities for Dutch trade and investments. There is a need to proactively identify and link Dutch top sectors that have the complementary know-how and expertise to add value and create the much needed economy-wide catalytic growth effects. A number of implementation as well as other risks do exist but to ensure success there is a need to sharpen implementation strategies and utilise Dutch public sector support to ensure smooth implementation. It is not economically viable to produce and export Dutch goods to the Ugandan market; it is more efficient to produce in Uganda and service the fast expanding local and regional market. A concerted effort to contribute to the improvement of the local business environment is a requirement for attracting, maintaining and promoting Uganda as a destination for Dutch investments.

### **Cross cutting issues**

Overall progress in the embassy's interventions on governance has been limited due to the political context. Corruption remains an important impediment. In JLOS and DGF in-house anti-corruption mechanisms have been set up to promote integrity and accountability of personnel and partners. A special anti-corruption court was established with JLOS support, delivering successful prosecutions and recoveries of misappropriated funds. The Inspectorate General of Government (Ombudsman IGG) and Office of the Auditor General (OAG) are improving their performance, but the impact of their work remains constrained because of limited follow up and lack of political accountability.

Regarding food security, the embassy is strengthening the Ministry of Agriculture with the improvement of regulatory enforcement in the area of seed and agro-chemicals.

The embassy's food security program specifically targets **women and youth**. The program focuses on upgrading the role of farmers in general and women in particular to enhance income generation. All projects target, track, and report on women's involvement through gender disaggregated indicators. The agri-skilling activities target more women than men in training in farming as a business.

**Sexual reproductive health rights** get special attention in the agri-skilling program, in particular for youth. To enable the youths making their own decisions regarding their sexual and reproductive health, the agri-skilling program trains the youths in selected topics which focus on; self-esteem and human dignity, dreams and desires, understanding sexual reproductive systems, hygiene, relationship, human rights, love, sexuality, HIV/AIDS, drugs and substance abuse. With support of the embassy the agri-skilling program is developing training manuals on sexual reproductive health rights to be translated into five local languages.

In both the supply (JLOS) and the demand side (DGF) programs of security and rule of law, **gender issues** are mainstreamed. Both general and targeted legal aid is available in half of the districts throughout the country covering a broad spectrum of legal issues. Procedures for investigating cases of sexual and gender based violence have been enhanced and capacity has been built enabling prosecutors to build cases on forensic evidence. Specific funding to advance women in leadership; engagement of women in public policy and conflict mitigation has been provided to partners. As a result, implementing partners such as cultural leaders in northern Uganda, members of parliament, and human rights organisations, have adapted their programs in order to incorporate innovative approaches to address women and youth issues.

Related to **environment and climate change**, the food security program focuses on climate adaptation (resilience) and ensures that its interventions maintain and improve rather than degrade the environment. Households, institutions, companies and the State have low adaptation/ resilience capacity (buffer) to mitigate the effects of natural, economic or political shocks. Current projections of climate change in Uganda suggest that temperatures will gradually increase over the next 30 years and the current dry season will experience light precipitations with an increase in extreme weather events. Commonly observed indications that Uganda is experiencing a warming trend include rising temperatures, changing rainfall patterns, melting glaciers in the Rwenzori mountains, increasing prevalence of agriculture pests and human diseases, and increasing intensity and frequency of dry spells and floods. Hotter temperatures are likely to reduce the outflow of Lake Victoria by lower water levels, affecting power generation. Farming households are ill-prepared for climate change related stress on agricultural systems and water resources and in the short term to the adverse outcomes of fully liberalized markets.

To improve resilience the food security program is providing technical inputs, facilitating loans and investments, and promoting diversification of crops and market competition. Its value chain approach will build resilience to climate change and reduce the vulnerability of climate change impacts of the different actors involved by increasing income and building assets. Different aspects of the value chain hold the potential solutions to climate risk – by supplying input production and distribution, extension services, diversification of agriculture production, post-harvest handling and marketing expertise.

The security and rule of law cluster has focused on oil accountability. Partners supported by the DGF managed to improve some key areas of the oil laws, such as environmental protection and access to information, significantly raised public awareness and debate about oil governance issues, and established mechanisms for dialogue on oil issues in the oil producing regions. The work undertaken around the pivotal Up-Stream Bill helped to forge a strong progressive consensus amongst members of parliament, ministry officials, civil society and the media, which required concerted efforts by the Executive to overturn.

In addition to the actions by the embassy based on the three priority fields of security and rule of law, food security and economic cooperation, a multitude of **NGOs and international organisations** implement activities in Uganda through the framework of co-financing by the Dutch Ministry of Foreign Affairs in the areas of education, health, human security, child protection, psychosocial development, sexual and reproductive health, livelihoods, green entrepreneurs, conflict transformation, democratisation, renewable energy, water, sanitation, trade unions, security and rule of law, epidemics, maternal health, interfaith advocacy. Total contribution 2011-2015 for activities in Uganda is ca. 90 million euro.

## **CHAPTER 3 COUNTRY ANALYSIS**

### **3.1 Context analysis**

Uganda forms part of the Great-Lakes Region (further covering Burundi, Rwanda, and the neighbouring provinces in the DRC), which constitutes an intensely interconnected expanse marked by strong intraregional trade and labour movements due to geographical, social and linguistic proximity.

The economic and social interactions in the Great Lakes region are West-East oriented across the Congolese border stretching from North to South and particularly strong along:

- (1) Burundi and the bordering Congolese province of South Kivu;
- (2) Rwanda and the neighbouring Congolese territory (both northern South Kivu and southern North Kivu); and

(3) Uganda and its Congolese borderlands (both northern North Kivu and the district of Ituri).

The eastern DRC has always depended on its eastern neighbours for exports and imports whilst those same provinces have always been attractive for their abundant natural resources, particularly farmland and minerals. Also ethnic and linguistic relations in the region are West-East oriented, crossing international borders.

The regional instability of the past two decades also affected regions across the Congolese border. The eastern provinces of the DRC and Burundi, Rwanda and Uganda thus share both a turbulent recent past and present, with war still vividly in the national memory. Although the countries in the landlocked region differ with respect to governance, stability and economic growth, Uganda faces a number of problems rooted in similar regional problems: an imperfect functioning system of rule of law, political and ethnic tensions, poverty and overpopulation, complications around land access and ownership, access to resources for exploitation or energy, and the underlying problem of oppressive gender roles.

Due to its size, its internal political dynamics over the past 20 years and to its geographic location, Uganda has been able to shield itself rather successfully from the regional instability and tries to maintain a course of internal and regional political stability, fuelling economic growth.

#### **Uganda's population boom and poverty**

Uganda is having the second fastest population growth in Africa with 3.2 % growth rates per year. The population is estimated at 37 million and will be doubled in 20 years. The median age is 15 years. Inclusive growth is necessary for Uganda to collect on the 'young population bonus'. Every year one million extra youth is looking for a job. Most of them will have to be self-employed as salaried jobs are scarce. A good part of them might contribute to inclusive growth through micro and SMEs. Another part risks of falling into inertia. It is not unthinkable that a part will not accept the current situation and revolt with aggression.

According to the 2012 UNDP Human Development Index, 38% of the Ugandan population live on less than 1.25 USDollar a day. In Northern Uganda the percentage is estimated at 45% higher in Northern Uganda. Most poor people, however, are living in the East of Uganda where population density is much higher than in the north. Less poverty does not necessarily result in less malnutrition. In the South West of the country, for example, while the official percentage of poverty is lower than the national average, recent studies suggest that the number of malnourished children is relatively high. Under-nutrition is the largest contributor to child mortality in Uganda.

#### **Incomplete but on-going economic transformation**

The economy is gradually diversifying from a traditional agricultural based economy to a service-oriented economy. The services sector and the construction sectors dominate Uganda's new economy, while the manufacturing sector grows much more slowly. The services sector contributes 45 per cent of the total GDP. Despite the on-going transformation of the Ugandan economy, the proportion of the population employed in the various sectors has not reflected the changes in the relative contributions of these sectors to growth. Agriculture remains the primary employer for the largest proportion of the workforce, with over 70 per cent of the Ugandan labour force locked up in this sector. Budgetary allocation to agriculture however does not exceed 4.1%. Productivity is still very low, attributed to use of low efficiency tools of production and very low usage of improved technology.

It is anticipated that the Ugandan economy will continue to post growth rates ranging between 5-6 per cent in the next financial year. Growth has been most in retailing, construction, transport, hotel, telecom/ICT and tourism. Oil and gas have been discovered in Uganda. Against proven reserves of 3.5 billion barrels, it is anticipated that over 1.2 billion barrels of oil equivalent will be recovered. Prospects for more discoveries are high. This is attracting a lot of attention from foreign investors, in particular Irish, French and Chinese companies. Foreign Direct Investment in 2012 amounted to USD 1.7 billion (the highest in the region). The oil/gas will not come on stream before 2018 but is expected to finance public infrastructure, such as hydro-power plants, roads and rail transport. Value addition is still low due to a small industrial base.

The demand for goods and services is favoured by a growing demand of 150 million consumers in the internal and regional markets. The peace and stability in Uganda since 1986 (for the North since 2006), high population growth and increasing incomes among the middle class continue to drive consumption. The removal of internal tariffs in the East African Community is also an advantage.

Uganda continues to be the regional food basket as evidenced by the high regional demand for Ugandan agricultural products, but the competitiveness of its supplies is under pressure. Forecasted oil/gas revenues sector may put more pressure on the competitiveness of other crucial sectors of the economy; a stronger Shilling will increase the dollar-rated costs of all exports.

Although economic growth is high, there are a few structural investment-related factors that constrain further transformation of the economy. The first one is the low competitiveness with a relatively high cost per unit of production and relatively low quality standards. The high costs of production are partly caused by very expensive capital and machinery, thereby denying companies an opportunity to shift from relatively labour-intensive technologies to more efficient and capital-intensive technologies: as a result the returns per labour-day (salary) are low. Another binding constraint is the lack of managerial capacity to organize the production processes efficiently and effectively.

Economic transformation drives on the economic liberalization policy but requires a more supportive economic governance framework to improve the position of Uganda on the Doing Business index. That would enhance competition and more inclusiveness. Licenses and registration fees requirements are a nuisance for business and induce endemic corruption. Furthermore, the selectivity in applying business rules creates an unfavourable business environment.

The main threats to economic transformation and maybe instability are the high levels of youth unemployment in particular, for unskilled people in Northern Uganda and the lack of job opportunities for the skilled graduates in the south and other parts of the country. About one fourth of the population is still food and nutritionally insecure, the majority of them living in Northern Uganda.

### **Uganda's regional foreign and security policy**

Uganda favours African regional solutions to African problems. Aware of the growing economic and political interdependency between countries in the region, Uganda shows great commitment to regional organisations and the African Union. It plays a very active role in the International Conference on the Great Lakes Region (ICGLR), Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC), a reflection of Uganda's interest and desire to play a leadership role in the region and in Africa as a whole.

Building a stable and secure Uganda – which is the President's main achievement since taking over a war torn and bankrupt Uganda in 1986 – is also an important driver in regional policy. The military force, Uganda People Defence Force (UPDF), is one of the most professional armed forces in the region and their interventions in the Great Lakes area (searching the LRA) and the Horn of Africa (AMISOM), are of importance for the regional stability. Particularly the success of AMISOM, of which Uganda is the biggest contributor to, served to increase the self-confidence of the country. The strong ties between the military leadership and the President have a clear impact on foreign policy.

President Museveni is very aware of his 'statesmanship' as the most senior leader in the region. It is therefore likely that the regional role of Uganda will continue to be strong, and that it will engage in more mediating efforts, and possible in the future as troop contributors to AU and UN peace keeping forces.

Due to the relative stability and steady economic growth, as well as the prospects of increased revenues from extractive industries and related investments, Uganda has seen an increase of Foreign Direct Investment in the last few years. Uganda has a relatively strong position on the international capital market with a Fitch rating of B<sup>+</sup>. This implies that Uganda will to a lesser extent be dependent for its budget on Official Development Assistance. Where earlier Uganda's access to foreign capital was mainly geared through development cooperation, development donors now are in fierce competition with commercial soft loans, mainly coming from Asia and Latin-America. This competition between resources driven soft loans and governance driven development cooperation changes the playing field drastically; both for partnership in development and the exploitation of economic opportunities.

### **Relative political stability with the continuation of patronage system**

Eight years after the return to multi-party democracy, the President still has a solid power base.

Corruption and patterns of clientelism and patronage are deeply engrained, weighing heavily on the Ugandan state and society. It is estimated by the World Bank that 7.7% of Uganda's annual budget is absorbed by corruption and misuse of government funds. According to the latest Global Corruption Barometer, among the 95 countries surveyed, Uganda listed among the 17 most corrupt countries in

the world; the second most corrupt country in East Africa after Kenya. Uganda has good laws and regulations and even an anti-corruption court in place but because of patronage politics it is unlikely that structural enforcement can be expected in the coming years. The suspension of budget support by donors did not result in significant administrative changes.

### **3.2 Justification and general directions for Dutch involvement in Uganda**

Uganda being part of the Great Lakes Region, the main intervention rationale for the Dutch embassy in Uganda is derived from the underlying goal of the regional policy of the Netherlands for the Great Lakes region: to contribute to the improvement of stability in the Great Lakes Region. The Dutch interventions through different programs aim to directly and indirectly address the underlying drivers of conflict and instability in the Region.

At a political level the embassy will contribute to the further development of a coherent Dutch strategic political vision on the region, directly and indirectly contributing to a clear and coherent vision and voice in the different international forums, such as UN and EU.

The Great Lakes region, however, also has numerous opportunities than can be tapped into by Dutch investors and traders. The Great Lakes consumer market for instance is substantial with 80 million people, including a growing middle-income class. Another 100 million can potentially be served in the wider EAC/COMESA markets, which justifies the importance of regional integration and trade facilitation. Good prospects for investment exist in the subsectors with opportunities to add value to locally available raw materials and resources, such agriculture, mining, oil/gas, hydro power, tourism, logistics and banking. In this aspect the embassy will bank on the pivotal role of Uganda in regional trade facilitation, especially between the East-African partners and the Great lakes regions.

Due to differentiation between the Dutch focus to countries in the Great Lakes and given Uganda's transitional category status, the embassy will take the lead in developing and guiding the economic cooperation work in the Great Lakes countries. It will specialize in economic cooperation and will prioritize support in the 'topsectors' agro-food, logistics/water and energy, including oil/gas and renewables.

Translated to the bilateral multi annual strategic plan, the embassy will build on the foundations of its past and present programs; Security & Rule of Law and Food Security program. Since Uganda is part of the group of transitional partner countries, the embassy is adding economic cooperation as a new working area, which will reorient the development cooperation direction. This is in alignment with the Government of Uganda's vision 2040 and development and investment plans. Inclusiveness, climate resilience, a focus on gender and offering a future for the youth as well as corporate social and environmental responsibility will be addressed as integral components.

#### **Economic cooperation**

- **Facilitating Dutch investments and trade in the Dutch top sectors** agro-food, (agri-)logistics and energy (oil/gas and renewable) including through strategic partnerships between public, private, knowledge and civil society (the 'shining diamond').
- Improving the **general business climate** with focus on regional trade as part of the East African Community, reducing the bureaucracy for business, relaxing the regulatory framework and improving access to finance.

#### **Food Security**

- Promoting **agro-value chains** with a view to building resilience by increasing labour- and land productivity and competitiveness, with the focus on supply of quality inputs & machinery and value addition/ agro-processing. There will be increasing use of PPPs with Dutch 'shining diamonds'.
- Improving **agri-business environment** such as agro-finance, land titling/ certificates, agri-skills development and regulatory enforcement of seeds and agro-chemicals.

#### **Security and Rule of Law**

- The embassy will continue to support the Justice, Law and Order Sector (JLOS) through the SWAP-fund, to ensure that Ugandan citizens have better **access to justice**. Support to the JLOS sector will underpin improvement to the regulatory framework and legal security of Dutch business, mutually reinforcing the efforts within the spear head of economic cooperation.

- More attention to **women's rights** (through legal aid, efficient handling of SGBV cases, etc.) and **legal advice and assistance to Dutch NGOs and businesses**, capitalizing on the goodwill the embassy has through its active involvement in JLOS. Meanwhile the embassy will continue to support civil society organizations and independent state institutions to foster **democratic governance**.
- Promoting Uganda's **security role** in maintaining peace and stability in both the Great Lakes and in the Horn of Africa regions. Support to multilateral frameworks will be continued and further explored. This focus mitigates also the related negative effects on the Netherlands such as refugee flows, illegal immigration, piracy on shipping routes, and terrorism.

### **3.3 Problem analysis of confirmed themes**

#### **Problem analysis Economic Cooperation**

The problem analysis on Economic Cooperation is aligned to the related analysis described in the Great Lakes MASP, highlighting the absence of critical mass of Dutch business and the wide difference in clear opportunities in the region. Uganda is setting itself up to be the entry-point for economic cooperation in the Great Lakes region due to its geographical position. Its economic transformation offers several opportunities and the country has been assigned the status of transitional country.

However, many potential Dutch investors, both large and small, are unknown to the country or to doing business in Africa in general. Uganda has not yet attracted private business facilitators to commercially broker services for these investors. They may to some extent call in the help of other Dutch companies through the recently established Netherlands Uganda Trade and Investment Platform (UTIP). The approximately 80 Dutch or Dutch related companies still do not have the critical mass to attract other interested Dutch investors.

Overall, Dutch companies require assistance in finding business partners, in establishing useful contacts and in obtaining risks analysis. Potential Dutch entrants to the Ugandan market may be scared off by the endemic fraud or feel vulnerable. Within the UTIP network they can find mutual advice and assistance.

There are specific business entry points in the identified top sectors (agro-food, logistics and energy):

- *Agro-food.*  
Labour productivity in agriculture is low. Mechanisation of the sector is needed. The market increasingly requires better standards and quality products. In the coming years more Dutch companies are expected to invest in the processing of animal feeds, dairy and cassava. Labour and management skills and post-harvest handling need to be improved. Informal markets and distribution problems can form a barrier to market entrance. Except for the South-west agricultural organisations and cooperatives are generally weak.
- *Credit*  
Lack of access to affordable agri-credit hampers the growth of the number of bankable agribusinesses. The costs of finance can be lowered by mobilising savings and group finance. Bringing in cheaper capital from abroad might lower the cost of credit.
- *Logistics.*  
The costs of transport are high as fuel for transport is imported. The Government has committed up to 33 % of the national budget for the development of infrastructure, particularly transportation and energy. Transport and energy are critical for value addition efforts in the agri-sector. The demand for cooling, cleaning and distribution of agri-impliments is higher than the supply.
- *Energy (oil/gas and renewable).*  
Oil extraction will start by 2017-2018. The Ugandan government is looking for upstream investments in the refinery and pipelines. All kind of supply and support industry is warranted in the coming years. The need for investment capital to finance this sector might dampen the availability of capital in other sectors like agriculture and might pose a threat to economic diversification and sustainable economic growth. Equitable distribution of oil proceeds will shape the extent of income inequality, vulnerability and poverty in the long run. The demand for energy is poised to grow as the economy grows. Only 10% of the people have access to the grid. There is a need to invest in construction of more hydro power generating dams. Dutch investors are exploring commercial opportunities in mini-hydro. Dutch companies are

investing in biodigestors and business accelerators for synergies between the several solar power companies.

### ***Problem Analysis Food Security***

The problem analysis on Food Security is aligned to the related analysis described in the Great Lakes MASP, highlighting land issues, youth employment and (gender) inequalities. Uganda is endowed with good natural resources, but is feeling the land and population pressures. Uganda can potentially feed seven times its current population (USAID, 2010) and part of the region. About 21% of the population is classified as undernourished, and 38% of children are malnourished (FAO, 2011). There is more undernourishment in rural areas, in particular in the North and East.

Agro-processing and value addition are underdeveloped. The agro-production is machinery/capital extensive and is primary based on labor against low wages. The sector therefore is not appealing to most youth. Future growth will have to come from the intensification of agricultural systems and commercialisation of small holders with a continuous improvement in both land and labour productivity. Capital and productivity growth for the country's farms can lead to increasing incomes and improved livelihoods.

Structural problems include land insecurity; weak producer organisations; weak supply markets; weak or absent financial services and infrastructure bottlenecks. The Governments supporting and regulatory functions are weak: agricultural policies are all there and look well on paper but suffer from poor implementation.

### ***Problem analysis of Security and Rule of Law***

Promoting security and rule of law is an essential precondition for achieving the MDGs, for protecting human rights, for regional security and for enhancing the business climate, as outlined in Dutch MFA's policy document on Security and Rule of Law.

Uganda's commitment to promoting security and rule of law in the region corresponds with the Dutch focus on stability in the Great Lakes Region and the Horn of Africa and its track record in JLOS reform.

The Government is committed to strengthening security and the rule of law in Uganda. At the highest level, however, the Government can be ambiguous about reforms in the JLOS. There is limited progress in the fight of corruption and to change deeply engrained patterns of clientelism and patronage. Some JLOS institutions have to deal with political interference, which manifests itself in the appointment process of officials and the establishment of extra-constitutional agencies. This interference jeopardizes the independence of some institutions and JLOS reforms may therefore be hampered.

Furthermore, there are some bottlenecks at the technical level:

- lack of capacity and professionalism: low productivity and efficiency, absenteeism, "petty" corruption;
- the business climate is still unsatisfactory. JLOS has reformed commercial laws and improved procedures for key JLOS services but implementation is lacking; businesses still encounter a lot of obstacles;
- there is a backlog of court cases. Despite strengthening the capacity of courts, the backlog of court cases is very large, leading to congested prisons and violations of the right to a speedy trial.

The Uganda People Defence Force, one of the more professional armies in the region, welcomes cooperation with the Netherlands for further strengthening its professionalism. As much as objectives overlap, the underlying motives and dynamics for Uganda's and President Museveni's personal commitment to play a peacekeeping role in the region should be kept in mind.

### ***3.4 Joint EU Programming***

In the area of regional security, EU member states work closely together, often in good cooperation with the United States and other European countries like Norway and Switzerland. Levels of cooperation vary from the EU Training Mission Somalia, which is managed through Brussels, to Africa Contingency Operations Training and Assistance (ACOTA) trainings, where the US has the lead and EU countries decide to contribute on a more ad hoc base.

EU donors to JLOS, such as Austria, Denmark, Ireland, and the Netherlands, coordinate their assistance in the JLOS Development Partners' Group. They agree on a division of labour and align

disbursement triggers. Modalities, however, are mixed (project, programme and budget support). Since 2011, upon Dutch initiative, the JLOS Development Partners' Group agrees annually on joint assessments of progress of the sector, and on joint risk assessments. The EU Delegation participates in this Group as an observer, and has expressed the intention to join the JLOS as a Sector Budget Support donor under the 11<sup>th</sup> European Development Fund.

In the area of Security and Rule of Law, joint EU programme is de facto already going on. The DGF is constituted by six European bilateral donors, Norway and the EU Delegation. The programme document was drafted in a joint effort, donor contributions are aligned, reports, reviews and assessments are drafted in such a way that they comply with the regulations of each Member State. The Chair rotates between the participating partners: the Netherlands will hand over the Chair of DGF to the UK at the first of January 2014.

Article 8 Dialogue and the local implementation strategy for the advocacy on protection of Human Rights Defenders are also pursued within the auspices of the EU joined approach.

## **CHAPTER 4 OBJECTIVES, RESULTS, ACTIVITIES AND RISK MITIGATING MEASURES 2014-2015**

### ***4.1 Long-term strategic vision***

Uganda's ambition is to become a middle income country by 2040. It is attracting investments to transform its economy by adding value to its raw materials and diversifying into different sectors. The government is also expected to invest considerably in securing peace & stability in the East African and Great Lakes regions.

Uganda plays an important role in strengthening the political and economic integration in the East African Community and the Horn of Africa. Public and private investments in infrastructure, particularly roads, water transport and railway networks are pivotal to unlocking the economies of the Great Lakes and South Sudan. Uganda links the coastal countries with the Great Lakes and South Sudan. This is a unique selling point for investments in Uganda. Dutch investors should be able to benefit from the larger East African Community with its 150 plus million consumers in the years ahead.

The Government is not expected to respond to all transitional needs. The national budget is too small to address the different socio-economic needs, warranting a broadening and increase of the tax base. The big challenge for Uganda is implementing an adequate response to the one million extra young job seekers entering the labour market every year.

Under the new policy 'A world to gain', Uganda has been identified by the Netherlands as a 'transition country', where the focus will gradually shift from 'aid' to 'trade'. It is recognised however, that compared to countries in the region, such as Kenya, Uganda still has a long way to go in terms of the physical, legal and financial enabling environment.

The number of Dutch companies investing in Uganda is still relatively small but growing. Attracting more investment will require proactive commercial business facilitation, including awareness raising of opportunities and efforts to remove constraints. Opportunities for large/medium size companies and SMEs are in the priority sectors agro-food, logistics and energy (oil, gas and hydro) and in banking services. Uganda will continue to partner with foreign investors, including the Dutch private sector, if actively promoted.

For the coming 5-10 years it is expected that Uganda's transformation and Dutch economic cooperation require a continuation of aid, although increasingly through strategic partnerships. To sustain its economic transformation and encourage inclusive growth, Ugandan systems and institutions will need to get stronger and more responsive. The seed capital of development aid, economic cooperation and economic diplomacy are of crucial importance to the success of new business entrants. Reflecting the successes of the application of investment subsidies in the past, targeted development aid should continue to be utilized to initially support commercial activities with diplomacy geared towards economic cooperation. In terms of modalities, the embassy will engage in more strategic partnerships with Dutch 'shining diamonds' who themselves as well will contribute financially and or technically.



## **4.2 Economic Cooperation**

The following outline is in coherence with the regional Great Lakes MASP priorities on economic cooperation. However, looking at the position of Uganda as a linking pin between the Great lakes region and the East-African markets, the scope of these actions may go beyond and cover the East African Community ambitions.

### 4.2.1 Goals

The Economic Cooperation program aims at increasing Dutch investments and trade with Uganda that is socially and environmentally responsible and contributing to inclusive growth. The program is aligned with the Ugandan Government policy on economic transformation as presented in the National Development Plan and the 2040 vision. The activities are clustered in two groups:

- Direct investment promotion in key-sectors, but with priority in the 'top-sectors' agro-food, (agri-)logistics and energy (oil/gas and renewable);
- Improving the general business climate with focus on regional trade as part of the East African Community.

### 4.2.2 Embassy Outputs (clustered in two outcome levels)

#### *(1) Dutch investments and trade enhanced*

- Cumulative Dutch Foreign Direct Investment amounts to USD 500 million in period 2012-2017, of which USD 100 million is linked to the Food Security program;
- Uganda imports USD 90 million from the Netherlands in 2017 (up from USD 67m in 2012);
- 120 Companies with Dutch business linkage are registered in Uganda (up from 80 in 2012);
- The average number of trade & investment enquires amounts to 250 per year (<100 in 2012).

#### *(2) General business climate improved*

- The Netherlands Uganda Trade and Investment Platform is actively lobbying and advocating for the Dutch business interests in Uganda;
- The cost to import a container from Mombasa to Kampala is reduced from \$3000 to \$2500;
- The number of companies accredited for the authorized economic operator scheme (one stop border post) increased from 10 to 20 by 2017;
- The ranking of the Doing Business Index improved from 120 to 100 by 2017.

### 4.2.3 Process

The embassy will promptly respond to trade and investment enquiries from both Dutch and Ugandan companies, including follow-up with authorities for delayed tenders and resolving of trade disputes. The embassy will facilitate the operation of the Dutch Ugandan Trade and Investment Platform which will be linked to the EU-Uganda Chamber of Commerce (under development). It will enhance the use of new social media such as Facebook and Twitter, and make effective use of the Agri-HUB Uganda consultative mechanism.

As concerns the priority sectors of agro-food and (agri-)logistics there will be consultations with the ministry of Economic Affairs and the agricultural councillors at the embassies in both Kigali and Nairobi. The embassy will undertake market scans of commercial Dutch opportunities and a support strategy will be agreed with the ministry and the regional advisor in Dar-es-Salaam. The embassy will make use of annual budget for economic cooperation in transitional countries, to cover market scans, missions, reviews, "reversed" match making, exhibitions and activities of the Netherlands Ugandan Trade and Investment Platform.

The embassy will contribute to improving Uganda's ranking on the Doing Business Index among others by economic diplomacy and support to World Bank/International Finance Corporation and TradeMark East Africa.

### 4.2.4 Cross-cutting issues

As part of the implementation of the EU-EAC Economic Partnership Agreement (under negotiation), the embassy will consult the EU-delegation for harmonized EU support to EAC regional integration. The embassy will facilitate the regular monitoring of corporate social and environmental responsibility (CSER) of Dutch investments, including the involvement of women and youth and compliance with environmental regulations. The Rio Markers will be applied to capture the contribution of the activities financed by the embassy and or in cooperation with private actors to climate change commitments.

#### 4.2.5 Activities

The following activities will be implemented:

- Appraise contract and manage for results and communicate about Dutch funded ODA-activities;
- Appraise, contract and manage for results the proposals in pipeline of the non-ODA program;
- Facilitate access to, monitor results and create synergies with Dutch business instruments, such as the Dutch Good Growth Fund, PSI, MMF, ORIO and FMO Entrepreneurial Development Bank;
- Pro-actively broker linkages between Dutch and Ugandan companies, answer trade/investment enquiries, facilitate (regional) trade visits and strategic Dutch investments;
- Create cross-border synergies between food security programs of Dutch Embassies in neighbouring countries including through the regional activities within the 'Great Lakes' program;
- Follow and link regional programs/instruments with Dutch funding: Africa Enterprise Challenge Fund and the Africa Agribusiness Academy;
- Consolidate synergies with Dutch civil society, such as AgriProFocus, ICCO Alliance and ZOA;
- Monitor complementary programs by other Development Partners such as the EU, Denmark, Sweden, USAID and the World Bank Group.

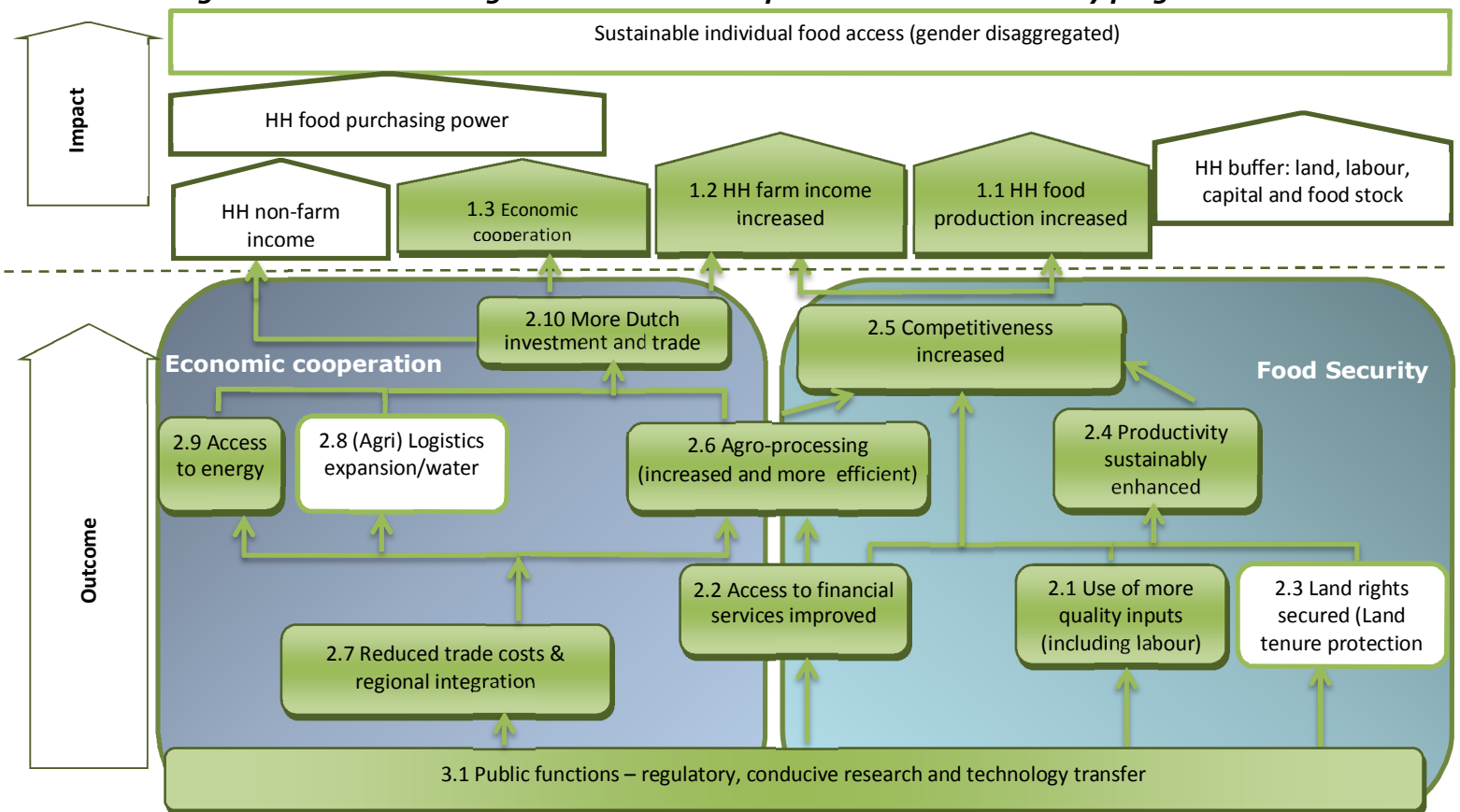
#### 4.2.6 Risks, modality mix and risk mitigating measures

Implementation of both development and bilateral economic programs takes place within an environment that is fraught with risk. At both contextual and implementation levels, the main risks include relatively weak institutions, corruption, weak fund management procedures, political interference and lack of consolidation of successes. To mitigate risks, the embassy carefully selects implementing partners, employs a manageable portfolio of activities, and ensures the use of transparent/competitive procurement and corruption/fraud procedures. In addition the embassy promotes synergies between different partners, organises accountability meetings for performance, and undertakes field visits for reality checks.

#### 4.2.7 Monitoring of the economic cooperation program

The embassy will update annually the Result Fiche on the Food Security and Economic Cooperation programs. Furthermore, the embassy is finalizing a future proof Monitoring Framework of its Food Security and Economic Cooperation programs for results monitoring with implementing partners.

**Figure 1: Intervention logic KAM Economic cooperation and Food security program**



*The green boxes are the current core areas of EKN 's programme, the white boxes (2.3 and 2.8) are new areas.*

### **4.3 Food security (FS)**

The following outline is in coherence with the regional Great Lakes MASP on food security.

#### 4.3.1 Goals

The food security program aims at inclusive growth of farm incomes and agro-food production by market-oriented small farmers, in particular women and youth, thereby contributing to sustainable individual food access

- Increased farm-income by 50% for 100,000 households;
- Increased marketable surplus by 200,000 tons of cereal equivalents, sufficient to feed an additional one million people annually.

The activities are clustered into two groups:

- agro-food value chains, with focus on agro-processing and strategic partnerships with Dutch business & know-how;
- agribusiness environment, with a focus on agro-finance, skills, agri-logistics and regulatory enforcement.

The program is aligned with the Ugandan Government policy on agriculture and food security that is presented in the Development Strategy and Investment Plan 2011-2015 (DSIP).

#### 4.3.2 Embassy Outputs

The embassy output indicators and targets are clustered by outcome levels:

##### *(1) more use of quality inputs (including labor skills)*

- 5200 small farmers (of which no less than 1300 women) will be graduated to seed growers;
- 90,000 small farmers (o/w 40% women) will apply at least two elements of commercially sustainable practices;
- 10% market share for local manufacturing of quality veterinary drugs for regional markets;
- 6,800 female and 5,600 male farmers trained in 'farming as a business'.

##### *(2) productivity and competitiveness sustainably increased*

- Daily volume of milk produced per cow increased from 4.9 to 8 litres;
- Net milk-price by farmers in cooperatives improved by 20% against baseline;
- Costs per unit of product reduced by 50% in supported crops;
- 20% increase in returns per labour day in supported crops.

##### *(3) agro-processing increased*

- Milk processing is offering a market for 50,000 dairy farmers;
- Dutch invested cassava-processing is offering market outlet to 10,000 small farmers;
- 50,000 tons of maize processed into fortified flour;
- 40,000 tons of pelleted chicken feed domestically manufactured with Dutch investments;
- 25,000 new participants in 'Women in Business program' (up from 3,800 participants);
- 20% annual growth in savings with DFCU: from euro 200 million to 600 million.

##### *(4) financial services enhanced*

- 12,000 dairy farmers benefitting from banking services;
- Dairy cooperatives are borrowing at 5% lower costs (in real terms);
- 1 million people extra financially included in the formal banking services;
- 2000 new (agro-)SME borrowers.

##### *(5) public functions improved*

- Ministry of Agriculture institutionally effective in enforcing seed and agro-chemical regulations;
- Two zonal investment plans for potato and rice areas under implementation.

#### 4.3.3 Process

As part of the food security program, the embassy will organize financial support, facilitate at strategic levels for results and broker business linkages with Dutch companies. The financial support will be provided to a targeted well-managed activity portfolio that is implemented by reputable partners. Extension/expansion of on-going activities and new activities will largely depend on results achieved and expected contribution to the goals of the MASP, in particular economic diplomacy. The embassy will manage for strategic key results with the Ministries responsible for agriculture and trade. Through

its extensive network the embassy will broker linkages with Dutch companies, not only related to the activity portfolio, but also in non-core agriculture related areas.

#### 4.3.4 Cross-cutting issues

The expected benefits and risks for women and youth will be explicit in the activities. Results will be gender disaggregated and achievements promoted. Skills development will be targeted towards female and young entrepreneurs and will include SHRH modules. Support to agriculture and agribusinesses will be subject to a positive environment impact screening. The Rio Markers for climate change will be applied to activities and reported. The embassy will promote good governance by supporting the implementation of critical functions of the Ministry of Agriculture and by strengthening the monitoring of CSER in supported industries.

#### 4.3.5 Activities

The following activities will be implemented:

- Manage for results and communicate about Dutch funded activities. This includes the support to aBi (dairy), IFDC (Catalist), WUR/CDI (seeds), ICCO (agri-skills) and IITA (agri-policy action);
- Appraise, contract and manage for results new proposals for activities such as PPPs with dfcu/Rabo and land issues
- Facilitate access to, monitor results and create synergies between the Food Security program and projects financed by Dutch central ODA-funds such as the Dutch Good Growth Fund, 2SCALE, FDOV-projects, Learn4Work, PSI, MMF, ORIO and FMO Entrepreneurial Development Bank;
- Pro-actively broker linkages between Dutch and Ugandan companies, answer trade/investment enquiries, facilitate (regional) trade visits and strategic Dutch investments;
- Facilitate consultative mechanisms between the private sector, NGOs, Development Partners and Government on certain topics, such as agro-finance;
- Create cross-border synergy between food security programs of Dutch Embassies in neighbouring countries;
- Follow regional programs/instruments with Dutch funding: Africa Enterprise Challenge Fund and the Africa Agribusiness Academy;
- Consolidate synergies with Dutch civil society, such as AgriProFocus network;
- Monitor and create synergies with complementary programs funded by other donors, such as EU, Denmark, World Bank, and USAID.

#### 4.3.6 Risks, modality mix and risk mitigating measures

As the public financial systems pose a challenge for involvement, the main focus for the embassy's interventions lies with the demand side, i.e. private sector, while at the same time a modest investment will be made in enhancing public sector capacity. Government buy-in has been low for the agri-policy actions related to the implementation of critical public functions, such as effective regulatory enforcement of the seed policy. As further risk mitigating measures the embassy will invest in building capacity in the ministry of Agriculture. The embassy will choose a mix of support to existing multi-donor programs and to stand-alone projects, always seeking and promoting synergies within the Dutch portfolio and with other programs. Corruption and environmental risks will be targeted in the specific interventions. To mitigate risks of fraud and corruption in bilateral projects, strong institutional arrangements and strict audit procedures will be set up. Environmental impact assessments will be conducted to identify and mitigate potential negative effects of activities in wetlands and other fragile ecosystems to ensure compliance with Ugandan regulations and in support of CSER.

#### 4.3.7 Monitoring of the food security program

The embassy will update annually the Result Fiche on the Food Security and Economic Cooperation programs. Furthermore, the embassy is finalizing a future proof Monitoring Framework of its Food Security and Economic Cooperation program for results monitoring with implementing partners. Field visits and regular forms of monitoring will be introduced.

### **4.4 Security and Rule of Law**

#### 4.4.1 Goals

The Security and Rule of Law programme aims to contribute to improved security, rule of law and governance in Uganda. A well-functioning rule of law system benefits the Ugandan state and its people, but it as well forms the corner stone for an enabling environment for economic and commercial

development, mutually reinforcing the interventions of the embassy in the field of economic cooperation. More specifically, the embassy aims to:

- contribute to improving JLOS service delivery: improving access to justice, accountability and the respect for human rights at government level. Continued professionalization of the JLOS sector will foster confidence of the Ugandan population in the justice system and will also contribute to a better climate for doing business;
- contribute to an increasingly pluralistic society: strengthening civil society in the field of democratisation, protection of human rights and accountability;

To reach the aforementioned goals the embassy supports to the Justice, Law and Order Sector (support to Strategic Investment Plan III, which includes 17 key government institutions) and the Democratic Governance Facility (a multi-donor grant-making facility that supports 75 partnerships of Ugandan initiatives to improve democratic governance, 20% of funds go to government institutions, 80% go to civil society organizations).

In the field of security Uganda is a powerful regional professional security force by choice, in line with its ambition to be the main political regional player, the regional peace broker. Some 10.000 military and police are involved on a yearly base with peace keeping operations in several countries.

The embassy will facilitate a stronger relationship between the Dutch and Uganda's armed forces, especially through training and capacity building missions; in the context of Africa Contingency Operations Training and Assistance (ACOTA) and through strengthening of the legal advisory capacity within the army leading to increased observance of human rights and international humanitarian law. It will further facilitate possible exchange programs of strategic military staff, explore options for training possibilities for the Dutch military in Uganda and it will aim at the earliest possible conclusion of a multiannual Status of Force Agreement.

#### 4.4.2 Embassy Outputs

##### *Improved JLOS service delivery - JLOS*

The embassy is a key JLOS development partner. Dutch support to JLOS consists of financial and technical assistance and (multilateral and bilateral) political dialogue with the JLOS Secretariat and JLOS institutions. Assistance is channelled through the JLOS Development Partners Group (DPG), in which the embassy participates together with seven other donors.

The embassy will continue to support JLOS in implementing its current Strategic Investment Plan 2011– 2015 which has three outcome areas. These include:

- on structure: a stronger legislative, regulatory and policy environment, in order to have better service delivery by public institutions like courts, police, public prosecutors and prisons;
- on hardware: an enhanced physical infrastructure for delivering JLOS services;
- on software: raised awareness and accountability among JLOS personnel on corruption and human rights breaches (prevention, detection, investigation, sanction).

In terms of reaching the development objectives, there formally are no outputs that the embassy can claim as its own, as they are the responsibility of the JLOS Secretariat. The detailed results of JLOS are presented through the monitor framework attached to the Strategic Investment Plan for JLOS. However, the embassy will, use its leverage to enhance the policy dialogue and obtain concrete results also for the mutual reinforcement of policy goals in the field of economic cooperation.

In this regard the embassy will be paying specific attention to:

- an increase in accountability and human rights observance (more specifically trying of civilians through court martial, juveniles and mentally disabled people in prisons);
- increased professionalism and performance based management;
- improved access to justice for victims of sexual gender based violence;
- a more conducive legal and administrative environment for doing business.

##### *An increasingly pluralistic society – DGF*

The embassy, through DGF, will continue to support the government of Uganda in its commitment to foster a pluralistic and tolerant society. The Democratic Governance Facility (DGF) is a multi-donor initiative set up support Ugandan-led initiatives in this field (from both government institutions and civil society organizations).

Dutch support to DGF consists of financial and technical assistance and dialogue with the DGF Programme Management Unit and DGF's partner organizations and institutions. Assistance is channelled through the DGF Steering Committee and DGF Board. The work of DGF and its partners aim to achieve the following outcomes;

- strengthened democratization;
- protection of human rights, access to justice and peaceful coexistence;
- improved accountability in Uganda.

In terms of reaching the development objectives, there are no outputs that the embassy can formally claim as its own, as they are the responsibility of the DGF Programme Management Unit. Detailed results are presented in the DGF logframe which is periodically updated. The embassy will, however, use its leverage to enhance the dialogue with DGF Programme Management Unit and DGF partner organizations and institutions, paying specific attention to:

- protection of human rights defenders, including journalists, anti-corruption activists, and human rights campaigners
- LGBT issues;
- gender issues;
- oil accountability;
- transitional justice.

The embassy will continue to critically engage with Ugandan stakeholders in the area of democratic governance, accountability and human rights. The embassy will ensure that DGF remains responsive to Ugandan initiatives and needs. The embassy will promote and protect the work of human rights defenders, including journalists, anti-corruption activists, and human rights campaigners and will continue to play an active role in the Democracy and Human Rights Working Group (DHRWG) of the Partners for Democracy and Good Governance Group (PDG).

Under the Security and Rule of Law spearhead, activities will be clustered under either JLOS or DGF and pursued in a joint approach with other development partners as a way of managing and optimizing the dwindled staffing levels. Both JLOS and the DGF have a strong focus on results, detailed results framework and performance measurement framework.

Security: In 2014 a multi-annual Status of Force Agreement with Uganda is concluded.

#### 4.4.3 Cross-cutting issues

The embassy will strengthen its focus on gender and youth issues within its JLOS activities. The embassy will assess the impact that the JLOS Strategic Investment Plan III, the policy plan guiding JLOS institutions, has on women and youth. This will be done in close collaboration with UNWOMEN and UNICEF. The Embassy will pressure the JLOS Secretariat to prioritise the fight against sexual violence against women and provide extra support for reducing the backlog in the criminal justice system.

Within the DGF, gender is integrated as a cross-cutting issue. DGF, through its partners, aims to promote the implementation of the Resolution 1325 action plan for women affected by conflict, promote sexual and reproductive rights, combatting domestic violence, and addressing land rights issues, which heavily impact the lives of women. A gender consultant is working with the DGF Programme Management Unit and some of its key implementing partners to identify and implement innovative ways of improving the position of women. Furthermore, the embassy will create synergies between the centrally funded SRHR program and JLOS institutions such as the Uganda Police Force and the penitentiary system. This could include a HIV/Aids and birth control components. Research shows that uneducated people are amongst the groups that are more exposed to HIV/AIDS.

#### 4.4.4 Activities

The activities which the embassy will carry out include:

- pushing for results on the specific embassy outputs mentioned above and the cross-cutting issues through the JLOS sector and through DGF;
- consulting periodically with organisations that receive central funding for their work with human rights defenders and LGBT-communities to foster synergy of activities and results;
- driving for synergy between the interventions of the donors;
- monitoring, evaluation and review of activities;

- facilitating consultative mechanisms among NGOs and Government on certain matters related to security and rule of law JLOS;

The embassy has projected an estimated total of € 42 million towards this spearhead for the period of the current MASP. € 32 million of this support is planned to be channelled through the Justice, Law and Order Sector Wide fund while € 10 million is channelled through the Democratic Governance Facility <http://www.dgf.ug/>.

#### 4.4.5 Risks modality mix and risk mitigating measures

Support to JLOS SIP III comes with political risks. The activities under SIP III are being executed by JLOS institutions that may at times have to deal with political interference, mismanagement and corruption. The embassy will mitigate these risks by focussing on (informal) high level dialogue, strengthening the capacity of JLOS personnel and civil society actors (for accountability), cooperation with like-minded donors and public diplomacy on governance and human rights issues. Furthermore, the embassy will insist on speedy implementation of the JLOS anti-corruption strategy and focus on management for development results. The embassy will also increase its monitoring efforts, in particular related to procurement and timely implementation. Through support to the DGF, there is the risk of unintended political partisanship, for example through interventions related to the fight against corruption or the upcoming elections

#### 4.4.6 Monitoring of the programme

The progress of JLOS SIP III is monitored through semi-annual reports/reviews, which occur both at technical and political level. Joint Government and development partners visits for monitoring and evaluation are being organised. A midterm evaluation is planned in 2014/15 and an end evaluation in 2016/17. Progress in the DGF is monitored by a steering committee (currently chaired by the embassy), monitoring and evaluation missions and annual review meetings. A mid-term review will take place in November 2013.

## **CHAPTER 5 OTHER INSTRUMENTS OF FOREIGN POLICY**

### *Service Dutch nationals and travellers to and from Uganda*

The embassy as the front office and the Regional Support Office in Pretoria as back office deliver consular services to Dutch nationals, to travellers to the Schengen area and to travellers to the Dutch Caribbean. To further facilitate business travel the Orange Carpet facility will be restructured in 2014 in cooperation with the Dutch Business Club and NUTIP.

### *Public diplomacy, corporate identity and public support*

The embassy will focus on communicating the core values of being Dutch in Uganda. The embassy is an active manager of the Dutch brand. However, it is by far not the only brand ambassador. Companies, churches, sport clubs, schools, development NGOs and others contribute on a daily basis to an increased awareness of 'Dutchness'. Dutch companies must be seen as an example for the business sector in general through their sustainable and socially and culturally responsible way of doing business. The embassy will offer a platform by connecting on- and off line activities and by integrated public diplomacy where different forms of social media support and reinforce each other.

With ever increasing public scrutiny on the budgets of the Ministry of Foreign Affairs, the embassy will as a matter of priority highlight through its social media how the public funding by the Dutch tax payer contributes to an effective and cost efficient way of servicing Dutch interests in Uganda.

### *Netherlands Fellowship Programme (NFP)*

This program will be aligned with the priority programs. This means that candidates applying for a scholarship in one of the new thematic areas will be given higher scoring during the assessment of applications by the embassy. NFP will also be used by the embassy to prioritise applications in those areas that link with cross-cutting issues, such as environment and sustainable agriculture, gender, and private sector development. Capacity building in Northern Uganda will, as before, remain an important focus for the program.

## CHAPTER 6 FINANCIAL IMPLICATIONS

*Financial ODA implications 2014-2017 in € (budget-code and description of policy area)*

Budget 2014-2017		
2.1	Improved food security	50.775.000
3.2	Equal rights and opportunities for women	50.000
4.3	Developing the rule of law, reconstruction, peacebuilding, strengthening the legitimacy of democratic structures and combating corruption	34.363.000
<b>Total</b>		<b>85.188.000</b>



## LIST OF ABBREVIATIONS.....

aBi	AgriBusiness Initiative
ACOTA	Africa Contingency Operations Training and Assistance
AMISON	African Union Mission in Somalia
AU	African Union
COMESA	Common Market for Eastern and Southern Africa
CSER	Corporate Social and Environmental Responsibility
dfcu	Development Finance Company of Uganda
DFID	Department for International Development
DG-Agro	Directoraat-Generaal Agri
DGBEB	Directoraat-Generaal Buitenlandse Economische Betrekkingen
DGF	Democratic Governance Facility
DFG PMU	Democratic Governance Facility Policy Management Unit
DP	Development Partner
DPG	Development Partner Group
DRC	Democratic Republic of Congo
DSIP	Development Strategy and Investment Plan
EC	Economic Cooperation
EA	East African
EAC	East African Community
EDF	European Development Fund
EU-EAC	European Union – Economic Partnership Agreement
EZ	Economische Zaken
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FDOV	Faciliteit Duurzaam Ondernemen en Voedselzekerheid
FMO	Entrepreneurial Development Bank
FS	Food Security
GDP	Gross Domestic Product
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HQ	Head Quarters
ICC	International Criminal Court
ICCO	Interchurch cooperative for development cooperation
ICGLR	International Conference on the Great Lakes Region
ICT	Information and Communication Technology
IFDC	International Fertilizer Development Centre
IGG	Inspectorate General of Government
IGP	Inspector General of Police
IITA	International Institute for Tropical Agriculture

JLOS	Justice Law and Order Sector
JLOS SIP	Justice Law and Order Sector Strategic Investment Plan
LGBTI	Lesbian Gay Bisexual Transgender and Intersex
LRA	Lord's Resistance Army
M23	March 23 Movement
MAAIF	Ministry of Agriculture Animal Industries and Fisheries
MASP	Multi-Annual Strategic Plan
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs
MFS	Medefinancieringsstelsel
MMF	Match-Makingsfaciliteit Faciliteit Ontwikkelingslanden
NGO	Non-Governmental Organization
NRM	National Resistance Movement
NFP	Netherlands Fellow Programme
NUTIP	the Netherlands Uganda Trade and Investment Platform
OAG	Office of the Auditor General
ODA	Official Development Assistance
ORIO	Ontwikkelings Relevante Infrastructuur Ontwikkeling
PPP	Public Private Partnership
PSI	Private Sector Investment
PUM	Programma Uitzending Managers
SBS	Sector Budget Support
SME	Small and Medium Enterprises
SWAp	Sector Wide Approach
SGBV	Sexual and Gender Based Violence
SRHR	Sexual and Reproductive Health and Rights
TMEA	Trade Mark East Africa
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
UNWOMEN	The United Nations Entity for Gender and the Empowerment of Women
UPDF	Uganda People Defence Force
USAID	United States Agency for International Development
USD	United States Dollar
WUR/CDI	Wageningen University & Research centre/Centre for Development Innovation
ZOA	Stichting Zuid Oost Azië